

Santen Reports Consolidated Results for Fiscal 2017

May 9, 2018 – Santen Pharmaceutical Co., Ltd. (Osaka, JAPAN, Tokyo Stock Exchange Code 4536) (Santen) today announced consolidated results for the fiscal year ended March 31, 2018 (FY17).

Increased revenue from new products and growth across all three Santen regions of Japan, Asia and EMEA (Europe, the Middle East and Africa) contributed to FY17 consolidated revenue that reached 224.9 billion yen, an increase of 13.0% year-on-year and a record high for the company. In Japan, Santen's prescription ophthalmic pharmaceutical business grew on revenue from new products to 141.1 billion yen, an increase of 8.5%. Pharmaceutical revenue increased in Asia and EMEA regions by 30.7% and 22.2%, respectively, in yen terms. With steady contributions in Japan including the over-the-counter (OTC) business as well as revenue and profit margin expansion in Asia and EMEA, consolidated core operating profit reached 45.4 billion yen, an increase of 14.3%.

For the current fiscal year ending March 31, 2019, continued contributions from new products in Japan and globally are expected to overcome the negative impact of government mandated price cuts in Japan, with revenue and core operating profit forecast to increase by 5.4% and 5.8%, respectively.

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*	FY17 actual (JPY millions)	change (YoY%)	FY18 forecast (JPY millions)	change (YoY%)
Revenue	224,942	+13.0%	237,000	+5.4%
Core operating profit	45,378	+14.3%	48,000	+5.8%
Core net profit for the period	33,458	+14.9%	35,300	+5.5%
Earnings per share (basic) (yen)	82.29		87.26	

IFRS	FY17 actual (JPY millions)	change (YoY%)	FY18 forecast (JPY millions)	change (YoY%)
Revenue	224,942	+13.0%	237,000	+5.4%
Operating profit	38,691	+19.1%	40,700	+5.2%
Net profit for the period	35,261	+62.3%	30,400	-13.8%

* Core basis results adjust IFRS figures by removing non-core items including amortization associated with products, other income and expenses in order to provide greater transparency on underlying business performance. A non-recurring gain related to taxes in the U.S. caused a substantial increase in IFRS basis net profit in FY17 which is excluded from core basis results.

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. 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.

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(JPY millions)

1. Consolidated performance for the fiscal year ended March 31, 2018

(1) Operating results (Core basis)

	Year to March 2017	Year to March 2018	% change
Revenue	199,096	224,942	+13.0%
Core operating profit	39,687	45,378	+14.3%
Core net profit for the year	29,125	33,458	+14.9%
Core net profit for the year attributable to owners of the company	29,131	33,445	+14.8%
Basic core earnings per share (yen)	70.99	82.29	
Diluted core earnings per share (yen)	70.73	82.00	

(IFRS)

	Year to March 2017	Year to March 2018	% change
Revenue	199,096	224,942	+13.0%
Operating profit	32,479	38,691	+19.1%
Profit before tax	30,055	39,261	+30.6%
Net profit for the year	21,724	35,261	+62.3%
Net profit for the year attributable to owners of the company	21,731	35,247	+62.2%
Total comprehensive income for the year	17,911	40,725	+127.4%
Basic earnings per share (yen)	52.96	86.73	
Diluted earnings per share (yen)	52.76	86.42	
Profit ratio to equity attributable to owners of the company	8.4%	13.0%	
Profit before tax to total assets ratio	8.4%	10.5%	
Operating profit to revenue ratio	16.3%	17.2%	

(2) Financial position

	March 31, 2017	March 31, 2018
Total assets	358,906	388,463
Total equity	255,929	287,557
Total equity attributable to owners of the company	255,110	285,823
Total equity attributable to owners of the company ratio	71.1%	73.6%
Equity per share attributable to owners of the company (yen)	628.09	702.54

(3) Cash flows

	Year to March 2017	Year to March 2018
Cash flows from operating activities	10,843	42,843
Cash flows from investing activities	(28,201)	(8,259)
Cash flows from financing activities	(28,657)	(17,631)
Cash and cash equivalents at end of year	52,282	69,283

2. Dividends

	Year to March 2017	Year to March 2018	(Forecasts) Year to March 2019
Second quarter dividends per share (yen)	13.00	13.00	13.00
Year-end dividends per share (yen)	13.00	13.00	13.00
Annual dividends per share (yen)	26.00	26.00	26.00
Total dividends paid (full-year)	10,647	10,571	—
Payout ratio (consolidated)	49.1%	30.0%	34.6%
Dividends paid on equity attributable to owners of the company (consolidated)	4.1%	3.9%	—

