



Summary of Consolidated Financial Results for the Three Months Ended June 30, 2020 (IFRS)

Listed Company Name:	Santen Pharmaceutical Co.,Ltd
Exchanges Listed:	Tokyo (First section)
Stock Code:	4536
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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 Three Months Ended June 30, 2020

(1) Operating Results (Core basis)

	Three months ended June 30, 2019	Three months ended June 30, 2020	% change
Revenue	59,136	57,563	(2.7%)
Core operating profit	12,794	11,655	(8.9%)
Core net profit for the period	9,671	8,807	(8.9%)
Core net profit for the period attributable to owners of the company	9,680	8,872	(8.3%)
Basic core earnings per share (yen)	24.25	22.21	
Diluted core earnings per share (yen)	24.19	22.16	

(IFRS)

	Three months ended June 30, 2019	Three months ended June 30, 2020	% change
Revenue	59,136	57,563	(2.7%)
Operating profit	9,246	8,016	(13.3%)
Profit before tax	9,002	8,359	(7.1%)
Net profit for the period	6,390	6,124	(4.2%)
Net profit for the period attributable to owners of the company	6,399	6,189	(3.3%)
Total comprehensive income for the period	2,423	8,734	260.4%
Basic earnings per share (yen)	16.03	15.49	
Diluted earnings per share (yen)	15.99	15.46	

(2) Financial Position

	March 31, 2020	June 30, 2020
Total assets	408,768	409,586
Total equity	302,560	305,824
Total equity attributable to owners of the company	302,865	306,193
Total equity attributable to owners of the company ratio	74.1%	74.8%
Equity per share attributable to owners of the company (yen)	758.50	766.60

2. Dividends

	Year to March 2020	Year to March 2021	(Forecasts) Year to March 2021
First quarter dividends per share (yen)	—	—	—
Second quarter dividends per share (yen)	13.00	—	14.00
Third quarter dividends per share (yen)	—	—	—
Year-end dividends per share (yen)	14.00	—	14.00
Annual dividends per share (yen)	27.00	—	28.00

(Note): Revisions to the forecasts of dividends from the latest announcement: No

3. Consolidated Forecasts of Results for the Year Ending March 31, 2021

(Core basis)

	Year to March 2021	% change
Revenue	235,000	(2.7%)
Core operating profit	52,000	4.0%
Core net profit for the year	38,700	7.8%
Basic core earnings per share (yen)	97.67	

(IFRS)

	Year to March 2021	% change
Revenue	235,000	(2.7%)
Operating profit	35,000	4.4%
Profit before tax	34,000	5.9%
Net profit for the year	23,000	5.9%
Basic earnings per share (yen)	58.35	

(Note): Revisions to the forecasts of consolidated results from the latest announcement: No

The earnings forecasts contained in this report are based on certain assumptions for the impact of COVID-19 by region and actual results may differ from these forecasts. The Company will promptly disclose any changes to its full-year earnings forecasts if they reach the level at which they should be revised.

Please refer to "1. Summary of Quarterly Consolidated Results (1) Summary of Consolidated Results" on page 2 of the attached material for details of the reconciliation from IFRS 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): No

(2) Changes in accounting policies and accounting estimates

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

(3) Number of ordinary shares issued

(i) Number of shares outstanding at the end of period (including treasury shares)

June 30, 2020	400,151,754 shares
March 31, 2020	400,028,254 shares

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

June 30, 2020	608,065 shares
March 31, 2020	608,065 shares

(iii) Average number of outstanding shares

The first quarter ended June 30, 2020	399,371,208 shares
The first quarter ended June 30, 2019	399,095,566 shares

*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 presentation contents)

The Santen Group plans to hold a briefing on the results for securities analysts and institutional investors on August 5, 2020. The materials used in this briefing will be posted on our website.

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1. Summary of Quarterly Consolidated Results

(1) Summary of Consolidated Results

(I) Consolidated Results

A) Core basis*1(refer to Page4)

(JPY millions)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Year-on-year change
Revenue	59,136	57,563	(2.7%)
Core operating profit	12,794	11,655	(8.9%)
Core net profit for the period	9,671	8,807	(8.9%)
Core net profit for the period attributable to owners of the company	9,680	8,872	(8.3%)

[Revenue]

Revenue in the three months ended June 30, 2020 decreased by 2.7% year on year to ¥57.6 billion.

