



Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (IFRS)

Listed Company Name:	Santen Pharmaceutical Co.,Ltd
Exchanges Listed:	Tokyo (First section)
Stock Code:	4536
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Holding of Presentation of Financial Results:	Yes (for securities analysts and institutional investors)

(JPY millions)

1. Consolidated Performance for the Six Months Ended September 30, 2020

(1) Operating Results (Core basis)

	Six months ended September 30, 2019	Six months ended September 30, 2020	% change
Revenue	118,775	118,905	+0.1%
Core operating profit	25,639	25,690	+0.2%
Core net profit for the period	18,794	19,687	+4.7%
Core net profit for the period attributable to owners of the company	18,814	19,703	+4.7%
Basic core earnings per share (yen)	47.14	49.33	
Diluted core earnings per share (yen)	47.00	49.21	

(IFRS)

	Six months ended September 30, 2019	Six months ended September 30, 2020	% change
Revenue	118,775	118,905	+0.1%
Operating profit	19,011	18,686	(1.7%)
Profit before tax	18,408	18,353	(0.3%)
Net profit for the period	13,129	13,698	+4.3%
Net profit for the period attributable to owners of the company	13,148	13,813	+5.1%
Total comprehensive income for the period	7,725	18,512	+139.6%
Basic earnings per share (yen)	32.94	34.58	
Diluted earnings per share (yen)	32.85	34.50	

(2) Financial Position

	September 30, 2019	September 30, 2020
Total assets	408,768	420,021
Total equity	302,560	315,634
Total equity attributable to owners of the company	302,865	316,061
Total equity attributable to owners of the company ratio	74.1%	75.2%
Equity per share attributable to owners of the company (yen)	758.50	791.30

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

As a result of the acquisition of Eyevance Pharmaceuticals Holdings Inc. in the second quarter of the current fiscal year, the Company has newly included Eyevance Pharmaceuticals Holdings Inc. and its subsidiary Eyevance Pharmaceuticals LLC in the scope of consolidation.

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

(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)

September 30, 2020	400,151,754 shares
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March 31, 2020	400,028,254 shares
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(ii) Number of treasury shares at the end of period

September 30, 2020	547,909 shares
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March 31, 2020	608,065 shares
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(iii) Average number of outstanding shares

The Second quarter ended September 30, 2020	399,394,844 shares
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The Second quarter ended September 30, 2019	399,107,321 shares
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*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 November 6, 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)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Year-on-year change
Revenue	118,775	118,905	0.1%
Core operating profit	25,639	25,690	0.2%
Core net profit for the period	18,794	19,687	4.7%
Core net profit for the period attributable to owners of the company	18,814	19,703	4.7%

[Revenue]

Revenue in the six months ended September 30, 2020 increased by 0.1% year-on-year to ¥118.9 billion.

In the mainstay prescription pharmaceuticals business, sales increased 1.8% year-on-year, to ¥111.5 billion, reflecting a firm performance even in light of COVID-19.

By region, sales are showing continuous growth in Japan and Asia.

The breakdown of revenue is as follows:

Upper: Value

Lower: Year-on-year change

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Prescription pharmaceuticals	71,153 3.9%	12,729 (6.9%)	8,985 4.8%	18,045 (0.8%)	575 4.1%	111,486 1.8%
OTC pharmaceuticals	4,827 (26.4%)	— —	177 15.0%	— —	— —	5,004 (25.4%)
Medical devices	1,336 (17.6%)	1 —	— —	380 75.0%	— (100.0%)	1,717 (6.6%)
Others	635 (5.2%)	28 (18.7%)	35 (14.0%)	— —	— —	698 (6.3%)
Total	77,950 0.8%	12,758 (6.9%)	9,197 4.9%	18,425 0.1%	575 4.0%	118,905 0.1%

(Note)

Represents revenue from sales to external customers.

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

EMEA refers to Europe, the Middle East and Africa.

<Prescription pharmaceuticals>

◇ Japan

Revenue in the six months ended September 30, 2020 increased by 3.9% year-on-year to ¥71.2 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.