3. Consolidated forecasts of results for the year ending March 31, 2019

(Core basis)

	Year to March 2019	% change
Revenue	237,000	+5.4%
Core operating profit	48,000	+5.8%
Core net profit for the year	35,300	+5.5%
Core earnings per share (yen)	87.26	

(IFRS)

	Year to March 2019	% change
Revenue	237,000	+5.4%
Operating profit	40,700	+5.2%
Profit before tax	41,300	+5.2%
Net profit for the year	30,400	-13.8%
Basic earnings per share (yen)	75.21	

***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)

March 31, 2018 : 406,847,515

March 31, 2017 : 406,173,015

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

March 31, 2018 : 7,411

March 31, 2017 : 6,646

[iii] Average number of outstanding shares (during the fiscal year ended March 31)

Fiscal year ended March 31, 2018: 406,415,195

Fiscal year ended March 31, 2017: 410,343,269

(Reference)

1. Non-Consolidated performance for the fiscal year ended March 31, 2018

(1) Operating results

	Year to March 2017	Year to March 2018	% change
Net sales	156,968	171,872	+9.5%
Operating income	31,311	31,298	-0.0%
Ordinary income	30,378	31,689	+4.3%
Net income	24,999	25,435	+1.7%
Net income per share (yen)	60.92	62.58	
Diluted net income per share (yen)	60.70	62.36	

(2) Financial position

	March 31, 2017	March 31, 2018
Total assets	299,363	320,828
Net assets	245,358	265,765
Equity ratio	81.7%	82.5%
Net assets per share (yen)	602.05	650.84

Reference: Equity at year-end:

Fiscal year ended March 31, 2018: 264,790 million yen

Fiscal year ended March 31, 2017: 244,533 million yen

(Information regarding the implementation of audit procedures)

These financial results are not subject to audit procedures.

(Information regarding presentation currency)

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

Consolidated statements of income and comprehensive income

IFRS	(JPY millions)	
	Year ended March 31, 2017	Year ended March 31, 2018
Revenue	199,096	224,942
Cost of sales	(74,966)	(86,378)
Gross profit	124,130	138,564
Selling, general and administrative expenses	(62,193)	(68,788)
Research and development expenses	(22,786)	(24,398)
Amortization on intangible assets associated with products	(6,412)	(6,740)
Other income	468	417
Other expenses	(728)	(364)
Operating profit	32,479	38,691
Finance income	1,105	1,004
Finance expenses	(3,529)	(434)
Profit before tax	30,055	39,261
Income tax expenses	(8,331)	(4,000)
Net profit for the year	21,724	35,261
Other comprehensive income		
Items that will not be reclassified subsequently to profit of loss		
Remeasurements of defined benefit plans	297	284
Net gain on financial assets measured at fair value through other comprehensive income	(6,825)	5,867
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	2,715	(686)
Other comprehensive income	(3,813)	5,464
Total comprehensive income	17,911	40,725
Profit attributable to		
Owners of the company	21,731	35,247
Non-controlling interests	(7)	14
Net profit for the year	21,724	35,261
Total comprehensive income attributable to		
Owners of the company	17,924	40,648
Non-controlling interests	(13)	77
Total comprehensive income	17,911	40,725
Earnings per share		
Basic earnings per share (yen)	52.96	86.73
Diluted earnings per share (yen)	52.76	86.42

Core basis (JPY millions)

	Year ended March 31, 2017	Year ended March 31, 2018
Revenue	199,096	224,942
Core operating profit	39,687	45,378
Core net profit for the year	29,125	33,458
Basic core earnings per share (yen)	70.99	82.29
Diluted core earnings per share (yen)	70.73	82.00
Core profit attributable to		
Owners of the company	29,131	33,445
Non-controlling interests	(7)	14
Core net profit for the year	29,125	33,458

Consolidated statement of financial position

Assets	(JPY millions)	
	March 31, 2017	March 31, 2018
Non-current assets		
Property, plant and equipment	28,550	29,706
Intangible assets	138,935	134,495
Financial assets	29,889	35,775
Deferred tax assets	2,396	2,264
Other non-current assets	2,124	2,855
Total non-current assets	201,894	205,095
Current assets		
Inventories	28,502	30,636
Trade and other receivables	70,970	78,654
Other financial assets	333	472
Other current assets	3,909	4,322
Cash and cash equivalents	53,297	69,283
Total current assets	157,011	183,367
Total assets	358,906	388,463