In the mainstay prescription pharmaceuticals business, sales decreased year on year due to the impact of COVID-19 in China and other Asian countries. Despite of COVID-19 situation, sales in Japan and EMEA (Europe, the Middle East and Africa) remained firm and continued to grow.

The breakdown of revenue is as follows:

Upper: Amount

Lower: Year-on-year change

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Prescription pharmaceuticals	35,078 4.4%	5,790 (14.1%)	3,862 (11.5%)	9,384 0.3%	222 6.9%	54,336 0.2%
OTC pharmaceuticals	1,975 (45.7%)	— —	67 (11.2%)	— —	— —	2,043 (45.0%)
Medical devices	645 (11.5%)	— —	— —	182 74.7%	— (100.0%)	827 (0.8%)
Others	317 0.5%	16 28.1%	24 64.4%	— —	— —	357 4.2%
Total	38,016 (0.7%)	5,806 (14.0%)	3,953 (11.2%)	9,566 1.2%	222 6.6%	57,563 (2.7%)

(NOTE)

Represents revenue from sales to external customers.

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

<Prescription pharmaceuticals>

◇ Japan

Revenue in the three months ended June 30, 2020 increased by 4.4% year on year to ¥35.1 billion.

Revenue of major products are as follows.

In the first quarter of 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	¥2.4 billion (YoY -1.0%)
<i>Tapcom</i> ophthalmic solution	¥0.7 billion (YoY +2.5%)
<i>Cosopt</i> ophthalmic solution	¥2.0 billion (YoY +3.3%)
<i>Eybelis</i> ophthalmic solution	¥0.6 billion (YoY +106.6%)
Dry Eye	
<i>Diquas</i> ophthalmic solution	¥3.0 billion (YoY -16.4%)
Allergy	
<i>Alesion</i> ophthalmic solution ^{*3} (refer to Page4)	¥3.0 billion (YoY +43.8%)
Intravitreal VEGF inhibitor	
<i>Eylea</i> (solution for intravitreal injection)	¥16.8 billion (YoY +10.9 %)

◇ China

On a JPY basis, revenue in the three months ended June 30, 2020 decreased 14.1% year on year (-8.4% excluding FX impact), to ¥5.8 billion. Revenue of major products are as follows.

Dry Eye	
<i>Hyalein</i> ophthalmic solution	¥2.3 billion (YoY -2.8%)
Bacterial conjunctivitis	
<i>Cravit</i> ophthalmic solution	¥2.2 billion (YoY -27.1%)

◇ Asia (excluding China)

On a JPY basis, revenue in the three months ended June 30, 2020 decreased 11.5% year on year (-7.0% excluding FX impact), to ¥3.9billion. Revenue of major products are as follows.

Glaucoma and ocular hypertension	
<i>Tapros</i> ophthalmic solution	¥0.5 billion (YoY -8.1%)
<i>Tapcom</i> ophthalmic solution	¥0.1 billion (YoY +24.1%)
<i>Cosopt</i> ophthalmic solution	¥1.0 billion (YoY +0.2%)
Dry Eye	
<i>Diquas</i> ophthalmic solution	¥0.5 billion (YoY -41.4%)

◇ EMEA

On a JPY basis, revenue in the three months ended June 30, 2020 increased 0.3% year on year (+4.0% excluding FX impact), to ¥9.4billion. Revenue of major products are as follows.

Glaucoma and ocular hypertension	
<i>Tapros</i> ophthalmic solution	¥ 1.7 billion (YoY +2.8%)
<i>Tapcom</i> ophthalmic solution	¥ 0.7 billion (YoY +22.4%)
<i>Cosopt</i> ophthalmic solution	¥ 2.5 billion (YoY +6.0%)
<i>Trusopt</i> ophthalmic solution	¥ 0.7 billion (YoY -2.3%)
Dry Eye	
<i>Ikervis</i>	¥ 0.7 billion (YoY -0.1%)

<OTC pharmaceuticals>

Revenue in the three months ended June 30, 2020 decreased 45.0% year on year to ¥2.0 billion.

Santen continues to focus on high-end products such as the *Sante Beauteye* series, new *Sante Medical* series, and *Soft Santear* series.

