NOTICE: This is a translation of a part of the notice issued on June 5, 2023 in Japanese and is made solely for the convenience of the foreign shareholders. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

MATERIALS FOR THE 111TH ANNUAL GENERAL MEETING OF SHAREHOLDERS ON OTHER MATTERS REGARDING MEASURES FOR ELECTRONIC PROVISION

Pursuant to the laws and regulations as well as Article 16 of the Company's Articles of Incorporation, "Matters regarding Rights to Subscribe for New Shares and the like," "Notes to Consolidated Financial Statements," and "Notes to Non-Consolidated Financial Statements" have been provided to the shareholders via the Internet by posting them on the website of the Company (https://www.santen.com/en/ir/document/meeting).

SANTEN PHARMACEUTICAL CO., LTD.

Matters regarding Subscription Rights to Shares and the like

(1) Outline of Rights to Subscribe for New Shares and the Like Issued as Compensation for the Performance of Duties and Held by Officers as of the End of this Fiscal Year

The 3rd rights to subscribe for new shares as Stock-Based Remuneration	
Date of the resolution of the issuance	August 4, 2015
Date of the issuance	August 31, 2015
Number of the rights to be issued	277 rights
Class and number of shares that are the subject of the rights	27,700 shares (*i.e.*, 100 shares per right to subscribe for new shares) of common stock of the Company
Amount to be paid for rights to subscribe for new shares	¥1 per share
Value of the property to be contributed upon the exercise of each right	¥175,627 (per right to subscribe for new shares)
Period during which rights may be exercised	From September 1, 2018 to September 1, 2025
Conditions for exercising the rights to subscribe for new shares	・The grantee may exercise the right even in the event that the grantee retires for legitimate reasons. ・A partial exercise of one right can only be exercised as long as the number of shares to be issued is an integral multiple of the number of shares for one stock trade unit. ・A successor may exercise the right.
Status of the right held by officers of the Company	277 rights (2 grantees)
Directors (excluding Outside Directors)	277 rights (2 grantees)

The 4th rights to subscribe for new shares as Stock-Based Remuneration	
Date of the resolution of the issuance	August 2, 2016
Date of the issuance	August 31, 2016
Number of the rights to be issued	313 rights
Class and number of shares that are the subject of the rights	31,300 shares (*i.e.*, 100 shares per right to subscribe for new shares) of common stock of the Company
Amount to be paid for rights to subscribe for new shares	¥1 per share
Value of the property to be contributed upon the exercise of each right	¥114,821 (per right to subscribe for new shares)
Period during which rights may be exercised	From September 1, 2019 to September 1, 2026
Conditions for exercising the rights to subscribe for new shares	・The grantee may exercise the right even in the event that the grantee retires for legitimate reasons. ・A partial exercise of one right can only be exercised as long as the number of shares to be issued is an integral multiple of the number of shares for one stock trade unit. ・A successor may exercise the right.
Status of the right held by officers of the Company	313 rights (2 grantees)
Directors (excluding Outside Directors)	313 rights (2 grantees)

The 5th rights to subscribe for new shares as Stock-Based Remuneration		
Date of the resolution of the issuance		August 1, 2017
Date of the issuance		August 31, 2017
Number of the rights to be issued		328 rights
Class and number of shares that are the subject of the rights		32,800 shares (*i.e.*, 100 shares per right to subscribe for new shares) of common stock of the Company
Amount to be paid for rights to subscribe for new shares		¥1 per share
Value of the property to be contributed upon the exercise of each right		¥154,409 (per right to subscribe for new shares)
Period during which rights may be exercised		From September 1, 2020 to September 1, 2027
Conditions for exercising the rights to subscribe for new shares		・The grantee may exercise the right even in the event that the grantee retires for legitimate reasons. ・A partial exercise of one right can only be exercised as long as the number of shares to be issued is an integral multiple of the number of shares for one stock trade unit. ・A successor may exercise the right.
Status of the right held by officers of the Company		328 rights (2 grantees)
	Directors (excluding Outside Directors)	328 rights (2 grantees)

(2) Situation of Rights to Subscribe for New Shares and the Like Issued as Compensation for the Performance of Duties to Company's Employees, the Company's Subsidiaries' Officers and its employees During the Period

Not applicable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Significant Matters as Bases for Preparation of the Consolidated Financial Statements)

1. Basis for preparing the Consolidated Financial Statements

The Consolidated Financial Statements of the Santen Group have been prepared under the International Financial Reporting Standards ("IFRS") in accordance with the first paragraph of Article 120 of the Ordinance on Company Accounting of Japan. Pursuant to the second sentence of the paragraph, certain disclosures required by IFRS have been omitted in this Consolidated Financial Statements.

2. Scope of consolidation

The consolidated subsidiaries are 34 companies where all of the subsidiaries were[have been] consolidated. The trusts pertaining to the stock-based remuneration system were[have been] included in the scope of the consolidation.

Name of the major companies:	Santen Holdings U.S. Inc., Santen Inc., Santen Holdings EU B.V., Santen SA, Santen China Investment Co., Ltd., Santen Pharmaceutical (China) Co., Ltd., Santen Pharmaceutical Asia Pte. Ltd.

3. Application of the equity method

Companies to which the equity method is applied: Two (2) companies

Name of the companies:	Twenty Twenty Therapeutics LLC, Plano Pte. Ltd.

4. Matters regarding the business year and other matters concerning the consolidated subsidiaries

The consolidated subsidiaries, Santen China Investment Co., Ltd., Santen Pharmaceutical (China) Co., Ltd., Santen Pharmaceutical Sales & Marketing (Suzhou) Co., Ltd., Chongqing Santen Kerui Pharmaceutical Co., Ltd., Eyevance Pharmaceuticals Holdings Inc., and Eyevance Pharmaceuticals LLC, with the closing date of December 31, have been consolidated based on provisional settlement accounts as of the consolidated closing date of March 31.