Equity and liabilities

(JPY millions)

	March 31, 2017	March 31, 2018
Equity		
Share capital	7,792	8,032
Capital surplus	8,417	8,657
Treasury shares	(10)	(11)
Retained earnings	223,283	249,225
Other components of equity	15,628	19,921
Total equity attributable to owners of the company	255,110	285,823
Non-controlling interests	819	1,734
Total equity	255,929	287,557
Liabilities		
Non-current liabilities		
Financial liabilities	26,288	21,244
Net defined benefit liabilities	1,900	1,804
Provisions	1,426	1,367
Deferred tax liabilities	17,963	12,909
Other non-current liabilities	1,919	1,380
Total non-current liabilities	49,496	38,704
Current liabilities		
Trade and other payables	23,937	29,743
Other financial liabilities	17,649	14,404
Income tax payable	3,279	7,656
Provisions	1,372	1,508
Other current liabilities	7,244	8,890
Total current liabilities	53,481	62,201
Total liabilities	102,977	100,905
Total equity and liabilities	358,906	388,463

Consolidated statement of changes in equity

Year ended March 31, 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, 2016	7,695	8,389	(24)	221,945	—	18,676
Comprehensive income						
Net profit for the period				21,731		
Other comprehensive income					297	(6,825)
Total comprehensive income	—	—	—	21,731	297	(6,825)
Transactions with owners						
Issuance of new shares	97	97				
Acquisition of treasury shares		(69)	(12,311)			
Disposals of treasury shares		(0)	0			
Cancellation of treasury shares		(0)	12,325	(12,325)		
Dividends				(10,751)		
Establishment of subsidiary with non-controlling interests						
Share-based payments						
Other				2,682	(297)	(2,381)
Total transactions with owners	97	28	14	(20,393)	(297)	(2,381)
Balance at March 31, 2017	7,792	8,417	(10)	223,283	—	9,470

	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			—	21,731	(7)	21,724
Other comprehensive income	2,721		(3,807)	(3,807)	(6)	(3,813)
Total comprehensive income	2,721	—	(3,807)	17,924	(13)	17,911
Transactions with owners						
Issuance of new shares		(24)	(24)	169		169
Acquisition of treasury shares			—	(12,380)		(12,380)
Disposals of treasury shares			—	0		0
Cancellation of treasury shares			—	—		—
Dividends			—	(10,751)		(10,751)
Establishment of subsidiary with non-controlling interests			—	—	832	832
Share-based payments		138	138	138		138
Other		(4)	(2,682)	—		—
Total transactions with owners	—	110	(2,568)	(22,823)	832	(21,991)
Balance at March 31, 2017	5,332	825	15,628	255,110	819	255,929

Year ended March 31, 2018

(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				35,247		
Other comprehensive income					284	5,867
Total comprehensive income	—	—	—	35,247	284	5,867
Transactions with owners						
Issuance of new shares	240	240				
Acquisition of treasury shares			(1)			
Dividends				(10,563)		
Changes in equity of subsidiary with non-controlling interests						
Share-based payments						
Other				1,257	(284)	(973)
Total transactions with owners	240	240	(1)	(9,306)	(284)	(973)
Balance at March 31, 2018	8,032	8,657	(11)	249,225	—	14,364

	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			—	35,247	14	35,261
Other comprehensive income	(749)		5,401	5,401	63	5,464
Total comprehensive income	(749)	—	5,401	40,648	77	40,725
Transactions with owners						
Issuance of new shares		(68)	(68)	412		412
Acquisition of treasury shares			—	(1)		(1)
Dividends			—	(10,563)		(10,563)
Changes in equity of subsidiary with non-controlling interests			—	—	838	838
Share-based payments		218	218	218		218
Other			(1,257)	—		—
Total transactions with owners	—	150	(1,107)	(9,934)	838	(9,096)
Balance at March 31, 2018	4,583	975	19,921	285,823	1,734	287,557

Consolidated statements of cash flows

(JPY millions)

