

Santen Consolidated Results for Q2 Fiscal 2017

November 1, 2017 – Santen Pharmaceutical Co., Ltd. (Osaka, JAPAN, Tokyo Stock Exchange Code 4536) (Santen) today announced consolidated performance for Q2 FY17, the cumulative six month period ended September 30, 2017.

Boosted by sales of new products and strength in key markets, Santen's consolidated revenue in Q2 FY17 reached 110.8 billion yen, representing an increase of 13% year-on-year and a record high for the period. In the Japan prescription ophthalmic pharmaceutical business, new product growth boosted revenue to 68.5 billion yen, an increase of 7%. Pharmaceutical revenue increased in our Asia and EMEA (Europe, the Middle East and Africa) businesses by 24% and 22%, respectively, on a local currency basis. With steady growth in Japan including the OTC business as well as revenue and profit margin expansion in Asia and EMEA, consolidated core operating profit reached 24.4 billion yen, an increase of 9%.

With steady growth in Japan and continued strong performance overseas, revenue and core operating profit are forecast to increase by 9% and 11%, respectively, for current fiscal year ending March 31, 2018.

Santen strives to generate continued sustainable growth by contributing to the well-being of patients as a leading company specialized in the field of ophthalmology.

Core basis*	Q2 FY17** actual (million yen)	change (YoY%)	FY17 forecast (million yen)	change (YoY%)
Revenue	110,774	+13.2%	218,000	+9.5%
Core operating profit	24,386	+8.6%	44,000	+10.9%
Core net profit for the period	17,901	+6.9%	31,200	+6.9%
Earnings per share (basic)	¥ 44.09		¥ 77.31	

IFRS	Q2 FY17** actual (million yen)	change (YoY%)	FY17 forecast (million yen)	change (YoY%)
Revenue	110,774	+13.2%	218,000	+9.5%
Operating profit	21,039	+12.0%	37,400	+15.2%
Net profit for the period	15,246	+21.9%	26,800	+23.4%

* Core basis results adjust IFRS figures by removing non-core items including amortization associated with products, other revenue and expenses, and financial revenue and expenses in order to provide greater transparency on underlying business performance

** Santen results herein describe Q2 results cumulatively as the six month period ended September 30, 2017

Additional Santen investor relations information can be found here: <http://www.santen.com/en/ir/>.

About Santen

As a specialty company dedicated to the ophthalmic field, Santen carries out research, development, marketing, and sales of pharmaceuticals and devices. Santen is the market leader in Japan for prescription ophthalmic pharmaceuticals and sells products in approximately 60 countries. As a leading company in the field of ophthalmology, Santen aims to contribute to society by supplying valuable products and services to satisfy unmet medical needs. For more details, please see Santen's website (www.santen.com).

Santen Forward-Looking Statements

Information provided in this news release contains so-called "Forward-Looking Statements". The realizations of these forecasts are subject to risk and uncertainty from various sources. Therefore, please note that the actual results may differ significantly from the forecasts. Business performance and financial condition are subject to the effects of changes in regulations made by the governments of Japan and other nations concerning medical insurance, drug pricing and other systems, and to fluctuations in market variables such as interest rates and foreign exchange rates.

Contact

Christopher Hohman, Corporate Communications Group, Santen Pharmaceutical Co., Ltd.

E-mail: ir@santen.com, Tel: +81-6-4802-9360

Disclaimer: The following is meant to be an accurate translation from the original Financial Report of Santen Pharmaceutical Co., Ltd., written in Japanese, and is prepared for the information disclosure to the Tokyo Stock Exchange. However, in the case of any discrepancy between the English translation and the Japanese original, the latter shall prevail.