5. Accounting policies

(1) Basis and method for valuation of properties, plants and equipment and intangible assets, and method of depreciation or amortization therefor

(i) Property, plant and equipment

Property, plant and equipment is recognized at cost, which includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs eligible for capitalization.

After the recognition, property, plant, and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and impairment losses.

Property, plant and equipment other than land are depreciated using the straight-line method over the estimated useful lives of each item from the date the assets are available for use. The estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures:	3 to 50 years
Machinery, equipment, and vehicles:	3 to 10 years
Tools, furniture and fixtures:	4 to 10 years

The depreciation methods, residual values and estimated useful lives are reviewed annually, and adjusted as necessary.

(ii) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance and have been acquired individually or through business combinations. The major intangible assets are goodwill, intangible assets associated with products, and software.

<1> Goodwill

For the measurement of goodwill on initial recognition, the Santen Group measures the consideration for an acquisition as the sum of (1) consideration transferred in a business combination, (2) the amount of the non-controlling interest and (3) in a business combination achieved in stages, the acquisition-date fair value of the acquirer' s previously held equity interest in the acquiree. The Santen Group recognizes goodwill as any excess of this consideration for acquisition over the net amount of the identifiable assets acquired and the liabilities assumed at the acquisition date.

After initial recognition, goodwill is not amortized and is measured at cost less the accumulated impairment losses. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination.

<2> Intangible assets other than goodwill

Intangible assets other than goodwill that are acquired individually are recognized at cost, specifically any cost directly attributed to the acquisition of the asset. Intangible assets other than goodwill that are acquired through business combinations are recognized based on the fair value at the business combination date.

After recognition, intangible assets are measured using the cost model and are stated at cost less accumulated amortization and impairment loss.

These intangible assets are amortized using the straight-line method over the estimated useful lives (within approximately 20 years) from the date the assets are available for use. The estimated useful lives are calculated based on the term of legal protection or the economical life, and are regularly reviewed.

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

At the end of each reporting period, the Santen Group assesses whether there is any indication of impairment that property, plant and equipment and intangible assets available for use may be impaired for each asset or cash-generating unit. If there is an indication of impairment, the Santen Group performs impairment test and assesses the recoverability of each asset or cash-generating unit. Goodwill and intangible assets that are not yet available for use are tested for impairment and assessed for recoverability annually regardless of whether there is an indication of impairment of the asset or cash-generating unit (CGU).The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets.

The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less cost of disposal or its value in use. The value in use is the present value of the future cash flow that is expected to be generated by an asset, a cash-generating unit or a group of cash-generating units. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment losses are recognized in profit or loss and the carrying amount is reduced to the recoverable amount.

An asset or a cash-generating unit other than goodwill for which impairment losses were recognized in prior years is assessed at the end of the reporting period to determine whether there is any indication that the impairment losses recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases in which the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment losses is reversed up to the lower of the estimated recoverable amount or the carrying amount that would have been determined if no impairment losses had been recognized in prior years.

(iv) Leases

At the time of signing a contract, the Santen Group determines whether the contract is a lease or includes a lease. The contract is considered to be a lease or include a lease when the right to control the use of the identified assets is conveyed for a period of time in exchange for consideration.

If the contract is determined to be a lease or include a lease, the right-of-use asset and the lease liability are recognized at the inception date of the lease. Right-of-use assets are initially measured at acquisition cost adjusted for initial direct costs and lease incentives, etc. to the initial measurement of lease liabilities.

When ownership of the underlying assets is transferred to the lessee by the end of the lease term, or when the acquisition cost of the right-of-use asset reflects the use of the purchase option, the right-of-use asset is depreciated from the inception date to the end of the useful life of the underlying asset, otherwise it is depreciated regularly over the shorter of the economic life or the lease term from the inception date. In addition, right-of-use assets are impaired (where applicable) by impairment losses and adjusted for remeasurement of the lease liabilities.

Lease liabilities are initially measured at the present value of outstanding lease payments discounted at the lessee's incremental borrowing rate at the inception date of the lease. After the commencement date of the lease, the carrying amount of the lease liability is increased or decreased to reflect the lease interest on the lease liability and the lease payments. If the lease liability is revised or the lease terms are revised, the lease liability is remeasured and the right-of-use asset is modified. In the measurement of lease liabilities, the lease component and the related non-lease component are not separated but recognized as a single lease component.

The commencement date is the date when the right-of-use asset is acquired, and the lease term is calculated from the lease commencement date. The lease term is estimated to be the period in which it is reasonably certain that the lessee will exercise (or not exercise) the option to extend the lease during the non-cancellable period of the lease, including the free rent period.

In the consolidated statement of financial position, the right-of-use assets are included in "Property, plant and equipment" and lease liabilities are included in "Financial liabilities" or "Other financial liabilities."

The Company has selected to apply the exemption of IFRS 16 for short-term leases with lease terms of 12 months or less and immaterial leases, not to recognize right-of-use assets and lease liabilities. The Santen Group recognizes lease payments associated with those assets as expenses over the lease term using the straight-line method.

(2) Basis and method for valuation of financial instruments

(i) Financial assets

<1> Initial recognition and measurement

Financial assets are classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. The classification of financial assets is determined upon initial recognition.

Financial assets are initially recognized on the transaction date upon which the Company becomes a party to the contractual terms of the financial assets.

(Financial assets measured at amortized cost)

Financial assets are classified as financial assets measured at amortized cost if they meet the following conditions:

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

(Financial assets measured at fair value through other comprehensive income)

(a) Debt financial assets that are measured at fair value through other comprehensive income

Financial assets are classified as debt instruments that are measured at fair value through other comprehensive income if they meet the following conditions:

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

(b) Equity financial assets measured at fair value through other comprehensive income

For all investments in equity instruments other than those held for trading among financial assets measured at amortized cost and debt financial assets measured at fair value through other comprehensive income that are equity instruments, the Santen Group has irrevocably elected to represent changes in fair value after initial recognition under other comprehensive income.