	Year ended March 31, 2017	Year ended March 31, 2018
I. Cash flows from operating activities:		
Net profit for the year	21,724	35,261
Depreciation and amortization	9,882	10,896
Impairment losses	475	150
Finance expenses (income)	983	(327)
Income tax expenses	8,331	4,000
Decrease (increase) in trade and other receivables	(5,489)	(7,116)
Decrease (increase) in inventories	(4,120)	(1,435)
Increase (decrease) in trade and other payables	(425)	5,697
Increase (decrease) on net defined benefit liabilities	(200)	285
Other	2,877	1,706
Subtotal	34,039	49,117
Interest received	74	145
Dividends received	681	598
Interest paid	(52)	(27)
Income tax paid	(23,900)	(6,990)
Net cash flows from (used in) operating activities	10,843	42,843
II. Cash flows from investing activities:		
Proceeds from withdrawal of time deposits	19	—
Payments for acquisition of investments	(478)	(565)
Proceeds from sale and redemption of investments	1,364	2,879
Increase (decrease) through acquisition of subsidiary	(19,064)	—
Payments for acquisition of property, plant and equipment	(4,145)	(3,984)
Proceeds from sales of property, plant and equipment	4	—
Payments for acquisition of intangible assets	(5,355)	(5,953)
Other	(545)	(636)
Net cash flows from (used in) investing activities	(28,201)	(8,259)
III. Cash flows from financing activities:		
Proceeds from long-term loans payable	3,000	—
Repayments of long-term loans payable	(9,524)	(8,316)
Acquisition of treasury shares	(12,380)	(1)
Proceeds from contributions of non-controlling interests	832	838
Dividends paid	(10,751)	(10,559)
Other	167	408
Net cash flows from (used in) financing activities	(28,657)	(17,631)
IV. Net increase (decrease) in cash and cash equivalents	(46,015)	16,953
V. Cash and cash equivalents at the beginning of year	99,798	52,282
VI. Effect of exchange rate changes on cash and cash equivalents	(1,501)	48
VII. Cash and cash equivalents at the end of period	52,282	69,283

Breakdown of revenue

Year ended March 31, 2017

(JPY millions)

Prescription pharmaceuticals	OTC pharmaceuticals	Medical devices	Others	Total
183,469	12,553	2,536	537	199,096

Year ended March 31, 2018

(JPY millions)

Prescription pharmaceuticals	OTC pharmaceuticals	Medical devices	Others	Total
206,967	14,594	2,583	798	224,942

Geographic information

Year ended March 31, 2017

(JPY millions)

Japan	EMEA	US	Asia	Total
145,358	28,657	1,433	23,647	199,096

Year ended March 31, 2018

(JPY millions)

Japan	EMEA	US	Asia	Total
158,653	35,015	371	30,903	224,942

Revenue of major pharmaceuticals

(JPY millions)