(JPY millions)

1. Consolidated performance for the six months ended September 30, 2017

(1) Operating results (Core basis)

	Six months ended September 30, 2016	Six months ended September 30, 2017	% change
Revenue	97,829	110,774	+13.2%
Core operating profit	22,464	24,386	+8.6%
Core net profit for the period	16,750	17,901	+6.9%
Core net profit for the period attributable to owners of the company	16,750	17,912	+6.9%
Basic core earnings per share (yen)	40.46	44.09	
Diluted core earnings per share (yen)	40.31	43.93	

(IFRS)

	Six months ended September 30, 2016	Six months ended September 30, 2017	% change
Revenue	97,829	110,774	+13.2%
Operating profit	18,787	21,039	+12.0%
Profit before tax	16,881	20,686	+22.5%
Net profit for the period	12,505	15,246	+21.9%
Net profit for the period attributable to owners of the company	12,505	15,257	+22.0%
Total comprehensive income for the period	3,551	19,981	+462.7%
Basic earnings per share (yen)	30.21	37.56	
Diluted earnings per share (yen)	30.09	37.42	

(2) Financial position

	March 31, 2017	September 30, 2017
Total assets	358,906	374,180
Total equity	255,929	271,798
Total equity attributable to owners of the company	255,110	270,091
Total equity attributable to owners of the company ratio	71.1%	72.2%
Equity per share attributable to owners of the company (yen)	628.09	664.68

2. Dividends

	Year to March 2017	Year to March 2018	(Forecasts) Year to March 2018
First quarter dividends per share (yen)	—	—	—
Second quarter dividends per share (yen)	13.00	13.00	—
Third quarter dividends per share (yen)	—	—	—
Year-end dividends per share (yen)	13.00	—	13.00
Annual dividends per share (yen)	26.00	—	26.00

3. Consolidated forecasts of results for the year ending March 31, 2018

(Core basis)

	Year to March 2018	% change
Revenue	218,000	+9.5%
Core operating profit	44,000	+10.9%
Core net profit for the year	31,200	+6.9%
Core net profit for the year attributable to owners of the company	31,400	+7.6%
Core earnings per share (yen)	77.31	

(IFRS)

	Year to March 2018	% change
Revenue	218,000	+9.5%
Operating profit	37,400	+15.2%
Profit before tax	37,700	+25.4%
Net profit for the year	26,800	+23.4%
Net profit for the year attributable to owners of the company	26,900	+23.8%
Basic earnings per share (yen)	66.23	

***Others**

(1) Changes in significant subsidiaries during the term

(Changes in designated subsidiaries resulting in adjustment to the scope of consolidation): No

Note: Santen Ventures, Inc. has newly become a consolidated subsidiary.

(2) Changes in accounting policies and accounting estimates

[i] Changes in the accounting policies required by IFRS: No

[ii] Other changes: No

[iii] Changes in accounting estimates: No

(3) Number of shares outstanding (common stock):

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

September 30, 2017: 406,353,515

March 31, 2017 : 406,173,015

[ii] Number of treasury shares at the end of period

September 30, 2017: 6,961

March 31, 2017 : 6,646

[iii] Average number of outstanding shares

Second quarter ended September 30, 2017: 406,235,822

Second quarter ended September 30, 2016: 413,976,129

(Information regarding the implementation of audit procedures)

This financial report is exempt from audit.

(Information regarding presentation currency)

All financial information presented in Japanese yen has been rounded to the nearest million, except when otherwise indicated.

Quarterly consolidated statements of income and comprehensive income

IFRS basis		(JPY millions)	
	Six months ended September 30, 2016	Six months ended September 30, 2017	
Revenue	97,829	110,774	
Cost of sales	(36,836)	(42,971)	
Gross profit	60,993	67,803	
Selling, general and administrative expenses	(28,738)	(31,676)	
Research and development expenses	(10,304)	(11,742)	
Amortization on intangible assets associated with products	(3,169)	(3,324)	
Other income	216	200	
Other expenses	(211)	(223)	
Operating profit	18,787	21,039	
Finance income	445	497	
Finance expenses	(2,352)	(851)	
Profit before tax	16,881	20,686	
Income tax expenses	(4,375)	(5,440)	
Net profit for the period	12,505	15,246	
Other comprehensive income for the period			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans	—	—	
Net gain or loss on financial assets measured at fair value through other comprehensive income	(4,261)	1,544	
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments	(4,693)	3,192	
Other comprehensive income	(8,954)	4,736	
Total comprehensive income	3,551	19,981	
Profit attributable to			
Owners of the company	12,505	15,257	
Non-controlling interests	—	(11)	
Net profit for the period	12,505	15,246	
Total comprehensive income attributable to			
Owners of the company	3,551	19,931	
Non-controlling interests	—	51	
Total comprehensive income	3,551	19,981	
Earnings per share			
Basic earnings per share (yen)	30.21	37.56	
Diluted earnings per share (yen)	30.09	37.42	

