



## Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (IFRS)

Listed Company Name:	Santen Pharmaceutical Co.,Ltd
Exchanges Listed:	Tokyo (First section)
Stock Code:	4536
URL:	<a href="https://www.santen.com">https://www.santen.com</a>
Representative:	Shigeo Taniuchi, President and CEO
Contact:	Kaori Itagaki, IR Group Manager (+81-6-6321-7000)
Annual Shareholders Meeting (Scheduled):	June 24, 2020
Start of Distribution of Dividends (Scheduled):	June 25, 2020
Filing of Securities Report (Scheduled):	June 24, 2020
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, 2020

#### (1) Operating Results (Core basis)

	Year to March 2019	Year to March 2020	% change
Revenue	234,026	241,555	+3.2%
Core operating profit	48,230	50,023	+3.7%
Core net profit for the year	36,092	35,894	(0.5%)
Core net profit for the year attributable to owners of the company	36,103	35,928	(0.5%)
Basic core earnings per share (yen)	88.89	90.00	
Diluted core earnings per share (yen)	88.62	89.76	

#### (IFRS)

	Year to March 2019	Year to March 2020	% change
Revenue	234,026	241,555	+3.2%
Operating profit	45,098	33,535	(25.6%)
Profit before tax	43,117	32,091	(25.6%)
Net profit for the year	31,943	21,714	(32.0%)
Net profit for the year attributable to owners of the company	31,954	23,618	(26.1%)
Total comprehensive income for the year	29,456	20,185	(31.5%)
Basic earnings per share (yen)	78.67	59.16	
Diluted earnings per share (yen)	78.43	59.01	
Profit to equity attributable to owners of the company (%)	11.1%	8.0%	
Profit before tax to total assets ratio	11.1%	8.0%	
Operating profit to revenue ratio	19.3%	13.9%	

#### (2) Financial Position

	March 31, 2019	March 31, 2020
Total assets	391,186	408,768
Total equity	292,572	302,560
Total equity attributable to owners of the company	290,900	302,865
Total equity attributable to owners of the company ratio	74.4%	74.1%
Equity per share attributable to owners of the company (yen)	728.97	758.50

### (3) Cash Flows

	Year to March 2019	Year to March 2020
Cash flows from operating activities	32,894	39,947
Cash flows from investing activities	(2,935)	(5,175)
Cash flows from financing activities	(28,107)	(12,729)
Cash and cash equivalents at end of year	70,796	91,430

### 2. Dividends

	Year to March 2019	Year to March 2020	(Forecasts) Year to March 2021
Second quarter dividends per share (yen)	13.00	13.00	14.00
Year-end dividends per share (yen)	13.00	14.00	14.00
Annual dividends per share (yen)	26.00	27.00	28.00
Total dividends paid (full-year)	10,481	10,782	—
Payout ratio (consolidated)	33.0%	45.6%	48.0%
Dividends paid on equity attributable to owners of the company (consolidated)	3.6%	3.6%	—

### 3. Consolidated Forecasts of Results for the Fiscal 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%
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	

The above forecasts are based on regional assumptions for when the coronavirus disease (COVID-19) caused by the novel coronavirus subsides. Actual results may differ from these forecasts, subject to circumstances. The Company will promptly disclose any changes to its full-year earnings forecasts in the event of changes of a magnitude sufficient to warrant a revision.

Please refer to "1. Summary of Consolidated Results (1) Summary of Consolidated Results for the Fiscal Year ended March 31, 2020" on page 1 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): None

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

- (i) Changes in accounting policies required by IFRS : Yes
- (ii) Changes in accounting policies other than (i) : None
- (iii) Changes in accounting estimates : None

(NOTE) For details, please refer to "3. Consolidated Financial Statements (5) Notes for Consolidated Financial Statements (Changes in Accounting Policies)" on page 15.

(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, 2020	400,028,254 shares
Fiscal Year ended March 31, 2019	399,782,354 shares

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

Fiscal Year ended March 31, 2020	608,065 shares
Fiscal Year ended March 31, 2019	663,412 shares

(iii) Average number of shares during the period

Fiscal Year ended March 31, 2020	399,157,463 shares
Fiscal Year ended March 31, 2019	406,166,730 shares

(NOTE)The number of treasury shares at the end of the period includes shares (5,642 shares at the end of the fiscal year ended March 31, 2019 and 16,430 shares at the end of the fiscal year ended March 31, 2020) 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, 2020 (April 1, 2019 - March 31, 2020)

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, 2020	182,610	+3.6	34,434	+4.8	34,862	+5.0	27,402	(2.2)
Fiscal Year ended March 31, 2019	176,208	+2.5	32,849	+5.0	33,191	+4.7	28,014	+10.1

	Per share Net income	Fully diluted Net income per share
	Yen	Yen
Fiscal Year ended March 31, 2020	68.63	68.46
Fiscal Year ended March 31, 2019	68.96	68.76

(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, 2020	340,007	283,522	83.2	708.12
Fiscal Year ended March 31, 2019	321,924	265,400	82.2	662.95

(Reference) Equity

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

Fiscal Year ended March 31, 2019            264,598 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 May 11, 2020. 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, 2020

#### (I) Consolidated Results

##### A) Core basis\*1(refer to Page3)

(JPY millions)

	FY2018	FY2019	Year-on-year change
Revenue	234,026	241,555	3.2%
Core operating profit	48,230	50,023	3.7%
Core net profit	36,092	35,894	(0.5%)
Core profit attributable to owners of the company	36,103	35,928	(0.5%)

#### [Revenue]

Revenue in the fiscal year ended March 31, 2020 increased by 3.2% year on year to ¥241.6 billion.

