

Data Book

Half Year Ended September 30, 2016

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The Santen Group has adopted International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2015, for the purpose of enhancing the international comparability of its financial information.

Forecasts in this report are based on the currently available information. 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, delays in new products launch, currency exchange rate, legislative and regulatory developments.

Financial highlights

■ Consolidated financial summary

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017			
	H1	FY	H1	FY	H1	% Change	FY forecast	% Change
Revenue	71,920	161,831	97,873	195,291	97,829	(0.0)	200,000	2.4
Operating profit	14,235	35,374	65,385	80,180	18,787	(71.3)	36,300	(54.7)
Net profit for the year	9,759	24,032	43,657	53,373	12,601	(71.1)	25,300	(52.6)
Dividend per share (yen) #1	10	22	12	25	13	8.3	26	4.0
Dividend payout ratio	42.3%	37.8%	11.4%	19.4%	42.7%	—	42.4%	—
Core operating profit	15,298	39,088	24,541	43,067	22,464	(8.5)	44,100	2.4
Core net profit for the year	10,138	25,948	16,392	29,163	16,712	2.0	30,200	3.5
Core dividend payout ratio	40.7%	35.0%	30.3%	35.5%	32.2%	—	35.7%	—

■ Consolidated statement of financial position summary

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017	
	9.30	FY end	9.30	FY end	9.30	% Change
Total assets	268,708	304,200	352,080	355,399	323,555	(8.1)
Total equity	194,637	211,779	250,899	260,009	255,065	1.7
Interest-bearing debt	35,127	37,161	31,248	22,484	20,665	(33.9)

■ Consolidated financial indexes

Fiscal year ended March 31	2015		2016		2017			
	H1	FY	H1	FY	H1	% Change	FY forecast	% Change
EPS (yen) #1	23.63	58.18	105.55	128.99	30.44	(71.2)	61.09	(52.6)
Core EPS (yen) #1	24.55	62.82	39.63	70.48	40.37	1.9	72.92	3.5
BPS (yen)	471.23	511.14	606.31	627.78	617.90	1.9	—	—
Debt equity ratio (times)	0.2	0.2	0.1	0.1	0.1	(34.9)	—	—
PER (times)	26.0	30.1	7.6	13.1	24.4	221.1	—	—
Core PER (times)	25.0	27.9	20.2	24.0	18.4	(8.9)	—	—
PBR (times)	2.6	3.4	2.6	2.7	2.4	(7.7)	—	—
ROE (%)	10.2	12.0	37.8	22.6	9.8	(74.1)	9.5	—
Core ROE	10.6	13.0	14.2	12.4	13.0	(8.5)	11.4	—
ROA (%)	7.4	8.9	26.6	16.2	7.4	(72.2)	—	—
Core ROA (%)	8.0	9.6	10.0	8.8	9.8	(1.5)	—	—
Equity ratio(%)	72.2	69.6	71.0	73.2	78.8	11.0	—	—
Free cash flow (millions of yen) #2	(54,527)	(41,054)	8,536	13,433	(9,866)	(215.6)	—	—
EBITDA (millions of yen) #3	12,907	32,988	20,952	38,598	21,579	3.0	—	—

#1 Santen conducted a five-for-one share split of ordinary shares on the effective date of April 1, 2015.

Per share data have been retrospectively adjusted to reflect the impact of the share split.

#2 Free cash flow = (Cash flows from operating activities) - (Payments for acquisition of property, plant and equipment, and intangible assets)

#3 EBITDA = (Core profit before tax) + (Interest expense) + (Depreciation and amortization)

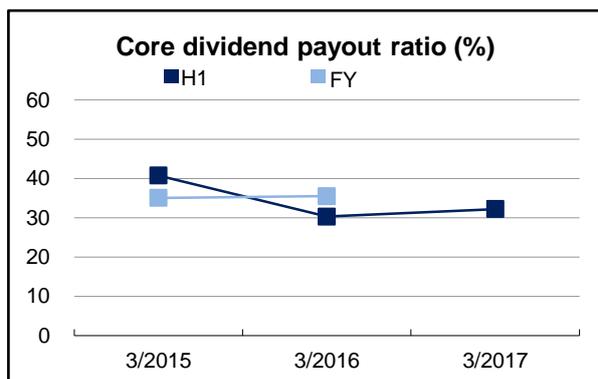
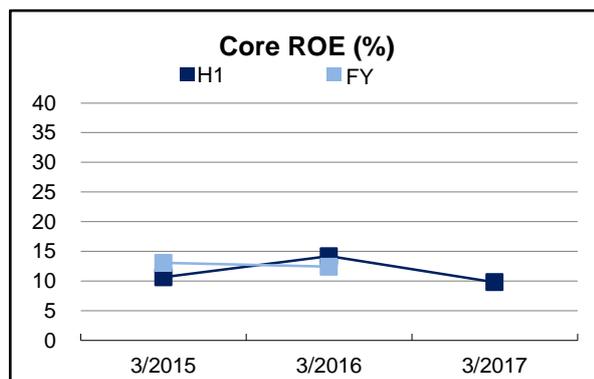
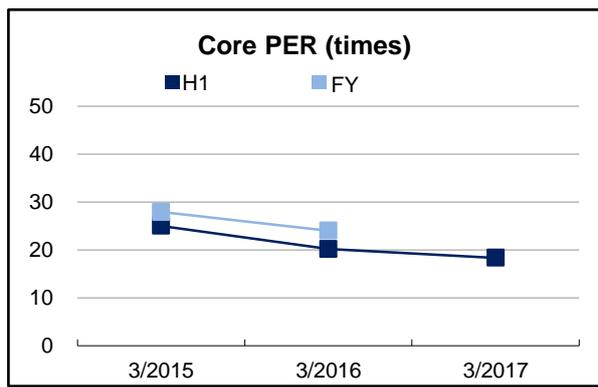
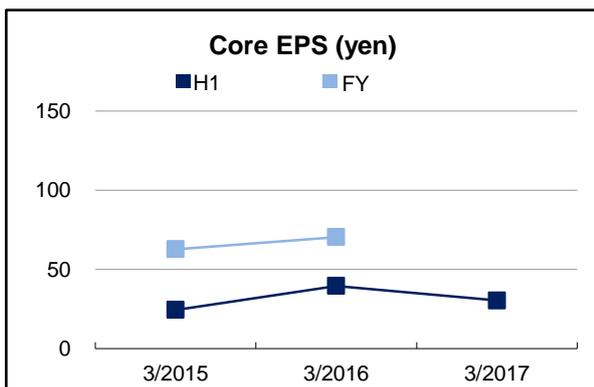
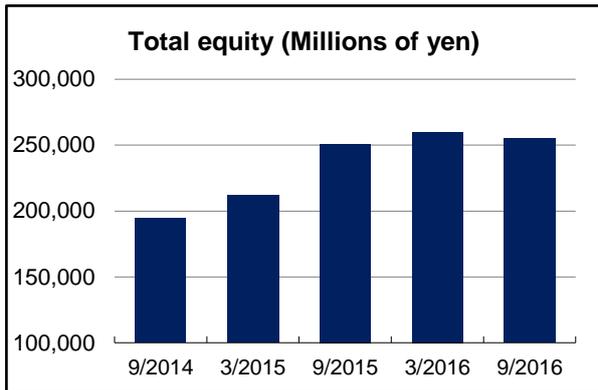
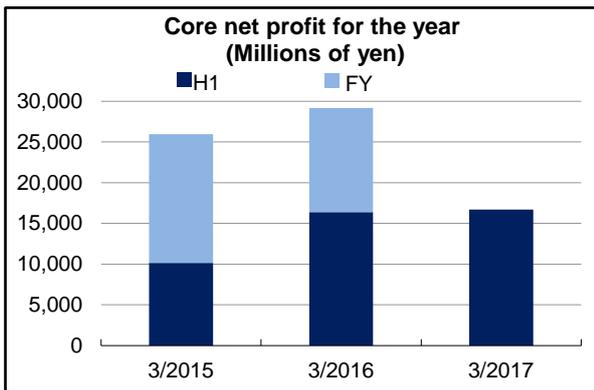
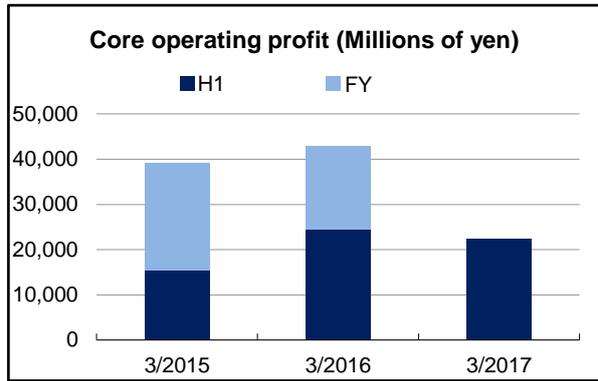
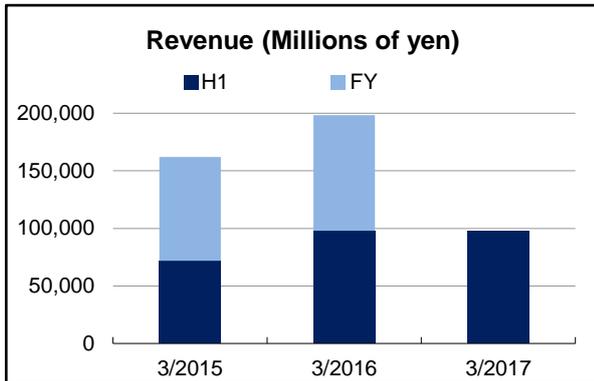
■ Exchange rates