Core basis		(JPY millions)	
	Six months ended September 30, 2016	Six months ended September 30, 2017	
Revenue	97,829	110,774	
Core operating profit	22,464	24,386	
Core net profit for the period	16,750	17,901	
Basic core earnings per share (yen)	40.46	44.09	
Diluted core earnings per share (yen)	40.31	43.93	
Core profit attributable to			
Owners of the company	16,750	17,912	
Non-controlling interests	—	(11)	
Core net profit for the period	16,750	17,901	

Quarterly consolidated statement of financial position

Assets	(JPY millions)	
	March 31, 2017	September 30, 2017
Non-current assets		
Property, plant and equipment	28,550	29,393
Intangible assets	138,935	138,570
Financial assets	29,889	31,899
Deferred tax assets	2,396	2,176
Other non-current assets	2,124	2,310
Total non-current assets	201,894	204,348
Current assets		
Inventories	28,502	28,063
Trade and other receivables	70,970	74,837
Other financial assets	333	843
Other current assets	3,909	4,243
Cash and cash equivalents	53,297	61,846
Total current assets	157,011	169,832
Total assets	358,906	374,180

Equity and liabilities

(JPY millions)

	March 31, 2017	September 30, 2017
Equity		
Equity attributable to owners of the company		
Share capital	7,792	7,856
Capital surplus	8,417	8,482
Treasury shares	(10)	(10)
Retained earnings	223,283	233,260
Other components of equity	15,628	20,503
Total equity attributable to owners of the company	255,110	270,091
Non-controlling interests	819	1,708
Total equity	255,929	271,798
Liabilities		
Non-current liabilities		
Financial liabilities	26,288	23,788
Net defined benefit liabilities	1,900	2,368
Provisions	1,426	1,415
Deferred tax liabilities	17,963	17,781
Other non-current liabilities	1,919	1,237
Total non-current liabilities	49,496	46,589
Current liabilities		
Trade and other payables	23,937	26,431
Other financial liabilities	17,649	14,338
Income tax payable	3,279	6,061
Provisions	1,372	1,361
Other current liabilities	7,244	7,602
Total current liabilities	53,481	55,793
Total liabilities	102,977	102,381
Total equity and liabilities	358,906	374,180

Quarterly consolidated statement of changes in equity

Six months ended September 30, 2016

(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, 2016	7,695	8,389	(24)	221,945	—	18,676
Comprehensive income						
Net profit for the period				12,505		
Other comprehensive income						(4,261)
Total comprehensive income for the period	—	—	—	12,505	—	(4,261)
Transactions with owners						
Issuance of new shares	21	21				
Acquisition of treasury shares		(8)	(2,065)			
Disposal of treasury shares			0			
Dividends				(5,384)		
Share-based payments						
Other				2,251		(2,246)
Total transactions with owners	21	13	(2,065)	(3,133)	—	(2,246)
Balance at September 30, 2016	7,716	8,402	(2,089)	231,317	—	12,169

(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, 2016	2,611	716	22,003	260,009	—	260,009
Comprehensive income						
Net profit for the period			—	12,505		12,505
Other comprehensive income	(4,693)		(8,954)	(8,954)		(8,954)
Total comprehensive income for the period	(4,693)	—	(8,954)	3,551	—	3,551
Transactions with owners						
Issuance of new shares		(6)	(6)	36		36
Acquisition of treasury shares			—	(2,073)		(2,073)
Disposal of treasury shares			—	0		0
Dividends			—	(5,384)		(5,384)
Share-based payments		138	138	138		138
Other		(4)	(2,251)	—		—
Total transactions with owners	—	128	(2,118)	(7,282)	—	(7,282)
Balance at September 30, 2016	(2,082)	844	10,931	256,277	—	256,277