Glaucoma and ocular hypertension

<i>Tapros</i> ophthalmic solution	¥4.6 billion (YoY -2.3%)
<i>Tapcom</i> ophthalmic solution	¥1.3 billion (YoY +3.9%)
<i>Cosopt</i> ophthalmic solution	¥3.8 billion (YoY +0.7%)
<i>Eybelis</i> ophthalmic solution	¥1.2 billion (YoY +89.8%)

Dry Eye

<i>Diquas</i> ophthalmic solution	¥6.1 billion (YoY -21.8%)
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Allergy

<i>Alesion</i> ophthalmic solution ^{*3} (refer to Page4)	¥7.7 billion (YoY +56.0%)
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Intravitreal VEGF inhibitor

<i>EYLEA</i> ^{*2} (solution for intravitreal injection)	¥33.3 billion (YoY +8.3%)
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◇ China

On a JPY basis, revenue in the six months ended September 30, 2020 decreased 6.9% year-on-year (-3.5% excluding FX impact), to ¥12.7 billion. Revenue of major products are as follows.

Dry Eye

<i>Hyalein</i> ophthalmic solution	¥4.8 billion (YoY -2.0%)
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Bacterial conjunctivitis

<i>Cravit</i> ophthalmic solution	¥4.9 billion (YoY -16.9%)
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◇ Asia (excluding China)

On a JPY basis, revenue in the six months ended September 30, 2020 increased 4.8% year-on-year (+7.9% excluding FX impact), to ¥9.0 billion. Revenue of major products are as follows.

Glaucoma and ocular hypertension

<i>Tapros</i> ophthalmic solution	¥1.0 billion (YoY -0.8%)
<i>Tapcom</i> ophthalmic solution	¥0.2 billion (YoY +23.8%)
<i>Cosopt</i> ophthalmic solution	¥2.1 billion (YoY +3.3%)

◇ EMEA

On a JPY basis, revenue in the six months ended September 30, 2020 decreased 0.8% year-on-year (-1.0% excluding FX impact), to ¥18.0 billion. Revenue of major products are as follows.

Glaucoma and ocular hypertension

<i>Tapros</i> ophthalmic solution	¥3.3 billion (YoY +4.4%)
<i>Tapcom</i> ophthalmic solution	¥1.4 billion (YoY +22.0%)
<i>Cosopt</i> ophthalmic solution	¥4.8 billion (YoY +3.7%)
<i>Trusopt</i> ophthalmic solution	¥1.4 billion (YoY +4.9%)

Dry Eye

<i>Ikervis</i>	¥1.7 billion (YoY +17.5%)
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<OTC pharmaceuticals>

Revenue in the six months ended September 30, 2020 decreased 25.4% year-on-year to ¥5.0 billion.

Although revenues declined due to a decrease in inbound demand and other factors, Santen continues to focus on high-end products such as the *Sante Beauteye* series, new *Sante Medical* series, and *Soft Santear* series. In the second quarter of the fiscal year under review, company launched *Hyalein S* which is a switch OTC product of *Hyalein* ophthalmic solution (0.1%).

<Medical devices>

Revenue in the six months ended September 30, 2020 decreased by 6.6% year-on-year to ¥1.7 billion.

Santen is focused on promoting *Lentis Comfort* and *Eternity* series.

<Others>

Other revenues amounted to ¥0.7 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 six months ended September 30, 2020 decreased by 1.8% year-on-year to ¥69.2 billion.

SG&A expenses in the six months ended September 30, 2020 decreased by 3.1% year-on-year to ¥32.4 billion.

R&D expenses in the six months ended September 30, 2020 decreased by 2.5% year-on-year to ¥11.1 billion.

As a result, operating profit on a core basis in the six months ended September 30, 2020 increased by 0.2% year-on-year to ¥25.7 billion.