(Yen)

Fiscal year ended March 31	2015		2016		2017	
	H1	FY	H1	FY	H1	FY forecast
Exchange rate: US dollar	103.12	110.14	121.82	120.45	105.86	105.00
: Euro	138.98	139.01	134.95	132.46	118.59	115.00
: RMB	16.71	17.84	19.67	19.05	16.04	15.00

Financial highlights

■ Consolidated financial summary (graph)



Consolidated statement of profit and loss

■ IFRS basis

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017	
	H1	FY	H1	FY	H1	% Change
Revenue	71,920	161,831	97,873	195,291	97,829	(0.0)
Cost of sales	(26,587)	(56,373)	(36,501)	(72,829)	(36,836)	0.9
(Percent of revenue)	37.0%	34.8%	37.3%	37.3%	37.7%	—
Gross profit	45,333	105,458	61,372	122,463	60,993	(0.6)
(Percent of revenue)	63.0%	65.2%	62.7%	62.7%	62.3%	—
Selling, general and administrative expenses	(21,865)	(48,893)	(27,588)	(59,406)	(28,738)	4.2
(Percent of revenue)	30.4%	30.2%	28.2%	30.4%	29.4%	—
Research and development expenses	(8,170)	(17,477)	(9,243)	(19,990)	(10,304)	11.5
(Percent of revenue)	11.4%	10.8%	9.4%	10.2%	10.5%	—
Amortization on intangible assets associated with products	(1,297)	(3,979)	(2,999)	(6,205)	(3,169)	5.6
(Percent of revenue)	1.8%	2.5%	3.1%	3.2%	3.2%	—
Other income	288	723	44,705	44,999	216	—
Other expenses	(54)	(458)	(861)	(1,681)	(211)	—
Operating profit	14,235	35,374	65,385	80,180	18,787	(71.3)
(Percent of revenue)	19.8%	21.9%	66.8%	41.1%	19.2%	—
Finance income	459	768	450	782	445	(1.0)
Finance expenses	(154)	(279)	(500)	(1,492)	(2,206)	341.6
Profit before tax	14,540	35,863	65,335	79,470	17,027	(73.9)
(Percent of revenue)	20.2%	22.2%	66.8%	40.7%	17.4%	—
Income tax expenses	(4,781)	(11,831)	(21,679)	(26,097)	(4,426)	(79.6)
Net profit for the period	9,759	24,032	43,657	53,373	12,601	(71.1)
(Percent of revenue)	13.6%	14.9%	44.6%	27.3%	12.9%	—
ROE (%)	10.2	12.0	37.8	22.6	9.8	—

■ Core basis

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017	
	H1	FY	H1	FY	H1	% Change
Revenue	71,920	161,831	97,873	195,291	97,829	(0.0)
Cost of sales	(26,587)	(56,373)	(36,501)	(72,829)	(36,836)	0.9
(Percent of revenue)	37.0%	34.8%	37.3%	37.3%	37.7%	—
Gross profit	45,333	105,458	61,372	122,463	60,993	(0.6)
(Percent of revenue)	63.0%	65.2%	62.7%	62.7%	62.3%	—
Selling, general and administrative expenses	(21,865)	(48,893)	(27,588)	(59,406)	(28,224)	2.3
(Percent of revenue)	30.4%	30.2%	28.2%	30.4%	28.9%	—
Research and development expenses	(8,170)	(17,477)	(9,243)	(19,990)	(10,304)	11.5
(Percent of revenue)	11.4%	10.8%	9.4%	10.2%	10.5%	—
Operating profit	15,298	39,088	24,541	43,067	22,464	(8.5)
(Percent of revenue)	21.3%	24.2%	25.1%	22.1%	23.0%	—
Profit before tax	15,298	39,088	24,541	43,067	22,464	(8.5)
(Percent of revenue)	21.3%	24.2%	25.1%	22.1%	23.0%	—
Income tax expenses	(5,160)	(13,140)	(8,149)	(13,904)	(5,752)	(29.4)
Net profit for the period	10,138	25,948	16,392	29,163	16,712	2.0
(Percent of revenue)	14.1%	16.0%	16.7%	14.9%	17.1%	—
ROE (%)	10.6	13.0	14.2	12.4	13.0	—