In the mainstay prescription pharmaceuticals business, sales in Japan rose 4.1% year on year. In China, Asia, and EMEA (Europe, the Middle East, and Africa), although sales in some regions slowed in the fourth quarter due to the impact of COVID-19 outbreak, market penetration for our products steadily improved; we reported continued year on year growth.

The breakdown of revenue is as follows:

Upper: Amount

Lower: Year-on-year change

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Prescription pharmaceuticals	148,842	22,251	16,112	36,643	735	224,584
	4.1%	4.4%	6.2%	1.6%	39.4%	4.0%
OTC pharmaceuticals	11,722	—	312	—	—	12,034
	(15.8%)	—	6.5%	—	—	(15.4%)
Medical devices	3,179	—	—	336	1	3,515
	22.3%	—	—	225.6%	(90.2%)	29.8%
Others	1,281	70	71	—	—	1,422
	31.1%	66.6%	53.5%	—	—	33.5%
Total	165,024	22,321	16,496	36,979	735	241,555
	2.8%	4.5%	6.3%	2.3%	38.0%	3.2%

#### (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 fiscal year ended March 31, 2020 increased by 4.1% year on year to ¥148.8 billion despite the negative impact of approximately 2% caused by NHI price revisions. This was mainly due to the continued growth in sales of *Eylea*\*2 (see page 3) and the launch of the anti-allergy ophthalmic solution *Alesion LX* in November 2019.

Revenue of major products are as follows.

Glaucoma and ocular hypertension	
<i>Tapros</i> ophthalmic solution	¥9.1 Billion (YoY -4.5%)
<i>Tapcom</i> ophthalmic solution	¥2.5 Billion (YoY -1.1%)
<i>Cosopt</i> ophthalmic solution	¥7.7 Billion (YoY -13.4%)
<i>Eybelis</i> ophthalmic solution	¥1.6 Billion (YoY +278.1%)
Dry Eye	
<i>Hyalein</i> ophthalmic solution	¥7.8 Billion (YoY -10.4%)
<i>Diquas</i> ophthalmic solution	¥14.3 Billion (YoY +2.3%)
Allergy	
<i>Alesion</i> ophthalmic solution	¥24.9 Billion (YoY +28.1%)
Intravitreal VEGF inhibitor	
<i>Eylea</i> (solution for intravitreal injection)	¥60.1 Billion (YoY +7.1 %)

### ◇ China

On a JPY basis, revenue in the fiscal year ended March 31, 2020 increased 4.4% year on year (+10.2% excluding FX impact), to ¥22.3 billion despite the impact of foreign exchange rates and a slowdown in revenues due to the outbreak of COVID-19 in the fourth quarter. Revenue of major products are as follows.

Dry Eye	
<i>Hyalein</i> ophthalmic solution	¥7.9 Billion (YoY +3.8%)
Bacterial conjunctivitis	
<i>Cravit</i> ophthalmic solution	¥9.5 Billion (YoY +7.3%)

### ◇ Asia (excluding China)

On a JPY basis, revenue in the fiscal year ended March 31, 2020 increased 6.2% year on year (+11.6% excluding FX impact), to ¥16.1 billion. Revenue of major products are as follows.

Glaucoma and ocular hypertension	
<i>Cosopt</i> ophthalmic solution	¥4.1 Billion (YoY +10.3%)
Dry Eye	
<i>Diquas</i> ophthalmic solution	¥1.5 Billion (YoY +9.7%)

### ◇ EMEA

On a JPY basis, revenue in the fiscal year ended March 31, 2020 increased 1.6% year on year (+8.0% excluding FX impact), to ¥36.6 billion. Revenue of major products are as follows.

Glaucoma and ocular hypertension	
<i>Tapros</i> ophthalmic solution	¥6.5 Billion (YoY +1.8%)
<i>Tapcom</i> ophthalmic solution	¥2.5 Billion (YoY +29.6%)
<i>Cosopt</i> ophthalmic solution	¥9.3 Billion (YoY -1.3%)
<i>Trusopt</i> ophthalmic solution	¥2.7 Billion (YoY -1.3%)
Dry Eye	
<i>Ikervis</i>	¥3.1 Billion (YoY +6.2%)

### <OTC pharmaceuticals>

Revenue in the fiscal year ended March 31, 2020 decreased 15.4% year on year to ¥12.0 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 fiscal year ended March 31, 2020 increased by 29.8% year on year to ¥3.5 billion.

In addition to the *Eternity* series, we are focusing on promoting *Lentis Comfort* (introduced from Oculentis IP B.V., the Netherlands) launched in April 2019.

### <Others>

Other revenues amounted to ¥1.4 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 fiscal year ended March 31, 2020 increased by 2.4% year on year to ¥146.7 billion.

SG&A expenses in the fiscal year ended March 31, 2020 increased by 2.9% year on year to ¥73.4 billion due to the expansion of overseas business.

R&D expenses in the fiscal year ended March 31, 2020 decreased by 1.8% year on year to ¥23.3 billion.

As a result, operating profit on a core basis in the fiscal year ended March 31, 2020 increased by 3.7% year on year to ¥50.0 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
- Financing expenses
- One-time expenses related to acquisitions of companies included in SG&A

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



## B) IFRS basis

(JPY millions)

	FY2018	FY2019	Year-on-year change
Revenue	234,026	241,555	3.2%
Operating profit	45,098	33,535	(25.6%)
Net profit	31,943	21,714	(32.0%)
Net profit for the year attributable to owners of the company	31,954	23,618	(26.1%)

### [Revenue]

There are no adjustments from the core basis.