*1 With the adoption of IFRS in the fiscal year ended March 31, 2015, the Santen Group discloses financial information on a core basis, which is calculated by excluding certain income and expense items from the IFRS basis, as an indicator of ordinary performance. The core basis is calculated by adjusting the following income and expense items, which are deducted from IFRS results, and the related income tax 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)

	Six months ended September 30, 2019	Six months ended September 30, 2020	Year-on-year change
Revenue	118,775	118,905	0.1%
Operating profit	19,011	18,686	(1.7%)
Net profit for the period	13,129	13,698	4.3%
Net profit for the period attributable to owners of the company	13,148	13,813	5.1%

[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 an IFRS basis decreased by 0.5% year-on-year to ¥33.2billion.

In addition to SG&A expenses on a core basis, one-time expenses of ¥0.9 billion were incurred in connection with the acquisition of Eyevance Pharmaceuticals Holdings Inc (U.S.).

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

Amortization of intangible assets associated with products in the six months ended September 30, 2020 decreased by 1.2% year-on-year to ¥4.9 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. (U.S.) in 2016 (amortization began in April 2019).

Other income amounted to ¥0.3 billion.

Other expenses amounted to ¥1.6 billion. This was mainly due to the revaluation of the fair value of contingent consideration with the InnFocus, Inc. (U.S.) acquisition.

As a result, operating profit on an IFRS basis in the six months ended September 30, 2020 decreased by 1.7% year-on-year to ¥18.7 billion.

[Net profit for the period]

Financial income amounted to ¥0.6 billion.

Financial expenses amounted to ¥0.9 billion.

Income tax expenses amounted to ¥4.7billion. 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, net profit in the six months ended September 30, 2020 increased by 4.3% year-on-year to ¥13.7 billion.

[Net profit for the period attributable to owners of the company]

Net profit attributable to owners of the company in the six months ended September 30, 2020 increased by 5.1% year-on-year to ¥13.8 billion. The ratio to revenue was 11.6%.

(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 successively marketing approval since December 2019 in Korea with successive filings planned for 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 (STN20001) 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 second quarter amounted to ¥420 billion.

Despite a decline in cash and cash equivalents and trade and other receivables, there was an increase of ¥11.3 billion from the end of the previous fiscal year ended March 31, 2020. This was mainly due to an increase in intangible assets associated with the acquisition of Eyevance Pharmaceuticals Holdings Inc., and an increase in financial assets.

Equity amounted to ¥315.6 billion. This was an increase of ¥13.1 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 ¥104.4 billion which decreased by ¥1.8 billion from the end of the previous fiscal year ended March 31, 2020. This was mainly due to a decrease in financial liabilities resulting from changes in the fair value of contingent consideration and payment associated with the InnFocus, Inc. (U.S.) acquisition and income tax payable due to the payment of corporate tax.

As a result, the ratio of equity attributable to owners of the company to total assets increased by 1.1 points from the end of the previous fiscal year ended March 31, 2020 to 75.2%.

(II) Cash Flows

Cash flows from operating activities amounted to ¥18.4 billion. (¥23.6 billion in the six months ended September 30, 2019). This was mainly due to net profit of ¥13.7 billion and depreciation and amortization of ¥8.2 billion and a decrease in trade and other receivables of ¥6.4 billion, offset by income taxes paid of ¥7.0 billion.

Cash flows from investing activities amounted to ¥44.7 billion. (¥1.9 billion in the six months ended September 30, 2019). This was mainly due to the acquisition of shares of subsidiaries associated with the acquisition of Eyevance Pharmaceuticals Holdings Inc. amounting to ¥23.9 billion and the purchase of intangible assets amounting to ¥11.1 billion.

Cash flows from financing activities amounted to ¥6.8 billion. (¥6.0 billion in the six months ended September 30, 2019). This was mainly due to cash dividends paid of ¥5.6 billion.

As a result, cash and cash equivalents at the end of the second quarter ended September 30, 2020 decreased by ¥32.7 billion from the end of the fiscal year ended March 31, 2020 to ¥58.7 billion.

