Santen

Leap to Growth

SANTEN PHARMACEUTICAL CO., LTD. Annual Report 2015

Year Ended March 31, 2015

NOTE ON ACCOUNTING STANDARDS

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. Figures for the fiscal year ended March 31, 2014 have been restated to conform to IFRS for comparison and analysis purposes.

NOTE CONCERNING GRAPHS

Unless otherwise noted, graphs in this annual report are based on fiscal years ended March 31.

NOTE CONCERNING DATA

Some information in this annual report is based on IMS data (JPM).
Source: ©2015 IMS Health
Santen analysis is based on IMS-JPM data from April 2009 to March 2015.

〈Santen's Values〉

Core Value

Tenki ni sanyo suru[1]

We think carefully about what is essential,
decide clearly what we should do, and act quickly.

Mission Statement

By focusing our efforts on ophthalmology and related areas, we develop scientific knowledge and organizational capabilities which are unique and original to Santen. We use our unique capabilities to contribute to patients and their loved ones, and consequently to society.

1. Santen's original interpretation of a passage from chapter 22 of Zhongyong (The Doctrine of the Mean) by Confucius, meaning "exploring the secrets and mechanisms of nature in order to contribute to people's health."

Santen's Values embody what the Company has continued to recognize as important since its foundation in 1890. Based on Santen's Values—the essence of which is *"Tenki ni sanyo suru"*—we have put in place a virtuous cycle of creation and innovation while contributing to the protection and improvement of eyesight and health as a specialty company in the field of ophthalmology. Building on the scientific knowledge and organizational capabilities that Santen has nurtured for over 120 years, the Company will continue to contribute to society, working primarily for the benefit of patients and their loved ones.

CONTENTS

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses, competitive pressures, changes in related laws and regulations, status of product development programs and changes in exchange rates.

Guided by Santen's Values in all our business activities, we will strive to achieve our long-term strategic vision.

Long-Term Strategic Vision toward 2020

Aiming to Become a "Specialized Pharmaceutical Company with a Global Presence"

A company possessing a deep understanding of true customer needs,
together with a distinct advantage against competitors,
and a global competitiveness and presence

Long-Term Growth Targets

Shiga Product Supply Center

Strategic Vision

Santen is working to become a “Specialized Pharmaceutical Company with a Global Presence,” in order to realize its long-term strategic vision toward 2020. Under the Fiscal 2014-2017 Medium-Term Management Plan we have embraced ongoing product launches and the achievement of growth and profitability in Asia and Europe as key priorities of our medium-term strategy. Accordingly, we are working across the organization to drive our business forward, capitalizing on our strengths to maintain market leadership.

Fiscal 2014-2017 Medium-Term Management Plan **Basic Policies**

Product Development	Transform product development to realize enhanced productivity and achieve sustained growth
Business Expansion	Grow business in Asia/Europe and strengthen market presence by entering into new markets
Organization and Talent	Develop talent and organization to realize sustained growth

Further Information
P.10 President and CEO’s Message

Overseas Sales in Fiscal 2020

Up to 40~50%

of total sales

We will continue to enhance our specialization in the field of ophthalmology to help improve the lives of patients around the world.

Business Domains

We channel management resources into the specialized field of ophthalmology to create innovative drugs sought by the medical community and provide high-quality medical information based on market needs. In this way, we enhance Santen's market reputation.

Further Information
P. 28 Review of Operations

Prescription Ophthalmic Pharmaceuticals
Share of Japanese Market
No.1

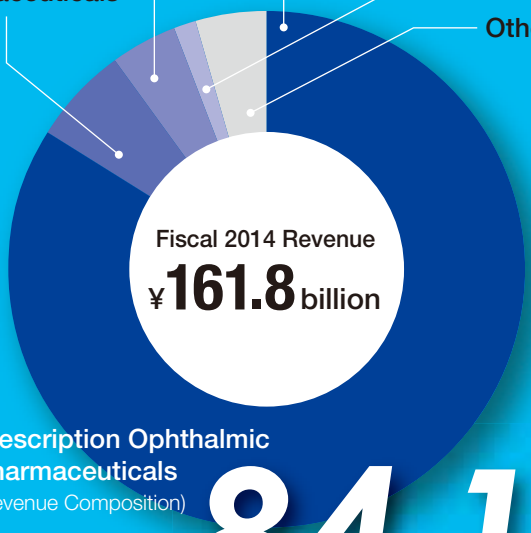
The number of ophthalmologists in Japan is currently around 13,000. Santen's approximately 400-strong medical representative (MR) workforce strives diligently to call on virtually every one of Japan's ophthalmologists to provide detailed pharmaceutical information.

Over-the-Counter Pharmaceuticals
Share of Japanese Market
No.2

Prescription Anti-Rheumatic Pharmaceuticals

Medical Devices

Others



Prescription Ophthalmic Pharmaceuticals
(Revenue Composition)
84.1%

●Countries in Which Products Are Sold
Over **50** countries

Global Market Presence

● Annual Production Volume of Ophthalmic Solutions

Approx.

300

million bottles

On a 5 mL bottle conversion basis

● Production Sites

4

plants

Noto, Shiga (Japan), Suzhou (China), and Tampere (Finland)

Consolidated Financial Highlights

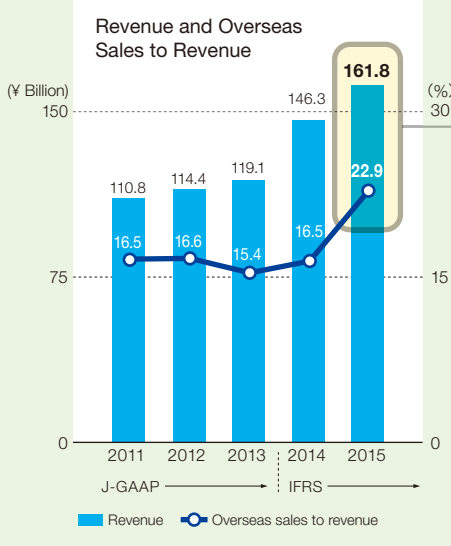
Santen Pharmaceutical Co., Ltd. and Subsidiaries
Years ended March 31

					Millions of yen	Thousands of U.S. dollars	Change
	2011	2012	2013	2014	**2015**	**2015**	2015/2014
	J-GAAP	J-GAAP	J-GAAP	IFRS	IFRS	IFRS	
For the year:							
Net sales/Revenue	¥ 110,812	¥ 114,416	¥ 119,066	¥ 146,260	**¥ 161,831**	**$ 1,346,680**	10.6%
Operating profit	30,739	26,732	24,681	29,878	**35,374**	**294,369**	18.4
Core operating profit	–	–	–	30,403	**39,088**	**325,272**	28.6
Net income/Net profit for the year	21,333	17,161	16,521	19,718	**24,032**	**199,985**	21.9
Comprehensive income	19,797	16,966	21,729	27,169	**32,446**	**270,011**	19.4
R&D expenses	13,221	17,225	16,720	16,862	**17,477**	**145,437**	3.7
Capital expenditures/Payments for acquisition of property, plant and equipment, and intangible assets	1,651	3,281	3,609	5,879	**66,440**	**552,889**	–
Depreciation and amortization	2,976	2,949	3,291	2,841	**6,958**	**57,899**	144.9
At year-end:							
Total assets	¥ 184,801	¥ 198,801	¥ 199,641	¥ 237,640	**¥ 304,200**	**$ 2,531,411**	28.0%
Equity/Equity attributable to owners of the company	156,099	164,514	164,808	187,210	**211,779**	**1,762,330**	13.1
Long-term debt/Financial liabilities (non-current)	152	179	145	102	**25,351**	**210,958**	–
Per share data (yen and U.S. dollars):							
Net income – basic/Basic earnings (EPS)	¥ 249.71	¥ 196.96	¥ 195.81	¥ 47.78	**¥ 58.18**	**$ 0.48**	21.8%
Net income – diluted/Diluted earnings	249.42	196.76	195.51	47.63	**57.93**	**0.48**	21.6
Equity/Equity attributable to owners of the company	1,793.15	1,887.81	1,998.44	452.43	**511.14**	**4.25**	13.0
Cash dividends, applicable to the period	90.00	100.00	100.00	100.00	**110.00**	**0.92**	10.0
Other financial data:							
Operating profit margin (%)	27.7	23.4	20.7	20.4	**21.9**		
Overseas sales to net sales/ Overseas sales to revenue (%)	16.5	16.6	15.4	16.5	**22.9**		
R&D expenditures to net sales/ R&D expenses to revenue (%)	11.9	15.1	14.0	11.5	**10.8**		
Return on equity/Return on equity attributable to owners of the company (ROE) (%)	14.5	10.7	10.0	11.1	**12.0**		
Dividend payout ratio	36.0	50.8	51.1	41.9	**37.8**		
Number of employees	2,867	3,053	3,050	3,072	**3,230**		

Further Information
P.50 Report and Analysis of Operating Results and Financial Condition
P.56 Eleven-year Summary of Selected Financial Data

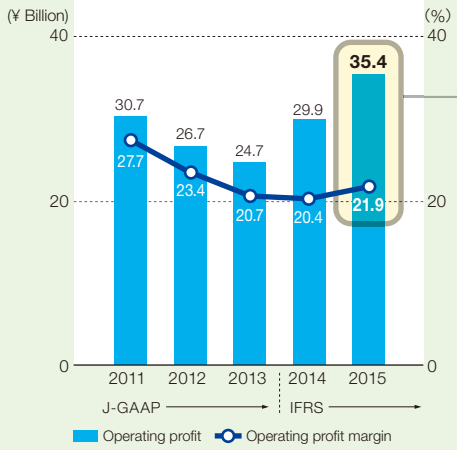
Notes:

1. The Santen Group has adopted International Financial Reporting Standards (IFRS) effective from the fiscal year ended March 31, 2015. Please see page 8 for differences between IFRS and Japanese GAAP, and the definition of core operating profit. Figures for core operating profit are disclosed from the fiscal year ended March 31, 2014.
2. Figures for the fiscal year ended March 31, 2014 have been restated to conform to IFRS. Figures for the fiscal year ended March 31, 2013 and prior fiscal years are calculated based on Japanese GAAP.
3. Santen conducted a 5-for-1 stock split of ordinary shares on the effective date of April 1, 2015. Financial data for the fiscal year ended March 31, 2014 and the subsequent fiscal years are calculated as if the stock split had been conducted at the beginning of the fiscal year ended March 31, 2014 (except for dividends).
4. The table above shows both IFRS and Japanese GAAP accounts, whereas the graphs show only IFRS accounts.
5. U.S. dollar amounts have been translated from yen, solely for the convenience of the reader, at the rate of ¥120.17 to US$1.00, the exchange rate prevailing on March 31, 2015.
6. Equity is calculated by deducting subscription rights to shares from equity.



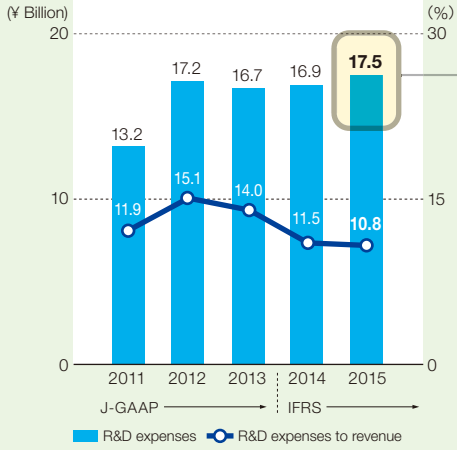
A significant increase in revenue was posted due to increased growth in new products in Japan, the expansion of overseas sales, and ophthalmology assets taken over from U.S.-based Merck & Co., Inc.

Operating Profit and Operating Profit Margin



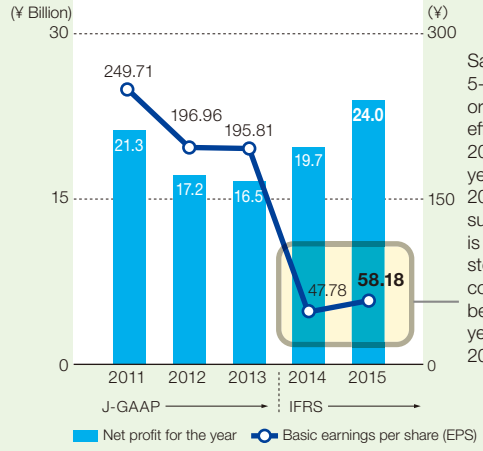
Operating profit increased sharply on the back of higher earnings in domestic operations, the Asian business and the European business.

R&D Expenses and R&D Expenses to Revenue



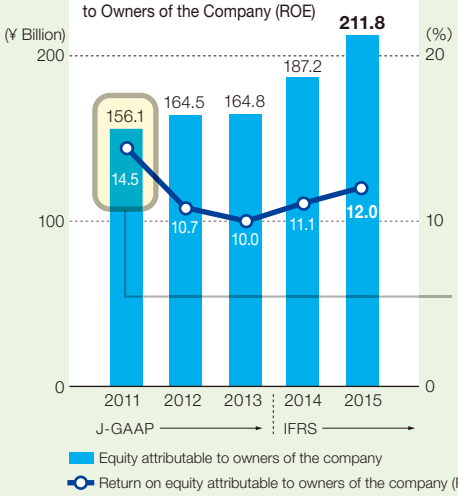
In the fiscal year ended March 31, 2015, R&D expenses amounted to ¥17.5 billion, as Santen continues to proactively invest in R&D to achieve sustained growth. Under the Fiscal 2014-2017 Medium-Term Management Plan, Santen is targeting R&D expenses of around ¥21.0 billion.

