



Summary of Consolidated Financial Results for the Year Ended March 31, 2021 (IFRS)

Listed Company Name:	Santen Pharmaceutical Co.,Ltd
Exchanges Listed:	Tokyo (First section)
Stock Code:	4536
URL:	https://www.santen.com
Representative:	Shigeo Taniuchi, President and CEO
Contact:	Kaori Itagaki, IR Group Manager (+81-6-7664-8621)
Annual Shareholders Meeting (Scheduled):	June 25, 2021
Start of Distribution of Dividends (Scheduled):	June 28, 2021
Filing of Securities Report (Scheduled):	June 25, 2021
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, 2021

(1) Operating Results (Core basis)

	Year to March 2020	Year to March 2021	% change
Revenue	241,555	249,605	3.3%
Core operating profit	50,023	50,101	0.2%
Core net profit for the year	35,894	37,549	4.6%
Core net profit for the year attributable to owners of the company	35,928	37,589	4.6%
Basic core earnings per share (yen)	90.00	94.09	
Diluted core earnings per share (yen)	89.76	93.87	

(IFRS)

	Year to March 2020	Year to March 2021	% change
Revenue	241,555	249,605	3.3%
Operating profit	33,535	12,917	(61.5%)
Profit before tax	32,091	12,418	(61.3%)
Net profit for the year	21,714	6,645	(69.4%)
Net profit for the year attributable to owners of the company	23,618	6,830	(71.1%)
Total comprehensive income for the year	20,185	15,379	(23.8%)
Basic earnings per share (yen)	59.16	17.09	
Diluted earnings per share (yen)	59.01	17.06	
Profit to equity attributable to owners of the company (%)	8.0%	2.2%	
Profit before tax to total assets ratio (%)	8.0%	3.1%	
Operating profit to revenue ratio (%)	13.9%	5.2%	

(2) Financial Position

	March 31, 2020	March 31, 2021
Total assets	408,768	402,353
Total equity	302,560	307,050
Total equity attributable to owners of the company	302,865	307,585
Total equity attributable to owners of the company ratio (%)	74.1%	76.4%
Equity per share attributable to owners of the company (yen)	758.50	769.67

(3) Cash Flows

	Year to March 2020	Year to March 2021
Cash flows from operating activities	39,947	38,808
Cash flows from investing activities	(5,175)	(53,355)
Cash flows from financing activities	(12,729)	(16,685)
Cash and cash equivalents at end of year	91,430	62,888

2. Dividends

	Year to March 2020	Year to March 2021	(Forecasts) Year to March 2022
Second quarter dividends per share (yen)	13.00	14.00	16.00
Year-end dividends per share (yen)	14.00	14.00	16.00
Annual dividends per share (yen)	27.00	28.00	32.00
Total dividends paid (full-year)	10,782	11,192	—
Payout ratio (consolidated)	45.6%	163.9%	41.5%
Dividends paid on equity attributable to owners of the company (consolidated)	3.6%	3.7%	—

3. Consolidated Forecasts of Results for the Fiscal Year Ending March 31, 2022

(Core basis)

	Year to March 2022	% change
Revenue	260,000	4.2%
Core operating profit	52,000	3.8%
Core net profit for the year	39,000	3.9%
Core earnings per share (yen)	98.34	

(IFRS)

	Year to March 2022	% change
Revenue	260,000	4.2%
Operating profit	41,500	221.3%
Profit before tax	41,000	230.2%
Net profit for the year	30,500	359.0%
Basic earnings per share (yen)	77.07	

Please refer to "1. Summary of Consolidated Results (1) Summary of Consolidated Results for the Fiscal Year ended March 31, 2021" on page 2 of the attached material for details of the reconciliation from IFRS (full) basis figures to core-based figures.

*Notes

(1) Changes in significant subsidiaries during the period

(changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New: 1 (Company name) Santen China Investment Co., Ltd., Exclusion: -

Although it is not in the scope of changes in specified subsidiaries, as a result of the acquisition of Eyeavance Pharmaceuticals Holdings Inc. (U.S.) in the fiscal year under review, the Company has newly included Eyeavance Pharmaceuticals Holdings Inc. (U.S.) and its subsidiary Eyeavance Pharmaceuticals LLC (U.S.) in the scope of consolidation.

The Company has included newly established Santen Pharmaceutical Vietnam Co., Ltd. as well in the scope of consolidation.

In addition, the Company has newly included Twenty Twenty Therapeutics LLC (U.S.), a joint venture with Verily Life Sciences LLC (U.S.), in the scope of application of the equity method.

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS : None

(ii) Changes in accounting policies other than (i) : None

(iii) Changes in accounting estimates : None

(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, 2021 400,368,954 shares

Fiscal Year ended March 31, 2020 400,028,254 shares

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

Fiscal Year ended March 31, 2021 549,909 shares

Fiscal Year ended March 31, 2020 608,065 shares

(iii) Average number of shares during the period

Fiscal Year ended March 31, 2021 399,455,900 shares

Fiscal Year ended March 31, 2020 399,157,463 shares

(NOTE)The number of treasury shares at the end of the period includes shares (16,430 shares at the end of the fiscal year ended March 31, 2020 and 18,230 shares at the end of the fiscal year ended March 31, 2021) 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, 2021 (April 1, 2020 - March 31, 2021)

(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, 2021	186,112	1.9	23,614	(31.4)	25,324	(27.4)	21,754	(20.6)
Fiscal Year ended March 31, 2020	182,610	3.6	34,434	4.8	34,862	5.0	27,402	(2.2)

	Per share	Fully diluted
	Net income	Net income per share
	Yen	Yen
Fiscal Year ended March 31, 2021	54.44	54.33
Fiscal Year ended March 31, 2020	68.63	68.46

(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, 2021	353,603	294,231	83.1	734.61
Fiscal Year ended March 31, 2020	340,007	283,522	83.2	708.12

(Reference) Equity

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

Fiscal Year ended March 31, 2020 282,836 million yen

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

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

(Notes on forward-looking statements)

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

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

The Santen Group plans to hold a briefing on the results for securities analysts and institutional investors on Wednesday, May 12, 2021. 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, 2021

(I) Consolidated Results

A) Core basis*1(refer to Page4)

(JPY millions)

	FY2019	FY2020	Year-on-year change
Revenue	241,555	249,605	3.3%
Core operating profit	50,023	50,101	0.2%
Core net profit for the year	35,894	37,549	4.6%
Core net profit for the year attributable to owners of the company	35,928	37,589	4.6%

[Revenue]

Revenue in the fiscal year ended March 31, 2021 increased by 3.3% year-on-year to ¥249.6 billion.

In the mainstay prescription pharmaceuticals business, sales showed steady growth, rising to ¥234.7 billion, up 4.5% year-on-year despite the impact of the COVID-19 outbreak, with continued growth in Japan, China and Asia.