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

The results for the six months of the fiscal year under review were generally in line with the 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)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Revenue	118,775	118,905
Cost of sales	(48,302)	(49,705)
Gross profit	70,473	69,199
Selling, general and administrative expenses	(33,422)	(33,242)
Research and development expenses	(11,412)	(11,123)
Amortization on intangible assets associated with products	(4,937)	(4,878)
Other income	160	350
Other expenses	(1,851)	(1,620)
Operating profit	19,011	18,686
Finance income	518	566
Finance expenses	(1,121)	(883)
Share of loss of investments accounted for using equity method	—	(17)
Profit before tax	18,408	18,353
Income tax expenses	(5,279)	(4,655)
Net profit for the period	13,129	13,698
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	(747)	4,170
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	(4,658)	644
Other comprehensive income	(5,404)	4,814
Total comprehensive income	7,725	18,512
Profit attributable to		
Owners of the company	13,148	13,813
Non-controlling interests	(19)	(115)
Net profit for the period	13,129	13,698
Total comprehensive income attributable to		
Owners of the company	7,866	18,634
Non-controlling interests	(142)	(122)
Total comprehensive income	7,725	18,512
Earnings per share		
Basic earnings per share (yen)	32.94	34.58
Diluted earnings per share (yen)	32.85	34.50

Core basis (JPY millions)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Revenue	118,775	118,905
Core operating profit	25,639	25,690
Core net profit for the period	18,794	19,687
Basic core earnings per share (yen)	47.14	49.33
Diluted core earnings per share (yen)	47.00	49.21
Core profit attributable to		
Owners of the company	18,814	19,703
Non-controlling interests	(19)	(16)
Core net profit for the period	18,794	19,687

(2) Condensed Interim Consolidated Statements of Financial Position

Assets		(JPY millions)
	As of March 31, 2020	As of September 30, 2020
Non-current assets		
Property, plant and equipment	35,601	36,219
Intangible assets	119,850	148,021
Financial assets	30,848	39,229
Investments from application of equity method	—	5,273
Deferred tax assets	2,100	2,445
Other non-current assets	1,813	1,750
Total non-current assets	190,212	232,938
Current assets		
Inventories	35,282	40,111
Trade and other receivables	86,999	81,321
Other financial assets	452	572
Other current assets	4,392	6,334
Cash and cash equivalents	91,430	58,745
Total current assets	218,556	187,083
Total assets	408,768	420,021

Equity and liabilities

(JPY millions)

	As of March 31, 2020	As of September 30, 2020
Equity		
Share capital	8,366	8,411
Capital surplus	8,746	8,763
Treasury shares	(1,033)	(931)
Retained earnings	273,422	281,643
Other components of equity	13,364	18,175
Total equity attributable to owners of the company	302,865	316,061
Non-controlling interests	(305)	(427)
Total equity	302,560	315,634
Liabilities		
Non-current liabilities		
Financial liabilities	27,592	26,442
Net defined benefit liabilities	1,738	2,260
Provisions	570	588
Deferred tax liabilities	7,228	7,902
Other non-current liabilities	1,483	1,463
Total non-current liabilities	38,611	38,654
Current liabilities		
Trade and other payables	32,578	32,507
Other financial liabilities	18,777	18,981
Income tax payable	6,848	5,930
Provisions	633	633
Other current liabilities	8,761	7,681
Total current liabilities	67,597	65,732
Total liabilities	106,208	104,387
Total equity and liabilities	408,768	420,021

(3) Condensed Interim Consolidated Statements of Changes in Equity

Six months ended September 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				13,148		
Other comprehensive income						(747)
Total comprehensive income	—	—	—	13,148	—	(747)
Transactions with owners						
Issuance of new shares	35	35				
Acquisition of treasury shares			(0)			
Retirement of treasury shares		(112)	121			
Dividends				(5,189)		
Share-based payments		47				
Other				833		(833)
Total transactions with owners	35	(30)	121	(4,356)	—	(833)
Balance at September 30, 2019	8,287	8,631	(1,011)	267,452	—	8,651