Net Profit for the Year and Basic Earnings per Share (EPS)



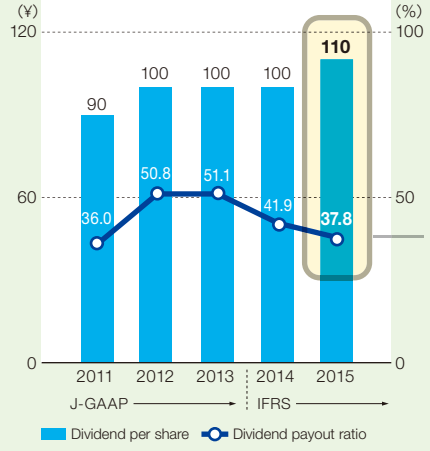
Santen conducted a 5-for-1 stock split of ordinary shares on the effective date of April 1, 2015. EPS for fiscal year ended March 31, 2014 and the subsequent fiscal years is calculated as if the stock split had been conducted at the beginning of the fiscal year ended March 31, 2014.

Equity Attributable to Owners of the Company and Return on Equity Attributable to Owners of the Company (ROE)



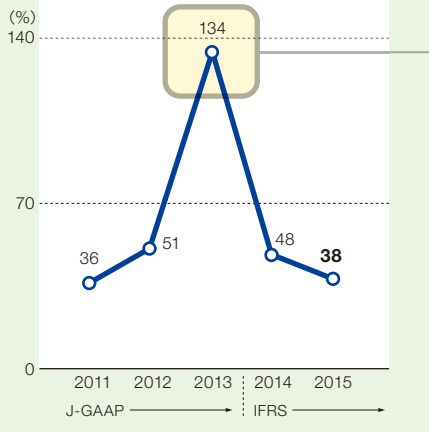
ROE significantly increased in the fiscal year ended March 31, 2011 due to one-time payments included in revenues derived from licensing out products such as tafluprost.

Dividend per Share and Dividend Payout Ratio



The annual dividend per share for the fiscal year ended March 31, 2015 was ¥110, an increase of ¥10 from the previous fiscal year. Under the Company's Fiscal 2014-2017 Medium-Term Management Plan, Santen is targeting a dividend payout ratio of 40%.

Total Return Ratio[7]



Santen repurchased its own shares at a total cost of ¥13.7 billion in August 2012. In November 2012, it cancelled almost all of its treasury shares, equivalent to 5.67% of the total number of outstanding shares before the cancellation.

7. The sum of dividends and the cost of share buybacks divided by net profit for the year

International Financial Reporting Standards (IFRS)

Adoption of IFRS

The Santen Group conducts business internationally in countries and regions such as Japan, Asia, and Europe. Moreover, the Group's shareholder composition is notable for its high shareholding ratio of foreign investors, which stands at more than 40%. Considering these factors, Santen has adopted IFRS effective from the fiscal year ended March 31, 2015, for the purpose of improving the international comparability of its financial information.

The main differences between IFRS and Japanese GAAP are as follows.

Presentation of Accounts

〈J-GAAP〉	〈IFRS〉
Net Sales	Revenue
Operating income	Operating profit
Non-financial other income and expenses	
Extraordinary gains and losses	
Net income	Net profit for the year

Supplemental Notes

Payments for licensing-in products and technologies

〈J-GAAP〉	〈IFRS〉
Payments before approval of authorities → Fully expensed	Payments before approval of authorities
Payments after approval of authorities → Carried as assets Amortized primarily over the term of the patent or contract from the date the items are launched or made available for use.	Payments after approval of authorities → Carried as assets Amortized primarily over the period of the patent or contract from the date the items are launched or made available for use. Impairment is booked when payment is judged to be irrecoverable.

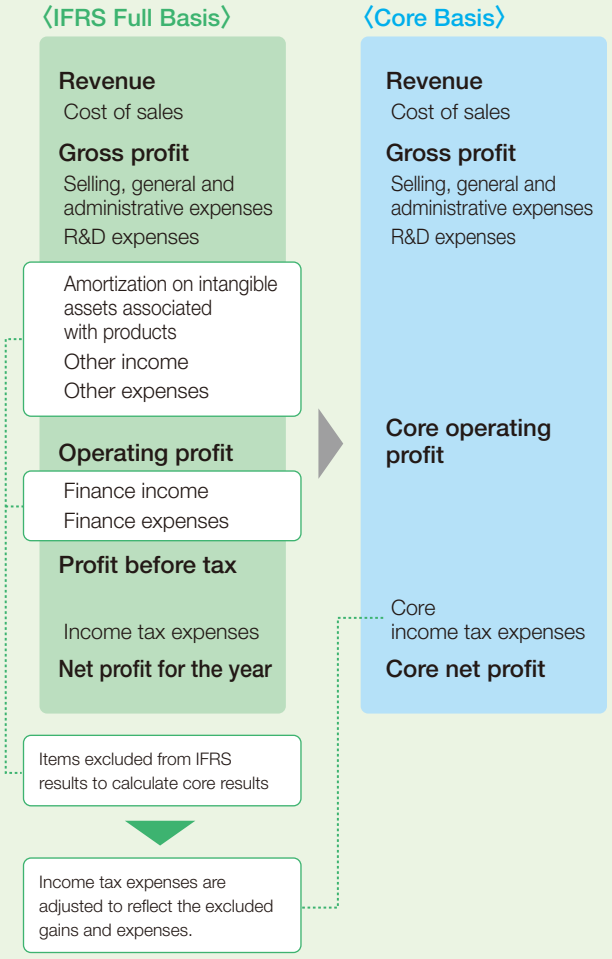
Goodwill

〈J-GAAP〉	〈IFRS〉
Amortized over a certain period	Not amortized

Adoption of Core Basis Indicators

Santen now discloses financial information on a core basis to better express its recurring business performance, along with IFRS results on a full basis. Financial information on a core basis excludes certain gains and expenses from IFRS results on a full basis.

The core basis is defined as follows.



Results on an IFRS Full Basis and Core Basis

〈IFRS Full Basis〉

Millions of yen

	2014	2015	Change
Revenue	146,260	161,831	10.6%
Operating profit	29,878	35,374	18.4%
Net profit for the year	19,718	24,032	21.9%

〈Core Basis〉

Millions of yen

	2014	2015	Change
Revenue	146,260	161,831	10.6%
Operating profit	30,403	39,088	28.6%
Net profit for the year	19,813	25,948	31.0%

At a Glance

Revenue

Prescription Pharmaceuticals

Prescription Ophthalmic Pharmaceuticals

¥136,059 million

Share of Japanese Market
40.1%
No.1[1]

Revenue Composition
84.1%

Prescription Anti-Rheumatic Pharmaceuticals

¥9,629 million

Revenue Composition
6.0%

Over-the-Counter Pharmaceuticals

¥6,706 million

Share of Japanese Market
20.1%
No.2[3]

Revenue Composition
4.1%

Medical Devices

¥2,327 million

Revenue Composition
1.4%

Other Pharmaceuticals

¥7,110 million

Revenue Composition
4.4%

Operating Results

Domestic Operations

- Revenue rose 3.5% year on year due to promotion activities including the provision of pharmaceutical information that accurately reflected customers' unmet needs and changes in those needs even though this was partly offset by the impact of National Health Insurance (NHI) drug price revisions.

Overseas Operations

- Revenue increased 32.1% year on year. This reflected progress in the market penetration of the Company's mainstay products, including growth driver *Taflotan* (tafluprost, sold as *Tapros* in Japan), a treatment for glaucoma and ocular hypertension, in Europe, as well as significant growth in Asia, mainly in China, in addition to taking over ophthalmology assets from U.S.-based Merck & Co., Inc.

Further Information
P.29 Domestic Operations/ Prescription Ophthalmic Pharmaceuticals
P.36 Overseas Operations

- Revenue in disease-modifying anti-rheumatic drugs (DMARDs[2]) decreased 6.1% year on year. In August 2015, the anti-rheumatic pharmaceuticals business was taken over by AYUMI Pharmaceutical Corporation (previous trade name: Hyperion Pharma Co., Ltd.).

Further Information
P.34 Domestic Operations/ Prescription Anti-Rheumatic Pharmaceuticals

- Revenue increased by 4.1% due to the focus on promotional campaigns, notably the brand cross-sectional campaign to enhance the brand value of the entire *Sante* series and the robust performance of key products.

Further Information
P.34 Domestic Operations/ Over-the-Counter Pharmaceuticals

- Revenue declined 13.1% year on year largely due to the impact of competition despite having focused initiatives on promotional campaigns for the *Eternity* series of foldable intraocular lens, which is made of a glistening-free hydrophobic acrylic optical material.

Further Information
P. 35 Domestic Operations/ Medical Devices

- Other pharmaceuticals includes revenues derived from technology-sharing agreements, contract work and manufacturing as well as revenue from ophthalmology products taken over from U.S.-based Merck & Co., Inc. Revenue of other pharmaceuticals increased significantly compared to fiscal 2013.
- Other revenue came from the cleaning of antidust and sterilized clothing operations of consolidated subsidiary Claire Co., Ltd. and sales of supplements.

Notes: 1. Market share and market position in Japan for the fiscal year ended March 31, 2015. Source: Santen analysis based on IMS-JPM data.
2. A class of medicines that are used not only to alleviate symptoms but also to treat the causes of disease. The anti-rheumatic effect works by calming inflammation through the correction of immune abnormalities, which are considered a cause of RA.
3. Market share and market position in the Japanese OTC eye drop market for the fiscal year ended March 31, 2015. Source: Santen Pharmaceutical Co., Ltd.

President and CEO's Message

The Santen Group continues to work to scale new heights with a view to realizing our long-term strategic vision toward 2020 of becoming a "Specialized Pharmaceutical Company with a Global Presence."

Looking ahead, we will continue to focus our efforts on the specialized area of ophthalmology and to contribute to society.
We kindly ask for the continued support of all of our stakeholders.

August 2015

Akira Kurokawa
President and Chief Executive Officer

Fiscal 2014 Overview

Revenue reached an all-time high. We outperformed our forecasts atop higher new product sales and growth in overseas businesses. Based on this strong showing, we increased the return of profits to shareholders by increasing the dividend.

Fiscal 2014, the fiscal year ended March 31, 2015, was the first year of the Fiscal 2014-2017 Medium-Term Management Plan. It was a year of remarkable advances for Santen. During fiscal 2014, revenue rose 10.6% year on year to an all-time high of ¥161.8 billion. Operating profit was up 18.4% to ¥35.4 billion and net profit for the year rose 21.9% to ¥24.0 billion. These results reflect growth in sales of new products, progress with overseas businesses, and higher sales from ophthalmology products taken over from U.S.-based Merck & Co., Inc. I believe Santen made significant strides toward realizing its long-term strategic vision toward 2020.

In the domestic prescription ophthalmic business, sales of the intravitreal VEGF inhibitor *EYLEA* (aflibercept [genetical recombination]) continued to grow significantly. *EYLEA* is expected to meet therapeutic needs in the field of retinal disorders. The anti-allergy ophthalmic solution *Alesion* (epinastine hydrochloride) also contributed to higher revenue. In the overseas business, Santen achieved further business growth as its mainstay glaucoma and ocular hypertension treatment *Taflotan* (tafluprost, sold as *Tapros* in Japan), steadily penetrated the market in Europe. Another contributing factor was sales expansion in Asia, primarily in China.

Under the basic policies of the Fiscal 2014-2017 Medium-Term Management Plan, Santen is executing strategies focused on the themes of Product Development, Business Expansion, and Organization and Talent.

In R&D, the cornerstone of the Product Development theme, Santen made steady progress on the development of new products that answer unmet medical needs. In Europe, we acquired the approval of the Marketing Authorization Application (MAA) in March 2015 for *Ikervis* (generic name: ciclosporin, development name: Cyclokat), from the European Commission and sales started in European countries, such as Germany and the U.K., from July 2015. *Ikervis* is approved for treatment of severe keratitis in adult patients with dry eye disease, which has not improved despite treatment with tear substitutes. Furthermore, in February 2015, Santen filed an MAA in Europe for DE-109 (sirolimus) with the European Medicines Agency, for the treatment of non-infectious uveitis (NIU) of the posterior segment.

Looking at the Business Expansion theme, Santen is doing its utmost to further solidify its European and Asian business foundations. We are doing this by leveraging sales growth from ophthalmology products taken over from U.S.-based Merck & Co., Inc. and expanding our business in new regions. In terms of the Organization and Talent theme, we are steadily pushing ahead with measures that include developing a framework that clearly conveys our expectations for personnel on a global basis.

Furthermore, in May 2015, Santen entered into an agreement to assign its anti-rheumatic pharmaceuticals business to AYUMI Pharmaceutical Corporation (previous trade name: Hyperion Pharma Co., Ltd.), and completed the succession on August 3, 2015. With this move, Santen has shifted to a business framework specializing in ophthalmic pharmaceuticals, and will cultivate our expertise as a specialized pharmaceutical company to help improve patients' Quality of Life (QOL).

Enhancing Shareholder Returns

Santen has positioned the stable return of profits to shareholders as a key management priority.

For fiscal 2014, we paid a full-year dividend of ¥110 per share, an increase of ¥10 from the previous fiscal year. This resulted in a dividend payout ratio of 37.8%. Going forward, we remain committed to the stable return of profits to shareholders. At the same time, we will continue to retain funds primarily for R&D investments, while examining the adoption of a flexible stance that includes the acquisition of treasury stock, as necessary. For the purpose of expanding our investor base and enhancing the liquidity of our stock, we conducted a 5-for-1 stock split of ordinary shares on the effective date of April 1, 2015.

Fiscal 2014- 2017 Medium-Term Management Plan
Financial Targets and Progress

	Fiscal 2014 Results	Fiscal 2017 Targets
Revenue	161.8billion	Over ¥205billion
Operating profit	35.4billion	Over ¥45billion
Net profit for the year	24.0billion	Over ¥31billion
ROE	12.0%	Over 13%
R&D expenses	17.5billion	Around ¥21billion

Assignment of the Anti-Rheumatic Pharmaceuticals Business

Through the assignment of the anti-rheumatic pharmaceuticals business, Santen will accelerate its growth as a specialized pharmaceutical company focused on the field of ophthalmology.