(Financial assets measured at fair value through profit or loss)

Financial assets not classified as financial assets measured at amortized cost or as financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. No investments in debt financial assets are designated for measurement at fair value through profit or loss so as to eliminate or significantly reduce mismatches in accounting.

All financial assets except trade receivables that contain a significant financing component, are initially measured by the sum of the fair value and the transaction cost, except when they are classified as financial assets measured at fair value through profit and loss.

<2> Subsequent measurement

Measurement of financial assets after initial recognition is conducted in accordance with their classification as follows:

(Financial assets measured at amortized cost)

Financial assets measured at amortized cost are measured by the effective interest rate method.

(Financial assets measured at fair value through other comprehensive income)

(a) Debt financial assets that are measured at fair value through other comprehensive income

Changes in the fair value of debt financial assets measured at fair value through other comprehensive income are recognized as other comprehensive income until the financial asset is derecognized, except for impairment gain or impairment losses and foreign exchange gains and loss. If the financial asset is derecognized, other comprehensive income recognized in the past is transferred to profit and loss.

(b) Equity financial assets that are measured at fair value through other comprehensive income

Changes in the fair value of equity financial assets measured at fair value through other comprehensive income are recognized as other comprehensive income. If the financial asset is derecognized, or if the fair value has decreased markedly, other comprehensive income recognized in the past is transferred directly to retained earnings.

(Financial assets measured at fair value through profit or loss)

Financial assets measured at fair value through profit and loss are measured at fair value after initial recognition and changes in fair value are recognized as profit and loss.

<3> Impairment losses

Allowance for doubtful accounts is recognized for expected credit losses related to financial assets measured at amortized cost.

(Determination of significant increase in credit risk)

At the end of each fiscal year, the non-performance risk for financial assets at the end of the fiscal year is compared with the risk on the initial recognition date to evaluate whether there has been a significant increase in credit risk for the financial asset since initial recognition. In performing this evaluation, the Santen Group considers the financial status of the transaction counterparty, the overdue information, etc.

If all or part of a financial asset is deemed unrecoverable, or extremely difficult to recover, for example when the debtor is in serious financial difficulty, or has been delinquent for a long period after the due date, then the asset is deemed to be in default.

If a financial asset is in default, or if there is evidence for impairment, such as notable financial difficulty of the issuer or debtor, then the asset is deemed to be credit impaired.

(Measurement of expected credit loss)

Expected credit loss is the present value of the difference between the contractual cash flow that is supposed to be received based on the contract and the cash flow that is expected to be received. If the credit risk of a financial asset has increased significantly since initial recognition, the allowance for doubtful accounts related to that financial asset is measured using an amount equal to the expected credit loss over the entire period. If it has not increased significantly, then it is measured using an amount equivalent to the expected credit loss over a 12-month period.

For trade receivables that do not include a significant financial element, allowance for doubtful accounts is measured using an amount equal to the expected credit loss over the entire period.

If all or part of a financial asset is reasonably deemed unrecoverable, the carrying amount of the financial asset is fully written-off. The provision for allowance for doubtful accounts related to financial assets is recognized in profit and loss.

The provision for allowance for doubtful accounts related to financial assets is recognized in profit and loss. If an event occurs that reduces the allowance for doubtful accounts, a reversal of the allowance is recognized in profit and loss.

<4> Derecognition

The Santen Group derecognizes a financial asset only when the contractual right to receive the cash flows from the asset expires or when the Companies transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(ii) Financial liabilities

<1> Initial recognition and measurement

Financial liabilities are classified as financial liabilities measured through amortized cost and financial liabilities measured at fair value through profit and loss. The classification is determined when the financial liability is initially recognized.

Financial liabilities are initially recognized on the transaction date upon which the Santen Group becomes a party to the contractual terms of the financial instrument.

All financial liabilities are initially measured at fair value; however, financial liabilities measured at amortized cost are measured using the amount net of directly incurred transaction expenses.

<2> Subsequent measurement

Measurement of financial liabilities after initial recognition is dependent on their classification, as follows:

(a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost by the effective interest rate method after initial recognition. Interest expense through the effective interest rate method and gain and loss upon derecognition are recognized in profit and loss.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit and loss are measured at fair value after initial recognition and changes in fair value are recognized as profit and loss.

<3> Derecognition

The Santen Group derecognizes financial liabilities when the obligation specified in the contract is exempted, cancelled, or expired.

(iii) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Santen Group:

(a) Currently has a legally enforceable right to set off the recognized amounts;
(b) Intends either to settle on a net basis, or realize the asset and settle the liability simultaneously.

(iv) Derivatives

The Company utilizes derivatives for hedging the risk arising from fluctuation in foreign currency exchange rates, interest rates and share price. Derivatives are initially measured at fair value on the date when the derivative contracts are entered into and are subsequently remeasured to fair value at each reporting date. Subsequent to initial recognition, derivatives are measured at fair value and the related transaction costs are recognized as expenses as incurred. However, for derivative transactions that are hedging instruments, hedge accounting is applied if the hedging criteria are met. The Santen Group does not enter into derivatives for trading or speculative purposes.

(3) Basis and method of valuation of inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is calculated based on the weighted-average cost method, including raw materials, direct labor and other direct costs as well as relevant overhead expenses. The net realizable value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(4) Employee benefits

(i) Post-employment benefits

The Santen Group has adopted defined benefit plans and defined contribution plans as post-employment benefit plans for employees.

<1> Defined benefit plans

The present value of defined benefit obligation and the related current service costs and past service costs are calculated based on the projected unit credit method.

The discount rates are determined with reference to the market yields of high-quality corporate bonds at the end of each reporting period.

Service cost and net interest on the net defined benefit liabilities are recognized in profit or loss.