### [Operating profit]

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

Amortization of intangible assets associated with products in the fiscal year ended March 31, 2020 increased by 41.6% year on year to ¥9.9 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. in 2016 (amortization began in April 2019).

Other income amounted to ¥0.4 billion.

Other expenses amounted to ¥7.0 billion. This was mainly due to impairment losses on property, plant and equipment at a joint venture business in China (Chongqing Santen Kerui Pharmaceutical Co., Ltd.) and impairment losses on intangible assets associated with the discontinuation of development of DE-122 for the treatment of exudative age-related macular degeneration, which was developed with TRACON Pharmaceuticals, Inc. (U.S.A). In addition to the above, operating profit on an IFRS basis in the fiscal year ended March 31, 2020 fell 25.6% year on year to ¥33.5 billion in the absence of the gain resulting from the sale of the former Head Office and Osaka Plant in the previous fiscal year.

### [Net profit]

Financial income amounted to ¥1.0 billion.

Financial expenses amounted to ¥2.4 billion. This was mainly due to the revaluation of the InnFocus contingent payment. Income tax expense amounted to ¥10.4 billion. Despite a decrease in income taxes resulting from tax credits for research and development, the tax rate rose due to the impact of unrecognized tax consequences on the InnFocus contingent consideration and on impairment losses on a joint venture business in China (Chongqing Santen Kerui Pharmaceutical Co., Ltd.).

As a result, net profit in the fiscal year ended March 31, 2020 decreased by 32.0% year on year to ¥21.7 billion.

### [Net profit attributable to owners of the company]

Net profit attributable to owners of the company in the fiscal year ended March 31, 2020 decreased by 26.1% year on year to ¥23.6 billion.

## (II) Research & Development Activities

### <Glaucoma and the ocular hypertension area>

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

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

DE-126 (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 is conducting Phase 2/3 in preparation for filing with the FDA in the U.S. The device was launched in January 2019 in Europe. In Asia, the company filed for marketing approval in March 2020 in Korea.

DE-130A (generic name: latanoprost) is an ophthalmic emulsion of a prostaglandin F<sub>2α</sub> derivative. Phase 3 trial was started in April 2019 in Europe and Asia.

#### <Corneal and conjunctival disease area>

DE-076C (generic name: ciclosporin) for the treatment of vernal keratoconjunctivitis (VKC) received Marketing Authorization Application approval from the European Commission in July 2018 and was launched successively in European countries starting with the U.K. in October 2018. The company received approval for an indication extension for Ikervis for VKC in Asian countries starting with Taiwan in August 2019, and received marketing approval in December 2018 in Canada and was launched in November 2019.

DE-114A (generic name: epinastine hydrochloride) for the treatment of allergic conjunctivitis received manufacturing and marketing approval in September 2019 and was launched in November 2019 in Japan.

#### <Retina and uveal disease area>

DE-109 (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.

DE-122 (generic name: carotuximab) was developed for the treatment of wet age-related macular degeneration. As it did not show expected efficacy in P2a, the company decided to discontinue development in March 2020.

#### <Other disease area>

DE-127 (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.

### (III) Capital Expenditures

Capital expenditures in the fiscal year ended March 31, 2020 amounted to ¥9.0 billion. In addition to upgrading manufacturing facilities and R&D equipment, the Company invested in in-house production of ophthalmic products acquired from Merck & Co., Inc. (U.S.A), capital expenditures associated with the reorganization of production facilities and bases to strengthen the global supply network for products and IT infrastructure to support global business expansion.

With regard to fund procurement, with the aim of efficiently procuring funds to maximize investment opportunities in business development activities, we concluded a term loan agreement with MUFG Bank, Ltd. in March 2020 for a new commitment period of 4 years and a total of ¥30.0 billion with a maximum loan period of 10 years.

## (2) Summary of Financial Position for the Fiscal Year Ended March 31, 2020

Total assets amounted to ¥408.8 billion, up by ¥17.6 billion from the end of the previous fiscal year ended March 31, 2019. While there was an increase of cash and cash equivalents and property, plant and equipment, resulting from adoption of IFRS16 related to right-of-use assets, there was a decrease of property, plant and equipment and intangible assets resulting from the impairment losses on property, plant and equipment at a joint venture business in China (Chongqing Santen Kerui Pharmaceutical Co., Ltd.), and impairment losses on intangible assets associated with the discontinuation of development of DE-122 for the treatment of exudative age-related macular degeneration which was developed with TRACON Pharmaceuticals, Inc. (U.S.A).

Equity amounted to ¥302.6 billion. This was an increase of ¥10.0 billion from the end of the previous fiscal year ended March 31, 2019 due to an increase in retained earnings and other factors, despite the decrease in other components of equity.

Liabilities amounted to ¥106.2 billion which increased by ¥7.6 billion from the end of the previous fiscal year ended March 31, 2019. This was due to the increase of financial liabilities and other financial liabilities resulting from the adoption of IFRS16 related to lease liabilities, but a decrease of income tax payable.

As a result, the ratio of equity attributable to owners of the company to total assets decreased by 0.3 points from the end of the previous fiscal year ended March 31, 2019 to 74.1%.

### (3) Summary of Cash Flows for the Fiscal Year ended March 31,2020

Cash flows from operating activities amounted to ¥39.9 billion. (¥32.9 billion in the previous fiscal year ended March 31, 2019). This was mainly due to the net profit of ¥21.7 billion, income tax expenses of ¥10.4 billion, and depreciation and amortization of ¥16.6 billion, offset by income taxes paid of ¥14.1 billion.