In May 2015, Santen entered into an agreement with Showa Yakuhin Kako Co., Ltd. and newly formed AYUMI Pharmaceutical concerning the assignment of its anti-rheumatic pharmaceuticals business to AYUMI Pharmaceutical. On August 3, 2015, Santen completed the succession of the rights and obligations relating to the business to AYUMI Pharmaceutical under a simplified company split method.

Since 1987, Santen has established a solid presence in the market for prescription anti-rheumatic pharmaceuticals by supplying anti-rheumatic products. Faced with a fast-changing business environment, Santen carefully considered its position based on its prospects for further contributions to the future development of the anti-rheumatic pharmaceuticals business as well as to patients and medical professionals. Based on these considerations, Santen arrived at a decision to assign this business.

Going forward, Santen will accelerate growth by concentrating its business activities on the field of ophthalmology and cultivating its expertise in this field more than ever. These efforts will be directed at making Santen a "Specialized Pharmaceutical Company with a Global Presence."

Attaining the Objectives of the Fiscal 2014-2017 Medium-Term Management Plan

Product Development **R&D**

Leveraging the foothold provided by major global R&D successes, we will focus on product development and realizing enhanced productivity.

Our basic policy for R&D is to transform product development to realize enhanced productivity and achieve sustained growth. Guided by this policy, Santen will concentrate on product development in fields that make the most of the Company's strengths, primarily in the fields of corneal and conjunctival epithelial disorder, glaucoma and ocular hypertension, and retinal and uveal disorders.

In March 2015, Santen received approval of the MAA for *Ikervis* from the European Commission. *Ikervis* is approved for treatment of severe keratitis in adult patients with dry eye disease, which has not improved despite treatment with tear substitutes. We believe that the development of a pharmaceutical that answers the unmet medical needs of dry eye patients in Europe is a significant achievement for Santen in its vision to become a "Specialized Pharmaceutical Company with a Global Presence." Santen's original Novasorb technology[1] incorporated in *Ikervis* is expected to raise retention effects by rapidly spreading medicine across the ocular surface.

In February 2015, Santen filed an MAA with the European Medicines Agency for DE-109, for the treatment of NIU of the posterior segment. We continue to conduct Global Phase 3 studies in the U.S. and Asia. The goal of these studies is to launch a pharmaceutical able to treat this orphan disease[2]—a drug long awaited by patients around the world.

In addition, we are promoting "Network Product Development[3]," which actively utilizes compounds and technologies available outside the Company. In November 2014, Santen launched a strategic research collaboration with SERI[4], which possesses a wide range of translational research[5] capabilities. Moreover, we plan to continue implementing life cycle management[6], to maximize the value of our existing products. Guided by coordination between our R&D bases in Japan, the U.S. and Europe, we will endeavor to rapidly develop differentiated products that address unmet medical needs.

1. Novasorb aids widespread absorption of ophthalmic solutions over the ocular surface by applying a positive electric charge to an ophthalmic emulsion. This causes the drug to be attracted to the negatively charged ocular tissues
2. An orphan disease is one that only affects a relatively small number of patients. In the U.S., this criterion is set at fewer than 200,000 patients. Regulators worldwide support the development of orphan drugs in various ways
3. An approach of proactive use of compounds and technologies from outside the company in product development
4. Singapore Eye Research Institute
5. Multi-disciplinary research that links basic research, clinical research, and medical care and utilizes such findings for effective and efficient practical applications to contribute to healthcare advancement
6. Aligning one compound to treatment needs over the long term and augmenting through additional indication, dosage, formulation and combination products to increase product value

Business Expansion

Domestic Business

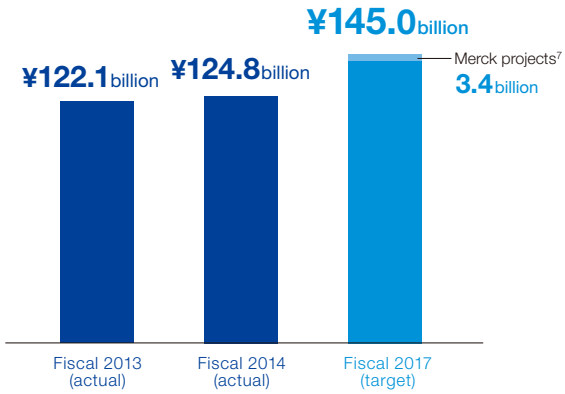
We are targeting sustained growth by contributing to the treatment of patients through information and services that harness our new products and expertise.

In the domestic business, Santen will sharpen its competitive edge by maximizing the value of its new products. At the same time, Santen will pursue growth by supplying products and services that take advantage of its acquired knowledge and expertise as a specialized company with a strong presence in Japan.

In the prescription pharmaceutical business, revenue for fiscal 2014 rose 3.5% year on year to ¥105.3 billion. The main factor behind revenue growth was promotion activities, including the provision of pharmaceutical information that accurately reflects customers' unmet needs and changes in those needs. Revenue was partly offset by the impact of National Health Insurance (NHI) drug price revisions and a downturn in demand following a rush to buy ahead of the consumption tax hike in April 2014.

Guided by the Fiscal 2014-2017 Medium-Term Management Plan, Santen endeavors to enhance competitive advantages by maximizing values of new products such as *EYLEA* and *Alesion* and focusing on providing information on pharmaceuticals. We also seek to achieve business growth by strengthening coordination among the prescription pharmaceutical, OTC and medical devices business categories by taking advantage of our strength as a specialized pharmaceutical company with a strong presence in Japan.

Domestic Business Sales Results and Fiscal 2017 Sales Target



7. The contribution from ophthalmology assets taken over by Santen from U.S-based Merck.

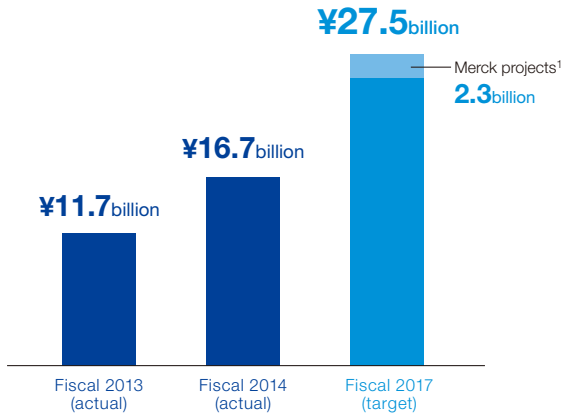
Business Expansion

Asian Business

We are strengthening the business platform to expand market shares in key countries, as we strive to achieve sales growth exceeding the market growth rate and to maximize profits.

In the Asian business, Santen has positioned China, Korea and Vietnam as key countries. Aiming to become No.1 in Asia, as set forth in our long-term management target toward 2020, we are striving to achieve sales growth exceeding the market growth rate and to maximize profits. In fiscal 2014, revenue increased significantly by 42.5% year on year to ¥16.7 billion, as a result of concentrating on promotion activities for mainstay products. In fiscal 2015, we are projecting another large increase in revenue of over 40%. In addition, we are accelerating measures to launch competitive new products that meet local needs. Examples include the obtaining approval for DE-111 (tafluprost/timolol maleate), developed as a treatment for glaucoma and ocular hypertension, in Korea in June 2015. Through these measures, we aim to further strengthen our presence in the Asian market and contribute to ophthalmic care in the Asian region.

Asian Business Sales Results and Fiscal 2017 Sales Target



1. The contribution from ophthalmology assets taken over by Santen from U.S-based Merck.

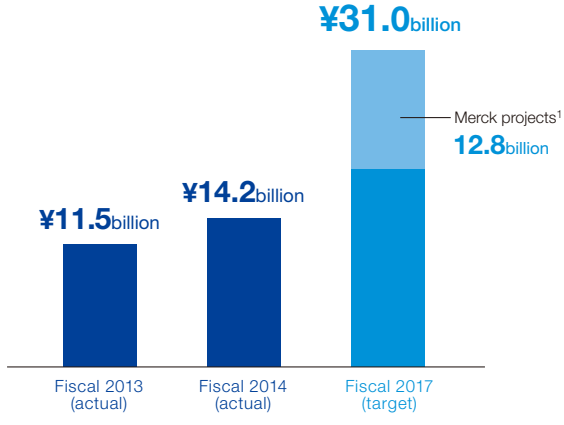
Business Expansion

European Business

We aim to achieve sustained growth and improve profitability by taking full advantage of our strengths in specialized treatment categories such as dry eye and glaucoma.

In the European business, revenue increased by 23.5% to ¥14.2 billion in fiscal 2014. Europe and surrounding regions offer the greatest prospects for growth in product sales from ophthalmology assets taken over from U.S-based Merck & Co., Inc. In fiscal 2015, we are forecasting a growth rate of around 80% in these sales. Currently, we are building a new organization to facilitate expansion of products to more than 40 countries and regions, as we work to offer comprehensive proposals in the glaucoma field, including those involving Santen's mainstay glaucoma and ocular hypertension treatment *Taflotan*. In addition, we are focusing on achieving rapid market penetration of *Ikervis*, which was launched in European countries including Germany and the U.K. in July 2015, as a drug that satisfies the unmet medical needs of dry eye patients in Europe. In doing so, we aim to achieve sustained growth and generate steady earnings.

European Business Sales Results and Fiscal 2017 Sales Target



1. The contribution from ophthalmology assets taken over by Santen from U.S-based Merck.

Organization and Talent

Building a Solid Organization and Developing Talent

We are working to build our organization and strengthen the human resources pipeline towards the realization of sustainable growth.

We believe that developing talent and building a solid organization that can drive "creation and innovation" are crucial to realizing our long-term strategic vision toward 2020. We are developing innovative leaders who will be responsible for medium- and long-term business growth. At the same time, we are strengthening our global management system, focusing on primary functions such as R&D, product supply, and finance, in an effort to facilitate global decision-making and execution of strategies.

In April 2015, Santen, our U.S. subsidiary Santen Inc. and global R&D management personnel from Asia and Europe established Santen Leadership Competency (SLC), a framework that conveys our expectations for personnel based on Santen's Values, along with a new personnel system based on SLC. SLC is positioned as a basic guideline for developing the capabilities and formulating the career plans of each employee. As such, we plan to roll out SLC globally, particularly in Asia and Europe.

Santen will remain focused on developing and enhancing the organizational management system and its employees to ensure sustained growth. We will also push ahead with activities guided by Santen's Values. In doing so, we will bring together our employees as "One Santen, One Team," even as they become increasingly diverse in step with globalization. In this manner, we will further strengthen the Group's collective capabilities to achieve our strategic vision.

Strengthening Corporate Governance and Enhancing Corporate Social Responsibility (CSR) Activities

Based on Santen's Values, we continue to contribute to society for the benefit of patients and their loved ones, pursuing a true customer focus.

We believe our business operations are a social mission because their goal is to supply products and services that enhance QOL for patients worldwide, based on Santen's Values.

To become a "Specialized Pharmaceutical Company with a Global Presence," as outlined in our long-term strategic vision toward 2020, we are focusing on global business development. Under these circumstances, we place particular importance on compliance with regulations and approval systems that differ among countries and regions. We believe that safely delivering pharmaceuticals and information services to patients and fulfilling our social mission are absolutely crucial to advancing business activities based on high standards of ethics among all employees by sharing Santen's Values throughout the Group. We shall focus on further enhancing our corporate governance functions and management transparency while ensuring sound management practices.

We promote CSR activities on the basis of the three perspectives of "customers," "employees" and "society" stated in the Santen Code of Practice, as well as defined 7 Core Subjects of CSR, each with basic policies and activity targets established, and formulated a CSR Policy for each region with the awareness that CSR forms the basis of management. Promoting business and CSR activities in a holistic and consistent manner toward realizing the goals of the long-term management vision, Santen intends to contribute primarily to the welfare of patients and their loved ones, as well as to society at large.

Feature

Expanding the European Business and Accelerating Growth

Making a Positive Contribution as a Specialized Ophthalmic Pharmaceutical Company

Under the basic policies of the Fiscal 2014-2017 Medium-Term Management Plan, Santen has embraced the goals of achieving growth in the European business and improving profitability to realize its long-term strategic vision toward 2020. Guided by these goals, Santen continues to tackle bold challenges.

By harnessing strengths in specialized fields such as glaucoma and dry eye, Santen will make a lasting contribution to ophthalmic treatment.

Strengthening Our Presence in the European Market as a Specialized Ophthalmic Pharmaceutical Company

Santen intends to enhance its profitability by accelerating growth in the European business. This is positioned as a crucial strategy for becoming a "Specialized Pharmaceutical Company with a Global Presence"—its long-term strategic vision toward 2020. To date, Santen has promoted business activities around the growth driver *Taflotan* (tafluprost, sold as *Tapros* in Japan), a treatment of glaucoma and ocular hypertension, focusing on Northern and Eastern Europe, Russia and Germany. After taking over the ophthalmology products from U.S.-based Merck & Co., Inc. in 2014, we have significantly expanded our presence in terms of product portfolio as well as the countries and regions where we can develop business, along with strengthening our platform for future growth in the European business.

In fiscal 2014, revenue in the European business increased by 23.5% year on year to ¥14.2 billion, with revenue growth of around 80% projected for fiscal 2015. We launched *Ikervis* (generic name: ciclosporin, development name: Cyclokat) for the treatment of severe keratitis in adult patients with dry eye disease, which has not improved despite treatment with tear substitutes. We will also further expand our regional sales coverage with the ophthalmology products we took over from Merck & Co., Inc. Leveraging these initiatives, we intend to advance to our next stage of growth.