The breakdown of revenue is as follows:

Upper: Amount

Lower: Year-on-year change

(): Year-on-year change excluding FX impact

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Prescription pharmaceuticals	155,807	23,275	16,808	36,786	2,011	234,687
	4.7%	4.6%	4.3%	0.4%	173.7%	4.5%
	(-)	(4.8%)	(5.2%)	(-2.0%)	(181.5%)	(4.2%)
OTC pharmaceuticals	9,058	-	352	-	-	9,410
	-22.7%	-	12.7%	-	-	-21.8%
Medical devices	2,926	1	-	1,110	-	4,037
	-8.0%	-	-	230.8%	-100.0%	14.8%
Others	1,343	72	56	-	-	1,471
	4.8%	3.7%	-21.1%	-	-	3.4%
Total	169,133	23,349	17,216	37,896	2,011	249,605
	2.5%	4.6%	4.4%	2.5%	173.5%	3.3%

(NOTE)

Represents revenue from sales to external customers.

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

EMEA means Europe, the Middle East and Africa.

<Prescription pharmaceuticals>

◇ Japan

Revenue in the fiscal year ended March 31, 2021 increased by 4.7% year-on-year to ¥155.8 billion. *Alesion* ophthalmic solutions family revenue rose by 31.4% year-on-year, boosted by the launch of a new product, “*Alesion LX*” in November 2019 which boasts a high-dose formulation and long-lasting effectiveness, as well as the impact of the joint sales promotion contract concluded in September, 2019 with Mitsubishi Tanabe Pharma Corporation.

In the fiscal year under review, the Company launched “*EYLEA**²(refer to Page4)Intravitreal Injection KIT”, a prefilled syringe formulation of intravitreal VEGF Inhibitor *EYLEA*. Revenue of major products are as follows.

Glaucoma and ocular hypertension

<i>Tapros</i> ophthalmic solution	¥8.7 Billion (YoY -4.5%)
<i>Tapcom</i> ophthalmic solution	¥2.6 Billion (YoY +3.3%)
<i>Cosopt</i> ophthalmic solution	¥6.9 Billion (YoY -10.1%)
<i>Eybelis</i> ophthalmic solution	¥2.5 Billion (YoY +54.4%)

Dry Eye

<i>Diquas</i> ophthalmic solution	¥12.3 Billion (YoY -13.8%)
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*Sales decreased in value terms compared to the same period in the previous fiscal year after *Diquas* became subject to market expansion re-pricing in the 2020 National Health Insurance (NHI) drug price revisions, but increased in volume terms.

Allergy

<i>Alesion</i> ophthalmic solution* ³ (refer to Page4)	¥32.7 Billion (YoY +31.4%)
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Intravitreal VEGF inhibitor

<i>EYLEA</i> * ² (solution for intravitreal injection)	¥64.5 Billion (YoY +7.2%)
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◇ China

On a JPY basis, revenue in the fiscal year ended March 31, 2021 increased 4.6% year-on-year (+4.8% excluding FX impact), to ¥23.3 billion. *Cravit* ophthalmic solution revenue was impacted by the start of value-based purchasing from the fiscal year under review. However, the Company has focused further on expanding other market channels such as private hospitals and pharmacies. Revenue of major products are as follows.

Dry Eye

<i>Hyalein</i> ophthalmic solution	¥9.3 Billion (YoY +17.9%)
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Bacterial conjunctivitis

<i>Cravit</i> ophthalmic solution	¥7.9 Billion (YoY -16.6%)
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◇ Asia (excluding China)

On a JPY basis, revenue in the fiscal year ended March 31, 2021 increased 4.3% year-on-year (+5.2% excluding FX impact), to ¥16.8 billion. Revenue of major products are as follows.

Glaucoma and ocular hypertension

<i>Tapros</i> ophthalmic solution	¥1.9 Billion (YoY +0.8%)
<i>Tapcom</i> ophthalmic solution	¥0.5 Billion (YoY +42.6%)
<i>Cosopt</i> ophthalmic solution	¥4.5 Billion (YoY +10.1%)

◇ EMEA

On a JPY basis, revenue in the fiscal year ended March 31, 2021 increased 0.4% year-on-year (-2.0% excluding FX impact), to ¥36.8 billion. Revenue of major products are as follows.

Glaucoma and ocular hypertension	
<i>Tapros</i> ophthalmic solution	¥6.7 Billion (YoY +3.2%)
<i>Tapcom</i> ophthalmic solution	¥2.9 Billion (YoY +15.4%)
<i>Cosopt</i> ophthalmic solution	¥9.5 Billion (YoY +2.2%)
<i>Trusopt</i> ophthalmic solution	¥2.8 Billion (YoY +4.9%)
Dry Eye	
<i>Ikervis</i>	¥3.6 Billion (YoY +16.9%)

◇ Americas

On a JPY basis, revenue in the fiscal year ended March 31, 2021 was ¥2.0 billion. Revenue from Eyevance Pharmaceuticals Holdings Inc (U.S.) which Santen acquired in the second quarter of the fiscal year under review was ¥1.0 billion.

<OTC pharmaceuticals>

Revenue in the fiscal year ended March 31, 2021 decreased 21.8% year-on-year to ¥9.4 billion due to factors such as decreased inbound demand. Santen continues to focus on high-end products such as the *Sante Beauteye series*, new *Sante Medical series*, and *Soft Santear series*. In the fiscal year under review, the company launched *Hyalein S* which is a switch OTC product of *Hyalein* ophthalmic solution (0.1%).

<Medical devices>

Revenue in the fiscal year ended March 31, 2021 increased by 14.8% year-on-year to ¥4.0 billion. Santen is focused on promoting the *Lentis Comfort* and *Eternity series*.

<Others>

Other revenues amounted to ¥1.5 billion. This is due to sales of supplements, and cleaning of dustless and aseptic clothing at consolidated subsidiary Clair Co., Ltd.

[Core operating profit]

Gross profit in the fiscal year ended March 31, 2021 increased by 3.2% year-on-year to ¥151.4 billion. SG&A expenses in the fiscal year ended March 31, 2021 increased by 5.2% year-on-year to ¥77.2 billion. R&D expenses in the fiscal year ended March 31, 2021 increased by 3.3% year-on-year to ¥24.1 billion.

As a result, operating profit on a core basis in the fiscal year ended March 31, 2021 increased by 0.2% year-on-year to ¥50.1 billion despite the uncertain business environment due to the impact of COVID-19.

*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 item from the IFRS basis, as an indicator of ordinary performance. The core basis is calculated by adjusting the following income and expense items, which are deducted from IFRS results, and the related income tax expenses.

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

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

*3 Includes *Alesion LX*

B) IFRS basis

(JPY millions)

	FY2019	FY2020	Year-on-year change
Revenue	241,555	249,605	3.3%
Operating profit	33,535	12,917	(61.5%)
Net profit for the year	21,714	6,645	(69.4%)
Net profit for the year attributable to owners of the company	23,618	6,830	(71.1%)

[Revenue]

There are no adjustments from the core basis.