<Medical devices>

Revenue in the three months ended June 30, 2020 decreased by 0.8% year on year to ¥0.8 billion.

We are focusing on promoting *Lentis Comfort* and *Eternity* series.

<Others>

Other revenues amounted to ¥0.4 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 three months ended June 30, 2020 decreased by 6.3% year on year to ¥32.8 billion.

SG&A expenses in the three months ended June 30, 2020 decreased by 3.1% year on year to ¥15.6 billion.

R&D expenses in the three months ended June 30, 2020 decreased by 9.0% year on year to ¥5.6 billion.

As a result, operating profit on a core basis in the three months ended June 30, 2020 decreased by 8.9% year on year to ¥11.7 billion.

*1 With the adoption of IFRS, 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 expense.

- Amortization of intangible assets associated with products
- Other income
- Other expenses
- Finance income
- Finance expenses
- 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)

	Three months ended June 30, 2019	Three months ended June 30, 2020	Year-on-year change
Revenue	59,136	57,563	(2.7%)
Operating profit	9,246	8,016	(13.3%)
Net profit for the period	6,390	6,124	(4.2%)
Net profit for the period attributable to owners of the company	6,399	6,189	(3.3%)

[Revenue]

There are no adjustments from the core basis.

[Operating profit]

There are no adjustments to gross profit, SG&A expenses, and R&D expenses from the core basis.

Amortization of intangible assets associated with products in the three months ended June 30, 2020 decreased by 1.2% year on year to ¥2.4 billion. This was mainly due to the amortization of intangible assets associated with products acquired from Merck & Co., Inc. (U.S) in 2014, *Ikervis* which was launched in Europe in 2015, and DE-128 (*PRESERFLO MicroShunt*) acquired in connection with the acquisition of InnFocus, Inc. in 2016 (amortization began in April 2019).

Other income amounted to ¥0.2 billion.

Other expenses amounted to ¥1.4billion. This was mainly due to the revaluation of the InnFocus contingent payment.

As a result, operating profit on a IFRS basis in the three months ended June 30, 2020 decreased by 13.3% year on year to ¥8.0 billion.

[Quarterly Net profit]

Financial income amounted to ¥0.5 billion.

Financial expenses amounted to ¥0.2billion.

Income tax expenses amounted to ¥2.2billion. The tax burden ratio decreased from the same period of the previous fiscal year mainly due to changes in the profit composition ratio of group companies.

As a result, quarterly net income in the three months ended June 30, 2020 decreased by 4.2% year on year to ¥6.1 billion.

[Net profit attributable to owners of the company]

Net profit attributable to owners of the company in the three months ended June 30, 2020 decreased by 3.3% year on year to ¥6.2 billion. The ratio to revenue was 10.8%.

(II) Research & Development Activities

<Glaucoma and the ocular hypertension area>

DE-111 (STN10111, generic name: tafluprost / timolol maleate) is a fixed dose combination drug of a prostaglandin F_{2α} derivative and a beta-adrenergic receptor blocker. Phase 3 trial was started in January 2019 in China.

DE-117 (STN10117, generic name: omidenepag isopropyl) is an EP2 receptor agonist. Phase 3 trials were started in September 2018 in the U.S. The product was launched in November 2018 in Japan and received marketing approval in December 2019 in Korea with successive filings in Asian countries.

DE-126 (STN10126, generic name: sepetaprost) is a dual agonist that activates both FP and EP3 receptors. Phase 2b trial was completed in the U.S. and Japan.

DE-128 is a device for glaucoma. The company has completed Premarket Approval rolling submission to the FDA in June 2020 in the U.S. The device was launched in January 2019 in Europe. The company filed successively for marketing approval in Asian countries following Korean filing in March 2020.

DE-130A (STN10130, generic name: latanoprost) is an ophthalmic emulsion of a prostaglandin F_{2α} derivative. Phase 3 trial was started in April 2019 in Europe and Asia.

<Retina and uveal disease area>

DE-109 (STN10109, generic name: sirolimus) is being developed for the treatment of uveitis. An additional phase 3 trial was started in December 2018 in the U.S.

<Other disease area>

DE-127 (STN10127, generic name: atropine sulfate) is for the treatment of myopia. Phase 2 trial was completed in April 2020 in Asia and Phase 2/3 trial 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 received manufacturing and marketing approval in November 2019 in Japan.