Six months ended September 30, 2017

(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, 2017	7,792	8,417	(10)	223,283	—	9,470
Comprehensive income						
Net profit for the period				15,257		
Other comprehensive income						1,544
Total comprehensive income for the period	—	—	—	15,257	—	1,544
Transactions with owners						
Issuance of new shares	65	65				
Acquisition of treasury shares			(1)			
Dividends				(5,280)		
Establishment of subsidiary with non-controlling interests						
Share-based payments						
Other				1		(1)
Total transactions with owners	65	65	(1)	(5,279)	—	(1)
Balance at September 30, 2017	7,856	8,482	(10)	233,260	—	11,013

(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, 2017	5,332	825	15,628	255,110	819	255,929
Comprehensive income						
Net profit for the period			—	15,257	(11)	15,246
Other comprehensive income	3,130		4,674	4,674	62	4,736
Total comprehensive income for the period	3,130	—	4,674	19,931	51	19,981
Transactions with owners						
Issuance of new shares		(16)	(16)	113		113
Acquisition of treasury shares			—	(1)		(1)
Dividends			—	(5,280)		(5,280)
Establishment of subsidiary with non-controlling interests			—	—	838	838
Share-based payments		218	218	218		218
Other			(1)	—		—
Total transactions with owners	—	202	201	(4,950)	838	(4,112)
Balance at September 30, 2017	8,462	1,027	20,503	270,091	1,708	271,798

Quarterly consolidated statements of cash flows

(JPY millions)

	Six months ended September 30, 2016	Six months ended September 30, 2017
I . Cash flows from operating activities:		
Net profit for the period	12,505	15,246
Depreciation and amortization	4,837	5,384
Impairment losses	67	115
Finance expenses (income)	1,651	(11)
Income tax expenses	4,375	5,440
Decrease (increase) in trade and other receivables	(1,751)	(3,140)
Decrease (increase) in inventories	(2,879)	1,192
Increase (decrease) in trade and other payables	(501)	2,383
Increase (decrease) in provisions and net defined benefit liabilities	(83)	265
Other	(3,061)	(2,143)
Subtotal	15,160	24,732
Interest received	33	47
Dividends received	268	293
Interest paid	(30)	(18)
Income tax paid	(20,480)	(3,321)
Net cash flows from (used in) operating activities	(5,049)	21,732
II . Cash flows from investing activities:		
Proceeds from withdrawal of time deposits	19	—
Payments for acquisition of investments	(114)	(5)
Proceeds from sales of investments	483	2
Payments for acquisition of subsidiary	(19,047)	—
Payments for acquisition of property, plant and equipment	(2,066)	(1,692)
Proceeds from sales of property, plant and equipment	4	—
Payments for acquisition of intangible assets	(2,751)	(2,284)
Other	(233)	(11)
Net cash flows from (used in) investing activities	(23,705)	(3,991)
III . Cash flows from financing activities:		
Proceeds from long-term loans	3,000	—
Repayments of long-term loans	(4,825)	(4,575)
Payments for acquisition of treasury shares	(2,073)	(1)
Capital contribution from non-controlling interests	—	838
Dividends paid	(5,385)	(5,279)
Other	43	111
Net cash flows from (used in) financing activities	(9,239)	(8,905)
IV . Net increase (decrease) in cash and cash equivalents	(37,993)	8,836
V . Cash and cash equivalents at the beginning of period	99,798	52,282
VI . Effect of exchange rate changes on cash and cash equivalents	(3,462)	727
VII . Cash and cash equivalents at the end of period	58,343	61,846

Segment information

Six months ended September 30, 2016

(JPY millions)

	<Reportable segment> Pharmaceuticals	Other (Note:1)	Total	Adjustments	Consolidated total
Revenue:					
External customers	96,302	1,528	97,829	—	97,829
Intersegment	—	281	281	(281)	—
Total	96,302	1,809	98,111	(281)	97,829
Segment income (loss) (Note:2)	19,013	(226)	18,787	—	18,787
				Finance income	445
				Finance expenses	(2,352)
				Profit before tax	16,881

Notes:1."Other" comprises operating segments other than the reportable segment, including the medical device operating segments.