The European prescription ophthalmic pharmaceutical market is the world's second largest market after that of the U.S. Moreover, Europe's drug approval and quality standards are recognized by various countries worldwide, including Asian nations. Going forward, we will maximize our strengths in specialized fields such as glaucoma and dry eye as we enhance our organizational management and business functions. By doing so, we intend to establish our business activities in Europe as a model of success for driving growth in the global market as a specialized ophthalmic pharmaceutical company.

Shigeo Taniuchi
Corporate Officer, Head of Santen Europe

Fiscal 2014 Revenue in the European Business

¥14.2 bn

Fiscal 2017 Revenue Target for the European Business

¥31.0 bn

Santen has obtained approval for *Ikervis*, a drug aimed to satisfy the unmet medical needs of dry eye patients in Europe.

Creating Products to Satisfy Unmet Medical Needs with Unique Novasorb Technology

In March 2015, Santen received approval of the Marketing Authorization Application (MAA) for *Ikervis* from the European Commission. *Ikervis* was approved for treatment of severe keratitis in adult patients with dry eye disease, which has not improved despite treatment with tear substitutes. Since July 2015, *Ikervis* has been launched successively in European countries including Germany and the U.K., with the aim of maximizing product value.

In Europe, ophthalmic solutions for the treatment of dry eye were only available as over-the-counter medicines. Although some eye specialists use hospital compounded formulations of ciclosporin or the like to treat severe keratitis in dry eye patients, a considerable number of patients have had to visit multiple healthcare providers before they could receive appropriate care. In this sense, *Ikervis* is a new drug that has been eagerly awaited by patients in Europe.

Ikervis employs the Novasorb technology[1] developed by Santen S.A.S. This technology enables applications in ophthalmic solutions containing drugs with poor solubility in water, and has potential benefits including expanded contact surface, improved residence time and enhanced absorption of ciclosporin.

Santen will work to increase market penetration of *Ikervis* by taking full advantage of its expanded sales network after taking over ophthalmology products from Merck & Co., Inc., in tandem with harnessing its knowledge and expertise as a pioneer in the treatment of dry eye in Japan.

1. Novasorb is the technology that applies a positive electric charge to an ophthalmic emulsion.

Supporting the Development of Diagnostic Criteria of Dry Eye Specialists by Learning from Patient Feedback

In Europe, two crucial themes have emerged alongside the need to develop drug treatments: (1) the formulation of

Message

Christophe Baudouin, M.D., Ph.D.
Chairman of the Dept. of Ophthalmology
Quinze-Vingts National Ophthalmology Hospital
Professor and Director of
an INSERM-labelled Research Group
Vision Institute, University of Paris 6

Great Expectations for Santen in Development of Dry Eye Treatment in Europe

For over 20 years, I have observed how symptoms accompanying dry eye disease affect the QOL of many of my patients. In Europe, the main treatment for dry eye disease has been tear substitutes. However, there has been no effective drug to treat the severe keratitis that accompanies dry eye. Many of these patients have suffered from this condition for years. *Ikervis* entering the market brings a treatment of the severe keratitis with dry eye, which has not improved despite treatment with tear substitutes. We have high expectations that Santen's original Novasorb technology used in *Ikervis* will strengthen application to the surface of the eye as well as be effective in protecting and healing.

Dry eye disease is caused by a variety of reasons, including Sjögren's syndrome[2] and meibomian gland dysfunction. Further, the illness mechanism differs from one disease to another. Going forward, we expect that Santen, as a specialty company in the field of ophthalmology, will develop outstanding pharmaceutical products that satisfy unmet medical needs.

2. An auto-immune disease characterized mainly by a general dryness, especially of the eyes and mouth. Middle-aged and elderly women are particularly prone to this disease.

Research and Development

guidelines that promote the appropriate diagnosis and treatment of dry eye, and (2) the sharing of patient feedback and information about treatment conditions and other topics. Santen is taking many different initiatives to address these themes. One example is the project by dry eye specialists, where Santen indirectly supports activities designed to set common diagnostic criteria across various countries with different healthcare environments. Another example is the initiative to understand the actual situations faced by dry eye patients in Europe, contribute to the development of dry eye treatment, and provide such feedback to ophthalmologists. In these and other ways, Santen has implemented activities in collaboration with healthcare professionals. Notably, these activities have revealed that it can take a long time for many patients to receive the correct diagnosis. This indicates that dry eye is having a huge impact on the Quality of Life (QOL) of patients.

Santen is also taking other steps to help improve patients' QOL. For example, to ensure that ophthalmologists understand the actual views of patients and their needs, Santen is creating forums to stimulate dialogue between ophthalmologists and dry eye patients at ophthalmological society meetings. Santen is also financially supporting the launch of patient-group websites in Europe.

Catherine Faou
President, AFGS – Association Française du Gougerot Sjögren et des Syndromes Secs

We Are Overjoyed by the Development of a Much Awaited Medication

Dry eyes can make our personal, social and professional lives very uncomfortable. Air-conditioning is everywhere—trains, planes, restaurants, offices, theaters, supermarkets—and unbearable for our eyes. Wind and draughts make our eyes red and burn. The pain can be constant, 24 hours a day. I am chairwoman of an association dedicated to supporting and helping patients with Sjögren's syndrome and other ailments causing dry eye to better understand these diseases and to overpass worsening external factors. We have been waiting for years to have access to a pharmaceutical ocular ciclosporin for severe dry eye treatment. We hope *Ikervis* will be accessible at the pharmacy next door and not only at a hospital far from home. And even more importantly, we expect it will decrease the frequency and intensity of keratitis and related pain. We thank Santen for its dedication to ophthalmology and count on it to continue exploring Sjögren's syndrome in order to increase societal awareness and develop new products to improve our QOL and QOV (Quality of Vision).

Santen will strive to further enhance its presence across the entire European market, primarily in the glaucoma and dry eye fields.

Accelerating Market Penetration of Existing Products Such as the Growth Driver *Taflotan*

Santen has positioned as its growth driver in the European business the glaucoma and ocular hypertension treatment *Taflotan*, which was launched in 2008. Accordingly, we have worked to expand business primarily in the glaucoma and ocular hypertension fields. Santen has now obtained approval for *Taflotan* in more than 40 countries centered on the European region. Currently, we market this product directly in 24 countries including Germany. In January 2015, Santen launched the combination ophthalmic solution *TAPTIQOM* (tafluprost/timolol maleate, sold as *TAPCOM* in Japan) for the treatment of glaucoma and ocular hypertension. Efforts are now focused on driving rapid market penetration of *TAPTIQOM* and *Ikervis* as new mainstay products.

Maximizing the Benefits of Sales Coverage in More Countries and an Enhanced Product Lineup After Taking Over Products from U.S.-Based Merck & Co., Inc.

Since December 2014, MAs[1] for ophthalmology products

taken over from U.S.-based Merck & Co., Inc. have been steadily transferred to Santen, and Santen has commenced sales of these items as its own products. Eyeing the expansion of products to over 40 countries and regions, Santen is now steadily preparing for product launches. Santen is also building organizational management systems capable of undertaking a full range of activities for the products taken over from Merck & Co., Inc. These include production and logistics, quality assurance, provision of

European General Managers

Enhancing the Organizational Management System in European Business

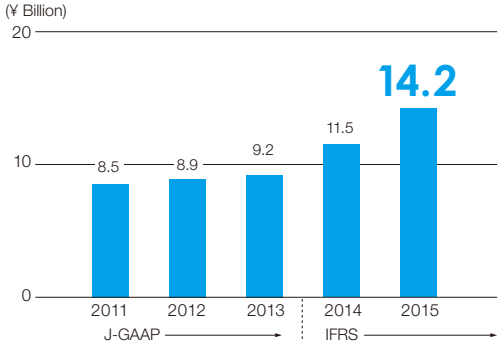
Santen is enhancing the organizational management system and its human resources in Europe by successively setting up sales organizations in Italy, the U.K., Ireland, Spain, Portugal, Belgium, the Netherlands, Luxembourg, Switzerland and Austria. There are growing expectations for Santen among healthcare professionals in each of these countries, particularly for its product competitiveness and ability to provide pharmaceutical information with a focus on the field of ophthalmology. Santen will steadily push ahead with business activities to meet these expectations.

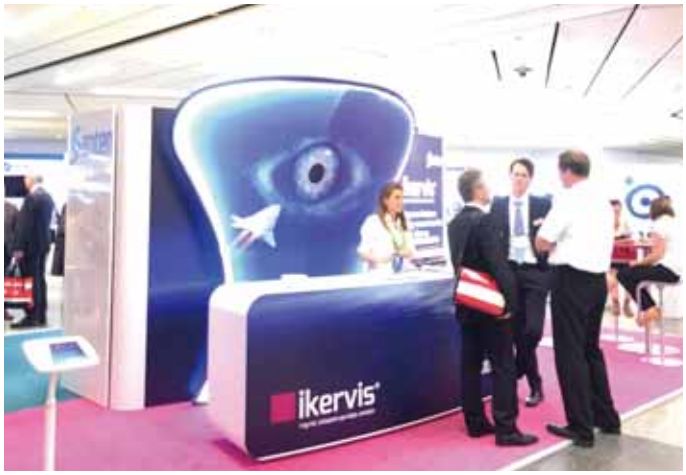
Sales and Marketing

pharmaceutical information and post-marketing pharmacovigilance.

Looking ahead, we will enlarge our activities to offer comprehensive proposals in the glaucoma field that encompass the ophthalmology products taken over from Merck & Co., Inc., our mainstay product *Taflotan* and our new product *TAPTIQOM.* Santen will direct these efforts to help enhance patients' QOL. In addition, we will take steps to maximize synergies with the marketing of products such as *Ikervis*, which we launched in July 2015 as a treatment of severe keratitis in adult patients with dry eye, and DE-109 (sirolimus), for which a Marketing Authorization Application was filed in February 2015 for the treatment of non-infectious uveitis of the posterior segment. Through these and other activities, we will strive to accelerate growth in the European business.

Revenue in the European Business





By harnessing its expansive product lineup that fits local needs in Europe, Santen will strive to enhance business growth and profitability to achieve its long-term strategic vision toward 2020. In addition, as a specialized ophthalmic pharmaceutical company, we will provide high-quality pharmaceutical information through our own medical representatives, along with supporting the activities of European ophthalmological societies and patient groups. In these and other ways, Santen will contribute to the advancement of ophthalmological treatment in Europe.

1. MA: Marketing Authorization

While taking full advantage of global R&D achievements, Santen is accelerating new product innovation.

Naveed Shams, M.D., Ph.D.
Senior Corporate Officer, Chief Scientific Officer (CSO)
Head of Global Research and Development
President & CEO of Santen Inc.

Research & Development

Pursuing Product Development to Satisfy the Needs of Patients

Santen is pushing ahead with R&D activities to contribute to improving the Quality of Life (QOL) of patients around the world. Focused on developing products in ophthalmology, the Company is creating competitive therapies by selectively channeling resources into corneal and conjunctival epithelial disorders, glaucoma and ocular hypertension, and retinal and uveal disorders, as we deem these markets to have high unmet medical needs and strong growth prospects.

Guided by the Fiscal 2014-2017 Medium-Term Management Plan, we have embraced product development as a key theme under our basic policy. We are implementing various measures to enhance the pipeline, raise the probability of success, and shorten development times, all aimed at rapidly developing differentiated products that satisfy unmet medical needs. In particular, we consider increasing the probability of success of projects in late-stage clinical development to be essential in achieving sustained growth. To this end, we are concentrating our efforts on "Network Product Development[1]," a best-in-class strategy, and accelerating translational research[2]. Furthermore, we have drawn up strategies for each therapeutic category where we can leverage Santen's strengths, focusing on dry eye, glaucoma, and retinal disorders. In doing so, we are working to discover and develop differentiated products that fit the treatment needs of patients. Additionally, we aim to maximize the market value of our current portfolio of products through life cycle management[3] by means including the Company's unique drug formulation technologies.

Progress on Global R&D

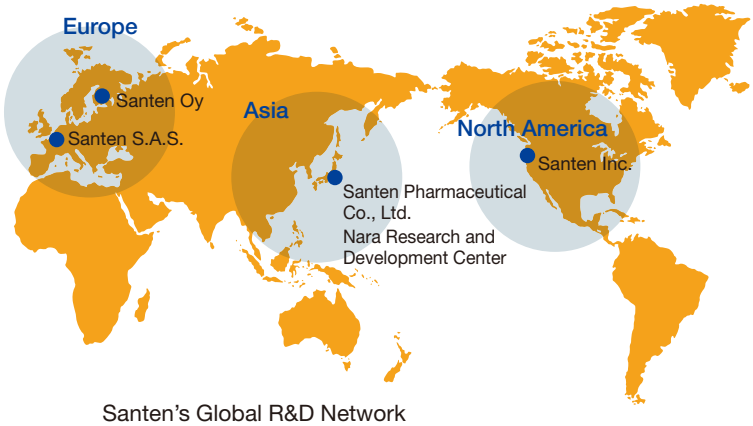
Santen has been accelerating global product development in tandem with strengthening collaboration among R&D bases in Japan, the U.S. and Europe. In fiscal 2014, this strategy came to fruition and led to various accomplishments that will help to lay a solid foundation for sustained growth going forward.

In the field of corneal and conjunctival epithelial disorders, in March 2015 Santen obtained marketing approval for *Ikervis* (generic name: ciclosporin, development name: Cyclokat) in Europe. *Ikervis* was approved for the treatment of severe keratitis in adult patients with dry eye disease, which has not improved despite treatment with tear substitutes. Sales started sequentially across Europe, including Germany and the U.K., from July 2015. Developed using Santen's original Novasorb technology[4], *Ikervis* is the first prescription ophthalmic treatment designed to satisfy the unmet needs of dry eye patients in Europe.