Cash flows from investing activities amounted to ¥5.2 billion. (¥2.9 billion in the previous fiscal year ended March 31, 2019).

This was mainly due to outflows from the purchase of property, plant and equipment and intangible assets of ¥9.2 billion, offset by proceeds from sales of investment securities of ¥3.5 billion.

Cash flows from financing activities amounted to ¥12.7 billion. (¥28.1 billion in the previous fiscal year ended March 31, 2019). This was mainly due to cash dividends paid of ¥10.4 billion and repayment of lease obligations of ¥2.9 billion.

As a result, cash and cash equivalents at the end of the fiscal year ended March 31, 2020 increased by ¥20.6 billion from the end of the previous fiscal year ended March 31, 2019 to ¥91.4 billion.

### (Reference) Trends in cash flow indicators

	FY2018	FY2019
Equity attributable to owners of the company ratio	74.4%	74.1%
Equity attributable to owners of the company ratio on a market value basis	168.2%	181.6%
Interest-bearing debt to cash flow ratio	12.5%	30.9%
Interest coverage ratio	4,330.0 times	210.1 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:  $\text{Market capitalization} / \text{Total assets}$

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, does 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, 2020

The Company plans to pay year-end dividends of ¥14 per share (Increased by ¥1 from ¥13 per share for the interim dividend) subject to approval at the 108th annual shareholders' meeting, which is scheduled to be held in June 2020. Together with the interim dividend already paid out, the annual dividend will be ¥27 per share, for a dividend payout ratio of 45.6%.

## (III) Dividend for the Fiscal Year ending March 31, 2021

The Company plans to pay an annual dividend of ¥28, consisting of an interim dividend of ¥14 per share and a year-end dividend of ¥14 per share for the next fiscal year, for a dividend payout ratio of 48.0%.

## (5) Outlook for the Fiscal Year Ending March 31, 2021

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

### <Core basis>

	(JPY millions)		
	FY2019	FY2020	Year-on-year change
Revenue	241,555	235,000	(2.7%)
Core operating profit	50,023	52,000	4.0%
Core net profit for the year	35,894	38,700	7.8%

### <IFRS basis>

	(JPY millions)		
	FY2019	FY2020	Year-on-year change
Revenue	241,555	235,000	(2.7%)
Operating profit	33,535	35,000	4.4%
Net profit for the year	21,714	23,000	5.9%
Net profit for the year attributable to owners of the company	23,618	23,300	(1.3%)

Revenues are forecast to decrease by ¥235.0 billion, or 2.7% from the previous fiscal year ended March 31, 2020 due to the decline in patient visits caused by the COVID-19 outbreak. However, core operating profit, which indicates the Company's recurring profitability, is forecast to be ¥52.0 billion, an increase 4.0% from the previous fiscal year, continuing the sequential year on year increases from the fiscal year 2017 ended March 31, 2018. Even in circumstances where sales growth is negative, we are able to secure sustainable profit growth by maintaining a balance between allocating resources for future growth while stepping up measures to limit ordinary expenses through disciplined expense control. (SG&A forecast to be ¥70.0 billion, down 4.6% from the previous fiscal year ended March 31, 2020; R&D expenses forecast to be ¥23.0 billion, down 1.5% from the previous fiscal year ended March 31, 2020).

These forecasts are based on foreign exchange rates of 1USD = 110yen, 1 Euro = 120yen and 1 Chinese Yuan = 15yen.

The forecasts are based on regional assumptions for when the COVID-19 outbreak subsides, and actual results may differ subject to circumstances. The Company will promptly disclose any changes to its full-year earnings forecasts in the event of changes of a magnitude sufficient to warrant a revision.

## **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

#### (1) Consolidated Statements of Income and Comprehensive Income

IFRS	(JPY millions)	
	Year ended March 31, 2019	Year ended March 31, 2020
<b>Revenue</b>	<b>234,026</b>	<b>241,555</b>
Cost of sales	(90,764)	(94,831)
<b>Gross profit</b>	<b>143,262</b>	<b>146,724</b>
Selling, general and administrative expenses	(71,273)	(73,360)
Research and development expenses	(23,759)	(23,341)
Amortization on intangible assets associated with products	(6,988)	(9,898)
Other income	4,028	390
Other expenses	(172)	(6,980)
<b>Operating profit</b>	<b>45,098</b>	<b>33,535</b>
Finance income	901	950
Finance expenses	(2,881)	(2,393)
<b>Profit before tax</b>	<b>43,117</b>	<b>32,091</b>
Income tax expenses	(11,174)	(10,377)
<b>Net profit for the year</b>	<b>31,943</b>	<b>21,714</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	9	(253)
Net gain on financial assets measured at fair value through other comprehensive income	(3,289)	2,696
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	794	(3,972)
Other comprehensive income	<b>(2,486)</b>	<b>(1,529)</b>
<b>Total comprehensive income</b>	<b>29,456</b>	<b>20,185</b>
Profit attributable to		
Owners of the company	31,954	23,618
Non-controlling interests	(11)	(1,904)
<b>Net profit for the year</b>	<b>31,943</b>	<b>21,714</b>
Total comprehensive income attributable to		
Owners of the company	29,519	22,162
Non-controlling interests	(62)	(1,977)
<b>Total comprehensive income</b>	<b>29,456</b>	<b>20,185</b>
<b>Earnings per share</b>		
Basic earnings per share (yen)	78.67	59.16
Diluted earnings per share (yen)	78.43	59.01

Core basis (JPY millions)