* The numbering method for development codes has changed. We show both existing development codes (DE-XXX) and new development codes (STNXXXXX).

(2) Summary of Financial Position

(I) Assets, equity and liabilities

Total assets at the end of the first quarter amounted to ¥409.6 billion.

Despite a decline in cash and cash equivalents and trade and other receivables, there was an increase of ¥0.8 billion from the end of the previous fiscal year ended March 31, 2020. This was mainly due to an increase in intangible assets and financial assets resulting from the conclusion of a licensing contract with jCyte, Inc. (U.S.) for the jCell therapy program.

Equity amounted to ¥305.8 billion. This was an increase of ¥3.3 billion from the end of the previous fiscal year ended March 31, 2020. This was mainly due to an increase in other components of equity, retained earnings and other factors.

Liabilities amounted to ¥103.8 billion which decreased by ¥2.4 billion from the end of the previous fiscal year ended March 31, 2020. This was mainly due to the decrease of income tax payable due to the payment of corporate tax, despite of an increase in deferred tax liabilities and trade and other payables.

As a result, the ratio of equity attributable to owners of the company to total assets increased by 0.7 points from the end of the previous fiscal year ended March 31, 2020 to 74.8%

(II) Cash Flows

Cash flows from operating activities amounted to ¥7.4 billion. (¥5.0 billion in the three months ended June 30, 2019). This was mainly due to the net profit of ¥6.1 billion and decrease in trade and other receivables of ¥4.9 billion, offset by income taxes paid of ¥6.1 billion.

Cash flows from investing activities amounted to ¥10.6 billion. (¥1.4 billion in the three months ended June 30, 2019). This was mainly due to payment for acquisition of intangible assets associated with the conclusion of a licensing contract with jCyte, Inc. (U.S.) for the jCell therapy program amounting to ¥7.0 billion and payment for acquisition of investments amounting to ¥2.2 billion.

Cash flows from financing activities amounted to ¥6.0 billion. (¥5.7 billion in the three months ended June 30, 2019). This was mainly due to cash dividends paid of ¥5.5 billion.

As a result, cash and cash equivalents at the end of the first quarter ended June 30, 2020 decreased by ¥9.1 billion from the end of the fiscal year ended March 31, 2020 to ¥82.3 billion.

(3) Information about Forecasts of Consolidated Financial Results and Other Forward-Looking Statements

The results for the first quarter of the fiscal year under review have generally in line with forecast. No changes have been made to the forecasts of consolidated financial results for the year ending March 31, 2021 announced on May 8, 2020.

2. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statements of Income and Comprehensive Income

IFRS	(JPY millions)	
	Three months ended June 30, 2019	Three months ended June 30, 2020
Revenue	59,136	57,563
Cost of sales	(24,120)	(24,741)
Gross profit	35,016	32,822
Selling, general and administrative expenses	(16,047)	(15,551)
Research and development expenses	(6,174)	(5,616)
Amortization on intangible assets associated with products	(2,477)	(2,448)
Other income	101	176
Other expenses	(1,172)	(1,367)
Operating profit	9,246	8,016
Finance income	441	530
Finance expenses	(684)	(187)
Profit before tax	9,002	8,359
Income tax expenses	(2,612)	(2,235)
Net profit for the period	6,390	6,124
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	—	—
Net gain on financial assets measured at fair value through other comprehensive income	(909)	2,752
Items that may be reclassified subsequently to profit or loss	(3,058)	(142)
Foreign currency translation adjustments		
Other comprehensive income	(3,967)	2,610
Total comprehensive income	2,423	8,734
Profit attributable to		
Owners of the company	6,399	6,189
Non-controlling interests	(9)	(65)
Net profit for the period	6,390	6,124
Total comprehensive income attributable to		
Owners of the company	2,509	8,798
Non-controlling interests	(86)	(64)
Total comprehensive income	2,423	8,734
Earnings per share		
Basic earnings per share (yen)	16.03	15.49
Diluted earnings per share (yen)	15.99	15.46

Core basis (JPY millions)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Revenue	59,136	57,563
Core operating profit	12,794	11,655
Core net profit for the period	9,671	8,807
Basic core earnings per share (yen)	24.25	22.21
Diluted core earnings per share (yen)	24.19	22.16
Core profit attributable to		
Owners of the company	9,680	8,872
Non-controlling interests	(9)	(65)
Core net profit for the period	9,671	8,807