Brand name Generic name/formulation	Therapeutic category	Region	Year ended March 31, 2018				Year ending March 31, 2019	
			Six months ended September 30, 2017 Actual	Changes from same period of previous year	Year ended March 31 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	7,658	10.8%	14,944	16.0%	15,443	3.3%
		Japan	2,318	(10.9%)	4,105	(11.9%)	3,415	(16.8%)
		Asia	4,561	23.1%	9,225	32.2%	10,154	10.1%
		EMEA	780	27.9%	1,614	29.7%	1,874	16.1%
Tarivid ofloxacin/ ophthalmic solution	Bacterial conjunctivitis	Total	882	2.8%	1,581	2.6%	1,467	(7.2%)
		Japan	284	(9.0%)	508	(9.2%)	418	(17.6%)
		Asia	599	9.6%	1,073	9.3%	1,049	(2.2%)
		EMEA	547	253.7%	1,255	148.8%	2,208	75.9%
Tapcom tafluprost-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	1,875	46.2%	3,892	39.1%	4,880	25.4%
		Japan	1,265	13.4%	2,479	9.9%	2,454	(1.0%)
		Asia	64	438.5%	158	317.6%	219	38.4%
		EMEA	547	253.7%	1,255	148.8%	2,208	75.9%
Tapros tafluprost/ ophthalmic solution	Glaucoma	Total	8,960	9.5%	17,844	8.8%	18,883	5.8%
		Japan	4,936	(0.5%)	9,610	0.2%	9,686	0.8%
		Asia	880	54.4%	1,807	47.3%	2,026	12.1%
		EMEA	3,144	18.4%	6,427	15.0%	7,171	11.6%
Cosopt dorzolamide hydrochloride-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	12,163	8.8%	24,200	9.2%	21,202	(12.4%)
		Japan	5,915	0.5%	11,403	0.3%	8,957	(21.4%)
		Asia	1,583	21.5%	3,197	19.8%	3,317	3.8%
		EMEA	4,666	17.1%	9,600	18.1%	8,928	(7.0%)
Timoptol timolol maleate/ ophthalmic solution	Glaucoma	Total	780	(7.6%)	1,451	(3.8%)	990	(31.8%)
		Japan	437	(16.3%)	787	(18.7%)	470	(40.3%)
		Asia	60	(5.1%)	116	(2.7%)	112	(3.3%)
		EMEA	283	9.2%	548	30.1%	408	(25.6%)
Timoptol XE timolol maleate/ long-acting ophthalmic solution	Glaucoma	Total	1,165	(0.7%)	2,221	(6.8%)	1,976	(11.0%)
		Japan	753	(13.1%)	1,407	(12.9%)	1,203	(14.5%)
		Asia	52	26.2%	105	19.1%	109	3.6%
		EMEA	360	36.0%	709	4.4%	664	(6.3%)
Trusopt dorzolamide hydrochloride/ ophthalmic solution	Glaucoma	Total	2,276	5.4%	4,677	7.7%	4,547	(2.8%)
		Japan	866	(5.3%)	1,641	(5.2%)	1,446	(11.9%)
		Asia	152	11.0%	327	20.9%	462	41.3%
		EMEA	1,258	13.6%	2,709	15.7%	2,639	(2.6%)
Rescula isopropyl unoprostone/ ophthalmic solution	Glaucoma	Total	788	(9.4%)	1,467	(10.1%)	1,256	(14.4%)
		Japan	788	(9.4%)	1,467	(10.1%)	1,256	(14.4%)
Alesion epinastine hydrochloride/ ophthalmic solution	Allergy	Total	5,088	25.1%	16,851	37.7%	17,727	5.2%
		Japan	5,088	25.1%	16,851	37.7%	17,727	5.2%
Flumetholon fluorometholone/ ophthalmic solution	Inflammation	Total	1,843	3.5%	3,497	4.5%	3,141	(10.2%)
		Japan	1,059	(4.1%)	2,113	(5.0%)	1,652	(21.8%)
		Asia	784	15.8%	1,385	23.2%	1,490	7.6%
Kary Uni pirenoxine/ ophthalmic solution	Senile cataract	Total	2,428	14.5%	4,413	7.0%	4,398	(0.3%)
		Japan	1,446	(3.7%)	2,741	(3.2%)	2,644	(3.6%)
		Asia	982	58.8%	1,672	29.6%	1,755	4.9%
Oftan Catachrom cytochrome C, adenosine, nicotinamide/ ophthalmic solution	Senile cataract	Total	1,449	119.2%	2,695	21.2%	2,800	3.9%
		EMEA	1,449	119.2%	2,695	21.2%	2,800	3.9%
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	Total	1,192	0.4%	2,304	0.8%	2,109	(8.5%)
		Japan	1,192	0.4%	2,304	0.8%	2,109	(8.5%)
Eylea aflibercept/ solution for intravitreal injection	Intravitreal VEGF inhibitor	Total	26,044	14.1%	51,517	14.1%	54,473	5.7%
		Japan	26,044	14.1%	51,517	14.1%	54,473	5.7%
Hyalein sodium hyaluronate/ ophthalmic solution	Dry eye	Total	9,453	1.6%	18,170	3.3%	17,708	(2.5%)
		Japan	5,738	(8.3%)	10,772	(9.1%)	8,541	(20.7%)
		Asia	3,716	21.7%	7,397	28.8%	9,167	23.9%
Diquas diquafosol sodium/ ophthalmic solution	Dry eye	Total	7,179	23.9%	14,286	19.6%	16,087	12.6%
		Japan	6,447	19.3%	12,822	16.4%	14,463	12.8%
		Asia	732	86.9%	1,463	58.3%	1,625	11.0%
Ikervis ciclosporin/ ophthalmic solution	Dry eye	Total	1,012	123.9%	2,049	57.2%	2,880	40.6%
		Asia	1	-	68	-	327	377.0%
		EMEA	1,011	123.6%	1,981	52.2%	2,553	28.9%
Cationorm	Dry eye	Total	939	24.4%	2,092	14.0%	3,116	49.0%
		Asia	88	43.3%	199	72.3%	173	(13.2%)
		EMEA	798	23.0%	1,670	16.1%	2,713	62.5%
		US	52	18.8%	223	(20.4%)	230	3.0%
OTC pharmaceuticals		Total	7,713	26.7%	14,594	16.3%	16,498	13.0%
		Japan	7,560	25.3%	14,301	15.1%	16,144	12.9%
		Asia	153	178.7%	293	121.8%	355	20.8%
Exchange rate (yen)	Major currency	Year to March 2017	2nd quarter ended September 30, 2017		Year to March 2018	Year to March 2019 (Forecasts)		
		US dollar	108.64	111.18	110.94	110.00		
		Euro	118.96	126.76	129.92	130.00		
RMB	16.14	16.43	16.84	17.00				

*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.