	Year ended March 31, 2019	Year ended March 31, 2020
Revenue	234,026	241,555
Core operating profit	48,230	50,023
Core net profit for the year	36,092	35,894
Basic core earnings per share (yen)	88.89	90.00
Diluted core earnings per share (yen)	88.62	89.76
Core profit attributable to		
Owners of the company	36,103	35,928
Non-controlling interests	(11)	(34)
<b>Core net profit for the year</b>	<b>36,092</b>	<b>35,894</b>

## (2) Consolidated Statement of Financial Position

Assets	(JPY millions)	
	March 31, 2019	March 31, 2020
<b>Non-current assets</b>		
Property, plant and equipment	31,699	35,601
Intangible assets	131,110	119,850
Financial assets	30,044	30,848
Deferred tax assets	1,771	2,100
Other non-current assets	1,819	1,813
<b>Total non-current assets</b>	<b>196,444</b>	<b>190,212</b>
<b>Current assets</b>		
Inventories	35,235	35,282
Trade and other receivables	84,618	86,999
Other financial assets	267	452
Other current assets	3,826	4,392
Cash and cash equivalents	70,796	91,430
<b>Total current assets</b>	<b>194,742</b>	<b>218,556</b>
<b>Total assets</b>	<b>391,186</b>	<b>408,768</b>

## Equity and liabilities

(JPY millions)

	March 31, 2019	March 31, 2020
<b>Equity</b>		
Share capital	8,252	8,366
Capital surplus	8,661	8,746
Treasury shares	(1,131)	(1,033)
Retained earnings	258,659	273,422
Other components of equity	16,461	13,364
<b>Total equity attributable to owners of the company</b>	<b>290,900</b>	<b>302,865</b>
<b>Non-controlling interests</b>	<b>1,672</b>	<b>(305)</b>
<b>Total equity</b>	<b>292,572</b>	<b>302,560</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Financial liabilities	23,520	27,592
Net defined benefit liabilities	1,992	1,738
Provisions	1,255	570
Deferred tax liabilities	9,389	7,228
Other non-current liabilities	1,795	1,483
<b>Total non-current liabilities</b>	<b>37,951</b>	<b>38,611</b>
<b>Current liabilities</b>		
Trade and other payables	32,079	32,578
Other financial liabilities	12,116	18,777
Income tax payable	7,185	6,848
Provisions	717	633
Other current liabilities	8,566	8,761
<b>Total current liabilities</b>	<b>60,663</b>	<b>67,597</b>
<b>Total liabilities</b>	<b>98,614</b>	<b>106,208</b>
<b>Total equity and liabilities</b>	<b>391,186</b>	<b>408,768</b>



### (3) Consolidated Statement of Changes in Equity

Year ended March 31, 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
<b>Balance at April 1, 2018</b>	8,032	8,657	(11)	249,225	—	14,364
<b>Comprehensive income</b>						
Net profit for the period				31,954		
Other comprehensive income					9	(3,289)
<b>Total comprehensive income</b>	—	—	—	31,954	9	(3,289)
<b>Transactions with owners</b>						
Issuance of new shares	152	152				
Acquisition of treasury shares		(148)	(13,911)			
Retirement of treasury stock		(12,791)	12,791			
Transfer to retained earnings from capital surplus		12,791		(12,791)		
Dividends				(10,581)		
Share-based payments	67	(1)				
Other				853	(9)	(844)
<b>Total transactions with owners</b>	220	4	(1,120)	(22,519)	(9)	(844)
<b>Balance at March 31, 2019</b>	8,252	8,661	(1,131)	258,659	—	10,230

	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			
<b>Balance at April 1, 2018</b>	4,583	975	19,921	285,823	1,734	287,557
<b>Comprehensive income</b>						
Net profit for the period			—	31,954	(11)	31,943
Other comprehensive income	845		(2,435)	(2,435)	(51)	(2,486)
<b>Total comprehensive income</b>	845	—	(2,435)	29,519	(62)	29,456
<b>Transactions with owners</b>						
Issuance of new shares		(173)	(173)	132		132
Acquisition of treasury shares			—	(14,059)		(14,059)
Retirement of treasury stock			—	—		—
Transfer to retained earnings from capital surplus			—	—		—
Dividends			—	(10,581)		(10,581)
Share-based payments			—	67		67
Other			(853)	—		—
<b>Total transactions with owners</b>	—	(173)	(1,025)	(24,442)	—	(24,442)
<b>Balance at March 31, 2019</b>	5,428	802	16,461	290,900	1,672	292,572

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
<b>Balance at April 1, 2019</b>	8,252	8,661	(1,131)	258,659	—	10,230
<b>Comprehensive income</b>						
Net profit for the period				23,618		
Other comprehensive income					(253)	2,696
<b>Total comprehensive income</b>	—	—	—	23,618	(253)	2,696
<b>Transactions with owners</b>						
Issuance of new shares	114	114				
Acquisition of treasury shares			(22)			
Retirement of treasury stock		(85)	121			
Dividends				(10,379)		
Share-based payments		56				
Other				1,523	253	(1,776)
<b>Total transactions with owners</b>	114	85	99	(8,856)	253	(1,776)
<b>Balance at March 31, 2020</b>	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			
<b>Balance at April 1, 2019</b>	5,428	802	16,461	290,900	1,672	292,572
<b>Comprehensive income</b>						
Net profit for the period			—	23,618	(1,904)	21,714
Other comprehensive income	(3,899)		(1,457)	(1,457)	(73)	(1,529)
<b>Total comprehensive income</b>	(3,899)	—	(1,457)	22,162	(1,977)	20,185
<b>Transactions with owners</b>						
Issuance of new shares		(117)	(117)	112		112
Acquisition of treasury shares			—	(22)		(22)
Retirement of treasury stock			—	35		35
Dividends			—	(10,379)		(10,379)
Share-based payments			—	56		56
Other			(1,523)	—		—
<b>Total transactions with owners</b>	—	(117)	(1,640)	(10,198)	—	(10,198)
<b>Balance at March 31, 2020</b>	1,529	686	13,364	302,865	(305)	302,560