(2)Condensed Interim Consolidated Statements of Financial Position

Assets		(JPY millions)
	As of March 31, 2020	As of June 30, 2020
Non-current assets		
Property, plant and equipment	35,601	35,735
Intangible assets	119,850	123,720
Financial assets	30,848	37,000
Deferred tax assets	2,100	2,297
Other non-current assets	1,813	1,780
Total non-current assets	190,212	200,533
Current assets		
Inventories	35,282	38,663
Trade and other receivables	86,999	82,174
Other financial assets	452	542
Other current assets	4,392	5,328
Cash and cash equivalents	91,430	82,346
Total current assets	218,556	209,053
Total assets	408,768	409,586

Equity and liabilities

(JPY millions)

	As of March 31, 2020	As of June 30, 2020
Equity		
Share capital	8,366	8,411
Capital surplus	8,746	8,833
Treasury shares	(1,033)	(1,033)
Retained earnings	273,422	274,018
Other components of equity	13,364	15,963
Total equity attributable to owners of the company	302,865	306,193
Non-controlling interests	(305)	(369)
Total equity	302,560	305,824
Liabilities		
Non-current liabilities		
Financial liabilities	27,592	28,575
Net defined benefit liabilities	1,738	1,987
Provisions	570	579
Deferred tax liabilities	7,228	8,788
Other non-current liabilities	1,483	1,496
Total non-current liabilities	38,611	41,425
Current liabilities		
Trade and other payables	32,578	33,815
Other financial liabilities	18,777	18,325
Income tax payable	6,848	2,826
Provisions	633	718
Other current liabilities	8,761	6,653
Total current liabilities	67,597	62,337
Total liabilities	106,208	103,762
Total equity and liabilities	408,768	409,586

(3) Condensed Interim Consolidated Statements of Changes in Equity

Three months ended June 30, 2019

(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				6,399		
Other comprehensive income						(909)
Total comprehensive income	—	—	—	6,399	—	(909)
Transactions with owners						
Issuance of new shares	31	31				
Acquisition of treasury shares			(0)			
Dividends				(5,189)		
Share-based payments		23				
Other				418		(418)
Total transactions with owners	31	54	(0)	(4,771)	—	(418)
Balance at June 30, 2019	8,283	8,715	(1,131)	260,287	—	8,904

(JPY millions)

	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			—	6,399	(9)	6,390
Other comprehensive income	(2,981)		(3,890)	(3,890)	(77)	(3,967)
Total comprehensive income	(2,981)	—	(3,890)	2,509	(86)	2,423
Transactions with owners						
Issuance of new shares		(35)	(35)	28		28
Acquisition of treasury shares			—	(0)		(0)
Dividends			—	(5,189)		(5,189)
Share-based payments			—	23		23
Other			(418)	—		—
Total transactions with owners	—	(35)	(452)	(5,138)	—	(5,138)
Balance at June 30, 2019	2,447	768	12,118	288,271	1,586	289,857

Three months ended June 30, 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, 2020	8,366	8,746	(1,033)	273,422	—	11,150
Comprehensive income						
Net profit for the period				6,189		
Other comprehensive income						2,752
Total comprehensive income	—	—	—	6,189	—	2,752
Transactions with owners						
Issuance of new shares	45	45				
Dividends				(5,592)		
Share-based payments		43				
Total transactions with owners	45	88	—	(5,592)	—	—
Balance at June 30, 2020	8,411	8,833	(1,033)	274,018	—	13,902

(JPY millions)

	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			—	6,189	(65)	6,124
Other comprehensive income	(143)		2,609	2,609	1	2,610
Total comprehensive income	(143)	—	2,609	8,798	(64)	8,734
Transactions with owners						
Issuance of new shares		(10)	(10)	80		80
Dividends			—	(5,592)		(5,592)
Share-based payments			—	43		43
Total transactions with owners	—	(10)	(10)	(5,470)	—	(5,470)
Balance at June 30, 2020	1,386	676	15,963	306,193	(369)	305,824

(4)Condensed Interim Consolidated Statements of Cash Flows

(JPY millions)