In the field of retinal and uveal disorders, Santen held the SAKURA[5] Global Phase 3 studies at approximately 140 sites across Europe, the U.S. and Asia to evaluate DE-109 (sirolimus) in patients. In February 2015, Santen filed a Marketing Authorization Application for the use of intravitreal sirolimus for the treatment of non-infectious uveitis (NIU) of the posterior segment in Europe. Currently, only limited treatment options are

available for NIU of the posterior segment, which is a leading cause of blindness. Therefore, a novel treatment that has minimal local and systemic side effects is desired. Santen expects to satisfy the unmet therapeutic needs of patients through DE-109, a non-steroidal treatment.

In the field of glaucoma and ocular hypertension, Santen obtained approval for the fixed dose combination ophthalmic solution DE-111 (tafluprost/timolol maleate) in Japan and Europe. The Company launched DE-111 as *TAPCOM* in Japan in November 2014. In Europe, the product has been selling as *TAPTIQOM* since January 2015.



Santen's Global R&D Network

In November 2014, as part of efforts to promote Network Product Development, Santen and SERI[6] launched a strategic, multi-year collaboration designed to develop new therapeutics in ophthalmology, with a special focus on diseases prevalent in Asia, in addition to corneal and conjunctival epithelial disorders, glaucoma and ocular hypertension, and retinal disorders. Collaboration on research activities is already underway in multiple ophthalmic disease areas. Through this joint research, Santen intends to combine its R&D capabilities developed as a specialized ophthalmic pharmaceutical company and SERI's diverse translational research capabilities. In doing so, Santen seeks to make an even greater contribution to patients around the world.

By steadily pushing ahead with these R&D activities, Santen aims to further accelerate the development of differentiated products that satisfy patients' unmet needs.

1. An approach of proactive use of compounds and technologies from outside the company in product development
2. Multi-disciplinary research that links basic research, clinical research, and medical care and utilizes such findings for effective and efficient practical applications to contribute to healthcare advancement
3. Aligning one compound to treatment needs over the long term and augmenting through additional indication, dosage, formulation and combination products to increase product value
4. Novasorb aids widespread absorption of ophthalmic solutions over the ocular surface by applying a positive electric charge to an ophthalmic emulsion. This causes the drug to be attracted to the negatively charged ocular tissues
5. Study Assessing double-masKed Uveitis tReAtment
6. Singapore Eye Research Institute

Pipeline of Prescription Pharmaceuticals (Clinical Development)

Corneal and Conjunctival Epithelial Disorders

Dev. Code	Generic Name	Indication	Original / Licensor	Region	Phase 1 / 2 / 3 / NDA Filed / Approved
DE-089	Diquafosol sodium	Dry eye	Merck Sharp & Dohme Corp. (U.S.)	Korea	Launched, October 2013
				China	January 2012
				Asia	July 2015

Glaucoma

Dev. Code	Generic Name	Indication	Original / Licensor	Region	Phase 1 / 2 / 3 / NDA Filed / Approved
DE-085	Tafluprost	Glaucoma Ocular hypertension	Co-development with Asahi Glass	Asia	Launched, March 2010
				China	January 2011
DE-111	Tafluprost/ timolol maleate	Glaucoma Ocular hypertension	Co-development with Asahi Glass	Japan	Launched, November 2014
				Europe	Launched, January 2015
				Korea	June 2015
				Asia	March 2015
DE-117	Undetermined	Glaucoma Ocular hypertension	Co-development with Ube Industries	U.S.	
DE-118	Tafluprost	Glaucoma Ocular hypertension	Co-development with Asahi Glass	Japan	Launched, October 2013
				Asia	June 2015
DE-090	Lomerizine HCl	Glaucoma	MSD	Japan	

Development Code Color Key: ■Global product ■Japan (Asia) product

As of August 4, 2015

Corneal and Conjunctival Epithelial Disorders

DE-089 (generic name: diquafosol sodium)

A treatment for dry eye that stimulates the ocular surface to secrete mucin and tear fluid, DE-089 offers a different mechanism of action from *Hyalein* (sodium hyaluronate), a treatment for corneal and conjunctival epithelial disorders. DE-089 was launched as a dry eye treatment in Japan under the name *Diquas* in December 2010, and then launched in Korea in October 2013. An NDA has been filed in China. In Thailand, approval was acquired in July 2015, and applications have been successively filed in other Asian countries.

Glaucoma

DE-085 (generic name: tafluprost)

A prostaglandin derivative for the treatment of glaucoma and ocular hypertension, DE-085 increases uveoscleral outflow of the aqueous humor and shows a potent and stable IOP-lowering effect. DE-085 was launched in Japan as *Tapros* in December 2008, and in Germany and some other European countries in 2008. It is also currently marketed in seven countries in Asia. An NDA has been filed in China.

DE-111 (generic name: tafluprost/timolol maleate)

DE-111 is a combination drug of tafluprost, a prostaglandin derivative and timolol maleate, a beta-adrenergic receptor blocker drug for the treatment of glaucoma and ocular hypertension. DE-111 was launched in Japan as a glaucoma and ocular hypertension treatment called *TAPCOM* in November 2014. DE-111 was launched as a treatment for glaucoma and ocular hypertension under the name of *TAPTIQOM* in Europe in January 2015, approval acquired in Korea in June 2015, and applications have been successively filed in other Asian countries.

DE-117 (generic name: undetermined)

An EP2 agonist with a new mechanism of action. In February 2015, Phase 2b clinical trials were completed in the U.S.

DE-118 (generic name: tafluprost)

A prostaglandin derivative for the treatment of glaucoma and ocular hypertension, DE-118 is a preservative-free, unit-dose, single-use type product. It was launched in Japan in October 2013. Approval acquired in Hong Kong in June 2015, and applications have been successively filed in other Asian countries.

DE-090 (generic name: lomerizine HCl)

A new type of glaucoma treatment which inhibits the progression of visual field defects, DE-090 is in Phase 2 clinical trials being conducted in Japan. It is the only calcium antagonist being developed as an oral glaucoma treatment. Compared to NMDA receptor antagonists, systematic adverse drug reactions are mild, offering an excellent safety profile. The compound is also marketed by MSD K.K. in Japan as a migraine treatment drug.

Message

Collaboration with Santen that Envisions More Rapid New Drug Development to Deliver Better Medical Care to Patients Worldwide

Healthy eyes and good vision are vital for one's Quality of Life (QOL). Based on this, I believe that the treatment of ophthalmic disorders is an issue of the utmost importance. To contribute to progress in the field of ophthalmology, SERI[1] and Santen have launched a strategic joint research project conducting R&D aimed at new drug development with a special focus on disorders prevalent in Asia. Top class ophthalmologists and researchers in specialized fields such as retina, glaucoma and cornea have been assembled. SERI, which conducts cutting-edge research, is fully aligned with Santen's vision of contributing to the development of ophthalmological treatment by bringing new drugs to the market in the soonest possible manner. I am convinced that the SERI and Santen researchers working together across national borders will be able to turn our goal of new drug development into reality.

I believe that this collaboration makes full use of the strengths of both parties and will help deliver better medical care to patients around the world.

1. Singapore Eye Research Institute

Tin Aung M.D., Ph.D.

Executive Director, Singapore Eye Research Institute (SERI)
Deputy Medical Director (Research), Singapore National Eye Centre (SNEC)

Pipeline of Prescription Pharmaceuticals (Clinical Development)

Retinal and Uveal Disorders

Dev. Code	Generic Name	Indication	Original / Licensor	Region	Phase 1	Phase 2	Phase 3	NDA Filed	Approved
DE-109	Sirolimus	Uveitis	Original	U.S.					
				Japan					
				Europe					February 2015
				Asia					April 2015
DE-120	Undetermined	Wet age-related macular degeneration	Original	U.S.					

Santen S.A.S.'s Pipeline of Prescription Pharmaceuticals

Dev. Name	Generic Name	Indication	Original / Licensor	Region	Phase 1	Phase 2	Phase 3	NDA Filed	Approved
Cyclokat	Ciclosporin	Severe keratitis with dry eye	Original	Europe					Launched, July 2015
				U.S.					
Vekacia	Ciclosporin	Vernal keratoconjunctivitis	Original	Europe					
Catioprost	Latanoprost	Glaucoma Ocular hypertension	Original	Europe					
Cortiject	Dexamethasone palmitate	Diabetic macular edema	Original	U.S.			Phase 1/2		

*Catioprost and Cortiject are under project evaluation

As of August 4, 2015

Development Code Color Key: ■Global product

About Research and Development

Discovery Research → Pre-Clinical Trials → **Clinical Trials** → Application for Approval → Launch

After passing pre-clinical trials for safety and efficacy, new drug candidates are put through the clinical trial phases outlined on the right. Upon receiving manufacturing and marketing approval, they can be sold as prescription pharmaceuticals.

Phase 1
Estimate initial safety and tolerability of drug on a small number of healthy volunteers

Phase 2[1]
Investigate and determine the appropriate dose and regimen for a specific treatment on a small number of patients

Phase 3
Confirm safety and efficacy relative to existing drugs and placebos on a large number of patients

1. In the initial stage of Phase 2, POC (Proof of Concept) is tested and safety and efficacy evaluated.

Retinal and Uveal Disorders

DE-109 (generic name: sirolimus)

An intravitreal injection with immunoregulatory effects. A Marketing Authorization Application (MAA) was filed in Europe in February 2015, and an NDA was filed in Asia in April 2015 for the use of intravitreal sirolimus for the treatment of NIU of the posterior segment. Phase 3 clinical trials are underway in the U.S. and Japan.

DE-120 (generic name: undetermined)

An intravitreal injection with a dual inhibitor of Vascular Endothelial Growth Factor (VEGF) and Platelet-Derived Growth Factor (PDGF). Phase 2a clinical trials are underway in the U.S.

Santen S.A.S.'s Pipeline of Prescription Pharmaceuticals

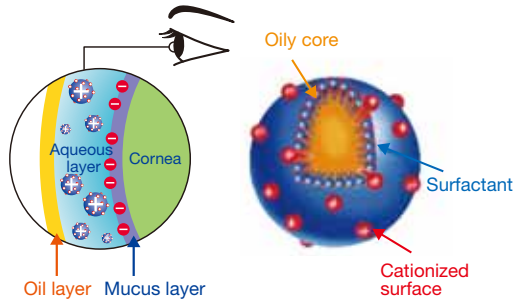
Cyclokat (generic name: ciclosporin)

A topical ophthalmic emulsion which improves signs and symptoms of severe dry eye by immunosuppressive effect. Novasorb technology has enhanced ocular tissue absorption. In July 2015, Cyclokat was launched under the name of *Ikervis* as a topical treatment for severe keratitis in adult patients with dry eye disease, which has not improved despite treatment with tear substitutes. Phase 2 clinical trials have been completed in the U.S.

Vekacia (generic name: ciclosporin)

A topical ophthalmic emulsion which improves vernal keratoconjunctivitis symptoms by immunosuppressive effect. Novasorb technology has enhanced ocular tissue absorption. It is in Phase 3 clinical trials in Europe.

Novasorb technology



Novasorb aids rapid absorption of ophthalmic solutions by targeted ocular tissues by applying a positive electric charge to an ophthalmic emulsion, causing it to spread rapidly over the negatively charged ocular surface.

Catioprost (generic name: latanoprost)

A topical ophthalmic emulsion of a prostaglandin F2α derivative, for the treatment of glaucoma and ocular hypertension. It is currently under project evaluation.

Cortiject (generic name: dexamethasone palmitate)

An intravitreal injection with anti-inflammatory effect. It is currently under project evaluation.

Message

Pursuing the Full Potential of Santen's Proprietary Novasorb Technology to Fulfill Patients' Unmet Medical Needs

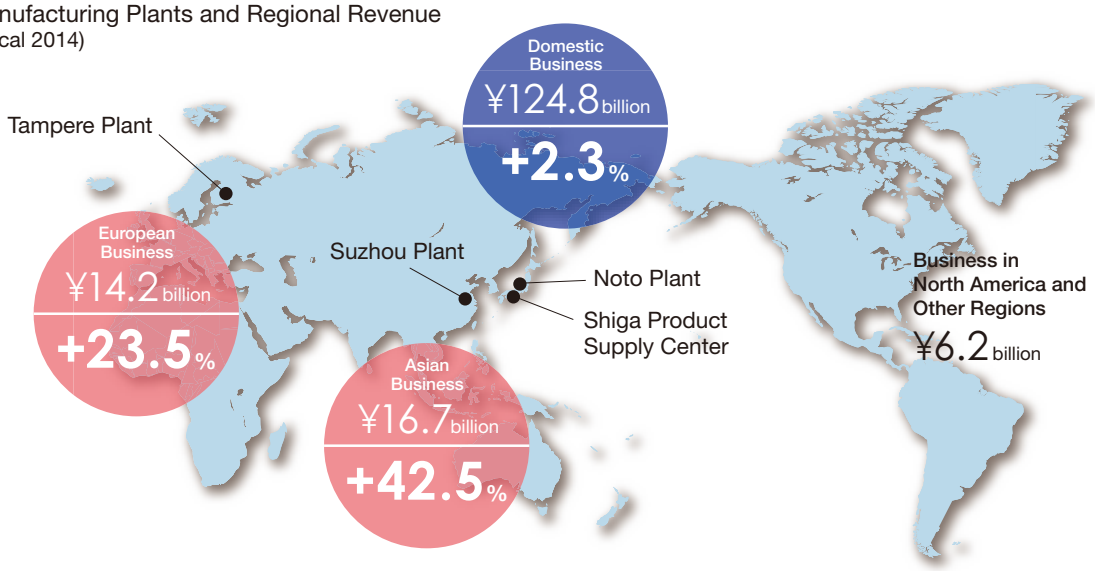
Ikervis takes full advantage of Santen's proprietary Novasorb technology. By applying a positive charge to this ophthalmic emulsion, Novasorb enables ciclosporin, *Ikervis*' active ingredient, to spread rapidly over the negatively charged ocular surface. At the same time, it achieves improved protection and healing of the ocular surface. This breakthrough has made a new treatment option available to patients suffering from severe keratitis with dry eye. Novasorb has application potential in a wide range of treatments beyond the dry eye field, including the allergy and glaucoma and ocular hypertension fields. Therefore, I expect Novasorb to support Santen's ambitions to achieve sustained growth as a specialized ophthalmic pharmaceutical company.