(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			—	13,148	(19)	13,129
Other comprehensive income	(4,535)		(5,282)	(5,282)	(122)	(5,404)
Total comprehensive income	(4,535)	—	(5,282)	7,866	(142)	7,725
Transactions with owners						
Issuance of new shares		(43)	(43)	28		28
Acquisition of treasury shares			—	(0)		(0)
Retirement of treasury shares			—	9		9
Dividends			—	(5,189)		(5,189)
Share-based payments			—	47		47
Other			(833)	—		—
Total transactions with owners	—	(43)	(876)	(5,105)	—	(5,105)
Balance at September 30, 2019	893	760	10,303	293,662	1,530	295,192

Six months ended September 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				13,813		
Other comprehensive income						4,170
Total comprehensive income	—	—	—	13,813	—	4,170
Transactions with owners						
Issuance of new shares	45	45				
Retirement of treasury shares		(65)	102			
Dividends				(5,592)		
Share-based payments		38				
Total transactions with owners	45	18	102	(5,592)	—	—
Balance at September 30, 2020	8,411	8,763	(931)	281,643	—	15,319

(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			—	13,813	(115)	13,698
Other comprehensive income	652		4,821	4,821	(8)	4,814
Total comprehensive income	652	—	4,821	18,634	(122)	18,512
Transactions with owners						
Issuance of new shares		(10)	(10)	80		80
Retirement of treasury shares			—	36		36
Dividends			—	(5,592)		(5,592)
Share-based payments			—	38		38
Total transactions with owners	—	(10)	(10)	(5,438)	—	(5,438)
Balance at September 30, 2020	2,180	676	18,175	316,061	(427)	315,634

(4) Condensed Interim Consolidated Statements of Cash Flows

(JPY millions)

	Six months ended September 30, 2019	Six months ended September 30, 2020
I. Cash flows from operating activities:		
Net profit for the period	13,129	13,698
Depreciation and amortization	8,202	8,184
Impairment losses	—	198
Shares of loss (profit) of entities accounted for using equity method	—	17
Finance expenses (income)	(268)	(285)
Income tax expenses	5,279	4,655
Decrease (increase) in trade and other receivables	5,449	6,380
Decrease (increase) in inventories	558	(4,126)
Increase (decrease) in trade and other payables	(864)	(404)
Increase (decrease) in provisions and net defined benefit liabilities	(474)	462
Other	(226)	(3,585)
Subtotal	30,786	25,193
Interest received	52	76
Dividends received	260	246
Interest paid	(92)	(82)
Income tax paid	(7,419)	(7,005)
Net cash flows from (used in) operating activities	23,588	18,428
II. Cash flows from investing activities:		
Payments for acquisition of investments	(121)	(2,452)
Proceeds from sales of investments	1,671	—
Payments for acquisition of shares of subsidiaries	—	(23,893)
Payments for acquisition of investments accounted for using equity method	—	(5,349)
Payments for acquisition of property, plant and equipment	(2,792)	(1,920)
Payments for acquisition of intangible assets	(1,633)	(11,106)
Other	967	(14)
Net cash flows from (used in) investing activities	(1,908)	(44,734)
III. Cash flows from financing activities:		
Proceeds from long-term loans	588	148
Dividends paid	(5,182)	(5,592)
Repayments of lease obligation	(1,396)	(1,407)
Other	28	80
Net cash flows from (used in) financing activities	(5,962)	(6,771)
IV. Net increase (decrease) in cash and cash equivalents	15,717	(33,077)
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	(1,542)	391
VII. Cash and cash equivalents at the end of period	84,972	58,745

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

Not applicable.

(Business Combinations)

For the Six Months Ended September 30, 2020

(1) Business Combination

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

(I) Outline of Business Combinations

A) The name and description of the acquiree

Company name : Eyeavance Pharmaceuticals Holdings Inc.
 Eyeavance 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

Eyeavance develops and commercializes topical ophthalmic products targeting the ocular surface and anterior segment. Within this area of focus, Eyeavance currently offers, anti-inflammatory, anti-allergic, anti-fungal, anti-infective/anti-inflammatory fixed combination, and tear lubricant products. Eyeavance'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 both sincerely take on and further contribute to addressing the needs of a greater number of patients by offering more value. 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 contribution 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 of Eyeavance Pharmaceuticals Holdings Inc. for a cash consideration.