[Operating profit]

There are no adjustments to gross profit from the core basis.

SG&A expenses on IFRS basis increased by 8.4% year-on-year to ¥79.6 billion.

In addition to SG&A expenses on a core basis, expenses of ¥2.4 billion were incurred including one-time expenses in connection with the acquisition and the integration of Eyevance Pharmaceuticals Inc (U.S.) and the transition to a holding company structure and change in fiscal year.

R&D expenses have not been adjusted from the core basis.

Amortization on intangible assets associated with products in the fiscal year ended March 31, 2021 increased by 0.2% year-on-year to ¥9.9 billion. This was mainly due to the amortization on intangible assets associated with products acquired from Merck & Co., Inc. (U.S.) in 2014, Ikervis which was launched in Europe in 2015, and STN2000100 (DE-128, PRESERFLO MicroShunt) acquired in connection with the acquisition of InnFocus, Inc. (U.S.) in 2016 (amortization began in April 2019).

Other income amounted to ¥16.0 billion. This was mainly due to a gain on reversal of change in fair value (value other than the time value) of the InnFocus, Inc. (U.S.) contingent consideration which had been recorded as a liability at the time of acquisition. The change is the result of reviewing the value of this asset based on the assumption that the approval date in the U.S. will be delayed.

Other expenses amounted to ¥40.9 billion. This was mainly due to the recording of an impairment loss on intangible assets (goodwill and development, manufacturing and sales rights) related to InnFocus, Inc. (U.S.), as a result of reviewing the value of this asset based on the assumption that the approval date in the U.S. will be delayed.

As a result, operating profit on IFRS basis in the fiscal year ended March 31, 2021 decreased by 61.5 % year-on-year to ¥12.9 billion.

[Net profit for the year]

Finance income amounted to ¥1.3 billion. This was mainly due to dividends received from investment securities held.

Finance expenses amounted to ¥1.5 billion. This was mainly due to a change in the time value associated with the fair value of the InnFocus, Inc. (U.S.) contingent consideration.

Share of loss of entities accounted for using equity method amounted to ¥0.4 billion from Twenty Twenty Therapeutics LLC (U.S.), a joint venture with Verily Life Sciences LLC (U.S.)

Income tax expenses amounted to ¥5.8 billion, down ¥4.6 billion compared to previous year. This was mainly due to a decrease in tax expenses for the fiscal year under review associated with the increase of tax exemptions for study and research expenses and the reversal of deferred tax liabilities related to the impairment loss on development, manufacturing and sales rights, and the decrease in profit before tax for the year, as a function of the decrease in operating profit on IFRS basis.

As a result, net profit in the year ended March 31, 2021 decreased by 69.4% year-on-year to ¥6.6 billion

[Net profit attributable to owners of the company]

Net profit attributable to owners of the company in the fiscal year ended March 31, 2021 decreased by 71.1% year-on-year to ¥6.8 billion. The ratio to revenue was 2.7%.

(II) Research & Development Activities

<Glaucoma and the ocular hypertension area>

STN1011101 (DE-111A, generic name: tafluprost / timolol maleate) is a fixed dose combination drug of a prostaglandin F2 α derivative and a beta-adrenergic receptor blocker. Phase 3 trial started in January 2019 in China.

STN1011700 (DE-117, generic name: omidenepag isopropyl) is an EP2 receptor agonist. The company filed for marketing approval in November 2020 in the U.S. The product was launched in November 2018 in Japan. The company successively filed for marketing approval in Asian countries. Launched In Korea in February 2021.

STN1012600 (DE-126, generic name: sepetaprost) is a dual agonist that activates both FP and EP3 receptors. An additional phase 2 trial started in December 2020 in the U.S. Phase 2b trial was completed in Japan.

STN2000100 (DE-128) is a device for glaucoma. In the U.S. the company has completed Premarket Approval rolling submission to the FDA in June 2020 and has been engaged in discussions with the FDA since the end of February 2021. The device was launched in April 2019 in Europe. The company successively filed for marketing approval in Asian countries following Korean filing in March 2020, and received marketing approval in Canada in March 2021.

STN1013001 (DE-130A, generic name: latanoprost) is an ophthalmic emulsion of a prostaglandin F2 α derivative. Phase 3 trial started in April 2019 in Europe and Asia.

STN1013900 (AR-13324, generic name: netarsudil dimesylate) is a ROCK inhibitor. Phase 3 trial started in November 2020 in Japan.

<Keratoconjunctival disease area including dry eye >

STN1008903 (DE-089C, generic name: diquafosol sodium) is for the treatment of dry eye. Phase 3 trial was completed in Japan.

<Retina and uveal disease area>

STN1010900 (DE-109, generic name: sirolimus) is being developed for the treatment of uveitis. An additional phase 3 trial started in December 2018 in the U.S.

<Other disease area>

STN1012700 (DE-127, generic name: atropine sulfate) is for myopia. Phase 2 trial was completed in April 2020 in Asia and Phase 2/3 was started in August 2019 in Japan.

MD-16 is a toric intraocular lens for correcting astigmatism, which is implanted to treat aphakia after cataract surgery. The company launched the product in November 2020 in Japan.

* The numbering method for development codes has changed. We show both existing development codes (DE-XXX) and new development codes (STNXXXXXXXX). AR-13324 is the development code of Aerie Pharmaceuticals, Inc. (U.S.)

(III) Capital Expenditures

Capital expenditures in the fiscal year ended March 31, 2021 amounted to ¥11.3 billion. With the aim of addressing expanding demand and reinforcing the production and supply structure, Santen has added a prescription ophthalmic solution manufacturing building on the site of its Shiga Product Supply Center. The company also commenced investment in a new factory for Santen Pharmaceutical (China) Co., Ltd. The swift move adds production capacity to proactively cater to anticipated market growth, thereby establishing Santen's competitive edge globally for even greater business growth. In addition, Santen will continue to investment in next generation ERP, with the aim of enhancing administrative standardization and production efficiency to support global business expansion.

(2) Summary of Financial Position for the Fiscal Year Ended March 31, 2021

Total assets amounted to ¥402.4 billion, down ¥6.4 billion from the end of the previous year. Despite increases in intangible assets mainly associated with the acquisition of Eyevance Pharmaceuticals Holdings Inc. (U.S.), and accounts receivable and other receivables, there was a decrease in intangible assets in connection with impairment losses on intangible assets (goodwill and development, manufacturing and sales rights) related to InnFocus, Inc. (U.S.), the developer of glaucoma device, STN2000100 (DE-128, PRESERFLO MicroShunt) on the assumption that the approval date in the U.S. will be delayed as well as a decrease in cash and cash equivalents.

Equity amounted to ¥307.1 billion. There was an increase of ¥4.5 billion from the end of the previous fiscal year ended March 31, 2020. This was due to an increase in components of equity despite the decrease in retained earnings.