Revenue details

■ Revenue by business segment

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017		
	H1	FY	H1	FY	H1	% Change	FY forecast
Pharmaceuticals	70,651	159,262	96,540	192,554	96,302	(0.2)	196,774
Prescription pharmaceuticals	67,403	152,556	91,634	181,550	90,215	(1.5)	182,925
Ophthalmics	61,732	136,059	84,521	172,545	89,251	5.6	180,887
Anti-rheumatics	4,835	9,629	3,514	3,495	—	—	—
Other pharmaceuticals	837	6,868	3,599	5,510	965	(73.2)	2,038
OTC pharmaceuticals	3,248	6,706	4,906	11,004	6,087	24.1	13,849
Others	1,268	2,569	1,334	2,737	1,528	14.5	3,226
Medical devices	1,154	2,313	1,179	2,394	1,272	7.8	2,642
Others	114	256	154	343	256	66.1	583
Total revenue	71,920	161,831	97,873	195,291	97,829	(0.0)	200,000

[Domestic]

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017		
	H1	FY	H1	FY	H1	% Change	FY forecast
Pharmaceuticals	56,051	122,310	69,102	139,196	70,354	1.8	145,724
Prescription pharmaceuticals	52,839	115,672	64,238	128,278	64,322	0.1	131,968
Ophthalmics	47,710	105,345	60,374	124,165	64,143	6.2	131,323
Anti-rheumatics	4,805	9,568	3,514	3,495	—	—	—
Other pharmaceuticals	325	759	350	617	180	(48.7)	646
OTC pharmaceuticals	3,212	6,638	4,864	10,918	6,032	24.0	13,756
Others	1,257	2,526	1,300	2,654	1,455	11.9	2,976
Medical devices	1,143	2,269	1,146	2,323	1,259	9.8	2,576
Others	114	256	154	330	197	27.5	400
Total revenue	57,308	124,835	70,402	141,849	71,809	2.0	148,700
(Percent of revenue)	79.7%	77.1%	71.9%	72.6%	73.4%	—	74.3%

[Overseas]

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017		
	H1	FY	H1	FY	H1	% Change	FY forecast
Pharmaceuticals	14,600	36,952	27,437	53,358	25,948	(5.4)	51,050
Prescription pharmaceuticals	14,564	36,884	27,396	53,271	25,893	(5.5)	50,957
Ophthalmics	14,022	30,714	24,147	48,379	25,108	4.0	49,564
Anti-rheumatics	30	61	—	—	—	—	—
Other pharmaceuticals	511	6,109	3,249	4,892	785	(75.8)	1,392
OTC pharmaceuticals	37	67	42	87	55	32.4	93
Others	11	44	33	84	72	116.7	250
Medical devices	11	44	33	71	13	(61.1)	66
Others	—	—	—	13	59	—	184
Total revenue	14,612	36,995	27,471	53,442	26,020	(5.3)	51,300
(Percent of revenue)	20.3%	22.9%	28.1%	27.4%	26.6%	—	25.7%

■ Overseas revenue by region

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017		
	H1	FY	H1	FY	H1	% Change	FY forecast
North America	525	6,169	3,305	5,265	800	(75.8)	1,677
EMEA*	6,220	14,156	11,602	25,562	13,095	12.9	28,068
Asia	7,864	16,668	12,562	22,601	12,117	(3.5)	21,425
Others	2	2	2	14	8	270.9	130
Total overseas revenue	14,612	36,995	27,471	53,442	26,020	(5.3)	51,300

■ Overseas profit contribution

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017		
	H1	FY	H1	FY	H1	% Change	FY forecast
North America	(431)	(1,259)	(1,144)	(2,197)	(840)	(26.6)	(3,900)
EMEA*	146	3,592	2,267	4,781	1,592	(29.8)	4,600
Asia	2,084	3,780	4,313	5,088	3,321	(23.0)	4,000
Others	0	0	0	0	0	—	0
Total overseas profit contribution	1,799	6,113	5,436	7,672	4,074	(25.1)	4,700

*EMEA: Europe, the Middle East and Africa

Revenue details

■ Revenue of major pharmaceuticals

(Millions of yen)