Jean-Sébastien Garrigue, Pharm.D.
General Manager, R&D Director,
Advanced Technology, Santen S.A.S.

Delivering Needed Pharmaceuticals to Patients Worldwide

Aiming to realize its long-term strategic vision toward 2020 of becoming a "Specialized Pharmaceutical Company with a Global Presence," the Santen Group is accelerating business growth with a view to joining the ranks of the top three global companies in its field.

Manufacturing Plants and Regional Revenue
(Fiscal 2014)



[Product Supply and Quality Assurance]

Supply Globally Competitive, High-Quality Products

Santen will strive to pursue globally competitive costs and high product quality to continue growing in step with changes in the global pharmaceutical market. We will provide a stable supply of products to the markets. In addition, we will maintain and enhance our quality assurance system. We thereby aim to optimize the global supply chain in order to fulfill our customers' needs.

Domestic Operations

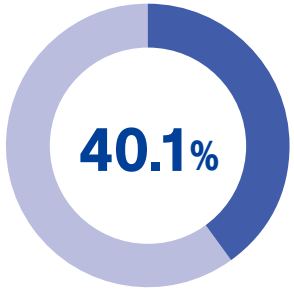
Prescription Ophthalmic Pharmaceuticals

Fiscal 2014 Revenue

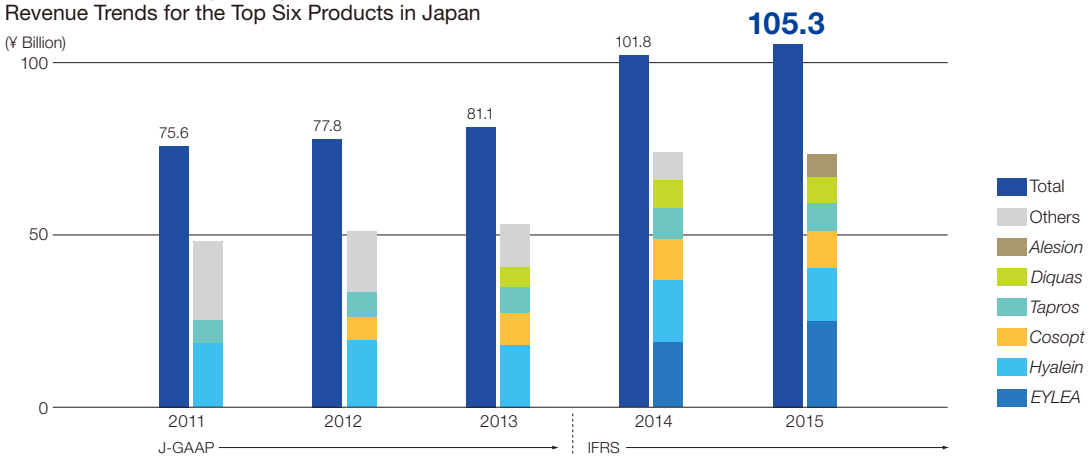
¥105,345 million +3.5%

The Japanese prescription ophthalmic pharmaceuticals market grew 7.4%, to ¥323.7 billion in fiscal 2014, mainly due to growth in sales of products for retinal disorders, despite the impact of National Health Insurance (NHI) drug price revisions. Santen's domestic prescription ophthalmic pharmaceutical revenue increased 3.5%, to ¥105,345 million. This increase was due to our advancement of promotional activities in which our medical representatives provided individual doctors and medical facilities with scientific information tailored to their changing needs. Based on these results, Santen maintained its top share of the domestic prescription ophthalmic pharmaceutical market, which currently stands at 40.1%.

Share in the Japanese Prescription Ophthalmic Pharmaceutical Market (Fiscal 2014)

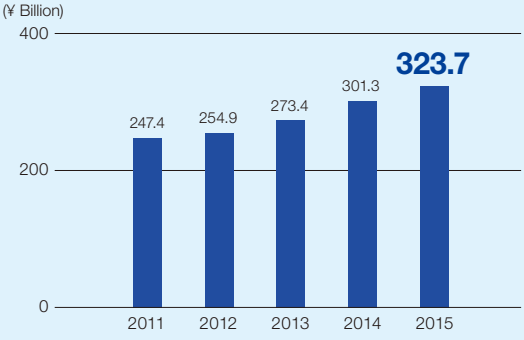


Revenue from Prescription Ophthalmic Pharmaceuticals and Revenue Trends for the Top Six Products in Japan

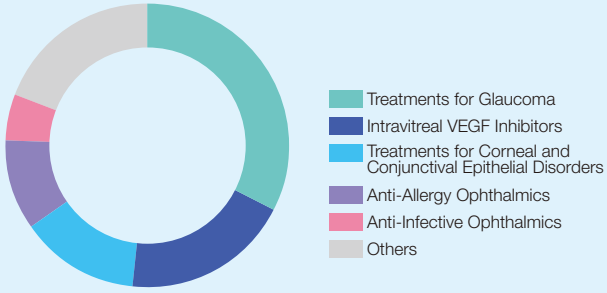


Prescription Ophthalmic Pharmaceutical Market Trends

Market Size

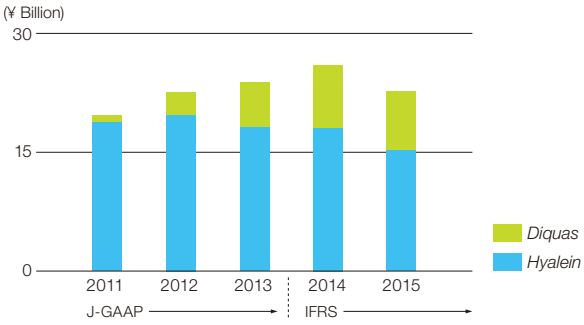


Market Composition by Treatment (Fiscal 2014)

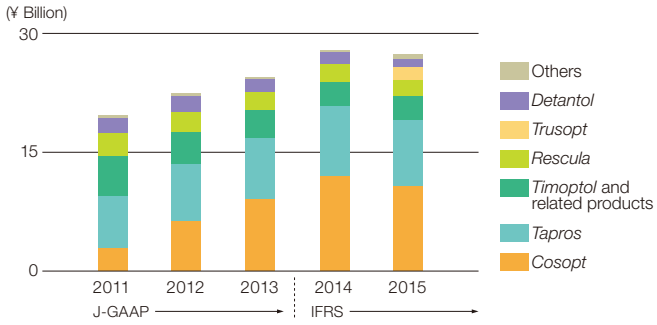


Domestic Operations

Revenue from Main Treatments for Corneal and Conjunctival Epithelial Disorders



Revenue from Treatments for Glaucoma



Treatments for Corneal and Conjunctival Epithelial Disorders

Market Trends

The market for corneal and conjunctival epithelial disorder treatments associated with dry eye was ¥44.2 billion in fiscal 2014, mostly unchanged from fiscal 2013. Dry eye is a disorder caused by inadequate tear fluid volume or a change in tear fluid composition that can result in corneal damage. Proper treatment is dependent upon proper diagnosis through regular consultations with an ophthalmologist. As this disorder is not widely recognized, many patients with obvious symptoms do not receive medical treatment. In addition, the number of people suffering from dry eye is trending upward with increased use of digital devices, increased use of contact lenses and the aging of Japan's population. Based on the aforementioned, the market is expected to continue growing.

Operating Results

In fiscal 2014, revenue from *Hyalein*, a key Santen product, decreased 15.7% year on year to ¥15,316 million, mainly due to the impact of revised NHI drug prices and promotions for generic drugs. Revenue from *Diquas*, which was launched in December 2010, decreased by 5.3%, to ¥7,419 million, mainly due to a downturn in demand following a rush to buy ahead of the consumption tax hike in April 2014. Santen maintained a firm 65.6% share of the corneal and conjunctival epithelial disorder treatment market. Under challenging market conditions, this strong market share was attributable to Santen providing more options for treating dry eye, for which there are high unmet medical needs, along with continuously implementing activities to raise awareness of dry eye among patients and medical professionals. Santen plans to continue promoting greater awareness of dry eye. By doing so, Santen will strongly advocate that new patients—there are estimated to be 22 million in Japan—and existing patients consult their doctors to receive proper and continuous treatment. In the process, Santen will link efforts to further enhance awareness toward the treatment of dry eye with aims to strengthen the Company's presence and standing further within the corneal and conjunctival epithelial disorder field.

Treatments for Glaucoma

Market Trends

The glaucoma treatment market grew 0.9%, to ¥105.7 billion. Treatments for glaucoma represent the largest segment of Japan's prescription ophthalmic pharmaceutical market, accounting for approximately 33% of the total. Increased intraocular pressure is a significant risk factor resulting in damage to the optic nerve. This can lead to visual field loss and in some cases blindness. Glaucoma is the most common cause of blindness in people with ophthalmic disease in Japan. According to epidemiological studies, there are a large number of individuals with glaucoma who have not been diagnosed by doctors. A key issue remains early detection and treatment of this disorder. The glaucoma market is expected to expand

Hyalein (Launched in 1995)

Hyalein was Japan's first corneal and conjunctival epithelial disorder treatment. It is a highly water-retentive ophthalmic solution that increases tear film stability. *Hyalein* accelerates corneal epithelial bonding and migration, which in turn helps repair corneal epithelial damage.

Diquas (Launched in 2010)

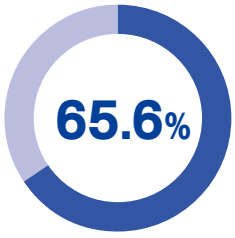
Diquas is the first approved P2Y$_2$ receptor agonist in the world to be formulated as an ophthalmic pharmaceutical and has a new mechanism of action for the treatment of dry eye. *Diquas* promotes the secretion of mucin[1] and tear fluid, helping to heal damage to the ocular surface by improving the condition of tears.

1. The surface of the cornea contains an aqueous layer and a mucin layer containing complex glycoproteins

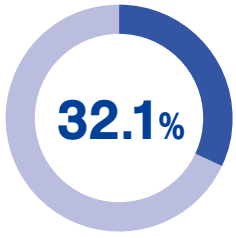
Tapros (Launched in 2008)

Tapros is a prostaglandin-related glaucoma treatment with strong intraocular pressure-reduction properties. It is the first product of its kind to undergo clinical trials as a treatment for normal tension glaucoma, the most common glaucoma disorder among Japanese people.

Treatments for Corneal and Conjunctival Epithelial Disorders Market Share



Treatments for Glaucoma Market Share



going forward, mainly due to the increase in patient numbers owing to population aging.

Operating Results

Mainstay products *Tapros* and *Cosopt Combination Ophthalmic Solution* performed largely as planned in terms of sales volume, owing to steady market penetration. However, due to a downturn in demand following a rush to buy ahead of the consumption tax hike and other factors, *Tapros* revenue decreased 7.0% year on year to ¥8,329 million, and revenue from *Cosopt Combination Ophthalmic Solution* declined 9.8% to ¥10,689 million. In November 2014, Santen launched *TAPCOM Combination Ophthalmic Solution* to help improve convenience for patients, as part of efforts to further address patient needs. As a result, the Company's share of the glaucoma treatment market was 32.1% in fiscal 2014, as Santen retained the top market share.

In fiscal 2015, Santen will push ahead with efforts to maximize the market value and drive market penetration of mainstay products *Tapros, Cosopt Combination Ophthalmic Solution and TAPCOM Combination Ophthalmic Solution*. Santen will also continue to highlight the particular benefits of *Rescula, Detantol* and other products. Meanwhile, by leveraging its expansive product lineup, Santen will vigorously step up activities to provide medical information that meets the needs of medical professionals, such as the latest glaucoma-related information and advice on prescribing pharmaceuticals. Through these and other activities, Santen will continue working to enhance its presence in the glaucoma field.

Message

High Expectations Held for Santen to Deliver Patient-Oriented Ophthalmic Treatments Globally

For many years, Santen has been helping to maintain and improve the QOV and QOL[2] of patients who have ophthalmic disorders, primarily through eye drops. It has also been contributing to the development of ideal relationships between patients and medical professionals by promoting joint research with universities and other partners. Any decline in QOV or QOL can have an extremely serious impact on the lives of patients. In cases of chronic progressive disorders such as glaucoma, I believe that it is absolutely necessary that drugs are developed with emphasis on the patient's standpoint. Treatment by ophthalmic solutions is a method that relies mainly on the patients to apply ophthalmic solutions. However, it is known that patients with glaucoma in particular have extremely poor adherence[3] to treatment by ophthalmic solutions. I strongly expect Santen to remain focused on activities that will increase patients' adherence to treatments via ophthalmic solutions by improving the usability and comfort of these solutions from many different perspectives, in addition to ensuring efficacy and safety, based on an accurate understanding of the needs of patients and medical professionals.

2. QOV: Quality of Vision, QOL: Quality of Life
3. Adherence refers to whether patients continue to take their medications as prescribed by the treatment plan.

Makoto Aihara, M.D., Ph.D.
Professor and Chair,
Department of Ophthalmology, University of Tokyo

Cosopt Combination Ophthalmic Solution
(Launched in 2010)

Cosopt Combination Ophthalmic Solution is a leading treatment for glaucoma that combines dorzolamide hydrochloride and timolol maleate, delivering a significant reduction in intraocular pressure in a single agent.