#### (4) Consolidated statements of cash flows

(JPY millions)

	Year ended March 31, 2019	Year ended March 31, 2020
<b>I. Cash flows from operating activities:</b>		
Net profit for the year	31,943	21,714
Depreciation and amortization	10,969	16,573
Impairment losses	—	5,825
Gain on disposal of non-current assets	(3,592)	(0)
Finance expenses (income)	(700)	(592)
Income tax expenses	11,174	10,377
Decrease (increase) in trade and other receivables	(6,303)	(3,054)
Decrease (increase) in inventories	(5,000)	(981)
Increase (decrease) in trade and other payables	2,445	717
Increase (decrease) in provisions and net defined benefit liabilities	(518)	(1,242)
Increase (decrease) in accounts payable-other	1,181	1,305
Increase (decrease) in long-term accounts payable-other	1,885	1,279
Other	2,116	1,584
<b>Subtotal</b>	<b>45,601</b>	<b>53,506</b>
Interest received	187	200
Dividends received	521	581
Interest paid	(8)	(190)
Income tax paid	(13,408)	(14,149)
<b>Net cash flows from (used in) operating activities</b>	<b>32,894</b>	<b>39,947</b>
<b>II. Cash flows from investing activities:</b>		
Payments for acquisition of investments	(931)	(398)
Proceeds from sales of investments	2,156	3,503
Payments for acquisition of property, plant and equipment	(5,470)	(5,824)
Proceeds from sales of property, plant and equipment	4,338	0
Payments for acquisition of intangible assets	(2,863)	(3,404)
Other	(166)	949
<b>Net cash flows from (used in) investing activities</b>	<b>(2,935)</b>	<b>(5,175)</b>
<b>III. Cash flows from financing activities:</b>		
Proceeds from long-term loans	567	1,477
Repayments of long-term loans	(4,098)	(500)
Purchase of treasury stock	(14,124)	(22)
Dividends paid	(10,580)	(10,379)
Repayments of lease obligation	(4)	(2,859)
Other	132	(447)
<b>Net cash flows from (used in) financing activities</b>	<b>(28,107)</b>	<b>(12,729)</b>
<b>IV. Net increase (decrease) in cash and cash equivalents</b>	<b>1,852</b>	<b>22,044</b>
<b>V. Cash and cash equivalents at the beginning of year</b>	<b>69,283</b>	<b>70,796</b>
<b>VI. Effect of exchange rate changes on cash and cash equivalents</b>	<b>(338)</b>	<b>(1,410)</b>
<b>VII. Cash and cash equivalents at the end of period</b>	<b>70,796</b>	<b>91,430</b>

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

Not applicable.

### **(Basis of Presenting Consolidated Financial Statements)**

#### 1. Basis of Preparation

##### (1) Compliance with IFRS

The Santen Group has prepared its consolidated financial statements under International Financial Reporting Standards ("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

Unless otherwise stated, the Santen Group has consistently applied the accounting policies set forth below to all periods presented on the consolidated financial statements.

The main standards and interpretations adopted by the Santen Group from the fiscal year ended March 31, 2020 are as follows.

Statement of Financial Accounting Standards		Mandatory application period (from the beginning fiscal year)	Period of application of Santen Pharmaceutical	Outline of new construction and revision
IFRS No. 16	Leases	January 1, 2019	Fiscal year ended March 31, 2020	Amendments to accounting treatment for lease arrangements

### **(Changes in Accounting Policies)**

#### IFRS 16 Lease

The Santen Group had already adopted IAS17 Leases. From the fiscal year ended March 31, 2020, the Company adopted IFRS16.

In the previous fiscal year ended March 31, 2019, the Santen Group classified lease contracts that substantially enjoy all risks and economic benefits as finance leases. Leased assets are initially recognized at the lower of their fair value or the present value of the total minimum lease payments. Leases other than finance leases are classified as operating leases and are not reflected in the Santen Group's consolidated statement of financial position. Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease term.

In the fiscal year ended March 31, 2020, the Santen Group determines whether the contract is leased or includes a lease pursuant to IFRS16. If the contract transfers over a period of time the right to control the use of the identified assets to consideration, the contract is considered to be a lease or include a lease.

If the lease is determined to be a lease or include a lease, right-of-use asset and lease liability are recognized at the inception date of the lease. Lease liabilities are initially measured as the discounted present value of outstanding lease payments at the inception date of the lease. Right-of-use assets are initially measured at the original cost of the lease liability, adjusted for initial direct costs and prepaid lease payments, etc., and are amortized on a regular basis over the shorter of the economic life or lease term from the inception date of the lease. The Santen Group does not recognize right

-of-use asset and lease liabilities for leases with lease terms of 12 months or less and leases with small underlying assets, and recognizes them as expenses using the straight-line method over the lease term.

The Santen Group applied IFRS16 retrospectively in accordance with the transitional provisions and recognized the cumulative effect of adoption on April 1, 2019. At the time of transition to IFRS 16, the Company selected the practical conventions set forth in paragraph C3 of IFRS 16 as to whether a lease is included in the contract or not, and took over the judgment based on IAS 17 and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

The Santen Group recognized lease liabilities on the effective date of IFRS16 for leases previously classified as operating leases in accordance with IAS17.