E) Percentage of voting equity interests acquired

100%

(II) The Fair Values of Assets Acquired, Liabilities Assumed and Purchase Consideration Transferred as at the Date of the Acquisition

(JPY millions)

	Provisional fair value
Non-current assets	4,433
Current assets	838
Cash and cash equivalents	1,099
Non-current liabilities	(321)
Current liabilities	(564)
Goodwill	19,508
Total	24,992
Cash	24,992
Total consideration transferred	24,992

The Company reported the provisional amounts because the measurement process had not been completed. Acquisition-related costs are included in the ¥855 million in "Selling, general and administrative expenses."

(III) Cash flow

(JPY millions)

	Amount
Sum of the fair values of the consideration paid	24,992
Cash and cash equivalents held by the acquired company	(1,099)
Purchase of investment securities of consolidated subsidiaries	23,893

(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 has been omitted because it is immaterial.

The impact on the Company's business results for the six months ended September 30, 2020 of assuming the acquisition date had been as of the beginning of the annual reporting period was as follows (excluded from scope of audit).

Revenue : ¥813 million
Net profit for the period : (¥1,808 million)

(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			
			Six months ended September 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	Six months ended September 30, 2020 Actual	Changes from the same period of previous year	Year ending March 31, 2021 Forecasts	Changes from the same period of previous year
Cravit levofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	8,997	11.4%	15,181	1.0%	7,576	(15.8%)	12,093	(20.3%)
		Japan	1,430	(18.5%)	2,571	(19.0%)	1,079	(24.6%)	1,872	(27.2%)
		China	5,953	23.3%	9,509	7.3%	4,946	(16.9%)	7,273	(23.5%)
		Asia	855	18.0%	1,726	13.3%	1,098	28.4%	1,946	12.7%
		EMEA	757	(1.2%)	1,375	(6.3%)	454	(40.1%)	1,001	(27.2%)
Tarivid ofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	781	(1.7%)	1,472	1.9%	917	17.4%	1,367	(7.1%)
		Japan	230	(13.4%)	414	(14.0%)	188	(18.5%)	290	(29.9%)
		China	363	5.2%	585	(2.4%)	327	(9.7%)	554	(5.3%)
		Asia	188	2.2%	473	30.0%	402	113.5%	523	10.5%
Tapcom tafluprost-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	2,613	13.3%	5,405	12.9%	2,959	13.2%	5,665	4.8%
		Japan	1,286	0.3%	2,521	(1.1%)	1,336	3.9%	2,294	(9.0%)
		Asia	186	30.7%	383	24.2%	230	23.8%	515	34.4%
		EMEA	1,142	29.2%	2,501	29.6%	1,393	22.0%	2,856	14.2%
Tapros tafluprost/ophthalmic solution	Glaucoma	Total	9,025	(0.8%)	17,901	(0.6%)	9,116	1.0%	17,306	(3.3%)
		Japan	4,712	(2.4%)	9,123	(4.5%)	4,605	(2.3%)	8,476	(7.1%)
		China	165	86.1%	395	73.5%	230	39.4%	704	78.1%
		Asia	961	0.7%	1,892	1.9%	954	(0.8%)	1,940	2.5%
		EMEA	3,186	(1.1%)	6,491	1.8%	3,327	4.4%	6,187	(4.7%)
Cosopt dorzolamide hydrochloride-timolol maleate/combination ophthalmic solution	Glaucoma	Total	10,462	(8.8%)	21,045	(4.3%)	10,728	2.5%	20,636	(1.9%)
		Japan	3,792	(23.1%)	7,723	(13.4%)	3,818	0.7%	7,002	(9.3%)
		Asia	2,033	12.9%	4,052	10.3%	2,100	3.3%	3,975	(1.9%)
		EMEA	4,637	(2.1%)	9,270	(1.3%)	4,810	3.7%	9,659	4.2%
Timoptol timolol maleate/ ophthalmic solution (* Including Timoptol XE)	Glaucoma	Total	1,284	(15.0%)	2,504	(12.9%)	1,131	(11.9%)	2,039	(18.6%)