Brand name (Generic name /formulation)	Therapeutic Category	Region	2015		2016		2017			
			H1	FY	H1	FY	H1	% Change	FY forecast	% Change
Cravit levofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	6,893	13,399	8,032	14,250	6,914	(13.9)	11,437	(19.7)
		Japan	3,511	6,498	3,280	5,918	2,601	(20.7)	4,439	(25.0)
		Asia	2,707	5,423	4,058	7,001	3,704	(8.7)	5,689	(18.7)
		Europe	674	1,478	694	1,331	610	(12.2)	1,309	(1.6)
Tarivid ofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	961	1,910	1,086	1,761	858	(21.0)	1,348	(23.5)
		Japan	418	762	374	673	312	(16.8)	422	(37.3)
		Asia	543	1,147	712	1,088	547	(23.2)	926	(14.9)
Tapcom tafluprost-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	-	381	637	1,534	1,282	101.4	2,283	48.8
		Japan	-	342	561	1,381	1,116	99.0	1,734	25.6
		Asia	-	-	-	-	12	-	7	-
		Europe	-	39	76	153	155	103.1	541	253.4
Tapros tafluprost/ophthalmic solution	Glaucoma	Total	5,836	12,330	7,729	15,633	8,186	5.9	17,030	8.9
		Japan	3,902	8,329	4,613	9,168	4,961	7.5	10,285	12.2
		Asia	397	817	550	1,097	570	3.6	1,251	14.0
		Europe	1,536	3,185	2,566	5,368	2,654	3.5	5,487	2.2
		Others	-	-	-	-	-	-	7	-
Cosopt dorzolamide hydrochloride-timolol maleate/combination ophthalmic solution	Glaucoma	Total	5,255	12,478	9,804	20,583	11,176	14.0	21,610	5.0
		Japan	5,240	10,689	5,705	11,214	5,887	3.2	11,719	4.5
		Asia	15	892	1,269	2,493	1,303	2.7	2,381	(4.5)
		Europe	-	897	2,830	6,876	3,986	40.9	7,451	8.4
		Others	-	-	-	-	-	-	59	-
Timoptol timolol maleate/ophthalmic solution	Glaucoma	Total	548	1,267	1,032	1,930	845	(18.1)	1,414	(26.7)
		Japan	547	1,216	637	1,182	522	(18.0)	902	(23.7)
		Asia	0	29	74	140	63	(14.5)	118	(15.6)
		Europe	-	22	321	608	260	(19.1)	393	(35.3)
Timoptol XE timolol maleate/ long-acting ophthalmic solution	Glaucoma	Total	864	1,984	1,296	2,463	1,173	(9.5)	2,411	(2.1)
		Japan	864	1,918	998	1,886	867	(13.1)	1,558	(17.4)
		Asia	0	27	45	87	41	(8.0)	81	(6.9)
		Europe	-	39	253	489	265	4.7	772	57.7
Trusopt dorzolamide hydrochloride/ ophthalmic solution	Glaucoma	Total	385	1,853	2,193	4,561	2,159	(1.6)	3,647	(20.0)
		Japan	385	1,545	1,132	2,125	914	(19.2)	1,533	(27.9)
		Asia	1	55	296	446	137	(53.8)	240	(46.1)
		Europe	-	252	765	1,990	1,108	44.8	1,863	(6.4)
		Others	-	-	-	-	-	-	11	-
Detantol bunazosin hydrochloride/ ophthalmic solution	Glaucoma	Japan	612	1,228	594	1,117	562	(5.3)	1,060	(5.1)
Rescula isopropyl unoprostone/ ophthalmic solution	Glaucoma	Japan	972	1,935	967	1,845	870	(10.0)	1,666	(9.7)
Alesion epinastine HCl/ophthalmic solution	Allergy	Japan	1,563	6,698	2,745	9,483	4,066	48.2	11,741	23.8
Flumetholon fluorometholone/ophthalmic solution	Inflammation	Total	1,946	3,811	2,015	3,775	1,781	(11.6)	3,277	(13.2)
		Japan	1,330	2,844	1,287	2,655	1,104	(14.2)	2,219	(16.4)
		Asia	616	967	728	1,120	677	(7.0)	1,057	(5.6)
Kary Uni pirenoxine/ophthalmic solution	Senile cataract	Total	1,993	3,909	2,268	4,187	2,120	(6.5)	4,051	(3.2)
		Japan	1,473	2,908	1,495	2,900	1,502	0.4	2,835	(2.2)
		Asia	519	1,001	773	1,287	618	(20.0)	1,216	(5.5)
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	Japan	1,291	2,574	1,335	2,568	1,187	(11.1)	2,318	(9.7)
Eylea aflibercept/intravitreal injection	Intravitreal VEGF inhibitor	Japan	10,629	24,886	19,575	39,988	22,820	16.6	45,688	14.3
Hyalein sodium hyaluronate/ophthalmic solution	Dry eye	Total	9,870	19,611	10,407	19,864	9,308	(10.6)	15,680	(21.1)
		Japan	7,716	15,316	7,576	14,491	6,256	(17.4)	10,457	(27.8)
		Asia	2,154	4,295	2,832	5,372	3,052	7.8	5,223	(2.8)
Diquas diquafosol sodium/ophthalmic solution	Dry eye	Total	3,595	7,895	4,576	9,631	5,795	26.6	13,357	38.7
		Japan	3,391	7,419	4,232	8,880	5,403	27.7	12,313	38.7
		Asia	204	476	344	751	391	13.7	1,043	38.9
Ikervis ciclosporin/ophthalmic solution	Dry eye	Europe	-	-	159	751	452	185.2	1,922	155.8
Cationorm	Dry eye	Total	262	819	536	1,453	755	40.9	2,267	56.1
		Asia	26	88	65	167	83	27.1	258	54.6
		Europe	202	585	427	1,029	619	44.9	1,712	66.4
		U.S.	31	143	41	242	44	8.1	243	0.5
		Others	2	2	2	14	8	270.9	53	268.9
OTC pharmaceuticals			3,248	6,705	4,906	11,004	6,087	24.1	13,849	25.9

Consolidated statement of financial position

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017	
	FY end		FY end		9.30	
		%		%		%
■ Assets						
Non-current assets						
Property, plant and equipment	29,104	9.6	27,991	7.9	28,521	8.8
Intangible assets	84,433	27.8	83,681	23.5	100,543	31.1
Financial assets	34,725	11.4	44,535	12.5	34,152	10.6
Deferred tax assets	2,978	1.0	2,345	0.7	1,947	0.6
Other non-current assets	2,288	0.8	2,109	0.6	1,765	0.5
Total non-current assets	153,528	50.5	160,660	45.2	166,928	51.6
Current assets						
Inventories	20,133	6.6	24,996	7.0	26,784	8.3
Trade and other receivables	61,701	20.3	65,998	18.6	66,687	20.6
Other financial assets	187	0.1	234	0.1	187	0.1
Other current assets	2,728	0.9	3,714	1.0	4,626	1.4
Cash and cash equivalents	65,923	21.7	99,798	28.1	58,343	18.0
Total current assets	150,672	49.5	194,739	54.8	156,626	48.4
Total assets	304,200	100.0	355,399	100.0	323,555	100.0
■ Equity and liabilities						
Equity						
Share capital	7,383	2.4	7,695	2.2	7,716	2.4
Capital surplus	8,077	2.7	8,389	2.4	8,402	2.6
Treasury shares	(18)	(0.0)	(24)	(0.0)	(2,089)	(0.6)
Retained earnings	178,840	58.8	221,945	62.4	230,217	71.1
Other components of equity	17,497	5.8	22,003	6.2	10,819	3.3
Total equity attributable to owners of the company	211,779	69.6	260,009	73.2	255,065	78.8
Total equity	211,779	69.6	260,009	73.2	255,065	78.8
Liabilities						
Non-current liabilities						
Financial liabilities	25,351	8.3	12,944	3.6	11,361	3.5
Net defined benefit liabilities	5,459	1.8	2,556	0.7	2,450	0.8
Provisions	1,444	0.5	1,629	0.5	1,420	0.4
Deferred tax liabilities	2,874	0.9	3,988	1.1	2,004	0.6
Other non-current liabilities	953	0.3	1,043	0.3	933	0.3
Total non-current liabilities	36,081	11.9	22,161	6.2	18,168	5.6
Current liabilities						
Trade and other payables	20,250	6.7	24,504	6.9	23,745	7.3
Other financial liabilities	19,298	6.3	19,881	5.6	15,598	4.8
Income tax payable	6,729	2.2	20,431	5.7	3,414	1.1
Provisions	1,197	0.4	1,276	0.4	1,239	0.4
Other current liabilities	8,866	2.9	7,138	2.0	6,326	2.0
Total current liabilities	56,340	18.5	73,230	20.6	50,322	15.6
Total liabilities	92,421	30.4	95,391	26.8	68,489	21.2
Total equity and liabilities	304,200	100.0	355,399	100.0	323,555	100.0