Actuarial gains and losses, return on plan assets excluding amounts included in net interest on the net defined benefit liabilities, and changes in the effect of the asset ceiling are recognized in other comprehensive income and reclassified to retained earnings in the period in which they are recognized.

Prior service cost is recognized in profit or loss when incurred.

<2> Defined contribution plan

Costs for defined contribution plans are recognized as expenses when they are paid.

(ii) Short-term employee benefit

The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service are recognized as expenses when employees have rendered services to the Santen Group.

(5) Basis for recording significant provisions

A provision is recognized when the Santen Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligations can be estimated reliably. When the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Major items are as described below:

Provision for business structural reform	…….	An estimated amount of relevant expenses to prepare for expenditures to be incurred in accordance with the implementation of the structural reform measures
Provision for paid leave	…….	Unused paid leave granted to employees under the paid-leave system are recognized as liabilities.

(6) Basis for foreign currency translation

Foreign currency transactions are translated into the functional currency using exchange rates at the dates of transactions or rates that approximate the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at year-end exchange rates, and nonmonetary assets and liabilities denominated in foreign currencies measured at fair value are translated at the exchange rates in effect at the date when the fair value was determined. Nonmonetary assets and liabilities denominated in foreign currencies measured at historical cost are translated into the functional currency at the spot exchange rate on the date of the initial transaction. Differences arising from the translation and settlement are recognized as profit or loss.

Assets and liabilities of foreign operations are translated into the presentation currency using the exchange rate at the fiscal year-end. Income and expenses of foreign operations are translated into the presentation currency using the average exchange rate during the fiscal year, except for cases of significant exchange rate movements. Exchange differences are recognized in other comprehensive income. If a foreign operation is discontinued, the cumulative exchange differences of the relevant foreign operation are reclassified to profit or loss when it is discontinued.

(7) Recognition of revenue

Revenue is recognized based on the following five-step approach:
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

For sales of goods, the customer usually acquires control over the goods when they are transferred. Therefore, the performance obligation is deemed to be satisfied, and the revenue is recognized at the time when the goods are transferred. Depending on the terms of the agreements, the Company is also obligated to accept returns, rebates and discounts, which are then measured on a net basis. The transaction price in this case is calculated as the consideration committed to the contract with the customer less these estimates, and the consideration expected to be refunded to the customer is recorded as a refund liability. The estimated liability for such refunds is calculated based on the terms of the agreements and historical experience.

The Company uses the practical expedient and does not adjust for any significant financial factors as the consideration for the transaction is generally received within 120 days of satisfaction of performance obligations.

(8) Other basic material matters in preparing the Consolidated Financial Statements

(i) Description of the amount contained
Figures less than one million yen have been rounded to the nearest million.

(ii) Accounting of consumption tax and the like
The accounting treatment of consumption and local consumption tax is net of tax, and the non-deductible consumption tax and local consumption tax are treated as expenses of this fiscal year.

6. Notes regarding accounting estimates

The figures of items that were recorded in the Consolidated Financial Statements of this consolidated fiscal year based on accounting estimates, which may have a significant impact on the consolidated financial statements for the next consolidated fiscal year, are as described below:

Goodwill of JPY7,385 million and intangible assets associated with products of JPY73,591 million

Goodwill and intangible assets related to products that are not yet available for use are tested for impairment and assessed for recoverability annually regardless of whether there is an indication of impairment of the asset or cash-generating unit. As of the end of each reporting period intangible assets associated with products that are available for use are also assessed for indicators of possible impairment of an asset or cash-generating unit, and if indicators of impairment exist, they are tested for impairment to assess recoverability.

In the assessment of recoverability, the higher of fair value less costs of disposal or value in use is regarded as the recoverable amount. If the recoverable amount is less than the carrying amount, the carrying amount is written down to the recoverable amount, and the amount to be written down is recognized in profit or loss as impairment losses.

Future cash flows, which are the basis for calculating fair value less costs of disposal or value in use, are estimated based on future business plan. However, there is a high degree of uncertainty mainly with respect to the development success rate, the prospects for drug prices and market share expansion. In addition, the discount rate used to calculate fair value less costs of disposal or value in use is based on the weighted average cost of capital, which requires a high degree of expertise in selecting calculation methods and input data.

Unforeseeable changes in assumptions and other factors could materially affect the calculation of value in use and consequently materially affect the amount of goodwill and intangible assets associated with products.

Notes

(Notes to Consolidated Statements of Income)

1. Other Income

   For this fiscal year, a change in fair value of the InnFocus, Inc. (U.S.) contingent consideration of JPY3,061 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.

2. Other Expenses

   (Impairment of non-financial assets)

   An impairment loss of JPY34,560 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.) and Eyevance Pharmaceuticals LLC. (U.S.) (collectively, hereinafter, "Eyevance") as well as impairment related to intangible assets associated with products for STN1010904 (generic name: sirolimus) and STN1010905 (generic name: sirolimus) (collectively, hereinafter, "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 JPY30,115 million (JPY22,296 million from intangible assets associated with products, JPY7,418 million from goodwill, JPY402 million from property, plant and equipment). This recoverable amount is measured by the value in use.

   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 deduced the book value of intangible assets related to products to the recoverable amount and recorded an impairment loss of JPY3,141 million. This recoverable amount is measured by the fair value less cost of disposal.

   Impairment losses recorded in this consolidated fiscal year other than those described above were mainly constructions in progress and intangible assets associated with products. Considering that no future prospects concerning the constructions in progress have been determined, and a decision was made to terminate the contract concerning intangible assets associated with products, these were recorded as impairment losses.

   (Business structural reform expenses)

   Business structural reform expenses of JPY3,225 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.