	Three months ended June 30, 2019	Three months ended June 30, 2020
I . Cash flows from operating activities:		
Net profit for the period	6,390	6,124
Depreciation and amortization	4,122	4,116
Impairment losses	—	114
Finance expenses (income)	(231)	(242)
Income tax expenses	2,612	2,235
Decrease (increase) in trade and other receivables	1,841	4,923
Decrease (increase) in inventories	1,361	(3,235)
Increase (decrease) in trade and other payables	(4,885)	1,210
Increase (decrease) in provisions and net defined benefit liabilities	217	322
Other	(339)	(2,262)
Subtotal	11,089	13,304
Interest received	24	23
Dividends received	258	243
Interest paid	(59)	(39)
Income tax paid	(6,313)	(6,086)
Net cash flows from (used in) operating activities	4,999	7,445
II . Cash flows from investing activities:		
Payments for acquisition of investments	—	(2,202)
Proceeds from sales of investments	760	—
Payments for acquisition of property, plant and equipment	(1,182)	(1,330)
Payments for acquisition of intangible assets	(924)	(7,024)
Other	(8)	(8)
Net cash flows from (used in) investing activities	(1,355)	(10,564)
III . Cash flows from financing activities:		
Proceeds from long-term loans	—	113
Dividends paid	(5,102)	(5,520)
Repayments of lease obligation	(669)	(684)
Other	28	80
Net cash flows from (used in) financing activities	(5,743)	(6,012)
IV . Net increase (decrease) in cash and cash equivalents	(2,099)	(9,130)
V . Cash and cash equivalents at the beginning of period	70,796	91,430
VI . Effect of exchange rate changes on cash and cash equivalents	(899)	46
VII . Cash and cash equivalents at the end of period	67,798	82,346

**(5) Notes to Consolidated Interim Consolidated Financial Statements
(Going Concern Assumption)**

Not applicable.

(Significant Subsequent Events)

Not applicable.

3. Consolidated Reference

(1) Revenue of Major Products

(JPY millions)