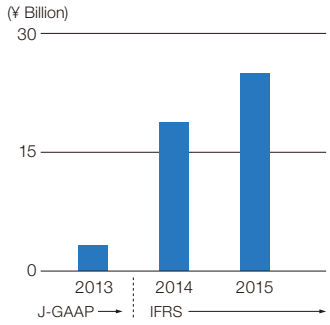
New Product

TAPCOM Combination Ophthalmic Solution
(Launched in 2014)

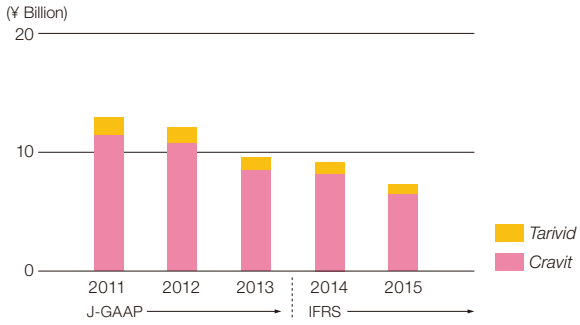
TAPCOM Combination Ophthalmic Solution contains tafluprost, which is the active ingredient of *Tapros*, as well as timolol maleate. This combination delivers a significant reduction in intraocular pressure in a single agent.

Domestic Operations

Revenue from *EYLEA*



Revenue from Main Anti-Infective Ophthalmics



Treatments for Retinal Disorders

Market Trends

There are unmet medical needs in the field of retinal disorders, including wet age-related macular degeneration (wet AMD), diabetic retinopathy, and macular edema. The Japanese market for retinal disorder treatments has grown at an accelerated pace against the backdrop of the aging of Japan's population and other factors. The market for intravitreal VEGF inhibitors for wet AMD and other disorders expanded 42.6%, to ¥61.6 billion, in fiscal 2014.

Operating Results

In November 2012, Santen launched the intravitreal VEGF inhibitor, *EYLEA Solution for Intravitreal Injection*, to meet the need for a new therapeutic option for retinal disorder. Revenue from this product has continued to increase dramatically. In fiscal 2014, *EYLEA* revenue rose 32.7% year on year to ¥24,886 million, due partly to the positive impact of additional indications. *EYLEA*'s market share in the intravitreal VEGF inhibitor market reached 48.8%, spearheading market growth. In fiscal 2015, we will continue to vigorously provide high-quality pharmaceutical information, working together with our partner Bayer Yakuhin, Ltd. to penetrate the market further.

Anti-Infective Ophthalmics

Market Trends

The overall scale of the anti-infective ophthalmic market contracted 8.2%, to ¥16.8 billion, continuing the declining trend over recent years. One reason is the shortening of the duration of treatment for anti-infective ophthalmic products after cataract and other ocular surgeries.

Operating Results

In fiscal 2014, revenue from the Company's two key products, *Cravit* and *Tarivid*, declined 20.5% year on year, to ¥7,261 million, mainly due to the impact of NHI drug price revisions and promotions for generic drugs. Santen's share of the anti-infective ophthalmic market fell to 54.0% year on year. However, the Company continues to maintain a dominant position in this market.

In June 2011, amid strong demand for higher concentration anti-infective ophthalmic pharmaceuticals in step with advances in pharmacokinetics research, Santen launched the higher concentration *Cravit Ophthalmic Solution 1.5%*, which leverages the high solubility of levofloxacin. Clinical trials have confirmed significant efficacy. *Cravit Ophthalmic Solution 1.5%* has won high marks in clinical settings since its launch for the early dissipation of major symptoms.

EYLEA Solution for Intravitreal Injection (Launched in 2012)

EYLEA is an intravitreal injection that inhibits the action of VEGF that is one of the causes of wet AMD. Intravitreal injections of *EYLEA* improve symptoms by suppressing the growth of the new blood vessels.

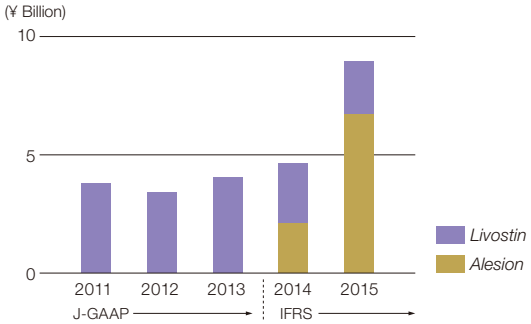
Additional *EYLEA* Indications

In fiscal 2014, *EYLEA* obtained additional indications for myopic choroidal neovascularization and diabetic macular edema and in June 2015 for macular edema secondary to retinal vein occlusion, bringing the number of indications to four.

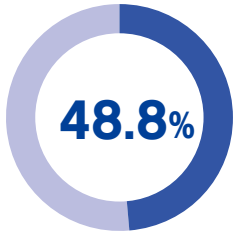
Cravit (Launched in 2000)

Cravit is a fluoroquinolone antibacterial agent. Its active ingredient, levofloxacin, is an optically active isomer of ofloxacin, the active ingredient of *Tarivid*. *Cravit* offers strong antibacterial properties and intraocular penetration.

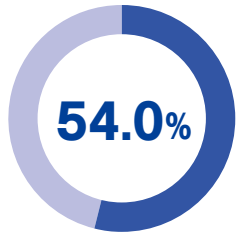
Revenue from Main Anti-Allergy Ophthalmics



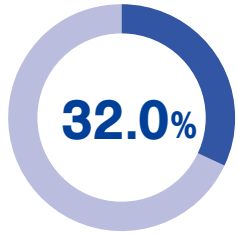
Intravitreal VEGF Inhibitors Market Share



Anti-Infective Ophthalmics Market Share



Anti-Allergy Ophthalmics Market Share



Anti-Allergy Ophthalmics

Market Trends

The anti-allergy ophthalmic pharmaceutical market increased 21.4%, to ¥33.9 billion. This was mainly attributable to cedar pollen levels, a major cause of allergic conjunctivitis, which were higher in Japan during the fiscal year under review.

Operating Results

In fiscal 2014, Santen focused on enhancing the market penetration of the mainstay *Livostin* as well as *Alesion*, which was launched in November 2013. As a result, combined revenue from the two products was up sharply by 93.2% to ¥8,961 million. Santen's share of the anti-allergy ophthalmic pharmaceutical market steadily increased to 32.0%.

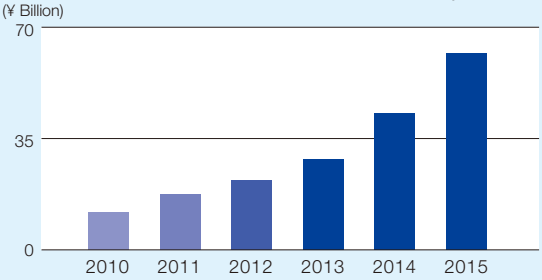
In fiscal 2015, we will continue to make full use of the strengths of *Livostin* and *Alesion* in being able to provide new treatment options. They provide relief from year-round and seasonal allergy symptoms such as itching and redness and thus contribute to an improved patient's QOL. By continuing to emphasize these product characteristics, we aim to expand both sales and market share of these products.

CLOSE UP

A Growing Market for Retinal Disorder Treatments

The market for retinal disorder treatments has continued to expand around the world. Since the launch of *EYLEA* in November 2012, the Japanese market has been growing significantly at a rate of around 50% per annum. In Japan, treatment needs have continued to increase due to growing numbers of patients in step with aging of the population and other trends in society. Notably, diabetic retinopathy is the second most common cause of blindness in Japan, followed closely by age-related macular degeneration, which is the fourth most common cause of blindness in the country. Since its launch, Santen has expanded the indications of *EYLEA* to four retinal disorders, namely wet AMD, macular edema secondary to retinal vein occlusion, myopic choroidal neovascularization, and diabetic macular edema. Accordingly, *EYLEA* has become one of our key products that satisfies the treatment needs of patients.

Market Size of Intravitreal VEGF Inhibitors in Japan



Source: Santen analysis based on IMS-JPM data.

Tarivid (Launched in 1987)

Tarivid is the world's first fluoroquinolone anti-infective ophthalmic pharmaceutical. It is a synthetic antibacterial drug containing the active ingredient ofloxacin that was developed by Daiichi Sankyo Company, Limited. With a broad spectrum coverage, *Tarivid* displays strong antibacterial activity.

Livostin (Launched in 2001)

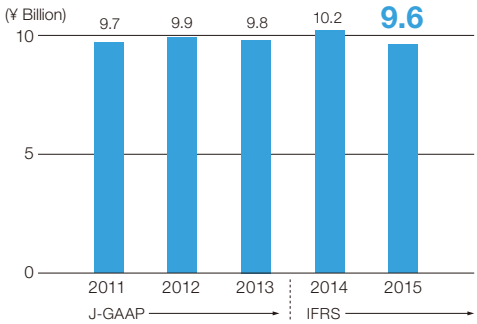
Livostin is an H_1 blocker ophthalmic solution that has high and selective binding affinity for histamine H_1 receptors and a long duration of antihistaminic action.

Alesion (Launched in 2013)

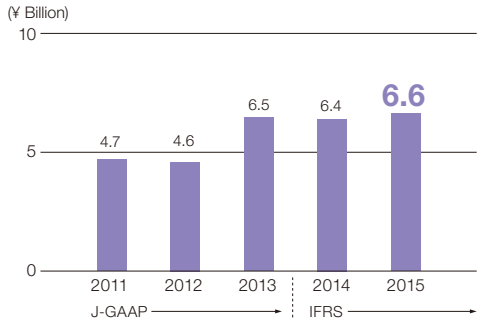
Alesion is an H_1 receptor antagonist with a membrane-stabilizing function used as a treatment for allergic conjunctivitis. It provides relief from eye itching and redness, which are major symptoms of allergic conjunctivitis.

Domestic Operations

Revenue from Prescription Anti-Rheumatic Pharmaceuticals



Revenue from Over-the-Counter Pharmaceuticals



Prescription Anti-Rheumatic Pharmaceuticals

Fiscal 2014 Revenue

¥9,568 million -5.9%

Operating Results

Fiscal 2014 revenue from prescription anti-rheumatic pharmaceuticals decreased 5.9% compared with the previous fiscal year, to ¥9,568 million. Santen maintained its position as leader of the traditional disease-modifying anti-rheumatic drugs (DMARDs)[1] market, excluding biological drugs (biologics), with a 37.0% share.

In May 2015, Santen entered into an agreement with AYUMI Pharmaceutical and Showa Yakuhin Kako Co., Ltd. concerning the assignment of its anti-rheumatic pharmaceuticals business. On August 3, 2015, Santen completed the succession of the rights and obligations relating to its anti-rheumatic pharmaceuticals business under a simplified company-split method.

1. A class of medicines that are used not only to alleviate symptoms but also to treat the causes of disease. The anti-rheumatic effect works by calming inflammation through the correction of immune abnormalities, which are considered a cause of RA.

Over-the-Counter Pharmaceuticals

Fiscal 2014 Revenue

¥6,638 million +3.6%

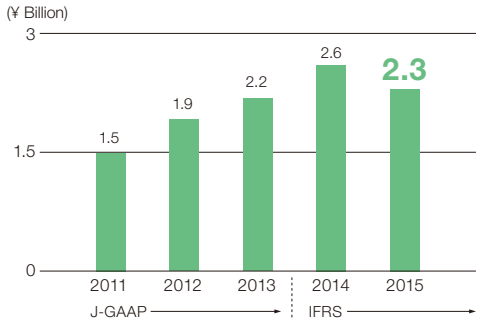
Market Trends

In fiscal 2014, the OTC pharmaceuticals market expanded 5.1% year on year, to ¥58.9 billion, primarily due to the impact of an increase in demand from allergies caused by pollen dispersal and purchases by tourists visiting Japan.

Operating Results

The Company's OTC business is centered on a range of ophthalmic products, including the *Sante FX* series, one of Japan's top-selling ophthalmic solution brands, and the *Sante 40* series, which is highly effective in improving blurred vision. In fiscal 2014, OTC pharmaceutical revenue increased by 3.6%, to ¥6,638 million, mainly due to a focus on promotional campaigns to enhance the brand value of the entire *Sante* series as well as a strong performance by higher priced products. Revenue was partly offset by a downturn in demand following a rush to buy ahead of the consumption tax hike in April 2014. With fierce competition set to persist in the market, Santen will continue aiming to carve out new markets and grow sales by vigorously implementing promotional campaigns, particularly for *Sante Beautéye*, which was launched in fiscal 2013, and *Soft Santear Hitomi Stretch*, which was launched in fiscal 2014.

Revenue from Medical Devices



Medical Devices

Fiscal 2014 Revenue

¥2,284 million -13.0%

Market Trends

Santen's medical device business specializes in intraocular lenses (IOLs) in the cataract surgery field. In recent years, demand for IOLs has shifted primarily to foldable lenses that can be inserted through a small incision.

Operating Results

Since 2008, Santen has been selling the *Eternity* series of foldable IOLs, which are made of a new glistening-free hydrophobic acrylic material manufactured by Advanced Vision Science, Inc., a U.S. subsidiary of Santen. Thereafter, Santen has worked to enhance its lineup of products. In 2009, the Company launched *Eternity Natural*, an IOL that should provide more natural visibility, and in 2013, launched *Eternity Natural Uni*, a novel IOL with an original design. Another priority has been injectors for the insertion of IOLs. In 2011, Santen launched *Accuject*, an injector that achieves a smaller incision size, followed in 2015 by the launch of *Access* and *Access Ease*, both of which make setting easier. Revenue from medical devices was down 13.0%, to ¥2,284 million in fiscal 2014, mainly due to the impact of competition. Santen will continue to target growth in its medical device business by leveraging its strengths in the product concept of "high quality IOLs with outstanding transparency" in the *Eternity* series.