Consolidated statement of cash flows

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017
	H1	FY	H1	FY	H1
I . Cash flows from operating activities:					
Net profit for the year	9,759	24,032	43,657	53,373	12,601
Depreciation and amortization	2,738	6,958	4,511	9,338	4,837
Impairment losses	3	290	313	395	67
Finance income and expenses	(279)	(529)	(261)	(545)	1,611
Income tax expenses	4,781	11,831	21,679	26,097	4,426
Gain on transfer of disposal group	—	—	(44,477)	(44,477)	—
Decrease (increase) in trade and other receivables	520	(7,701)	(3,943)	(4,799)	(1,751)
Decrease (increase) in inventories	1,471	(521)	(1,915)	(5,388)	(2,879)
Increase (decrease) in trade and other payables	(7,001)	1,251	2,627	4,376	(501)
Increase (decrease) in provisions and net defined benefit liabilities	211	761	163	(3,974)	(83)
Other	(811)	2,554	(3,264)	653	(3,167)
Subtotal	11,391	38,926	19,090	35,049	15,160
Interest received	44	81	28	67	33
Dividends received	279	548	281	573	268
Interest paid	(31)	(82)	(49)	(98)	(30)
Income tax paid	(8,184)	(14,087)	(6,965)	(13,067)	(20,480)
Net cash flows from operating activities	3,498	25,386	12,385	22,525	(5,049)
II . Cash flows from investing activities:					
Payments into time deposits	(71)	(84)	(22)	(21)	—
Proceeds from withdrawal of time deposits	71	184	22	21	19
Payments for acquisition of investments	(109)	(114)	(1,963)	(2,210)	(114)
Proceeds from sale and redemption of investments	2,104	4,149	1,310	2,682	483
Acquisition of shares of subsidiaries	—	—	—	—	(19,047)
Payments for acquisition of property, plant and equipment	(990)	(2,972)	(2,588)	(4,299)	(2,066)
Proceeds from sales of property, plant and equipment	68	656	32	696	4
Payments for acquisition of intangible assets	(57,035)	(63,468)	(1,261)	(4,793)	(2,751)
Proceeds from transfer of disposal group	—	—	45,000	45,000	—
Other	(22)	(60)	(18)	(25)	(233)
Net cash flows from (used in) investing activities	(55,985)	(61,709)	40,512	37,052	(23,705)
III . Cash flows from financing activities:					
Proceeds from short-term loans	35,000	35,000	—	—	—
Repayments of short-term loans	—	(35,000)	—	—	—
Proceeds from long-term loans	—	40,000	—	500	3,000
Repayments of long-term loans	(14)	(2,970)	(5,897)	(15,133)	(4,825)
Acquisition of treasury shares	(4)	(10)	(5)	(5)	(2,073)
Dividends paid	(4,128)	(8,264)	(4,954)	(9,923)	(5,385)
Other	83	203	327	495	43
Net cash flows from (used in) financing activities	30,937	28,960	(10,529)	(24,066)	(9,239)
IV . Net increase (decrease) in cash and cash equivalents	(21,549)	(7,363)	42,368	35,510	(37,993)
V . Cash and cash equivalents at the beginning of period	72,397	72,397	65,923	65,923	99,798
VI . Effect of exchange rate changes on cash and cash equivalents	605	889	(280)	(1,636)	(3,462)
VII . Cash and cash equivalents at the end of period	51,453	65,923	108,011	99,798	58,343

Other consolidated information

■ R&D expenses

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017	
	H1	FY	H1	FY	H1	FY forecast
Consolidated	8,170	17,477	9,243	19,990	10,304	20,400
(Percent of revenue)	11.4%	10.8%	9.4%	10.2%	10.5%	10.2%

■ Capital expenditures

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017	
	H1	FY	H1	FY	H1	FY forecast
Consolidated	1,354	5,383	1,793	4,474	2,864	7,070

■ Depreciation and amortization

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017	
	H1	FY	H1	FY	H1	FY forecast
Manufacturing cost	701	1,446	684	1,445	728	1,590
Selling, general and administrative expenses	407	864	513	1,035	601	1,250
R&D expenses	333	669	315	653	338	660
Consolidated total	1,441	2,979	1,512	3,133	1,667	3,500

Note: Excluding amortization of intangible assets and long-term advance expenses

■ Amortization on intangible assets associated with products

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017	
	H1	FY	H1	FY	H1	FY forecast
Intangible assets (Merck products)	1,175	3,734	2,581	5,186	2,645	5,310
Intangible assets (Ikervis)	—	—	255	625	336	660
Other	122	245	163	394	188	1,080
Consolidated total	1,297	3,979	2,999	6,205	3,169	7,050

■ Additional information of statement of financial position

(Millions of yen)

Fiscal year ended March 31	2015		2016		2017
	9.30	FY end	9.30	FY end	9.30
In-process research and development	16,364	16,145	8,595	11,363	11,563
Investment securities	24,129	33,634	33,907	43,413	32,841
Notes and accounts receivable - trade	52,304	59,611	63,302	63,954	64,403
Notes and accounts payable - trade	7,429	14,330	17,557	17,225	18,935

■ Number of employees

Fiscal year ended March 31	2015		2016		2017
	9.30	FY end	9.30	FY end	9.30
Japan	1,934	1,923	1,904	1,915	1,977
North America	151	162	165	175	195
EMEA*	545	588	631	660	676
Asia	503	557	630	713	772
Consolidated	3,133	3,230	3,330	3,463	3,620

*EMEA: Europe, the Middle East and Africa

Reference information

Research & development

■ Pipeline of prescription pharmaceuticals (Clinical Stage)

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
tafluprost	DE-085	Glaucoma/ Ocular hypertension	Co-development with Asahi Glass	China						Mar-16

A prostaglandin F_{2α} derivative for the treatment of glaucoma and ocular hypertension. Since December, 2008, launched in Japan, Europe, and the U.S. In Asia, launched in Hong Kong, Korea, Indonesia, and Singapore, etc. Launched in China in March 2016.

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				Jan-12		
				Asia						Feb-16

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 and in October 2013 in Korea. NDA filed in China in January 2012. 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
lomerizine HCl	DE-090	Glaucoma	MSD K.K.	Japan						

A new type of glaucoma treatment which inhibits the progression of visual field defects. It is the only calcium antagonist being development as an oral glaucoma treatment. Compared to NMDA receptor antagonists, it has excellent safety profile with mild systemic adverse drug reactions.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
sirolimus	DE-109	Uveitis	Original	U.S.						
				Japan						
				Europe						
				Asia				Apr-15		

An intravitreal injection with immunosuppressive effect, anti-angiogenic effect, etc. Completed LPO (Last patient out) on Phase 3 study in the U.S. NDA filed in Asia in April 2015. Withdrew MAA file in May 2016 and plan to resubmit an application in Europe.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
tafluprost/ timolol maleate	DE-111	Glaucoma/ Ocular hypertension	Co-development with Asahi Glass	Korea						Apr-16
				Asia					Mar-16	

A fixed dose combination drug of a prostaglandin F_{2α} derivative and a beta-adrenergic receptor blocker. Launched in Japan in November 2014. Approved successively in EU countries since October 2014 and launched since January 2015. Launched in Korea in April 2016. NDA being filed in Asian countries successively, and approved in Thailand, etc.

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)		

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. Preparing Phase3 in Korea and Asia.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
tafluprost	DE-118	Glaucoma/ Ocular hypertension	Co-development with Asahi Glass	Asia						Apr-16

A prostaglandin F_{2α} derivative for the treatment of glaucoma and ocular hypertension. Preservative-free, single dose type product. Launched in October 2013 in Japan. Acquired marketing approval in Hong Kong since June 2015. Seeking sequential approvals for marketing in Asian countries. Launched in Singapore and another county since April 2016.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
TBD	DE-120	Wet Age-related macular degeneration	Original	U.S.						