Liabilities amounted to ¥95.3 billion, falling by ¥10.9 billion from the end of the previous fiscal year ended March 31, 2020. This was due to the decrease in financial liabilities resulting from changes in the fair value of contingent consideration and payment associated with the InnFocus, Inc. (U.S.) acquisition despite an increase in accounts payable and other payables.

As a result, the ratio of equity attributable to owners of the company to total assets increased by 2.3 points from the end of the previous fiscal year ended March 31, 2020 to 76.4%

(3) Summary of Cash Flows for the Fiscal Year ended March 31,2021

Cash flows from operating activities amounted to ¥38.8 billion. (¥39.9 billion in the previous fiscal year ended March 31, 2020). This was mainly due to the net profit of ¥6.6 billion, the impairment loss on intangible assets mainly related to InnFocus, Inc. (U.S.) of ¥40.7 billion, the ¥17.3 billion decrease in long-term payables in connection with changes in the fair value of contingent consideration and payments associated with the InnFocus, Inc. (U.S.) acquisition, depreciation and amortization of ¥16.8 billion, income tax paid of ¥12.8 billion and the increase in accounts receivables and other receivables of ¥7.5 billion.

Cash flows from investing activities amounted to ¥53.4 billion. (¥5.2 billion in the previous fiscal year ended March 31, 2020). This was mainly due to the purchase of shares of subsidiaries associated with the acquisition of Eyevance Pharmaceuticals Holdings Inc. (U.S.) amounting to ¥23.8 billion and the purchase of intangible assets amounting to ¥19.7 billion, associated with licensing contracts with jCyte, Inc.(U.S.) of ¥5.5 billion, Aerie Pharmaceuticals, Inc. (U.S.) of ¥5.2 billion and others.

Cash flows from financing activities amounted to ¥16.7 billion (¥12.7 billion in the previous fiscal year ended March 31, 2020). This was mainly due to cash dividends paid of ¥11.2 billion.

As a result, cash and cash equivalents at the end of the fiscal year ended March 31, 2021 decreased by ¥28.5 billion from the end of the previous fiscal year ended March 31, 2020 to ¥62.9 billion.

(Reference) Trends in cash flow indicators

	FY2019	FY2020
Equity attributable to owners of the company ratio	74.1%	76.4%
Equity attributable to owners of the company ratio on a market value basis	181.6%	151.2%
Interest-bearing debt to cash flow ratio	30.9%	26.1%
Interest coverage ratio	210.1 times	244.6 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: $\text{Interest-bearing debt} / \text{Cash flow}$

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. Interest payments are the amount of interest paid in the consolidated statements of cash flows.

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

(I) Basic Policy on Profit Distribution

Santen regards returning profits to shareholders as a top management priority. Our basic policy is to return profits to shareholders primarily through dividends, based on a comprehensive consideration of the medium- to long-term business environment, funding needs, the level of internal reserves and the capital structure. We consider share repurchases as a supplementary means of returning profits to shareholders.

Regarding internal reserves, we will invest resources in R&D, business development, and capital investment for future growth.

The Articles of Incorporation of the Company stipulate that the Company will pay an interim dividend. The Company plans to pay a dividend twice a year after the enforcement of the Companies Act on May 1, 2006, based on the interim and year-end dividends as before. The Board of Directors determines the interim dividend and the General Meeting of Shareholders determines the year-end dividend.

(II) Dividends for the Fiscal Year ended March 31, 2021

The Company plans to pay year-end dividends of ¥14 per share subject to approval at the 109th annual shareholders' meeting, which is scheduled to be held in June 2021. Together with the interim dividend already paid out, the annual dividend will be ¥28 per share, for a dividend payout ratio of 163.9%.

(III) Dividend for the Fiscal Year ending March 31, 2022

The Company plans to pay an annual dividend of ¥32, consisting of an interim dividend of ¥16 per share and a year-end dividend of ¥16 per share for the next fiscal year, for a dividend payout ratio of 41.5%, a metric that reflects the profits returned to shareholders via dividends from net profit for the year under review.

(5) Outlook for the Fiscal Year Ending March 31, 2022

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

<Core basis>

(JPY millions)

	FY2020	FY2021	Year-on-year change
Revenue	249,605	260,000	4.2%
Core operating profit	50,101	52,000	3.8%
Core net profit for the year	37,549	39,000	3.9%

<IFRS basis>

(JPY millions)

	FY2020	FY2021	Year-on-year change
Revenue	249,605	260,000	4.2%
Operating profit	12,917	41,500	221.3%
Net profit for the year	6,645	30,500	359.0%
Net profit for the year attributable to owners of the company	6,830	30,800	350.9%

Revenues are forecast to increase to ¥260.0 billion, or up 4.2% from the previous fiscal year ended March 31, 2021. While the NHI drug price revision will have an impact, the Company expects to maintain steady growth in its domestic business. For the overseas business, in addition to growth in China, Asia and EMEA, the Company will focus on entering the U.S. market in earnest, leveraging the commercial base of Eyevance Pharmaceuticals Holdings Inc. (U.S.) which Santen acquired in FY2020.

SG&A is forecast to be ¥81.0 billion, up 5.0% from the previous fiscal year ended March 31, 2021; R&D expenses are projected to be ¥26.0 billion, up 7.8% from the previous fiscal year ended March 31, 2021.

Core operating profit, which reflects the Company's recurring profitability, is forecast to be ¥52.0 billion, an increase of 3.8% from the previous fiscal year. The company aim to secure sustainable profit growth by maintaining a balance between allocating resources for future growth while stepping up measures to limit ordinary expenses through continuous disciplined expense control.

Operating profit on IFRS basis is forecast to increase to ¥41.5 billion, up 221.3% from the previous fiscal year. This is mainly due to the absence of one-time profit and expenses in the fiscal year under review in the fiscal year ending March 31, 2022: a gain on reversal of change in fair value of the InnFocus, Inc. (U.S.) contingent consideration of ¥15.2 billion and the recording of an impairment loss on intangible assets (goodwill and development, manufacturing and sales rights) of ¥40.3 billion.

Net profit for the year is forecast to increase to ¥30.5 billion, up 359.0% from the previous fiscal year ended March 31, 2021. This is mainly due to the increase in operating profit, the tax burden rate is expected to be lower for the fiscal year ending March 31, 2022 on the expected absence of one-time profit and expenses incurred in the fiscal year ended March 31, 2021, related to InnFocus Inc. (U.S.)

These forecasts are based on foreign exchange rates of 1USD = 105yen, 1 Euro = 125yen and 1 Chinese Yuan = 16.5yen.