Research & development

As of May 9

■ 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.										
sirolimus	DE-109	Uveitis	Original	U.S.						
				Japan						
				Europe						
				Asia				Apr-2015		
An intravitreal injection with immunosuppressive effect, anti-angiogenic effect, etc. Planning an additional clinical trial in the U.S. NDA filed in Asia in April 2015.										
epinastine hydrochloride	DE-114A	Allergic conjunctivitis	Nippon Boehringer Ingelheim	Japan						
An H ₁ receptor antagonist with membrane-stabilizing function, as treatment for allergic conjunctivitis. High dose drug. Started Phase 3 in Japan in May 2017.										
omidenepeg isopropyl	DE-117	Glaucoma/ Ocular hypertension	Co-development with Ube Industries	U.S.						
				Japan				Nov-2017		
				Asia						
An EP2 receptor agonist with a new mechanism of action. Completed Phase 2b in the U.S. in February 2015. Filed for manufacturing and marketing approval in Japan in November 2017. Started Phase 3 in Asia in December 2016.										
carotuximab	DE-122	Wet Age-related macular degeneration	TRACON Pharmaceuticals	U.S.		(Phase 2a)				
An intravitreal injection of anti-endothelin antibody. Started Phase 2a in July 2017 for development in the U.S.										
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.										
atropine sulfate	DE-127	Myopia	Singapore Health Services, Nanyang Technological University	Asia						
Muscarinic antagonist which reduces juvenile myopia progression. Started Phase 2 in Asia in November 2017.										
—	DE-128 (<i>InnFocus MicroShunt</i>)	Glaucoma	Original	U.S.			(Phase 2/3)			
				Europe						
In August 2016, acquired InnFocus, developer of <i>InnFocus MicroShunt</i> . 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.										
ciclosporin	DE-076B (Cyclokot)	Severe keratitis in patients with dry eye	Original	U.S.						
				Asia					Dec-2017	
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 with successive launches following in European countries. Currently seeking sequential approvals for marketing in Asia and launched in Thailand in December 2017. Received a Notice of Non-compliance (NON) from Health Canada in April 2018.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
ciclosporin	DE-076C (Vekacia)	Vernal keratoconjunctivitis	Original	Europe				Dec-2016		
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.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
latanoprost	DE-130A (Catioprost)	Glaucoma/ Ocular hypertension	Original	Europe						
An ophthalmic emulsion of a prostaglandin F _{2α} derivative, for the treatment of glaucoma and ocular hypertension.										

■ Change from Q3 FY17 (February 6, 2018)

Dev. code	Change
DE-076B (Cyclokat)	Received a Notice of Non-compliance (NON) from Health Canada in April 2018.

Other consolidated information

Capital expenditures

(JPY millions)

	Six months ended September 30, 2017	Year ended March 31, 2018	Year ending March 31, 2019
	Actual		Forecast
Consolidated	2,731	5,445	7,480

Depreciation and amortization

(JPY millions)

	Six months ended September 30, 2017	Year ended March 31, 2018	Year ending March 31, 2019
	Actual		Forecast
Manufacturing cost	962	1,950	2,040
Selling, general and administrative expenses	717	1,453	1,520
Research and development expenses	381	752	700
Consolidated total	2,060	4,155	4,260

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, 2017	Year ended March 31, 2018	Year ending March 31, 2019
	Actual		Forecast
Intangible assets (Merck products)	2,760	5,592	5,810
Intangible assets (Ikervis)	359	736	740
Other	205	412	380
Consolidated total	3,324	6,740	6,930

Research and development expenses

(JPY millions)

	Six months ended September 30, 2017	Year ended March 31, 2018	Year ending March 31, 2019
	Actual		Forecast
Consolidated	11,742	24,398	25,000
Percent of revenue	10.6%	10.8%	10.5%

*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.