		Japan	711	(19.1%)	1,349	(18.0%)	616	(13.3%)	948	(29.7%)
		Asia	117	8.2%	226	2.2%	119	1.3%	260	15.3%
		EMEA	456	(12.8%)	929	(7.8%)	396	(13.2%)	831	(10.5%)
Trusopt dorzolamide hydrochloride/ ophthalmic solution	Glaucoma	Total	2,279	(0.6%)	4,424	(3.5%)	2,262	(0.7%)	3,889	(12.1%)
		Japan	702	(8.7%)	1,350	(8.4%)	670	(4.6%)	1,054	(21.9%)
		Asia	228	14.9%	411	(1.0%)	178	(21.9%)	301	(26.8%)
		EMEA	1,349	1.7%	2,663	(1.3%)	1,415	4.9%	2,534	(4.9%)
Eybelis omidenedepag isopropyl/ ophthalmic solution	Glaucoma	Total	637	—	1,629	278.1%	1,209	89.8%	2,716	66.7%
		Japan	637	—	1,629	278.1%	1,209	89.8%	2,716	66.7%
Alesion epinastine hydrochloride/ ophthalmic solution (* Including Alesion LX)	Allergy	Total	4,933	0.8%	24,916	28.1%	7,694	56.0%	28,761	15.4%
		Japan	4,933	0.8%	24,916	28.1%	7,694	56.0%	28,741	15.4%
		Asia	—	—	—	—	—	—	20	—
Flumetholol fluorometholone/ ophthalmic solution	Inflammation	Total	1,786	2.2%	2,996	(9.3%)	1,467	(17.8%)	2,713	(9.5%)
		Japan	624	(18.8%)	1,272	(22.5%)	495	(20.7%)	1,003	(21.1%)
		China	827	10.7%	1,243	0.9%	810	(2.1%)	1,357	9.2%
		Asia	335	45.1%	482	11.9%	162	(51.5%)	353	(26.6%)
Kary Uni pirenoxine/ ophthalmic solution	Senile cataract	Total	2,110	(0.3%)	4,056	(0.5%)	2,055	(2.6%)	3,543	(12.7%)
		Japan	1,327	(1.1%)	2,501	(4.0%)	1,244	(6.2%)	2,200	(12.0%)
		China	370	(12.2%)	704	(7.4%)	397	7.2%	531	(24.6%)
		Asia	413	17.3%	852	19.6%	414	0.2%	812	(4.7%)
Oftan Catachrom cytochrome C, adenosine, nicotinamide/ ophthalmic solution	Senile cataract	Total	1,233	4.7%	2,241	(6.5%)	1,066	(13.5%)	1,903	(15.1%)
		EMEA	1,233	4.7%	2,241	(6.5%)	1,066	(13.5%)	1,903	(15.1%)
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	Total	1,183	11.2%	2,672	24.0%	1,085	(8.3%)	2,096	(21.5%)
		Japan	1,183	11.2%	2,672	24.0%	1,085	(8.3%)	2,096	(21.5%)
EYLEA aflibercept/ solution for intravitreal injection	Intravitreal VEGF inhibitor	Total	30,750	9.7%	60,138	7.1%	33,293	8.3%	60,815	1.1%
		Japan	30,750	9.7%	60,138	7.1%	33,293	8.3%	60,815	1.1%
Hyalain sodium hyaluronate/ophthalmic solution	Dry eye	Total	10,070	(3.6%)	17,609	(6.8%)	9,709	(3.6%)	17,601	(0.0%)
		Japan	4,111	(9.0%)	7,849	(10.4%)	3,604	(12.3%)	6,227	(20.7%)
		China	4,872	19.3%	7,856	3.8%	4,774	(2.0%)	9,201	17.1%
		Asia	1,086	(41.1%)	1,904	(26.0%)	1,331	22.5%	2,174	14.2%
Diquas diquafosol sodium/ophthalmic solution	Dry eye	Total	9,016	17.4%	15,970	3.9%	7,108	(21.2%)	14,288	(10.5%)
		Japan	7,773	11.6%	14,257	2.3%	6,080	(21.8%)	12,209	(14.4%)
		China	81	—	167	561.1%	243	200.2%	558	233.9%
		Asia	1,162	62.3%	1,546	9.7%	785	(32.4%)	1,521	(1.6%)
Ikervis ciclosporin/ophthalmic solution	Dry eye	Total	1,771	13.5%	3,851	13.6%	2,076	17.2%	4,617	19.9%
		Asia	360	84.4%	738	60.9%	417	15.9%	965	30.8%
		EMEA	1,412	3.4%	3,113	6.2%	1,660	17.5%	3,652	17.3%
		Total	1,588	37.7%	2,912	15.9%	1,605	1.0%	3,419	17.4%
Cationorm	Dry eye	Asia	121	51.9%	265	57.7%	125	3.9%	293	10.7%
		EMEA	1,008	3.2%	2,092	5.2%	1,024	1.6%	2,324	11.1%
		US	460	375.9%	555	56.3%	455	(0.9%)	802	44.4%
		Total	474	—	1,065	728.6%	464	(2.0%)	1,138	6.8%
Lentis Comfort	Intraocular Lens for Cataract Treatment	Japan	474	—	1,065	728.6%	464	(2.0%)	1,138	6.8%
		Total	6,710	(11.3%)	12,034	(15.4%)	5,004	(25.4%)	9,300	(22.7%)
OTC pharmaceuticals		Japan	6,556	(11.6%)	11,722	(15.8%)	4,827	(26.4%)	9,000	(23.2%)
		Asia	154	4.0%	312	6.5%	177	15.0%	300	(3.9%)