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

2. Basic Approach to the Selection of Accounting Standards

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

3. Consolidated Financial Statements and Notes

(1) Consolidated Statements of Income and Comprehensive Income

IFRS	(JPY millions)	
	Year ended March 31, 2020	Year ended March 31, 2021
Revenue	241,555	249,605
Cost of sales	(94,831)	(98,221)
Gross profit	146,724	151,384
Selling, general and administrative expenses	(73,360)	(79,554)
Research and development expenses	(23,341)	(24,112)
Amortization on intangible assets associated with products	(9,898)	(9,920)
Other income	390	16,007
Other expenses	(6,980)	(40,889)
Operating profit	33,535	12,917
Finance income	950	1,346
Finance expenses	(2,393)	(1,488)
Share of loss of investments accounted for using equity method	-	(358)
Profit before tax	32,091	12,418
Income tax expenses	(10,377)	(5,773)
Net profit for the year	21,714	6,645
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	(253)	1,573
Net gain on financial assets measured at fair value through other comprehensive income	2,696	45
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	(3,972)	7,116
Other comprehensive income	(1,529)	8,734
Total comprehensive income	20,185	15,379
Profit attributable to		
Owners of the company	23,618	6,830
Non-controlling interests	(1,904)	(185)
Net profit for the year	21,714	6,645
Total comprehensive income attributable to		
Owners of the company	22,162	15,609
Non-controlling interests	(1,977)	(230)
Total comprehensive income	20,185	15,379
Earnings per share		
Basic earnings per share (yen)	59.16	17.09
Diluted earnings per share (yen)	59.01	17.06

Core basis (JPY millions)

	Year ended March 31, 2020	Year ended March 31, 2021
Revenue	241,555	249,605
Core operating profit	50,023	50,101
Core net profit for the year	35,894	37,549
Basic core earnings per share (yen)	90.00	94.09
Diluted core earnings per share (yen)	89.76	93.87
Core profit attributable to		
Owners of the company	35,928	37,589
Non-controlling interests	(34)	(40)
Core net profit for the year	35,894	37,549

(2) Consolidated Statement of Financial Position

Assets	(JPY millions)	
	March 31, 2020	March 31, 2021
Non-current assets		
Property, plant and equipment	35,601	39,489
Intangible assets	119,850	112,876
Financial assets	30,848	31,903
Retirement benefit asset	—	1,619
Investments to which equity method has been applied	—	5,162
Deferred tax assets	2,100	2,824
Other non-current assets	1,813	2,249
Total non-current assets	190,212	196,122
Current assets		
Inventories	35,282	41,575
Trade and other receivables	86,999	95,992
Other financial assets	452	527
Other current assets	4,392	5,248
Cash and cash equivalents	91,430	62,888
Total current assets	218,556	206,231
Total assets	408,768	402,353

Equity and liabilities

(JPY millions)

	March 31, 2020	March 31, 2021
Equity		
Share capital	8,366	8,525
Capital surplus	8,746	8,954
Treasury shares	(1,033)	(934)
Retained earnings	273,422	270,757
Other components of equity	13,364	20,283
Total equity attributable to owners of the company	302,865	307,585
Non-controlling interests	(305)	(535)
Total equity	302,560	307,050
Liabilities		
Non-current liabilities		
Financial liabilities	27,592	10,141
Net defined benefit liabilities	1,738	1,210
Provisions	570	600
Deferred tax liabilities	7,228	3,290
Other non-current liabilities	1,483	1,514
Total non-current liabilities	38,611	16,754
Current liabilities		
Trade and other payables	32,578	38,106
Other financial liabilities	18,777	23,739
Income tax payable	6,848	5,458
Provisions	633	819
Other current liabilities	8,761	10,428
Total current liabilities	67,597	78,549
Total liabilities	106,208	95,303
Total equity and liabilities	408,768	402,353

(3) Consolidated Statement of Changes in Equity

Year ended March 31, 2020

(JPY millions)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
Balance at April 1, 2019	8,252	8,661	(1,131)	258,659	—	10,230
Comprehensive income						
Net profit for the period				23,618		
Other comprehensive income					(253)	2,696
Total comprehensive income	—	—	—	23,618	(253)	2,696
Transactions with owners						
Issuance of new shares	114	114				
Acquisition of treasury shares			(22)			
Retirement of treasury shares		(85)	121			
Dividends				(10,379)		
Share-based payments		56				
Other				1,523	253	(1,776)
Total transactions with owners	114	85	99	(8,856)	253	(1,776)
Balance at March 31, 2020	8,366	8,746	(1,033)	273,422	—	11,150

	Other components of equity			Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Subscription rights to shares	Total			
Balance at April 1, 2019	5,428	802	16,461	290,900	1,672	292,572
Comprehensive income						
Net profit for the period			—	23,618	(1,904)	21,714
Other comprehensive income	(3,899)		(1,457)	(1,457)	(73)	(1,529)
Total comprehensive income	(3,899)	—	(1,457)	22,162	(1,977)	20,185
Transactions with owners						
Issuance of new shares		(117)	(117)	112		112
Acquisition of treasury shares			—	(22)		(22)
Retirement of treasury shares			—	35		35
Dividends			—	(10,379)		(10,379)
Share-based payments			—	56		56
Other			(1,523)	—		—
Total transactions with owners	—	(117)	(1,640)	(10,198)	—	(10,198)
Balance at March 31, 2020	1,529	686	13,364	302,865	(305)	302,560

Year ended March 31, 2021

(JPY millions)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
Balance at April 1, 2020	8,366	8,746	(1,033)	273,422	—	11,150
Comprehensive income						
Net profit for the period				6,830		
Other comprehensive income					1,573	45
Total comprehensive income	—	—	—	6,830	1,573	45
Transactions with owners						
Issuance of new shares	160	160				
Acquisition of treasury shares			(4)			
Retirement of treasury shares		(20)	102			
Dividends				(11,187)		
Share-based payments		68				
Other				1,692	(1,573)	(119)
Total transactions with owners	160	208	98	(9,495)	(1,573)	(119)
Balance at March 31, 2021	8,525	8,954	(934)	270,757	—	11,075

	Other components of equity			Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Subscription rights to shares	Total			
Balance at April 1, 2020	1,529	686	13,364	302,865	(305)	302,560
Comprehensive income						
Net profit for the period			—	6,830	(185)	6,645
Other comprehensive income	7,161		8,778	8,778	(45)	8,734
Total comprehensive income	7,161	—	8,778	15,609	(230)	15,379
Transactions with owners						
Issuance of new shares		(167)	(167)	152		152
Acquisition of treasury shares			—	(4)		(4)
Retirement of treasury shares			—	82		82
Dividends			—	(11,187)		(11,187)
Share-based payments			—	68		68
Other			(1,692)	—		—
Total transactions with owners	—	(167)	(1,859)	(10,888)	—	(10,888)
Balance at March 31, 2021	8,689	518	20,283	307,585	(535)	307,050

(4) Consolidated Statements of Cash Flows

(JPY millions)