An intravitreal injection with dual inhibitor of VEGF and PDGF. Started Phase 2a in the U.S. in April 2015.

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
TBD	DE-122	Wet Age-related macular degeneration	TRACON Pharmaceuticals	U.S.		(Phase 1/2)				

An intravitreal injection of anti-endoglin antibody. Started Phase 1/2 in the U.S. in September 2015.

■ Pipeline of prescription pharmaceuticals (Clinical Stage)

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
sepetaprost	DE-126	Glaucoma/ Ocular hypertension	ONO PHARMACEUTICAL	U.S.	(Phase 2a)					
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. Preparing Phase 2b in U.S.										

Generic name	Dev. name	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
ciclosporin	Cyclokat	Severe keratitis in patients with dry eye	Original	Europe						Jul-15
				U.S.						
				Korea				Dec-2015		
				Asia				Nov-2015		
An ophthalmic emulsion which improves severe keratitis in adult patients with dry eye by immunosuppressive effect. Cationic emulsion technology has enhanced ocular tissue absorption. Launched in Germany and England in July 2015 and planning successive launches in EU countries. NDA filed in Asian countries successively since November 2015 and in Korea in December 2015.										

Generic name	Dev. name	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
ciclosporin	Vekacia	Vernal Keratoconjunctivitis	Original	Europe						
An ophthalmic emulsion which improves vernal keratoconjunctivitis by immunosuppressive effect. Cationic emulsion technology has enhanced ocular tissue absorption. Completed Phase3 in Europe in March 2016.										

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

Generic name	Dev. name	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
dexamethasone palmitate	Cortiject	Diabetic macular edema	Original	Europe	(Phase 1/2)					
An intravitreal injection with anti-inflammatory effect.										

—	Dev. Code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
—	DE-128 (<i>InnFocus MicroShunt</i>)	Glaucoma	Original	US						
				Europe						
In August 2016, acquired InnFocus, developer of <i>InnFocus MicroShunt</i> . MicroShunt is the implant to lower and sustain intraocular pressure (IOP) out for the treatment of primary open-angle glaucoma by making aqueous humor drain out.										

■ Changes from 1Q FY16 (August 2, 2016)

Dev. Code / name	Changes
DE-126	Preparing Phase 2b in U.S.
DE-128/ <i>InnFocus MicroShunt</i>	Acquired InnFocus, developer of <i>InnFocus MicroShunt</i> in August 2016.

Pharmaceutical market in Japan

■ Revision of National Health Insurance (NHI) drug prices*

Calendar year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Industry average	—	early -5%	—	mid -6%	—	-6.25%	—	-2.7%	—	-5.57%**
Ophthalmic drugs	—	high -3%	—	early -3%	—	mid -4%	—	high -1%	—	early-6%
Santen	—	mid -3%	—	mid -5%	—	high -5%	—	high -1%	—	early-7%***

(Compiled by Santen)

*Revision of NHI drug prices: In Japan, drug prices are generally revised every two years to reflect their market price. The drugs marketed at lower market prices will bear larger reduction margins at the revision.

**Excluding market expansion re-pricing -0.9%

*** Mid -4% price cut in 2016 excluding its impact of Eylea

Excluding consumption tax impact

2014	
Industry average	-5.6%
Ophthalmic drugs	high -4%
Santen	high -4%

■ Market shares

(Billions of yen)

For the year ended March 31	2015		2016		2017
	H1	FY	H1	FY	H1
Prescription ophthalmics	39.4%	40.1%	43.4%	44.0%	45.4%
	153.4	323.7	169.1	347.5	169.3

Notes: - On an NHI drug price basis.

- Lower figures indicate market size.

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■ Market shares by therapeutic area - prescription ophthalmics

(Billions of yen)

For the year ended March 31	2015		2016		2017
	H1	FY	H1	FY	H1
Glaucoma treatments	30.9%	32.1%	32.8%	32.6%	32.3%
	51.4	105.7	56.1	112.6	57.7
Corneal disease treatments	66.5%	65.6%	63.9%	63.4%	62.8%
	21.5	44.2	22.9	46.4	22.7
Anti-infective	55.2%	54.0%	50.7%	49.8%	44.9%
	8.8	16.8	8.7	16.4	7.8
Anti-allergy	30.4%	32.0%	36.2%	36.3%	42.9%
	11.9	33.9	13.0	35.8	14.5
Anti-VEGF*	45.7%	48.8%	61.7%	65.7%	72.3%
	28.5	61.6	37.1	74.5	36.6

Notes: - On an NHI drug price basis.

- Lower figures indicate market size.

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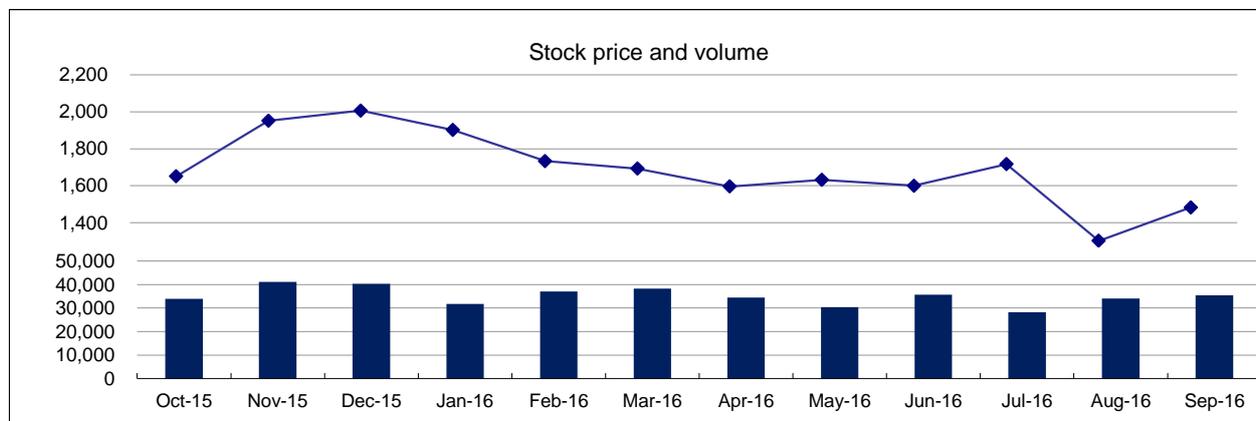
*Anti-vascular endothelial growth factor

Stock information

■ Stock price (Tokyo Stock Exchange First Section)

(Yen and thousand shares)

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Stock price:												
End of month	1,651	1,952	2,006	1,901	1,733	1,693	1,596	1,632	1,600	1,717	1,302	1,483
Volume	33,988	41,100	40,282	31,707	37,094	38,344	34,450	30,342	35,695	28,213	34,047	35,370



■ Major shareholders (top 10)