2.Segment income (loss) is based on operating profit.

3.The assets of the "Pharmaceuticals" largely increase in comparison with a previous consolidated accounts end of the fiscal year by acquiring total stocks of InnFocus, Inc., and having subsidized it.

Because evaluation inspection about the acquisition of InnFocus, Inc., was completed in the six months ended September 30, 2017, the financial statements in the six months ended September 30, 2016 were calculated based on retroactively adjusted figures. The segment income(loss) in the six months ended September 30, 2016 has not been changed.

Six months ended September 30, 2017

(JPY millions)

	<Reportable segment> Pharmaceuticals	Other (Note:1)	Total	Adjustments	Consolidated total
Revenue:					
External customers	109,253	1,521	110,774	—	110,774
Intersegment	—	368	368	(368)	—
Total	109,253	1,889	111,142	(368)	110,774
Segment income (loss) (Note:2)	21,426	(386)	21,039	—	21,039
				Finance income	497
				Finance expenses	(851)
				Profit before tax	20,686

Notes:1."Other" comprises operating segments other than the reportable segment, including the medical device operating segments.

2.Segment income (loss) is based on operating profit.

Breakdown of revenues

Six months ended September 30, 2016

(JPY millions)

Pharmaceuticals business			Other businesses		Total
Prescription pharmaceuticals		OTC pharmaceuticals	Medical devices	Others	
Ophthalmics	Other pharmaceuticals				
89,251	965	6,087	1,272	256	97,829

Six months ended September 30, 2017

(JPY millions)

Pharmaceuticals business			Other businesses		Total
Prescription pharmaceuticals		OTC pharmaceuticals	Medical devices	Others	
Ophthalmics	Other pharmaceuticals				
100,978	563	7,713	1,262	259	110,774

Revenue of major pharmaceuticals

(JPY millions)