	Year ended March 31, 2020	Year ended March 31, 2021
I. Cash flows from operating activities:		
Net profit for the year	21,714	6,645
Depreciation and amortization	16,573	16,768
Impairment losses	5,825	40,664
Shares of loss (profit) of entities accounted for using equity method	—	358
Finance expenses (income)	(592)	(609)
Income tax expenses	10,377	5,773
Decrease (increase) in trade and other receivables	(3,054)	(7,514)
Decrease (increase) in inventories	(981)	(4,590)
Increase (decrease) in trade and other payables	717	4,948
Increase (decrease) in provisions and net defined benefit liabilities	(1,242)	(176)
Increase (decrease) in accounts payable-other	1,305	3,199
Increase (decrease) in long-term accounts payable-other	1,279	(17,344)
Other	1,584	2,993
Subtotal	53,506	51,115
Interest received	200	195
Dividends received	581	490
Interest paid	(190)	(159)
Income tax paid	(14,149)	(12,834)
Net cash flows from (used in) operating activities	39,947	38,808
II. Cash flows from investing activities:		
Payments for acquisition of investments	(398)	(3,384)
Proceeds from sales of investments	3,503	3,070
Payments for acquisition of shares of subsidiaries	—	(23,834)
Payments for acquisition of investments accounted for using equity method	—	(5,349)
Payments for acquisition of property, plant and equipment	(5,824)	(4,139)
Payments for acquisition of intangible assets	(3,404)	(19,665)
Other	949	(55)
Net cash flows from (used in) investing activities	(5,175)	(53,355)
III. Cash flows from financing activities:		
Proceeds from long-term loans	1,477	307
Repayments of long-term loans	(500)	(3,000)
Dividends paid	(10,379)	(11,188)
Repayments of lease obligation	(2,859)	(2,952)
Other	(469)	148
Net cash flows from (used in) financing activities	(12,729)	(16,685)
IV. Net increase (decrease) in cash and cash equivalents	22,044	(31,232)
V. Cash and cash equivalents at the beginning of year	70,796	91,430
VI. Effect of exchange rate changes on cash and cash equivalents	(1,410)	2,690
VII. Cash and cash equivalents at the end of period	91,430	62,888

**(5) Notes for Consolidated Financial Statements
(Notes on Going Concern Assumption)**

Not applicable.

(Basis of Presenting Consolidated Financial Statements)

1. Basis of Preparation

(1) Compliance with IFRS

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

(2) Basis of Measurement

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

(3) Functional Currency and Presentation Currency

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

2. Significant Accounting Policies

The Santen Group has consistently applied the same significant accounting policies to its financial statements as it applied in the previous fiscal year.

(Segment Information and Others)

1. Overview of Reporting Segments

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

2. Information on Products and Services

For the fiscal year ended March 31, 2020 (from April 1, 2019, to March 31, 2020)

(JPY millions)

	Prescription pharmaceuticals	OTC pharmaceuticals	Medical devices	Others	Total
Revenue from external customers	224,584	12,034	3,515	1,422	241,555

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

(JPY millions)

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

3. Information by Region

For the fiscal year ended March 31, 2020 (from April 1, 2019, to March 31, 2020)

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Revenue from external customers*1	165,024	22,321	16,496	36,979	735	241,555
Non-current assets*2	100,173	5,202	792	8,818	42,279	157,264

(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. Financial assets and deferred tax assets are excluded. The non-current assets in the Americas are located in the U.S.A.

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

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Revenue from external customers*1	169,133	23,349	17,216	37,896	2,011	249,605
Non-current assets*2	92,030	7,245	637	15,373	39,330	154,615

(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. Investment using equity method, financial assets, assets associated with retirement pension and deferred tax assets are excluded. The non-current assets in the Americas are located in the U.S.A. and include provisional goodwill amount associated with the acquisition of Eyevance Pharmaceuticals Holdings Inc. (U.S.) and Eyevance Pharmaceuticals LLC (U.S.)

4. Information on Major Customers

For the fiscal year ended March 31, 2020 (from April 1, 2019, to March 31, 2020)

(JPY millions)

Name of customer	Revenue
Suzuken Co., Ltd	46,984
Mediceo Corporation	33,263

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

(JPY millions)

Major customers	Revenue
Suzuken Co., Ltd	49,137
Mediceo Corporation	35,727

(Other Income)

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

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

(Other Expenses)

For the fiscal year ended March 31, 2020 (from April 1, 2019, to March 31, 2020)

Impairment loss of ¥5,825 million recognized in the consolidated fiscal year ended March 31, 2020 was recorded as other expenses. The breakdown of the impairment loss was ¥3,667 million for property, plant and equipment and ¥2,158 million for intangible assets. The impairment loss on property, plant and equipment (¥3,667 million) represents the writedown to the carrying value of the plant owned by Chongqing Santen Kerui Pharmaceutical Co., Ltd. (China) currently under construction (mainly construction in progress), to reflect the recoverable amount in light of lowered revenue expectations. The recoverable amount is measured at fair value less costs to sell (including the estimated selling price), and the fair value hierarchy is Level 3.

With regard to the impairment loss on intangible assets (¥2,158 million), Santen has written down the total book value of intangible assets related to DE-122 for the treatment of exudative age-related macular degeneration, which we had been developing with TRACON Pharmaceuticals, Inc. (U.S.). Development has been discontinued; as such we no longer expect to generate income.

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

An impairment loss of ¥40,664 million was recorded in other expenses in the fiscal year under review. This is mainly due to an impairment loss of ¥40,312 million related to intangible assets (¥15,684 million for goodwill and ¥24,628 million for intangible assets related to products) reflecting the reduction of the book value of intangible assets related to STN2000100 (DE-128, PRESERFLO MicroShunt) and the goodwill associated with InnFocus, Inc. (U.S) which is developing the product to the recoverable amount. This recoverable amount is measured at value in use, and calculated by discounting cash flows at an appropriate discount rate. Regarding future cash flows, Santen has been in discussions with the U.S. Food and Drug Administration (FDA) since the end of February 2021 when it received notification from the FDA regarding STN2000100 (DE-128, PRESERFLO MicroShunt) for which Santen submitted a Premarket Approval (PMA) application for the U.S. in June 2020. Due to the possibility that discussions will be prolonged, Santen has decided to review the value of this asset based on the assumption that the approval date in the U.S., which was assumed to be the first half of fiscal year 2021, will be delayed.

(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, 2019 to March 31, 2020)	Current consolidated fiscal year (From April 1, 2020 to March 31, 2021)
Basis of calculation of basic earnings per share		
Profit attributable to owners of the company (JPY millions)	23,618	6,830
Net income not attributable to common shareholders of the company (JPY millions)	2	4
Net income used in the calculation of basic earnings per share (JPY millions)	23,616	6,826
Average number of shares of common stock outstanding during the period (thousands of shares)	399,157	399,456
Basis of calculation of diluted earnings per share		
Net income used in the calculation of basic earnings per share (JPY millions)	23,616	6,826
Adjustment to net income (JPY millions)	2	4
Net income used to calculate diluted earnings per share (JPY millions)	23,618	6,830
Average number of shares of common stock outstanding during the period (thousands of shares)	399,157	399,456
Increase in common shares due to stock-based compensation (thousands of shares)	1,095	931
Weighted-average number of common shares outstanding during the period (thousands of shares)	400,253	400,387
Earnings per share attributable to owners of the company		
Basic earnings per share (yen)	59.16	17.09
Diluted earnings per share (yen)	59.01	17.06

(NOTE)

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

(Business Combinations)

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

(1) Business Combination

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

(I) Outline of Business Combinations

A) The name and description of the acquiree

Company name : Eyevance Pharmaceuticals Holdings Inc.