(Notes to Consolidated Statement of Financial Position)

1. Allowance for doubtful receivables directly deducted from assets

Trade and other receivables	JPY 470 million
Other financial assets	JPY 378 million

2. Accumulated depreciation of property, plant and equipment (including accumulated impairment)

   JPY 63,773 million

3. The Santen Group has entered into commitment line agreements with its banks for the purpose of obtaining effective funding to maximize investment opportunities in capital investments and business development activities. The balance of unused loans as of the end of the period was as follows:

Aggregate amount of commitment lines (specified credit facilities)	JPY 48,694 million
Amount of used loans	JPY 20,000 million
Balance	JPY 28,694 million

4. Contingent liabilities

(1) Debt guarantee

Financial guarantee for employees' loans from financial institutions JPY 3 million

(2) 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 will vigorously defend the allegations based on the relevant facts through the forthcoming arbitration procedures.

(Notes to Consolidated Statement of Changes in Equity)

1. Class and number of outstanding shares at the end of this consolidated fiscal year

Class of shares	Beginning of this consolidated fiscal year	Increased by	Decreased by	End of this consolidated fiscal year
Common stock	400,694,754 shares	60,800 shares	24,869,700 shares	375,885,854 shares

(Note 1) The increase in the number of outstanding shares is caused by the exercise of rights to subscribe for new shares.

(Note 2) The decrease in the number of outstanding shares is caused by the retirement of treasury shares pursuant to a resolution passed at the meeting of the Board of Directors.

2. Matters regarding dividends

(1) Amount of dividend payment

Resolution	Class of shares	Aggregate dividends (Unit: million yen)	Dividend per share (Unit: yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2022	Common stock	6,405	16.00	March 31, 2022	June 27, 2022
Meeting of the Board of Directors held on November 8, 2022	Common stock	6,206	16.00	September 30, 2022	November 30, 2022
Total		12,611			

(2) Dividends with a record date within this consolidated fiscal year and an effective date in the next fiscal year

The matters concerning the dividends of the common stock are scheduled to be proposed for resolution in the Annual General Meeting of Shareholders that is expected to be held on June 27, 2023:

	Aggregate dividends (Unit: million yen)	Dividend per share (Unit: yen)	Record date	Effective date
Common stock	6,009	16.00	March 31, 2023	June 28, 2023

The retained earnings are intended to be used as the source of the funds for the dividends.

3. Matters regarding rights to subscribe for new shares at the end of this consolidated fiscal year

Date of the issuance	Class of shares that are the subject of the rights	Number of shares that are subject of the rights
August 31, 2013	Common stock	14,000 shares
August 31, 2014	Common stock	38,000 shares
August 31, 2015	Common stock	54,900 shares
August 31, 2016	Common stock	65,700 shares
August 31, 2017	Common stock	69,000 shares
Total		241,600 shares

(Note 1) All rights to subscribe for new shares can be exercised.
(Note 2) The number of shares subject of the rights issued in 2013 and 2014 was adjusted due to the share split as of April 1, 2014 at the ratio of five (5) shares per share of common stock pursuant to the resolution passed at the meeting of the Board of Directors held on February 24, 2015.

(Notes to Financial Instruments)

1. Matters regarding the status of financial instruments

As to fund management, as a matter of policy, the Santen Group manages funds by focusing on short-term financial assets that are highly secured and liquid, and as to fund procurement, in principle, by self-financing. Derivatives are used to avoid the risk of foreign exchange currency rate fluctuations related to assets and liabilities, and no speculative transactions are made at all.

Trade and other receivables are exposed to customers' credit risk. To address such risk, a system has been established to control the due dates and balances for every counterparty pursuant to credit management regulations, and concurrently therewith, the credit status of main counterparties is verified every business term. Also, while the debt securities included in other financial assets are exposed to issuing entities' credit risk, only those issued by highly rated issuing entities have been selected.

While stocks included in other financial assets are exposed to the risk of fluctuations in market prices, such stocks are held in companies with which the Santen Group has built business relationships, and a system has been established to verify the fair value thereof on a regular basis and properly report the same to the Board of Directors.

While trade and other payables as well as loans are exposed to liquidity risk, each entity controls it by preparing a monthly cash flow management plan.

The Santen Group has established commitment lines (specified credit facilities) with its banks to secure liquidity.

Derivative transactions are executed and administered in accordance with internal rules and regulations that prescribe transaction authorization. Derivatives are also used by transactions only with highly rated financial institutions to reduce credit risks.

2. Matters regarding fair value of financial instruments

The amount recorded in the Consolidated Statement of Financial Position, the fair value, and the difference between them as of March 31, 2023 (consolidation closing date of this financial year) are as described below. The statements of trade and other receivables, other financial assets (except derivatives), cash and cash equivalents, trade and other payables as well as other financial liabilities (except derivatives) were omitted because they will be settled within a short period of time, and hence, the fair value thereof approximates the book value.

(Unit: million yen)

	Amount recorded in the Consolidated Statement of Financial Position	Fair value	Difference
(1) Financial assets	28,038	28,038	−
(2) Other financial assets	52	52	−
(3) Financial liabilities	(28,805)	(28,621)	184
(4) Other financial liabilities	(78)	(78)	−

(Note 1) The amounts recorded as a loss are enclosed in parentheses.

(Note 2) Lease liabilities are not included in the financial liabilities shown above or other financial liabilities because the fair value thereof is not required to be disclosed under IFRS 7.

(Note 3) Financial liabilities include loans to be repaid within one year.

3. Matters regarding the breakdown for each level for the fair value of financial instruments

The following table is an analysis of financial instruments carried at fair value by valuation method.

Each level is defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than market prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as a price) or indirectly (i.e., derived from price)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The measurement of fair value is undertaken in accordance with the Santen Group's valuation policies and procedures. Fair value is measured using the valuation model that most appropriately reflects the individual characteristics, features and risks of the financial instruments.