Brand name Generic name/formulation	Therapeutic category	Region	Year ended March 31, 2017				Year ending March 31, 2018			
			Six months ended September 30, 2016 Actual	Changes from same period of previous year	Year ended March 31 Actual	Changes from same period of previous year	Six months ended September 30, 2017 Actual	Changes from same period of previous year	Year ending March 31 Forecasts	Changes from same period of previous year
Cravit levofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	6,914	(13.9%)	12,884	(9.6%)	7,658	10.8%	13,945	8.2%
		Japan	2,601	(20.7%)	4,660	(21.3%)	2,318	(10.9%)	4,308	(7.5%)
		Asia	3,704	(8.7%)	6,980	(0.3%)	4,561	23.1%	8,252	18.2%
		Europe	610	(12.2%)	1,245	(6.5%)	780	27.9%	1,384	11.2%
Tarivid ofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	858	(21.0%)	1,541	(12.5%)	882	2.8%	1,455	(5.6%)
		Japan	312	(16.8%)	559	(16.9%)	284	(9.0%)	472	(15.6%)
		Asia	547	(23.2%)	982	(9.8%)	599	9.6%	983	0.1%
		Total	1,282	101.4%	2,798	82.4%	1,875	46.2%	3,800	35.8%
Tapcom tafluprost-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	1,116	99.0%	2,256	63.4%	1,265	13.4%	2,587	14.6%
		Japan	12	-	38	-	64	438.5%	90	137.1%
		Asia	155	103.1%	504	229.3%	547	253.7%	1,124	122.9%
		Total	8,186	5.9%	16,406	4.9%	8,960	9.5%	18,115	10.4%
Tapros tafluprost/ophthalmic solution	Glaucoma	Total	4,961	7.5%	9,592	4.6%	4,936	(0.5%)	10,489	9.3%
		Japan	570	3.6%	1,227	11.8%	880	54.4%	1,613	31.5%
		Asia	2,654	3.5%	5,587	4.1%	3,144	18.4%	5,985	7.1%
		Other	-	-	-	-	-	-	28	-
Cosopt dorzolamide hydrochloride-timolol maleate/combination ophthalmic solution	Glaucoma	Total	11,176	14.0%	22,164	7.7%	12,163	8.8%	23,013	3.8%
		Japan	5,887	3.2%	11,366	1.4%	5,915	0.5%	11,468	0.9%
		Asia	1,303	2.7%	2,669	7.1%	1,583	21.5%	2,913	9.1%
		Europe	3,986	40.9%	8,122	18.1%	4,662	16.9%	8,476	4.4%
Timoptol timolol maleate/ ophthalmic solution	Glaucoma	Total	845	(18.1%)	1,509	(21.8%)	780	(7.6%)	1,373	(9.0%)
		Japan	522	(18.0%)	967	(18.1%)	437	(16.3%)	853	(11.8%)
		Asia	63	(14.5%)	119	(14.8%)	60	(5.1%)	124	4.0%
		Europe	260	(19.1%)	422	(30.6%)	283	9.2%	395	(6.2%)
Timoptol XE timolol maleate/ long-acting ophthalmic solution	Glaucoma	Total	1,173	(9.5%)	2,382	(3.3%)	1,165	(0.7%)	2,236	(6.1%)
		Japan	867	(13.1%)	1,614	(14.4%)	753	(13.1%)	1,450	(10.2%)
		Asia	41	(8.0%)	88	0.8%	52	26.2%	100	13.1%
		Europe	265	4.7%	679	38.8%	360	36.0%	687	1.1%
Trusopt dorzolamide hydrochloride/ ophthalmic solution	Glaucoma	Total	2,159	(1.6%)	4,343	(4.8%)	2,276	5.4%	3,906	(10.1%)
		Japan	914	(19.2%)	1,731	(18.6%)	866	(5.3%)	1,396	(19.3%)
		Asia	137	(53.8%)	271	(39.3%)	152	11.0%	280	3.3%
		Europe	1,108	44.8%	2,333	17.2%	1,242	12.1%	2,194	(6.0%)
Rescula isopropyl unoprostone/ ophthalmic solution	Glaucoma	Total	870	(10.0%)	1,633	(11.5%)	788	(9.4%)	1,641	0.5%
		Japan	870	(10.0%)	1,633	(11.5%)	788	(9.4%)	1,641	0.5%
		Total	4,066	48.2%	12,235	29.0%	5,088	25.1%	14,926	22.0%
		Japan	4,066	48.2%	12,235	29.0%	5,088	25.1%	14,926	22.0%
Flumetholon fluorometholone/ ophthalmic solution	Inflammation	Total	1,781	(11.6%)	3,347	(11.3%)	1,843	3.5%	3,425	2.3%
		Japan	1,104	(14.2%)	2,224	(16.2%)	1,059	(4.1%)	2,123	(4.5%)
		Asia	677	(7.0%)	1,123	0.3%	784	15.8%	1,302	15.9%
Kary Uni pirenoxine/ ophthalmic solution	Senile cataract	Total	2,120	(6.5%)	4,124	(1.5%)	2,428	14.5%	4,439	7.7%
		Japan	1,502	0.4%	2,833	(2.3%)	1,446	(3.7%)	2,776	(2.0%)
		Asia	618	(20.0%)	1,291	0.3%	982	58.8%	1,663	28.8%
Ofan Catachrom cytochrome C, adenosine, nicotinamide/ ophthalmic solution	Senile cataract	Total	661	(28.9%)	2,224	18.9%	1,449	119.2%	2,456	10.4%
		Europe	661	(28.9%)	2,224	18.9%	1,449	119.2%	2,456	10.4%
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	Total	1,187	(11.1%)	2,285	(11.0%)	1,192	0.4%	2,288	0.1%
		Japan	1,187	(11.1%)	2,285	(11.0%)	1,192	0.4%	2,288	0.1%
Eylea affibercept/ solution for intravitreal injection	Intravitreal VEGF inhibitor	Total	22,820	16.6%	45,155	12.9%	26,044	14.1%	46,199	2.3%
		Japan	22,820	16.6%	45,155	12.9%	26,044	14.1%	46,199	2.3%
Hyalain sodium hyaluronate/ophthalmic solution	Dry eye	Total	9,308	(10.6%)	17,595	(11.4%)	9,453	1.6%	17,483	(0.6%)
		Japan	6,256	(17.4%)	11,852	(18.2%)	5,738	(8.3%)	10,743	(9.4%)
		Asia	3,052	7.8%	5,743	6.9%	3,716	21.7%	6,740	17.4%
Diquas diquafosol sodium/ophthalmic solution	Dry eye	Total	5,795	26.6%	11,940	24.0%	7,179	23.9%	14,574	22.1%
		Japan	5,403	27.7%	11,016	24.1%	6,447	19.3%	12,642	14.8%
		Asia	391	13.7%	924	23.1%	732	86.9%	1,932	109.0%
Ikervis ciclosporin/ophthalmic solution	Dry eye	Total	452	185.2%	1,303	73.5%	1,012	123.9%	2,344	79.9%
		Asia	-	-	2	-	1	-	64	-
		Europe	452	185.2%	1,301	73.2%	1,011	123.6%	2,226	71.1%
		North America	-	-	-	-	-	-	49	-
Cationorm	Dry eye	Total	755	40.9%	1,835	26.3%	939	24.4%	2,587	41.0%
		Asia	83	27.1%	206	23.4%	110	32.0%	344	67.0%
		Europe	619	44.9%	1,318	28.1%	774	25.1%	1,894	43.7%
		North America	44	8.1%	280	15.7%	52	18.8%	287	2.4%
		Other	8	270.9%	31	114.9%	2	(75.2%)	62	101.7%
OTC pharmaceuticals		6,087	24.1%	12,553	14.1%	7,713	26.7%	12,900	2.8%	