Right-of-use assets recognized in the consolidated statement of financial position at the effective date are ¥7,696 million and lease liabilities are ¥8,564 million. Right-of-use assets are included in "Property, plant and equipment" and lease liabilities are included in "Financial liabilities" or "Other financial liabilities."

"Repayment of lease obligation", which have been included in "Other" under "Cash flows from financing activities" in the Consolidated Statements of Cash Flows, have been presented separately from the current fiscal year due to an increase in monetary materiality, and the consolidated statements of cash flows for the previous fiscal year have been reclassified. As a result, ¥4 million included in "Other" in "Cash Flows from Financing Activities" in the consolidated statements of cash flows for the previous fiscal year ended March 31, 2019 was independently posted as "Repayment of lease obligation" in "Cash Flows from financing activities".

## (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, 2019 (from April 1, 2018, to March 31, 2019)

(JPY millions)

	Prescription pharmaceuticals	OTC pharmaceuticals	Medical devices	Others	Total
Revenue from external customers	216,030	14,223	2,709	1,065	234,026

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

### 3. Information by Region

For the fiscal year ended March 31, 2019 (from April 1, 2018, to March 31, 2019)

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Revenue from external customers*1	160,456	21,365	15,516	36,156	533	234,026
Non-current assets*2	104,563	6,897	146	8,598	44,425	164,629

(NOTE)

\*1. Revenue is classified into countries or regions based on customer location.

\*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, 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.

\*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.

3. From the fiscal year ended March 31, 2020, from the perspective of the management structure, the former "Asia" segment has been divided into "China" and "Asia."

Revenue from external customers and non-current assets for the previous fiscal year have been reclassified according to the new classification.

#### 4. Information on Major Customers

For the fiscal year ended March 31, 2019 (from April 1, 2018, to March 31, 2019)

(JPY millions)

Name of customer	Revenue
Suzuken Co., Ltd	44,325
Mediceo Corporation	32,313

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

(JPY millions)

Major customers	Revenue
Suzuken Co., Ltd	46,984
Mediceo Corporation	33,263

#### (Other Income)

For the fiscal year ended March 31, 2019 (from April 1, 2018, to March 31, 2019)

Proceeds from sale of property, plant and equipment of ¥3,592 million were recorded in other income due to sales of property, plant and equipment held by the Company.

#### (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), we have 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.A). Development has been discontinued; as such we no longer expect to generate income.

## (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, 2018 to March 31, 2019)	Current consolidated fiscal year (From April 1, 2019 to March 31, 2020)
Basis of calculation of basic earnings per share		
Profit attributable to owners of the parent (JPY millions)	31,954	23,618
Net income not attributable to common shareholders of the parent company (JPY millions)	1	2
Net income used in the calculation of basic earnings per share (JPY millions)	31,953	23,616
Average number of shares of common stock outstanding during the period (thousands of shares)	406,167	399,157
Basis of calculation of diluted earnings per share		
Net income used in the calculation of basic earnings per share (JPY millions)	31,953	23,616
Adjustment to net income (JPY millions)	1	2
Net income used to calculate diluted earnings per share (JPY millions)	31,954	23,618
Average number of shares of common stock outstanding during the period (thousands of shares)	406,167	399,157
Increase in common shares due to stock-based compensation (thousands of shares)	1,229	1,095
Weighted-average number of common shares outstanding during the period (thousands of shares)	407,396	400,253
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	78.67	59.16
Diluted earnings per share (yen)	78.43	59.01

### (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.

## (Significant Subsequent Events)

Not applicable

## 4. Consolidated Reference

### (1) Revenue of Major Products

(JPY millions)

Brand name Generic name/formulation	Therapeutic category	Region	Year ended March 31, 2020	
			Year ended March 31 Actual	Changes from previous year
Cravit levofloxacin/ ophthalmic solution	Bacterial conjunctivitis	Total	15,181	1.0%
		Japan	2,571	(19.0%)
		China	9,509	7.3%
		Asia	1,726	13.3%
		EMEA	1,375	(6.3%)
Tarivid ofloxacin/ ophthalmic solution	Bacterial conjunctivitis	Total	1,472	1.9%
		Japan	414	(14.0%)
		China	585	(2.4%)
		Asia	473	30.0%
Tapcom tafluprost-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	5,405	12.9%
		Japan	2,521	(1.1%)
		Asia	383	24.2%
		EMEA	2,501	29.6%
Tapros tafluprost/ ophthalmic solution	Glaucoma	Total	17,901	(0.6%)
		Japan	9,123	(4.5%)
		China	395	73.5%
		Asia	1,892	1.9%
		EMEA	6,491	1.8%
Cosopt dorzolamide hydrochloride-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	21,045	(4.3%)
		Japan	7,723	(13.4%)
		Asia	4,052	10.3%
		EMEA	9,270	(1.3%)
Timoptol timolol maleate/ ophthalmic solution	Glaucoma	Total	2,504	(12.9%)
		Japan	1,349	(18.0%)
		Asia	226	2.2%
		EMEA	929	(7.8%)
Trusopt dorzolamide hydrochloride/ ophthalmic solution	Glaucoma	Total	4,424	(3.5%)
		Japan	1,350	(8.4%)
		Asia	411	(1.0%)
		EMEA	2,663	(1.3%)
EYBELIS Omidenepag Isopropyl/ ophthalmic solution	Glaucoma	Total	1,629	278.1%
		Japan	1,629	278.1%
Alesion epinastine hydrochloride/ ophthalmic solution	Allergy	Total	24,916	28.1%
		Japan	24,916	28.1%
Flumetholon fluorometholone/ ophthalmic solution	Inflammation	Total	2,996	(9.3%)
		Japan	1,272	(22.5%)
		China	1,243	0.9%
		Asia	482	11.9%
Kary Uni pirenoxine/ ophthalmic solution	Senile cataract	Total	4,056	(0.5%)
		Japan	2,501	(4.0%)
		China	704	(7.4%)
		Asia	852	19.6%
Oftan Catachrom cytochrome C, adenosine, nicotinamide/ ophthalmic solution	Senile cataract	Total	2,241	(6.5%)
		EMEA	2,241	(6.5%)
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	Total	2,672	24.0%
		Japan	2,672	24.0%
Eylea aflibercept/ solution for intravitreal injection	Intravitreal VEGF inhibitor	Total	60,138	7.1%
		Japan	60,138	7.1%
Hyalein sodium hyaluronate/ ophthalmic solution	Dry eye	Total	17,609	(6.8%)
		Japan	7,849	(10.4%)
		China	7,856	3.8%
		Asia	1,904	(26.0%)
Diquas diquafosol sodium/ ophthalmic solution	Dry eye	Total	15,970	3.9%
		Japan	14,257	2.3%
		China	167	561.1%
		Asia	1,546	9.7%
Ikervis cyclosporin/ ophthalmic solution	Dry eye	Total	3,851	13.6%
		Asia	738	60.9%
		EMEA	3,113	6.2%
Cationorm	Dry eye	Total	2,912	15.9%
		Asia	265	57.7%
		EMEA	2,092	5.2%
		US	555	56.3%
LENTIS Comfort	Intraocular lens for cataract treatment	Total	1,065	728.6%
		Japan	1,065	728.6%
OTC pharmaceuticals		Total	12,034	(15.4%)
		Japan	11,722	(15.8%)
		Asia	312	6.5%