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

(2) Research & Development

As of October 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 successively marketing approval since December 2019 in Korea 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 receptors for 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 (STN20001)	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.										

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)

	Six months ended September 30, 2019	Year ended March 31, 2020	Six months ended September 30, 2020	Year ending March 31, 2021
	Actual			Forecast
Consolidated	4,694	8,971	3,942	10,000

(Note) Excluding the increase in right-of-use assets.

Depreciation and amortization (JPY millions)

	Six months ended September 30, 2019	Year ended March 31, 2020	Six months ended September 30, 2020	Year ending March 31, 2021
	Actual			Forecast
Manufacturing cost	1,049	2,144	1,081	2,310
Selling, general and administrative expenses	727	1,462	719	1,720
R&D expenses	322	661	306	680
Consolidated total	2,098	4,267	2,106	4,710

(Note) Excluding amortization of intangible assets associated with products, long-term advance expense and right-of-use assets.

Amortization of intangible assets associated with products (JPY millions)

	Six months ended September 30, 2019	Year ended March 31, 2020	Six months ended September 30, 2020	Year ending March 31, 2021
	Actual			Forecast
Intangible assets (Merck products)	2,904	5,808	2,904	5,740
Intangible assets (DE-128*)	1,394	2,798	1,372	2,830
Intangible assets (Ikervis)	343	684	344	710
Other	295	608	258	420
Consolidated total	4,937	9,898	4,878	9,700

* DE-128 (PRESERFLO MicroShunt)

Research and development expenses (JPY millions)

	Six months ended September 30, 2019	Year ended March 31, 2020	Six months ended September 30, 2020	Year ending March 31, 2021
	Actual			Forecast
Consolidated	11,412	23,341	11,123	23,000
Percent of revenue	9.6%	9.7%	9.4%	9.8%

(4) FOREX

Exchange rate (yen)	Major currency	The 2nd quarter ended September 30, 2019	Fiscal year ended March 31, 2020	The 2nd quarter ended September 30, 2020	Fiscal year ending March 31, 2021 (Forecasts)
	US dollar	108.82	108.81	106.72	110.00
	Euro	121.28	120.80	121.54	120.00
	CNY	15.77	15.64	15.21	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.