As of September 30, 2016

Name	Number of shares held	Percent of investment
	Thousand shares	%
Japan Trustee Service Bank, Ltd.(Trust Account)	30,204	7.3
State Street Bank and Trust Company 505223	28,035	6.8
The Master Trust Bank of Japan, Ltd.(Trust Account)	19,666	4.8
Nippon Life Insurance Company	10,662	2.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,605	2.6
ONO PHARMACEUTICAL CO., LTD.	9,307	2.3
Daiichi Sankyo Company,Ltd.	9,180	2.2
Development Bank of Japan Inc.	8,275	2.0
National Mutual Insurance Federation of Agricultural Cooperatives	7,121	1.7
Trust & Custody Services Bank.,Ltd.as trustee for Eisai Co.,Ltd.		
Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co.,Ltd	6,863	1.7

■ Major stock information

	3/2012	3/2013	3/2014	3/2015	3/2016	9/2016
Issued shares (thousands)	87,146	82,469	82,582	82,653	414,192	414,252
Treasury shares (thousands)	1	0	2	3	22	1,455
Market capitalization (millions of yen)	308,059	366,983	378,219	723,181	701,188	612,178
Repurchased cost of treasury shares (millions of yen)	—	13,735	—	—	—	—
The number of repurchased treasury shares (thousand shares)	—	4,937	—	—	—	—

*The Company has conducted a 5-for-1 stock split with an effective date of April 1, 2015.

*The Board of Directors held on September 12, 2016 has adopted a plan to repurchase its own shares up to 13 billion yen or 8,284,000 shares.

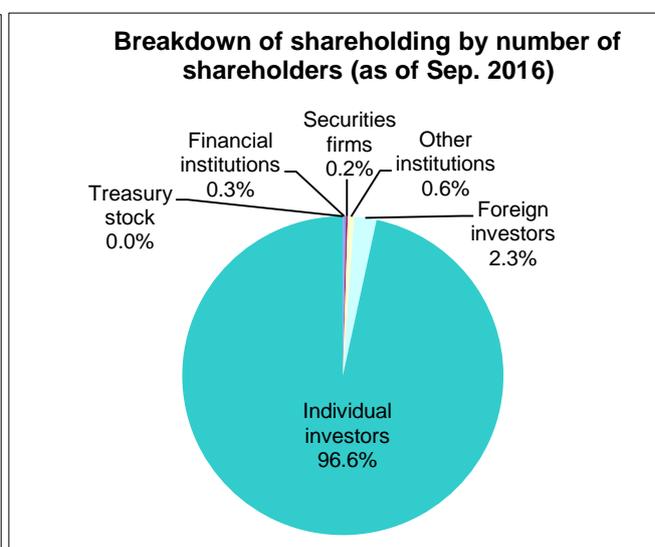
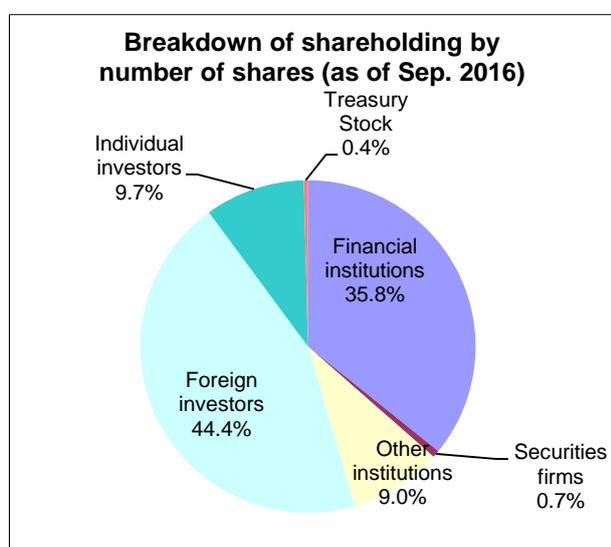
Stock information

■ Breakdown of shareholding by number of shares

As of	9/2014		3/2015		9/2015		3/2016		9/2016	
	Thousand shares	Proportion (%)								
Financial institutions	30,060	36.4	30,049	36.4	146,390	35.4	146,963	35.5	148,731	35.8
City & regional banks	2,257	2.7	2,262	2.7	11,424	2.8	11,576	2.8	11,507	2.8
Trust banks	18,703	22.6	18,726	22.7	98,285	23.8	98,601	23.8	99,965	24.1
(concerned in trust works)	16,293	—	16,333	—	86,312	—	86,474	—	87,867	—
Life and non-life insurance	4,334	5.3	4,196	5.1	21,171	5.1	21,016	5.1	21,578	5.1
Other financial institutions	4,765	5.8	4,862	5.9	15,510	3.7	15,770	3.8	15,682	3.8
Securities firms	625	0.8	922	1.1	4,694	1.1	4,868	1.2	2,905	0.7
Other institutions	7,940	9.6	7,880	9.5	37,827	9.1	36,938	8.9	37,056	9.0
Foreign investors	37,208	45.0	36,373	44.0	186,924	45.2	186,294	45.0	184,108	44.4
Individual investors	6,773	8.2	7,423	9.0	37,978	9.2	39,106	9.4	39,997	9.7
Treasury Stock	3	0.0	3	0.0	22	0.0	22	0.0	1,455	0.4
Total	82,611	100.0	82,653	100.0	413,836	100.0	414,192	100.0	414,252	100.0

■ Breakdown of shareholding by number of shareholders

As of	9/2014		3/2015		9/2015		3/2016		9/2016	
	Number of shareholders	Proportion (%)								
Financial institutions	58	0.8	62	0.6	70	0.3	77	0.3	73	0.3
City & regional banks	4	0.1	4	0.1	6	0.0	8	0.0	7	0.0
Trust banks	26	0.3	27	0.2	30	0.2	30	0.1	29	0.1
Life and non-life insurance	22	0.3	23	0.2	26	0.1	27	0.1	25	0.1
Other financial institutions	6	0.1	8	0.1	8	0.0	12	0.1	12	0.1
Securities firms	28	0.4	33	0.3	46	0.3	52	0.2	50	0.2
Other institutions	106	1.5	122	1.1	142	0.8	154	0.7	150	0.6
Foreign investors	465	6.7	486	4.2	519	2.9	549	2.3	558	2.3
Individual investors	6,323	90.6	10,664	93.8	17,380	95.7	22,700	96.5	23,852	96.6
Treasury stock	1	0.0	1	0.0	1	0.0	1	0.0	1	0.0
Total	6,981	100.0	11,368	100.0	18,158	100.0	23,533	100.0	24,684	100.0



Consolidated subsidiaries

As of September 30, 2016

[Japan]

Company name	Main business	Location	Paid-in capital	Equity owned
Claire Co., Ltd.	Cleaning of antiodust and sterilized clothing	Japan	90 million yen	100%
Santen Business Services Co., Ltd.	Support of indirect operations	Japan	10 million yen	100%
Santen Eye Care Co., Ltd.	Production and marketing of pharmaceuticals	Japan	10 million yen	100%

[North America]