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



## (2) Research & Development

As of end of April 2020

### Pipeline Development Status (Clinical Stage)

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
sirolimus	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.										
tafluprost/ timolol maleate	DE-111	Glaucoma/ Ocular hypertension	Co-development with AGC	China						
A fixed dose combination drug of a prostaglandin F <sub>2α</sub> 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.										
epinastine hydrochloride	DE-114A	Allergic conjunctivitis	Nippon Boehringer Ingelheim	Japan						Nov-2019
An H <sub>1</sub> receptor antagonist with membrane-stabilizing function, as treatment for allergic conjunctivitis. High dose drug. Received manufacturing and marketing approval in September 2019 and launched in November 2019 in Japan										
omidenepeg isopropyl	DE-117	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.										
sepetaprost	DE-126	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.										
atropine sulfate	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.										
—	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
glaucoma implant device	DE-128	Glaucoma	Original	U.S.			(Phase 2/3)			
				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. Conducting Phase 2/3 in the U.S. in advance of application to FDA. Launched in Europe in January 2019. In Asia, filed for marketing approval in March 2020 in Korea										

Pipeline Development Status (Clinical Stage)

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
ciclosporin	DE-076C	Vernal keratoconjunctivitis (VKC)	Original	Europe						Oct-2018
				Asia						Aug-2019
				Others						Nov-2019
<p>An ophthalmic emulsion which improves vernal keratoconjunctivitis by immunosuppressive effect. Cationic emulsion technology has enhanced ocular tissue penetration. Received Marketing Authorization Application approval from the European Commission in July 2018 and was launched successively in European countries starting with the U.K in October 2018. Received approval for an indication extension for Ikervis for VKC in Asian countries starting with Taiwan in August 2019. Received marketing approval in December 2018 and launched in November 2019 in Canada.</p>										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	Filed	Approved	Launched
latanoprost	DE-130A (Catioprost)	Glaucoma/ Ocular hypertension	Original	Europe						
				Asia						
<p>An ophthalmic emulsion of a prostaglandin F<sub>2α</sub> derivative, for the treatment of glaucoma and ocular hypertension. Started P3 trials in April 2019 in Europe and Asia.</p>										

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

Changes from Q3 FY19 (February 4, 2020)

Dev. code	Changes
DE-122	Expected efficacy was not demonstrated in P2a; development discontinued in March 2020
DE128	In Asia, filed for marketing approval in March 2020 in Korea.

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

Capital expenditures (JPY millions)

	Year ending March 31, 2020	Year ending March 31, 2021
	Actual	Forecast
Consolidated	8,971	10,000

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

Depreciation and amortization (JPY millions)

	Year ending March 31, 2020	Year ending March 31, 2021
	Actual	Forecast
Manufacturing cost	2,144	2,310
Selling, general and administrative expenses	1,462	1,720
R&D expenses	661	680
Consolidated total	4,267	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)

	Year ended March 31, 2020	Year ending March 31, 2021
	Actual	Forecast
Intangible assets (Merck products)	5,808	5,740
Intangible assets (DE-128*)	2,798	2,830
Intangible assets (Ikervis)	684	710
Other	608	420
Consolidated total	9,898	9,700

\* DE-128 (PRESERFLO MicroShunt)

Research and development expenses (JPY millions)

	Year ended March 31, 2020	Year ending March 31, 2021
	Actual	Forecast
Consolidated	23,341	23,000
Percent of revenue	9.7%	9.8%

### (4) FOREX

Exchange rate (yen)	Major currency	(JPY)		
		Year to March 2019	Year to March 2020	Year to March 2021 (Forecasts)
	US dollar	110.82	108.81	110.00
	Euro	128.38	120.80	120.00
	CNY	16.52	15.64	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, etc.