Exchange rate (yen)	Major currency	2nd quarter ended September 30, 2016	Fiscal year ended March 31, 2017	2nd quarter ended September 30, 2017	Fiscal year to March 31, 2018(Forecasts)
	US dollar	105.86	108.64	111.18	110.00
Euro	118.59	118.96	126.76	120.00	
RMB	16.04	16.14	16.43	16.50	

*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.

Research & development

As of November 1

■ Pipeline of prescription pharmaceuticals (Clinical Stage)

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
diquafosol sodium	DE-089	Dry eye	Merck Sharp & Dohme Corp. (U.S.)	China					Oct-2017	

A dry eye treatment which stimulates secretion of mucin and aqueous components from the corneal and conjunctival epithelium. Its mechanism of action is different from existing treatments. Launched in December 2010 in Japan. Acquired import drug license in China in October 2017. Launched in October 2013 in Korea. Launched in Vietnam in February 2016. Launched in Thailand in April 2016. Currently seeking sequential approvals for marketing in Asia.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
sirolimus	DE-109	Uveitis	Original	U.S.				Feb-2017		
				Japan						
				Europe						
				Asia				Apr-2015		

An intravitreal injection with immunosuppressive effect, anti-angiogenic effect, etc. NDA filed in the U.S. in February 2017. Preparing NDA file in Europe. NDA filed in Asia in April 2015.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
epinastine hydrochloride	DE-114A	Allergic conjunctivitis	Nippon Boehringer Ingelheim	Japan						

An H₁ receptor antagonist with membrane-stabilizing function, as treatment for allergic conjunctivitis. High dose drug. Started Phase 3 in Japan in May 2017.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
omidenepeg isopropyl	DE-117	Glaucoma/ Ocular hypertension	Co-development with Ube Industries	U.S.						
				Japan			(Phase 2b/3)			
				Asia						