Company name	Main business	Location	Paid-in capital	Equity owned
Santen Holdings U.S. Inc.	Holding company for North American businesses and business development	U.S.A.	24,784 thousand US\$	100%
Santen Inc.	Clinical development and business development of pharmaceuticals	U.S.A.	8,765 thousand US\$	100% *1
Advanced Vision Science, Inc.	Development, production and marketing of medical devices	U.S.A.	10 thousand US\$	100% *1
InnFocus, Inc.	Development, production of devices for glaucoma	U.S.A.	2 thousand US\$	100%

[EMEA]

Company name	Main business	Location	Paid-in capital	Equity owned
Santen Holdings EU B.V.	Holdings company for EMEA business operation	Netherlands	50 thousand euros	100%
Santen Oy	Clinical development, production and marketing of pharmaceuticals	Finland	20,000 thousand euros	100% *2
Santen S.A.S.	Clinical development and marketing of pharmaceuticals	France	1,976 thousand euros	100% *2
Santen GmbH	Marketing of pharmaceuticals and business development	Germany	25 thousand euros	100% *2
SantenPharma AB	Marketing support of pharmaceuticals	Sweden	500 thousand SEK	100% *2
Santen Switzerland SA	Headquarter of EMEA business, production and marketing of pharmaceuticals	Switzerland	2,000 thousand Swiss franc	100% *2
Santen Italy S.r.l.	Marketing of pharmaceuticals	Italy	10 thousand euros	100% *2
Santen UK Limited	Marketing of pharmaceuticals	UK	2,300 thousand pounds	100% *2
Santen Pharmaceutical Spain, S.L.	Marketing of pharmaceuticals	Spain	3 thousand euros	100% *2

[Asia]

Company name	Main business	Location	Paid-in capital	Equity owned
Santen Pharmaceutical (China) Co., Ltd.	Clinical development, production and marketing of pharmaceuticals	China	3,800 million yen	100%
Santen Pharmaceutical Sales and Marketing (Suzhou) Co., Ltd.	Marketing of pharmaceuticals	China	35,000 thousand CNY	100% *3
Chongqing Santen Kerui Pharmaceutical Co., Ltd	Production and marketing of pharmaceuticals	China	200,000 thousand CNY	49% *4
Santen Pharmaceutical Korea Co., Ltd.	Clinical development, import and marketing of pharmaceuticals	Korea	29,000,000 thousand won	100%
Taiwan Santen Pharmaceutical Co., Ltd.	Import and marketing of pharmaceuticals	Taiwan	42,000 thousand Taiwan dollars	100%
Santen India Private Limited	Market research of pharmaceuticals	India	48,500 thousand India rupees	99.9%, 0.1% *1
Santen Pharmaceutical Asia Pte. Ltd.	Headquarter of ASEAN business, production and marketing of pharmaceuticals	Singapore	20,500 thousand Singapore dollars	100%
SANTEN (THAILAND) CO., LTD.	Import and marketing of pharmaceuticals	Thailand	100,000 thousand Thai baht	100% *5
SANTEN PHARMA MALAYSIA SDN. BHD.	Import and marketing of pharmaceuticals	Malaysia	4,000 thousand Malaysian ringgit	100% *5
SANTEN PHILIPPINES INC.	Import and marketing of pharmaceuticals	Philippines	43,308 thousand Philippine peso	100% *5
SANTEN PHARMACEUTICAL (HONG KONG) LIMITED	Import and marketing of pharmaceuticals	Hong Kong	600 thousand HKD	100% *5

*1 : Indirect investment through Santen Holdings U.S. Inc.

*2 : Indirect investment through Santen Holdings EU B.V.

*3 : Indirect investment through Santen Pharmaceutical (China) Co., Ltd.

*4 : Indirect investment through Santen Pharmaceutical (China) Co., Ltd. Chongqing Kerui Pharmaceutical (Group) Co., Ltd. hold 51% of share.

*5 : Indirect investment through Santen Pharmaceutical Asia Pte. Ltd.

News releases

News releases during April 2016-September 2016

For details, please refer to our website (<http://www.santen.com>).

2016

18-Apr Santen Donates to Kumamoto Earthquake Relief Efforts

11-May Santen Provides Update on EU Marketing Authorization Application for DE-109

Santen announced that it plans to withdraw and later resubmit its Marketing Authorization Application (MAA) to the European Medicines Agency (EMA) for the use of DE-109 as a treatment of patients with chronic noninfectious uveitis of the posterior segment (NIU-PS) in the European Union.

19-Jul Santen to Acquire InnFocus, Developer of “MicroShunt” Glaucoma Implant Device

Santen and InnFocus, Inc. (hereinafter, “InnFocus”) announced that the two companies have entered into a definitive agreement under which Santen will acquire privately held InnFocus, developer of the *InnFocus MicroShunt* glaucoma implant device.

2-Aug Santen to Grant Subscription Rights to New Shares as Stock Options for Stock-Linked Remuneration

3-Aug Santen and University College London to Collaborate on Ophthalmic Research and Education

Santen and University College London (hereinafter, “UCL”) today announced that we have signed a Memorandum of Understanding to collaborate on ophthalmic research and education. As part of collaboration, Santen will conduct research programs with scientists in the UCL Institute of Ophthalmology, and provide PhD candidates with important funding support. The collaboration provides a framework for both parties to work together on ophthalmic research, and translate the research into therapies that can meet unmet medical needs. The framework will also pave the way for both parties to collaborate on capability and talent development in various fields of ophthalmology.

22-Aug Santen Completes Acquisition of InnFocus, Developer of “MicroShunt” Glaucoma Implant Device

30-Aug Santen Announces the Completion of Establishment Procedures for Chongqing Santen Kerui Pharmaceutical Co., Ltd.

Santen announced today that Santen Pharmaceutical (China) Co., Ltd. (hereinafter “Santen China”) and Chongqing Kerui Pharmaceutical (Group) Co., Ltd. (Chongqing, China; hereinafter “Kerui”) have established a prescription ophthalmic joint venture as part of a collaboration between the companies originally announced in March 22, 2016.

Santen China and Kerui are involved in a strategic collaboration aiming to provide the highest-quality ophthalmic products at a reasonable price to the most patients possible in China. The new joint venture has been established in the city of Chongqing, one of China's four direct-controlled municipalities. The joint venture is established as a consolidated subsidiary of Santen.

1-Sep Notice on Details of Subscription Rights to New Shares (Stock Options for Stock-Linked Remuneration)

12-Sep Santen Announces Repurchase of Own Shares

Santen announced that its Board of Directors has adopted a plan to repurchase its own shares up to 13 billion yen or 8,284,000 shares representing 2.0% of the total number of shares outstanding (excluding treasury shares) in accordance with Article 156 of the Companies Act (Japan), as applied pursuant to Article 165, paragraph 3.

Santen's strong balance sheet and cash flow allow the company to take this special shareholder return initiative while also continuing to invest in profitable growth opportunities.



SANTEN PHARMACEUTICAL CO., LTD.