Brand name Generic name/formulation	Therapeutic category	Region	Year ended March 31, 2020				Year ending March 31, 2021	
			Three months ended June 30, 2019 Actual	Changes from the same period of previous year	Year ended March 31, 2020 Actual	Changes from the same period of previous year	Three months ended June 30, 2020 Actual	Changes from the same period of previous year
Cravit levofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	4,549	20.8%	15,181	1.0%	3,291	(27.7%)
		Japan	722	(19.6%)	2,571	(19.0%)	521	(27.8%)
		China	2,997	41.9%	9,509	7.3%	2,186	(27.1%)
		Asia	448	33.5%	1,726	13.3%	386	(13.7%)
		EMEA	384	(8.6%)	1,375	(6.3%)	197	(48.6%)
Tarivid ofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	410	14.6%	1,472	1.9%	319	(22.1%)
		Japan	112	(17.6%)	414	(14.0%)	89	(20.6%)
		China	179	22.6%	585	(2.4%)	149	(17.0%)
		Asia	119	56.5%	473	30.0%	82	(31.4%)
Tapcom tafluprost-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	1,356	17.4%	5,405	12.9%	1,529	12.7%
		Japan	668	3.8%	2,521	(1.1%)	685	2.5%
		Asia	98	49.5%	383	24.2%	122	24.1%
		EMEA	590	32.5%	2,501	29.6%	722	22.4%
Tapros tafluprost/ophthalmic solution	Glaucoma	Total	4,662	1.0%	17,901	(0.6%)	4,672	0.2%
		Japan	2,396	(0.7%)	9,123	(4.5%)	2,372	(1.0%)
		China	85	122.2%	395	73.5%	114	33.8%
		Asia	502	3.7%	1,892	1.9%	461	(8.1%)
		EMEA	1,678	(0.0%)	6,491	1.8%	1,725	2.8%
Cosopt dorzolamide hydrochloride-timolol maleate/combination ophthalmic solution	Glaucoma	Total	5,398	(11.9%)	21,045	(4.3%)	5,609	3.9%
		Japan	1,977	(28.4%)	7,723	(13.4%)	2,042	3.3%
		Asia	1,047	11.7%	4,052	10.3%	1,050	0.2%
		EMEA	2,374	(2.4%)	9,270	(1.3%)	2,516	6.0%
Timoptol timolol maleate/ ophthalmic solution (* Including Timoptol XE)	Glaucoma	Total	682	(13.4%)	2,504	(12.9%)	614	(9.9%)
		Japan	377	(18.2%)	1,349	(18.0%)	322	(14.7%)
		Asia	68	18.2%	226	2.2%	92	35.4%
		EMEA	236	(11.9%)	929	(7.8%)	200	(15.2%)
Trusopt dorzolamide hydrochloride/ ophthalmic solution	Glaucoma	Total	1,159	0.4%	4,424	(3.5%)	1,082	(6.7%)
		Japan	362	(9.0%)	1,350	(8.4%)	350	(3.2%)
		Asia	117	16.5%	411	(1.0%)	67	(42.7%)
		EMEA	680	3.7%	2,663	(1.3%)	664	(2.3%)
Eybelis omidenedapag isopropyl/ ophthalmic solution	Glaucoma	Total	285	—	1,629	278.1%	589	106.6%
		Japan	285	—	1,629	278.1%	589	106.6%
Alesion epinastine hydrochloride/ ophthalmic solution (* Including Alesion LX)	Allergy	Total	2,120	(9.6%)	24,916	28.1%	3,047	43.8%
		Japan	2,120	(9.6%)	24,916	28.1%	3,047	43.8%
Flumetholon fluorometholone/ ophthalmic solution	Inflammation	Total	808	(3.9%)	2,996	(9.3%)	650	(19.6%)
		Japan	305	(24.6%)	1,272	(22.5%)	242	(20.8%)
		China	381	19.7%	1,243	0.9%	325	(14.7%)
		Asia	122	3.1%	482	11.9%	83	(31.9%)
Kary Uni pirenoxine/ ophthalmic solution	Senile cataract	Total	1,000	(1.5%)	4,056	(0.5%)	974	(2.6%)
		Japan	647	(3.6%)	2,501	(4.0%)	616	(4.8%)
		China	148	(12.6%)	704	(7.4%)	189	27.9%
		Asia	205	17.6%	852	19.6%	169	(17.5%)
Oftan Catachrom cytochrome C, adenosine, nicotinamide/ ophthalmic solution	Senile cataract	Total	589	(6.0%)	2,241	(6.5%)	870	47.8%
		EMEA	589	(6.0%)	2,241	(6.5%)	870	47.8%
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	Total	567	4.7%	2,672	24.0%	527	(7.0%)
		Japan	567	4.7%	2,672	24.0%	527	(7.0%)
Eylea aflibercept/ solution for intravitreal injection	Intravitreal VEGF inhibitor	Total	15,148	8.4%	60,138	7.1%	16,802	10.9%
		Japan	15,148	8.4%	60,138	7.1%	16,802	10.9%
Hyalein sodium hyaluronate/ophthalmic solution	Dry eye	Total	4,948	1.7%	17,609	(6.8%)	4,523	(8.6%)
		Japan	2,139	(6.5%)	7,849	(10.4%)	1,815	(15.2%)
		China	2,417	21.7%	7,856	3.8%	2,349	(2.8%)
		Asia	392	(33.7%)	1,904	(26.0%)	359	(8.4%)
Diquas diquafosol sodium/ophthalmic solution	Dry eye	Total	4,434	20.6%	15,970	3.9%	3,551	(19.9%)
		Japan	3,605	7.4%	14,257	2.3%	3,012	(16.4%)
		China	30	—	167	561.1%	71	132.3%
		Asia	799	147.9%	1,546	9.7%	468	(41.4%)
Ikervis ciclosporin/ophthalmic solution	Dry eye	Total	920	27.2%	3,851	13.6%	939	2.1%
		Asia	171	107.7%	738	60.9%	191	11.8%
		EMEA	749	16.8%	3,113	6.2%	748	(0.1%)
Cationorm	Dry eye	Total	715	18.3%	2,912	15.9%	672	(6.0%)
		Asia	47	28.3%	265	57.7%	71	50.3%
		EMEA	500	(2.9%)	2,092	5.2%	438	(12.3%)
		US	168	218.8%	555	56.3%	163	(2.8%)
Lentis Comfort	Intraocular Lens for Cataract Treatment	Total	183	—	1,065	728.6%	215	17.4%
		Japan	183	—	1,065	728.6%	215	17.4%
OTC pharmaceuticals		Total	3,713	5.6%	12,034	(15.4%)	2,043	(45.0%)
		Japan	3,637	5.3%	11,722	(15.8%)	1,975	(45.7%)
		Asia	76	25.5%	312	6.5%	67	(11.2%)

* The forecast of revenue of major products is not disclosed because the demand for products is uncertain due to COVID-19. The forecast is scheduled to be disclosed in the Q2 announcement.