(1) Financial assets and liabilities whose fair value amounts have been recorded in the Consolidated Statement of Financial Position

(Unit: million yen)

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Stocks	19,425	−	3,762	23,186
Financial assets measured at fair value through profit or loss				
Convertible bonds	−	−	2,152	2,152
Investment in limited partnerships	−	−	1,511	1,511
Golf membership rights, etc.	−	48	79	126
Derivatives	−	52	−	52
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	−	78	−	78
Contingent consideration	−	−	362	362

(2) Financial liabilities with no fair value amount recorded in the Consolidated Statement of Financial Position

(Unit: million yen)

	Level 1	Level 2	Level 3	Total
Loans payable	－	28,259	－	28,259

(Note) Includes outstanding balances to be repaid within one year.

(Note) Description of the valuation method and inputs used in the calculation of the fair value

(1) Financial assets

Among financial assets measured at fair value through other comprehensive income, the fair value of listed shares is classified as a Level 1 fair value because it is measured by the market value or current price information obtained from the counterparty financial institutions.

Among financial assets measured at fair value through other comprehensive income, the fair value of unlisted shares is valued using the net asset method, comparable company method, or the like, and is classified as a Level 3 fair value. Under the comparable company method, the company select comparable publicly traded companies of the target company and use stock indicators of the comparable company to determine fair value.

For Investment in limited partnerships, Equity investments in limited partnerships are shares of the fair value of limited partnerships which are measured at the fair value of partnership assets. It is classified as a Level 3 fair value because unobservable inputs are used.

For the fair value of derivative assets, The fair value of derivatives is based on market price data obtained from partner financial institutions which is calculated using key inputs based on observable market information, assessment techniques such as future cash flows discounted to present value. Because of this, it is classified as a Level 2 fair value.

(2) Financial liabilities

Loans with a variable interest rate reflect the market rate of interest for a short period of time, and the fair value thereof approximates the book value. Also, those with a fixed interest rate are measured by discounting the expected interest rate in cases where the total amount of the principal and interest are newly borrowed, and thus, are classified as a Level 2 fair value.

For contingent consideration in a business combination that consists mainly of milestone payments based on the progress of the development and sales performance of STN2000100 (DE-128, *PRESERFLO MicroShunt*), the amount of all future payments that may be required under the contract specifying the contingent consideration is calculated by its present value, taking into account the probability of the occurrence of such payments. Because of this, it is classified as a Level 3 fair value.

For the fair value of derivative liabilities, significant inputs based on observable market information, and measured by current price information obtained from the trading financial institutions based on the valuation method, including discounting future cash flow to present value. Because of this, it is classified as a Level 2 fair value.

(Notes to Revenue Recognition)

1. The disaggregation of revenue

(Unit: million yen)

Division of Business		Japan	China	Asia	EMEA	Americas	Total
Prescription Pharmaceuticals	Cosopt combination ophthalmic solution	4,675	–	6,110	12,917	–	23,702
	Tapros ophthalmic solution	7,761	1,045	2,277	7,660	–	18,744
	Tapcom combination ophthalmic solution	2,649	–	1,051	4,502	–	8,202
	Trusopt ophthalmic solution	980	–	454	3,448	–	4,882
	Eybelis ophthalmic solution	3,905	–	251	–	–	4,156
	Diquas ophthalmic solution (including Diquas LX)	16,259	2,772	1,957	–	–	20,988
	Hyalein ophthalmic solution	5,718	6,433	2,630	–	–	14,781
	Ikervis	–	–	1,549	5,290	–	6,839
	Cationorm	–	–	441	2,626	943	4,010
	Alesion ophthalmic solution (including Alesion LX)	33,400	–	149	–	–	33,550
	Verkazia	–	–	–	748	166	914
	EYLEA aflibercept solution for intravitreal injection	71,257	–	–	–	–	71,257
	Cravit ophthalmic solution	1,285	6,309	2,380	1,408	–	11,381
	Others	14,880	4,613	3,977	11,535	1,822	36,827
	Sub total	162,770	21,172	23,226	50,136	2,931	260,235
OTC Pharmaceuticals	Sante FX series	3,547	121	260	–	–	3,928
	Sante Medical series	2,207	–	103	–	–	2,310
	Sante Beauteye series	668	109	35	–	–	812
	Soft Santear series	2,138	9	107	–	–	2,254
	Others	1,035	23	266	–	–	1,324
	Sub total	9,595	262	771	–	–	10,628
Medical devices	Lentis comfort	1,331	–	–	–	–	1,331
	PRESERFLO MicroShunt	94	–	9	2,326	–	2,429
	Others	1,839	50	–	50	557	2,496
	Sub total	3,264	50	9	2,377	557	6,257
Others		1,744	62	112	–	–	1,919
Total		177,373	21,546	24,118	52,513	3,488	279,037

2. Information to understand the revenue amounts in this fiscal year and the subsequent fiscal year

(1) Contract balance

The balances of receivables and contractual liabilities arising from contracts with customers were as follows:

(Unit: million yen)

	Beginning of this consolidated fiscal year (April 1, 2022)	End of this consolidated fiscal year (March 31, 2023)
Receivables arising from contracts with customers	99,913	107,635
Contract liabilities	−	−

Receivables arising from contracts with customers are included in trade and other receivables on the Consolidated Statement of Financial Position. Contract liabilities are included in trade and other payables. In addition, there were no amounts of revenue recognized from performance obligations that were satisfied (or partially satisfied) in prior periods during this consolidated fiscal year.

(2) Transaction price allocated to remaining performance obligations

The Santen Group has no important transactions with individual contract periods in excess of one year.

Moreover, there are no important amounts not included in the transaction price in connection with consideration arising from contracts with customers. In addition, the Santen Group has applied the practical expedient measure of IFRS 15 Paragraph 121, and doesn't disclose information regarding remaining performance obligations whose initial expected remaining period is within one year.

(Notes regarding Per Share Information)

1. Total equity per share attributable to owners of the Company 783.30 yen

2. Basic loss per share in this fiscal year 38.60 yen

(Note) As company shares held in trust for the stock remuneration system are included in treasury shares, the calculation of earnings per share is performed after deducting these shares from the number of shares outstanding as of the end of fiscal year and the weighted average number of shares outstanding during the period.