Eyevance Pharmaceuticals LLC

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

B) Primary reasons for the business combination

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

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

C) Acquisition date

September 16, 2020 (U.S. time)

D) Acquisition method

The Company acquired all of the shares issued by Eyevance Pharmaceuticals Holdings Inc. for a cash consideration.

E) Percentage of voting equity interests acquired

100%

(II) Assumed Value, Date of Acquisition and Fair Values of Assets Acquired, Liabilities Assumed

	Value
Non-current assets	4,433
Current assets	838
Cash and cash equivalents	1,099
Non-current liabilities	(203)
Current liabilities	(564)
Goodwill	19,330
Total	24,933
Cash	24,933
Total consideration transferred	24,933

The Company reported the provisional amounts because the measurement process had not been completed. Acquisition-related costs are included in the ¥853 million in "Selling, general and administrative expenses."

(III) Cash Flow

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

(IV) Impact on the Company's Business Results

Income (loss) from Eyevance Pharmaceuticals Holdings Inc. and Eyevance Pharmaceuticals LLC subsequent to the date of acquisition included in the condensed interim consolidated statements of income and comprehensive income is as below:

Revenue :¥988 million
Net profit for the period : (¥1,221 million)

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

Revenue :¥1,740 million
Net profit for the period : (¥2,902 million)

(Significant Subsequent Events)

Postponement of Transition to a Holding Company Structure through Sole-share Transfer and Change in Fiscal Year

The Company announced its board of directors approved a resolution on May 11, 2021 to postpone the transition to a holding company structure through sole-share transfer with effect from April 1, 2022 and the change of Santen's fiscal year period starting Jan 1, 2022.

1. Background

In order to solidly implement its long-term vision, Santen had prepared for the transition to a holding company structure and change of its fiscal year period, with the aim of establishing and enhancing a management and organizational system to enable swift and efficient execution, while dynamically managing businesses in transition as a result of ongoing geographic and business domain expansion.

However, Santen has made the decision to concentrate management resources on maximizing business value through the steady growth of its current business and the implementation of the next mid-term plan under the current corporate structure and fiscal year period. This is based on a comprehensive assessment of the short-term changes in the business environment in connection with the recording of an impairment loss mainly related to the development of STN2000100 (DE-128, PRESERFLO MicroShunt) as previously announced on April 9.

Regarding the implementation of this initiative, Santen will monitor the business environment as it considers the optimal timing on an ongoing basis. Santen will continue to further enhance the globalization of its business and organization as well as group governance.

2. Financial Impact

The financial impact on consolidated results for the year ending March 31, 2022 is negligible.

4. Consolidated Reference

(1) Revenue of Major Products

(JPY millions)

Brand name Generic name/formulation	Therapeutic category	Region	Year ended March 31, 2021		Year ending March 31, 2022	
			Year ended March 31, 2021 Actual	Changes from previous year	Year ending March 31, 2022 Forecasts	Changes from previous year
Cravit levofloxacin/ ophthalmic solution	Bacterial conjunctivitis	Total	12,650	(16.7%)	12,147	(4.0%)
		Japan	1,971	(23.3%)	1,592	(19.3%)
		China	7,927	(16.6%)	7,859	(0.9%)
		Asia	1,722	(0.2%)	1,786	3.7%
		EMEA	1,029	(25.1%)	910	(11.6%)
Tarivid ofloxacin/ ophthalmic solution	Bacterial conjunctivitis	Total	1,427	(3.1%)	1,215	(14.9%)
		Japan	337	(18.6%)	279	(17.3%)
		China	683	16.8%	688	0.7%
		Asia	406	(14.1%)	247	(39.2%)
Tapcom tafluprost-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	6,036	11.7%	6,566	8.8%
		Japan	2,604	3.3%	2,403	(7.7%)
		Asia	546	42.6%	763	39.8%
		EMEA	2,886	15.4%	3,399	17.8%
Tapros tafluprost/ ophthalmic solution	Glaucoma	Total	17,915	0.1%	20,564	14.8%
		Japan	8,709	(4.5%)	8,738	0.3%
		China	602	52.4%	2,788	362.8%
		Asia	1,907	0.8%	2,105	10.4%
		EMEA	6,696	3.2%	6,933	3.5%
Cosopt dorzolamide hydrochloride-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	20,877	(0.8%)	19,597	(6.1%)
		Japan	6,940	(10.1%)	5,173	(25.5%)
		Asia	4,462	10.1%	4,778	7.1%
		EMEA	9,475	2.2%	9,646	1.8%
Timoptol timolol maleate/ ophthalmic solution (* Including Timoptol XE)	Glaucoma	Total	2,196	(12.3%)	1,859	(15.3%)
		Japan	1,137	(15.7%)	789	(30.6%)
		Asia	264	17.2%	294	11.1%
		EMEA	794	(14.5%)	777	(2.2%)
Trusopt dorzolamide hydrochloride/ ophthalmic solution	Glaucoma	Total	4,365	(1.3%)	3,862	(11.5%)
		Japan	1,227	(9.1%)	1,009	(17.8%)
		Asia	344	(16.2%)	308	(10.7%)
		EMEA	2,794	4.9%	2,546	(8.9%)
Eybelis Omidenedepag Isopropyl/ ophthalmic solution	Glaucoma	Total	2,536	55.7%	3,696	45.7%
		Japan	2,516	54.4%	3,612	43.6%
Alesion epinastine hydrochloride/ ophthalmic solution (* Including Alesion LX)	Allergy	Total	32,752	31.5%	32,368	(1.2%)
		Japan	32,733	31.4%	32,225	(1.6%)
		Asia	19	—	143	663.1%
Flumetholon fluorometholone/ ophthalmic solution	Inflammation	Total	2,812	(6.2%)	2,961	5.3%
		Japan	1,052	(17.3%)	924	(12.1%)
		China	1,392	12.0%	1,676	20.4%
		Asia	368	(23.5%)	361	(1.9%)
Pirenoxine Ophthalmic Suspension (Former sales name : Kary Uni) pirenoxine/ ophthalmic solution	Senile cataract	Total	3,995	(1.5%)	4,025	0.7%
		Japan	2,391	(4.4%)	2,354	(1.5%)
		China	771	9.6%	717	(7.1%)
		Asia	832	(2.3%)	954	14.6%
Oftan Catachrom cytochrome C, adenosine, nicotinamide/ ophthalmic solution	Senile cataract	Total	1,830	(18.3%)	1,767	(3.5%)
		EMEA	1,830	(18.3%)	1,767	(3.5%)
Sodium Hyaluronate Ophthalmic Viscoelastic Preparation (Former sales name : Opegan Hi) sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	Total	2,189	(18.1%)	2,414	10.3%
		Japan	2,189	(18.1%)	2,414	10.3%
EYLEA afibercept/ solution for intravitreal injection	Intravitreal VEGF inhibitor	Total	64,454	7.2%	65,038	0.9%
		Japan	64,454	7.2%	65,038	0.9%
Hyalein sodium hyaluronate/ ophthalmic solution	Dry eye	Total	18,420	4.6%	14,932	(18.9%)
		Japan	6,967	(11.2%)	5,893	(15.4%)
		China	9,259	17.9%	6,918	(25.3%)
		Asia	2,194	15.2%	2,121	(3.3%)
Diquas diquafosol sodium/ ophthalmic solution	Dry eye	Total	14,403	(9.8%)	17,935	24.5%
		Japan	12,283	(13.8%)	13,249	7.9%
		China	717	328.6%	2,782	288.3%
		Asia	1,404	(9.2%)	1,904	35.6%
Ikervis cyclosporin/ ophthalmic solution	Dry eye	Total	4,529	17.6%	5,553	22.6%
		Asia	890	20.6%	1,368	53.7%
		EMEA	3,638	16.9%	4,184	15.0%
Cationorm	Dry eye	Total	3,062	5.2%	3,420	11.7%
		Asia	256	(3.3%)	337	31.7%
		EMEA	1,969	(5.9%)	2,315	17.6%
		US	838	50.9%	768	(8.3%)
LENTIS Comfort	Intraocular lens for cataract treatment	Total	1,196	12.3%	2,058	72.0%
		Japan	1,196	12.3%	2,058	72.0%
PRESERFLO MicroShunt	Glaucoma implant device	Total	892	230.0%	1,500	68.0%
		EMEA	892	230.0%	1,440	61.5%
OTC pharmaceuticals		Total	9,410	(21.8%)	10,000	6.3%
		Japan	9,058	(22.7%)	9,700	7.1%
		Asia	352	12.7%	300	(14.7%)