(2) Research & Development

As of July 2020

Pipeline Development Status (Clinical Stage)

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
sirolimus	DE-109 (STN10109)	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	DE-111 (STN10111)	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	NDA Filed	Approved	Launched
omidenedapag isopropyl	DE-117 (STN10117)	Glaucoma/ Ocular hypertension	Co-development with Ube Industries	U.S.						
				Japan	Nov-2018					
				Asia	Dec-2019					
An EP2 receptor agonist with a new mechanism of action. Started Phase 3 in September 2018 in the U.S. Launched in November 2018 in Japan. Received marketing approval in Korea in December 2019 with successive filings planned for Asian countries.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
sepetaprost	DE-126 (STN10126)	Glaucoma/ Ocular hypertension	ONO PHARMACEUTICAL	U.S.	(Phase 2b)					
				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 receptorsfor the treatment of glaucoma and ocular hypertension. Phase 2b completed in the U.S. and Japan.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
atropine sulfate	DE-127 (STN10127)	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.										

—	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched	
glaucoma implant device	DE-128	Glaucoma	Original	U.S.	Jun-2020						
				Europe	Jan-2019						
				Asia	Mar-2020						
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 in the U.S. Launched in Europe in January 2019. Filed successively for marketing approval in Asian countries following Korean filing in March 2020.											

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
latanoprost	DE-130A (STN10130, 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.										

—	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
intraocular lens	MD-16	Cataract	Oculentis	Japan					Nov-2019	
A toric intraocular lens to treat aphakia after cataract surgery. Received manufacturing and marketing approval for Japan in November 2019.										

Changes from Q4 FY19 (May 8, 2020)

Dev. code	Changes
DE-128	Completed Premarket Approval rolling submission to the FDA in June 2020 in the U.S.

The numbering method for development codes has changed. We show both existing development codes (DE-XXX) and new development codes (STNXXXXX).

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

Capital expenditures

(JPY millions)

	Three months ended June 30, 2019	Year ended March 31, 2020	Three months ended June 30, 2020	Year ending March 31, 2021
	Actual			Forecast
Consolidated	1,853	8,971	2,057	10,000

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

Depreciation and amortization

(JPY millions)

	Three months ended June 30, 2019	Year ended March 31, 2020	Three months ended June 30, 2020	Year ending March 31, 2021
	Actual			Forecast
Manufacturing cost	566	2,144	607	2,310
Selling, general and administrative expenses	372	1,462	339	1,720
R&D expenses	160	661	159	680
Consolidated total	1,098	4,267	1,105	4,710

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)

	Three months ended June 30, 2019	Year ended March 31, 2020	Three months ended June 30, 2020	Year ending March 31, 2021
	Actual			Forecast
Intangible assets (Merck products)	1,452	5,808	1,452	5,740
Intangible assets (DE-128*)	705	2,798	691	2,830
Intangible assets (Ikervis)	174	684	168	710
Other	146	608	137	420
Consolidated total	2,477	9,898	2,448	9,700

* DE-128 (PRESERFLO MicroShunt)

Research and development expenses

(JPY millions)

	Three months ended June 30, 2019	Year ended March 31, 2020	Three months ended June 30, 2020	Year ending March 31, 2021
	Actual			Forecast
Consolidated	6,174	23,341	5,616	23,000
Percent of revenue	10.4%	9.7%	9.8%	9.8%

(4) FOREX

(JPY)

Exchange rate (yen)	Major currency	The 1st quarter ended June 30, 2019	Fiscal year ended March 31, 2020	The 1st quarter ended June 30, 2020	Fiscal year ending March 31, 2021 (Forecasts)
	US dollar	109.86	108.81	107.46	110.00
	Euro	123.06	120.80	118.69	120.00
	CNY	16.14	15.64	15.13	15.00

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