(Notes regarding Significant Subsequent Events)

Not applicable.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Matters regarding Significant Accounting Policies)

1. Basis and method for valuation of assets
   (1) Securities

(i)	Securities to be held to maturity	…..	Amortized cost method
(ii)	Shares in subsidiaries and associates	…..	Moving average cost method
(iii)	Other securities		
	Securities other than shares that do not have a market value	…..	Fair value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method)
	Shares that do not have a market value	…..	Moving average cost method For contribution in investment limited partnerships and other partnerships analogous thereto (those deemed to be the securities under paragraph (2), Article 2 of the Japan's Financial Instruments and Exchange Act), it is based on the latest financial statements available in accordance with the day of the reporting the financial statement prescribed in the partnership agreement, and by the method of embedding the net amount corresponding to equity interest.

   (2) Derivatives …………………………… Fair value method

   (3) Finished goods, work in process, raw materials, and supplies
   ….. Cost method based on the weighted-average method (with amount shown on balance sheet written down as profitability declines)

2. Depreciation method for non-current assets
   (1) Property, plant and equipment (excluding leased assets) ….. The straight-line method
   Major durations of useful life are as follows:

Building	31 to 50 years
Machinery and equipment	8 years
Others	4 to 10 years

   (2) Intangible assets (excluding leased assets) ….. The straight-line method
   For software (internal use), the straight-line method based on internal availability period (5 years or 10 years).

   (3) Leased assets
   Leased assets related to finance lease transactions with the right of ownership not transferred
   ….. The straight-line method using the lease term as service life and a residual value of zero

   (4) Long-term prepared expenses…………………... Amortized in equal amounts

3. Standard for translation of foreign currency-denominated assets or liabilities into Japanese yen
   Foreign-currency-denominated money claims and liabilities are translated into Japanese yen at the spot exchange rates in effect at the balance sheet date, and the foreign exchange differences are scored as gains or losses.

4. Basis to record provisions

(1)	Allowance for doubtful accounts	……..	A provision for an allowance for the non-payment of trade receivables. For general receivables, the historical default is used, and receivables that are designated as potentially irrecoverable are determined using the actual default rate on an individual claim basis.
(2)	Provision for bonuses	……..	A provision for an allowance for the payment of bonuses to employees. This is recorded based on the amount of the projected bonus payments based on the subject period of the payments.
(3)	Provision for retirement benefits	……..	A provision for an allowance for the payment of retirement benefits to employees. The amount recognized as accrued as of the end of the fiscal year is recorded as provision for retirement benefits and prepaid pension costs based on the amount of projected retirement benefit liabilities and pension assets as of the end of the fiscal year under review.

(i) The method for attributing expected retirement benefits

When calculating pension benefit liabilities, the method for attributing expected retirement payments for the period of this fiscal year is as per the benefit formula basis.

(ii) The method actuarial differences and past service costs are recorded as expenses

Past service costs are primarily recorded as expenses using the straight-line method over a fixed number of years that is within the average number of years of remaining service for employees at the time the expense is incurred.

Actuarial differences are recorded as expenses in the fiscal year in which they arise, in an amount proportionally divided using the straight-line method over a fixed number of years that is within the average number of years of remaining service of employees at the time the differences emerge each fiscal year.

5. Basis to record revenues and expenses

The "Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the "Implementation Guidance on Accounting Standard for Revenue" (ASGJ Guidance No. 30, March 26, 2021) are applied, and revenues arising from contracts with customers are recognized based on the following five-step approach:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

For sales of goods, the customer usually acquires control over the goods when they are transferred. Therefore, the performance obligation is deemed to be satisfied, and the revenue is recognized at the time when the goods are transferred. Depending on the terms of the agreements, the Company is also obligated to accept returns, rebates and discounts, which are then measured on a net basis. The transaction price in this case is calculated as the consideration committed to the contract with the customer less these estimates, and the consideration expected to be refunded to the customer is recorded as a refund liability. The estimated liability for such refunds is calculated based on the terms of the agreements and historical experience.

The Company uses the practical expedient and does not adjust for any significant financial factors as the consideration for the transaction is generally received within 120 days of satisfaction of performance obligations.

6. Hedge accounting methods
   (1) Hedge accounting methods
   In principle, deferral hedge accounting has been adopted. As to those eligible for allocation treatment, such as forward-exchange contracts, allocation treatment is applied.

   (2) Hedging vehicle
   - Hedging instrument: Foreign exchange forwards
   - Hedged item: Foreign currency-denominated financial liabilities

   (3) Hedging policy
   Derivative transactions are used mainly to avoid risks of fluctuation of exchange rates as well as changes in interest rates and share prices associated with assets and liabilities. It is our policy not to carry out derivative transactions for speculation purposes.

   (4) Method to assess the effectiveness of hedging
   The effectiveness of hedging is assessed based on the correlation between the change in the aggregate amount of cash flow of the hedging instrument and the change in the aggregate amount of cash flow of the hedged item. Assessment of such effectiveness is omitted for those treated by the deferral hedge accounting.

7. Consumption taxes and local consumption taxes are accounted for by the tax-exclusion method. Non-deductible consumption taxes and local consumption taxes are treated as expenses for this fiscal year.

(Notes to Accounting Estimates)

The following are items for which accounting estimates were included in the Non-Consolidated Financial Statements for this fiscal year and which may have a significant impact on the Non-Consolidated Financial statements for subsequent fiscal years:

Retirement benefit liabilities: JPY17,869 million

In order to prepare for the payment of retirement benefits to employees, the Company has adopted the defined benefit plan. There is a high uncertainty in the discount rate used in the calculation of the retirement benefit liabilities at the end of this fiscal year.

There is a possibility that unpredictable changes in conditions precedent may have a significant impact on the calculation of the retirement benefit liabilities.