An EP2 receptor agonist with a new mechanism of action. Completed Phase 2b in the U.S. in February 2015. Started Phase 2b/3 in Japan in December 2015. Started Phase 3 in Asia in December 2016.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
carotuximab	DE-122	Wet Age-related macular degeneration	TRACON Pharmaceuticals	U.S.		(Phase 2a)				

An intravitreal injection of anti-endothelin antibody. Completed Phase 1/2 in the U.S. and started Phase 2a in July 2017.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
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 both FP and EP3 receptors dual agonist for the treatment of glaucoma and ocular hypertension. Started Phase 2b in the U.S. and Japan in July 2017.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
atropine sulfate	DE-127	Myopia	Singapore Health Services, Nanyang Technological University	Asia						

Muscarinic antagonist which reduces juvenile myopia progression. Preparing Phase 2 in Asia.

—	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
—	DE-128 (InnFocus MicroShunt)	Glaucoma	Original	U.S.			(Phase 2/3)			
				Europe						

In August 2016, acquired InnFocus, developer of InnFocus MicroShunt. MicroShunt is 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.

Generic name	Dev. name	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
ciclosporin	Cyclokat	Severe keratitis in patients with dry eye	Original	U.S.						
				Asia					Nov-2016	
				Others					Apr-2016	

An ophthalmic emulsion to treat severe keratitis in adult patients with dry eye through an immunosuppressive effect. Cationic emulsion technology has enhanced ocular tissue absorption. Launched in Germany and England in July 2015 and planning successive launches in European countries. NDA filed in Asian countries successively and approved in some countries including Thailand (November 2016) and Korea (March 2017). NDA filed in Canada in April 2016.

Generic name	Dev. name	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
ciclosporin	Vekacia	Vernal keratoconjunctivitis	Original	Europe				Dec-2016		
<p>An ophthalmic emulsion which improves vernal keratoconjunctivitis by immunosuppressive effect. Cationic emulsion technology has enhanced ocular tissue absorption. NDA filed and granted Priority Review status in Europe in December 2016. In July 2017, the Committee for Human Medicinal Products of the European Medicines Agency adopted a positive opinion, recommending the marketing authorization.</p>										

Generic name	Dev. name	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
latanoprost	Catioprost	Glaucoma/ Ocular hypertension	Original	Europe						
<p>An ophthalmic emulsion of a prostaglandin F_{2α} derivative, for the treatment of glaucoma and ocular hypertension.</p>										

■ Changes from Q1 FY17 (August 1, 2017)

Dev. code / name	Changes
DE-089	Acquired import drug license in China in October 2017.
DE-127	Preparing Phase 2 in Asia.

Other consolidated information

Capital expenditures

(JPY millions)

	Six months ended September 30, 2016	Year ended March 31, 2017	Six months ended September 30, 2017	Year ending March 31, 2018
	Actual			Forecast
Consolidated	2,864	5,216	2,731	7,660

Depreciation and amortization

(JPY millions)

	Six months ended September 30, 2016	Year ended March 31, 2017	Six months ended September 30, 2017	Year ending March 31, 2018
	Actual			Forecast
Manufacturing cost	728	1,515	962	1,880
Selling, general and administrative expenses	601	1,246	717	1,270
R&D expenses	338	709	381	680
Consolidated total	1,667	3,470	2,060	3,830

Note: Excluding amortization on intangible assets associated with products and long-term advance expense.

Amortization on intangible assets associated with products

(JPY millions)

	Six months ended September 30, 2016	Year ended March 31, 2017	Six months ended September 30, 2017	Year ending March 31, 2018
	Actual			Forecast
Intangible assets (Merck products)	2,645	5,357	2,760	5,590
Intangible assets (Ikervis)	336	674	359	680
Other	188	381	205	350
Consolidated total	3,169	6,412	3,324	6,620

Research and Development expenses

(JPY millions)

	Six months ended September 30, 2016	Year ended March 31, 2017	Six months ended September 30, 2017	Year ending March 31, 2018
	Actual			Forecast
Consolidated	10,304	22,786	11,742	25,000
Percent of revenue	10.5%	11.4%	10.6%	11.5%

*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.