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

(2) Research & Development

As of April 2021

Pipeline Development Status (Clinical Stage)

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
diquafosol sodium	STN1008903 /DE-089C	Dry eye	Merck Sharp & Dohme Corp. (U.S.)	Japan						

A dry eye treatment which stimulates secretion of mucin and aqueous components from the corneal and conjunctival epithelium. Long-lasting drug. Completed Phase 3 in Japan.

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
sirolimus	STN1010900 /DE-109	Uveitis	Original	U.S.						
				Japan						
				Europe						
				Asia				Apr-2015		

An intravitreal injection with immunosuppressive effect, anti-angiogenic effect, etc. Started an additional Phase 3 in December 2018 in the U.S. Filed for marketing approval in April 2015 in Asia.

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						

A fixed dose combination drug of a prostaglandin F_{2α} 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. Started Phase 3 in January 2019 in China.

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
omidenepeg isopropyl	STN1011700 /DE-117	Glaucoma/ Ocular hypertension	Co-development with Ube Industries	U.S.				Nov-2020		
				Japan					Nov-2018	
				Asia					Feb-2021	

An EP2 receptor agonist with a new mechanism of action. Filed for marketing approval in November 2020 in the U.S. Launched in November 2018 in Japan. Filed successively marketing approval in Asian countries and launched in February 2021 in Korea.

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		(Phase 2b)				

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. Started an additional Phase 2 in December 2020 in the U.S. Completed Phase 2b in Japan.

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		(Phase 2/3)				
				Asia						

Muscarinic antagonist which reduces juvenile myopia progression. Started Phase 2/3 in August 2019 in Japan. Completed P2 in April 2020 in Asia.

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
glaucoma implant device	STN2000100 /DE-128	Glaucoma	Original	U.S.				Jun-2020		
				Europe					Apr-2019	
				Asia				Mar-2020		
				Others					Mar-2021	

A drainage implant device designed to lower and sustain intraocular pressure (IOP) for the treatment of primary open-angle glaucoma through the drainage of aqueous humor. Completed Premarket Approval rolling submission to the FDA in June 2020 and have been discussing with FDA since the end of February 2021 in the U.S. Launched in Europe in April 2019. Filed successively for marketing approval in Asian countries following Korean filing in March 2020. Received marketing approval in March 2021 in Canada.

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

An ophthalmic emulsion of a prostaglandin F_{2α} derivative, for the treatment of glaucoma and ocular hypertension. Started P3 trials in April 2019 in Europe and Asia.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
netarsudil dimesylate	STN1013900 /AR-13324	Glaucoma Ocular hypertension	Aerie	Japan						
A ROCK (Rho-associated kinase) inhibitor. Developed and sold by Aerie in the U.S. Started Phase 3 in November 2020 in Japan.										

—	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	Filed	Approved	Launched
intraocular lens	MD-16	Cataract	Oculentis	Japan						Nov-2020
A toric intraocular lens to treat aphakia after cataract surgery. Launched in November 2020 in Japan.										

Changes from Q3 FY20 (February 4, 2021)

Dev. code	Changes
STN1011700 / DE-117	In Asia, launched in February 2021 in Korea.
STN2000100 / DE-128	Received marketing approval in March 2021 in Canada.

The numbering method for development codes has changed. We show both existing development codes (DE-XXX) and new development codes (STNXXXXXX). AR-13324 is development code of Aerie Pharmaceuticals, Inc. (U.S.)

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

Capital expenditures (JPY millions)

	Year ended March 31, 2021	Year ending March 31, 2022
	Actual	Forecast
Consolidated	11,281	30,000

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

Depreciation and amortization (JPY millions)

	Year ended March 31, 2021	Year ending March 31, 2022
	Actual	Forecast
Manufacturing cost	2,267	2,170
Selling, general and administrative expenses	1,533	1,970
R&D expenses	604	680
Consolidated total	4,404	4,820

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, 2021	Year ending March 31, 2022
	Actual	Forecast
Intangible assets (Merck products)	5,808	5,740
Intangible assets (DE-128*)	2,725	890
Intangible assets (Ikervis)	701	710
Other	687	1,560
Consolidated total	9,920	8,900

* STN2000100 (DE-128, PRESERFLO MicroShunt)

Research and development expenses (JPY millions)

	Year ended March 31, 2021	Year ending March 31, 2022
	Actual	Forecast
Consolidated	24,112	26,000
Percent of revenue	9.7%	10.0%

(4) FOREX

Exchange rate (yen)	Major currency	(JPY)		
		Year to March 2020	Year to March 2021	Year to March 2022 (Forecasts)
	US dollar	108.81	105.95	105.00
	Euro	120.80	123.73	125.00
	CNY	15.64	15.61	16.50

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