The retirement benefit liabilities are offset against the pension assets and recorded on the Balance Sheet as prepaid pension costs of JPY2,424 million.

(Notes)

(Notes to Non-Consolidated Balance Sheet)

1. Accumulated depreciation for property, plant, and equipment (including accumulated impairment)
JPY47,591 million

2. For the purpose of effective financing to maximize the investment opportunity in capital expenditures and the business development activities, the Company entered into an executable term loan agreement with MUFG Bank, Ltd. The balance of unused loans as of the end of the period was as follows:

Aggregate amount of commitment lines (specified credit facilities)	JPY 30,000 million
Amount of used loans	JPY 20,000 million
Balance	JPY 10,000 million

3. Contingent liabilities
(1) Debt guarantee liabilities

Financial guarantee for subsidiaries' loans from financial institutions	JPY 7,851 million
Financial guarantee for employees' loans from financial institutions	JPY 3 million

(2) 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 will vigorously defend the allegations based on the relevant facts through the forthcoming arbitration procedures.

4. Short-term monetary assets of subsidiaries and associates: JPY5,911 million

5. Short-term monetary liabilities to subsidiaries and associates: JPY11,570 million

(Notes to Non-Consolidated Statement of Incomes)

1. Amount of transactions with subsidiaries and associates

Net sales	JPY 18,736 million
Purchases	JPY 1,511 million
Amount of transactions from operating transactions	JPY 23,728 million
Amount of transactions from transactions other than operating transactions	JPY 1,784 million

2. Impairment loss
Business assets of the Company are grouped based on the division for management accounting in which income and expenditure are continuously monitored. For idle assets, individual assets are treated as the smallest unit for the grouping.
In this fiscal year, JPY747 million is recorded in the item on extraordinary loss as impairment loss. The following are the major assets in which an impairment loss was recognized:

Place	Usage	Classification	Amount
Taga-*cho*, Shiga Prefecture	Idle asset	Construction in progress	JPY 695 million

The idle assets described above are not expected to be used in the future, thus, the recoverable amount is measured by value in use, and the book value has been reduced to the recoverable amount.

3. Loss on valuation of stocks of subsidiaries and associates

This is the loss on valuation of stocks concerning shares in Santen Holdings EU B.V. (the "B.V."), the Company's Netherlands subsidiary. In this fiscal year, a loss on valuation of stocks of subsidiaries and affiliates was recorded for the shares in the amount of JPY 77,779 million. This is because the real value of the B.V. stock significantly declined due to the recording of impairment losses for intangible assets, goodwill, property, plant and equipment, and other reasons, associated with products of Eyevance Pharmaceuticals Holdings Inc. (U.S.) and Eyevance Pharmaceuticals LLC (U.S.), subsidiaries of the B.V.

(Notes to Non-Consolidated Statement of Changes in Equity)

1. Matters regarding treasury shares

	Number of shares at the beginning of this fiscal year	Number of shares increased in this fiscal year	Number of shares decreased in this fiscal year	Number of shares at the end of this fiscal year
Common shares	423,668 shares	25,130,193 shares	25,208,796 shares	345,065 shares

(Note 1) The number of shares at the end of this fiscal year includes 41,909 treasury shares held by the trust associated with the stock remuneration plan.

(Note 2) The increase in the number of treasury shares is due to the acquisition of treasury shares pursuant to the resolution of the Board of Directors, the acquisition of treasury shares by the trust associated with the stock remuneration plan, and purchases of fractional shares.

(Note 3) The decrease in the number of treasury shares is due to the retirement of treasury shares pursuant to the resolution of the Board of Directors, disposal of treasury shares for the restricted stock remuneration, the disposal of the treasury shares by the trust associated with the stock remuneration system, and requests for additional purchase of fractional shares.

(Notes regarding Tax Effects)

1. Breakdown of the significant components of deferred tax assets and liabilities

(Unit: million yen)

Deferred tax assets	
Loss on valuation of stocks of subsidiaries and associates	25,783
Deferred assets for tax purposes	2,567
Provision for retirement benefits	2,313
Accounts payable – other	1,501
Provision for bonuses	623
Allowance for doubtful accounts	274
Accrued enterprise taxes	265
Excess depreciation	238
Impairment loss	221
Contract research expenses, etc.	148
Other	1,138
Sub total	35,071
Valuation allowance	(26,363)
Total deferred tax assets	8,708
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(3,521)
Total deferred tax liabilities	(3,521)
Net amount of deferred tax assets (liabilities)	5,187

2. Difference between burden ration of statutory tax rate and corporate tax rate after tax effect accounting

Notes were omitted because a net loss before taxes is recorded for this fiscal year.

(Notes regarding Transactions with Related Parties)

1. Subsidiary

(Unit: million yen)

Category	Name of the entity	Voting rights ownership (owned) ratio	Relationship with related party	Transaction contents	Transaction amount	Description	Ending balance
Subsidiary	Santen SA	Indirect ownership 100%	Borrowing of funds	Influx of capital (Note 1)	7,000	Short-term loans	7,000
			Debt guarantee	Debt guarantee (Note 2)	5,829	–	–

(Note 1) Interest rates on borrowings are reasonably determined taking into account market interest rates. The Company does not provide any collateral.

(Note 2) A debt guarantee was made for a bank loan (40 million euro) by Santen SA.

(Notes regarding per share information)

1. Net assets per share: JPY 529.72
2. Net loss per share in this fiscal year: JPY 153.18

(Note) As company shares held in trust for the stock remuneration system are included in treasury shares, the calculation of earnings per share is performed after deducting these shares from the number of shares outstanding as of the end of fiscal year and the weighted average number of shares outstanding during the period.

(Notes regarding revenue recognition)

Basic information for understanding revenue is included in “Notes regarding significant accounting policies, recognition criteria for revenue and expenses.”

(Notes regarding significant subsequent events)

Not applicable.