TOPICS

Aiming to Enhance the Brand Value of the *Sante* Series of OTC Ophthalmic Solutions, We Are Proactively Conducting High-Impact Publicity Campaigns

The *Sante* series enjoys a solid position in Japan's market for OTC ophthalmic solutions. To boost the brand value of the *Sante* series even further, Santen is proactively conducting sales promotion campaigns, alongside efforts to upgrade and enhance the product lineup. In fiscal 2015, Santen has been attracting considerable interest by unveiling campaigns that link its product image with Japanese comics and anime content. Specifically, these campaigns make use of girls' comics and popular anime content that offer universal appeal to all age groups. In addition, Santen is striving to renew products to suit contemporary market needs and to increase the market penetration of its brands. Notably, the packaging and formulation of *Sante de U* was renewed to mark the 50th anniversary of the launch of this product in 1965.

A tie-up campaign between the *Sante 40* series and the popular girls' comic series Glass Mask. The campaign is designed to raise awareness of eye trouble in the evening hours, when people often experience blurred vision and other symptoms after a long day.

A tie-up campaign between the *Sante FX* series and the popular anime Attack on Titan. The campaign drives home the message that the *Sante* eye drop series can be a powerful ally in the fight against eye strain in the modern age.

A tie-up campaign between *Sante PC* and the anime film Ghost in the Shell: The Movie. The campaign promotes the product features of *Sante PC*, focusing on its ability to heal optical damage caused by blue light emitted from digital devices.

A campaign marking the launch of *New Sante de U α*, featuring Sawako Agawa, an author and television personality popular among active seniors in Japan.

Overseas Operations

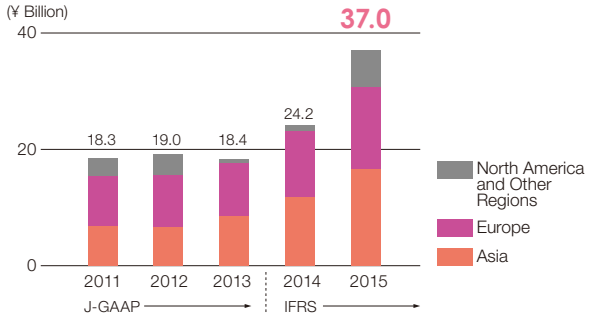
Overseas Operations Overall

Fiscal 2014 Revenue

¥36,995 million

+53.0%

Overseas Revenue



Aiming to become a "Specialized Pharmaceutical Company with a Global Presence," as outlined in our long-term strategic vision toward 2020, Santen has positioned business expansion in Europe and Asia as one of the key basic policies of the Fiscal 2014-2017 Medium-Term Management Plan. Accordingly, the Company is accelerating growth in overseas operations. In fiscal 2014, overall overseas revenue rose 53.0% to ¥36,995 million on a yen basis, while overseas revenue from prescription ophthalmic pharmaceuticals increased 32.1%, to ¥30,714 million.

European Business

Santen is advancing its sales and marketing activities in over 30 countries centered on the European region, including Russia, Germany and countries in Northern and Eastern Europe. After taking over the ophthalmology products of U.S.-based Merck & Co., Inc. and other initiatives, Santen aims to further expand the European business.

Our growth driver *Taflotan* (tafluprost, sold as *Tapros* in Japan), a treatment for glaucoma and ocular hypertension, has obtained approval in more than 40 countries centered on the European region and we market this product directly in 24 countries including Germany. In addition, we are aiming to achieve rapid market penetration with the new product *Ikervis* (generic name: ciclosporin, development name: Cyclokat), a treatment of severe keratitis in adult patients with dry eye disease, which has not improved despite treatment with tear substitutes, and *TAPTIQOM* (tafluprost/timolol malete, sold as *TAPCOM* in Japan) a treatment for glaucoma and ocular hypertension.

Since December 2014, ophthalmology products taken over from U.S.-based Merck & Co., Inc. have been steadily transferred to Santen, and Santen has commenced sales of these items as its own products. At present, Santen is planning to enhance its organizational management systems for European operations with a view to expanding products to over 40 countries and regions.

As the product lineup and sales areas expand, Santen will accelerate its activities in every country and region to help ensure successful new product launches and growth in revenues from existing products.

Message

Pursue What Santen Can Do to Create Better Treatment Opportunities

In October 2013, Santen opened a representative office in Ho Chi Minh City. Currently, with a staff of 40, it is working to contribute to ophthalmology in Vietnam. There is a shortage of medical institutions and physicians in Vietnam, where initiatives are now underway to improve the healthcare environment. The Santen Ho Chi Minh City Representative Office is collaborating with the Ophthalmological Society with a focus on becoming the best partner of Vietnam's ophthalmologists through such activities as raising awareness of glaucoma and dry eye, as well as supporting training programs for young ophthalmologists in regional cities. In addition, we aim to enhance Santen's presence by providing information useful to routine medical practice through opportunities for Vietnamese physicians to interact academically with colleagues from Asia, starting with Japan, and various Western countries.

Tomoyuki Yoshida

Manager in charge of Vietnam, Asia Division
Head of Ho Chi Minh City Representative Office

Asian Business

Santen is working to expand its presence throughout the Asian market, with China, Korea and Vietnam positioned as key countries. Our goal is to become No.1 in Asia in terms of our contribution to ophthalmic treatment.

The Chinese market, which is driving growth in Asia, is expected to continue growing at a pace of around 20% per annum through 2020. Santen began exporting to China in the 1980s and has successfully promoted the Santen brand in this market since establishing Santen Pharmaceutical (China) Co., Ltd. in 2005. In September 2013, Santen established a second local subsidiary, Santen Pharmaceutical Sales & Marketing (Suzhou) Co., Ltd., and has been working to penetrate the market with its products and achieve further growth in China.

In Korea, Santen commenced direct marketing in 2010 and is providing pharmaceutical information through its own medical representatives. Santen is adding a glaucoma and ocular hypertension treatment taken over from the U.S.-based Merck & Co., Inc. to its mainstay products, *Taflotan* and *Diquas*. By expanding its lineup, the Company aims to increase its market presence even further.

In December 2013, Santen established a local subsidiary in Singapore to strengthen the Company's local management capabilities in the ASEAN region. At present, in addition to its existing local subsidiary in Taiwan, the Company is successively establishing local subsidiaries in Thailand, Malaysia, and the Philippines.

In conjunction with taking over the ophthalmic products of Merck & Co., Santen commenced direct sales in Singapore and Malaysia in 2015, and is achieving market penetration with various products including the glaucoma and ocular hypertension products *Cosopt*, *Trusopt*, and *Timoptol*. Furthermore, in the Philippines, Santen has launched the dry eye treatment *Cationorm*, among other initiatives to strengthen its activities in every country and region with the goal of becoming No. 1 in Asia.

The 30th Asia-Pacific Academy of Ophthalmology Congress (APAO 2015)

Message

I See Santen as an Important Partner

The healthcare system in Thailand has developed to the point where all Thai citizens are insured under one of many different health protection plans. The Universal Health Care (UHC) continues to focus on primary care but coverage has been extended to more complex conditions like heart valve surgery, renal dialysis and treatment for common eye diseases like cataracts, glaucoma, diabetic retinopathy and macular degeneration. Thailand's rapidly aging population, increasing number of work immigrants, and sub-specialized medical services are leading the country to new challenges in healthcare resource allocation and utilization.

High quality ophthalmic care is accessible in metropolitan Bangkok and many major cities, but demand for new and effective treatment is constantly expanding. For example, adoption of new technology and knowledge is relatively rapid and patient safety and quality assurances are increasingly important aspects embedded in healthcare practice. However, for policymakers, universal health remains a bottom line issue. Effective and qualified treatment has to be judged by the cost of healthcare. While there is a growing affluent community, more than half of the country still relies on UHC.

Santen is known to be a very reliable and responsible ophthalmic company with a long history of trust and reliability, as well as for having a bright future. I see Santen as an important partner in eye care and ophthalmic education. I trust that Santen is working very hard on innovative medications that are more effective, safer and less patient dependent. I also hope that Santen will provide effective generics that help ASEAN Economic Community (AEC) ophthalmic communities get access to products with assured quality control and paying detailed attention to patients' experience. I also believe in Santen's customized approach in the diversified sectors of AEC and the rest of the world.

Prin Rojanapongpun, M.D.

Chairman and Associate Professor of the Department of Ophthalmology
at Chulalongkorn University and King Chulalongkorn Memorial Hospital

President of the Thai Glaucoma Society,
the Royal College of Ophthalmologists of Thailand

Vice President of the Asia Pacific Glaucoma Society

President of the Asian Angle Closure Glaucoma Club

Santen will endeavor to enhance its CSR activities on a global basis, in order to fulfill its social responsibilities as a pharmaceutical company.

Masamichi Sato
Senior Corporate Officer, Corporate Development,
Head of CSR & General Affairs Division

CSR

Guided by Santen's Values —*"Tenki ni sanyo suru"*—Santen continues to help enrich Quality of Life (QOL) of patients around the world through the provision of valuable products and services through its business activities.

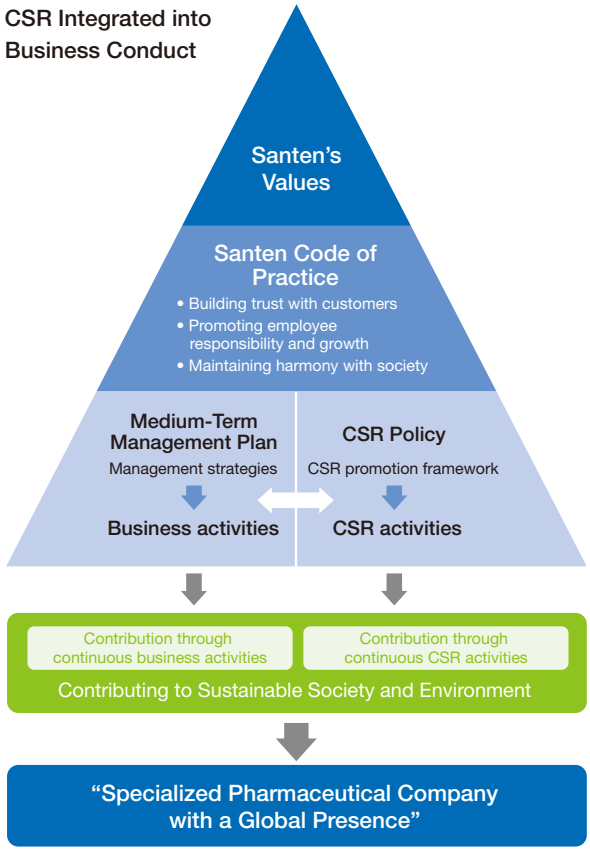
CSR Integrated into Business Conduct

Santen's Values—*"Tenki ni sanyo suru"*—embody what the Company has continued to recognize as important over 125 years since its foundation in 1890. Our mission is to benefit patients and their loved ones, and thereby contribute to society, by always pursuing creation and innovation.

To fulfill its social responsibilities through its business activities, Santen has established "Organizational Principles" and "Individual Action Principles" based on Santen's Values. To provide more specific action guidelines, we also formulated the "Santen Code of Practice," which comprises "Declaration of Corporate Behavior" and "Code of Conduct." The Company is working to disseminate and promote adherence to these principles and guidelines among all employees. Focusing on the three perspectives of "customer trust," "employee responsibility and growth" and "harmonization with society," the Santen Code of Practice requires employees not only to comply with all applicable laws and regulations, but also to observe the highest standards of ethics and integrity in their conduct.

As its long-term strategic vision toward 2020, Santen aims to become a "Specialized Pharmaceutical Company with a Global Presence." To achieve this aim, the Santen Group is making a concerted effort to push ahead with its business activities. Our basic policy on CSR activities is to contribute to the improvement of QOL of patients around the world by providing valuable

CSR Integrated into Business Conduct



products and services that reflect Santen's Values. Santen believes that by conducting business activities and CSR activities in an integrated and continuous manner, the Company can contribute to a sustainable society and environment. Ultimately, we believe that this will lead to the realization of our long-term strategic vision.

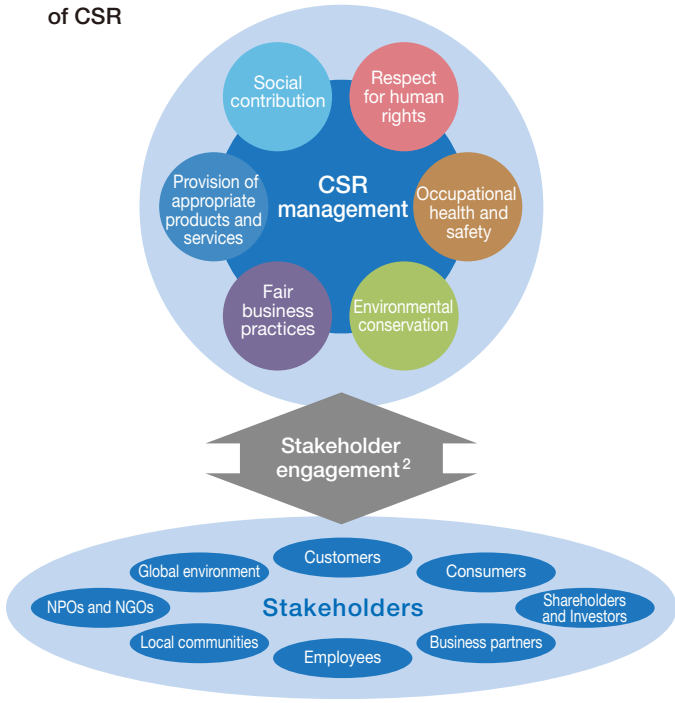
As the globalization of our operations gather pace, we believe that it is crucial to strengthen compliance in conjunction with rigorously sharing Santen's Values throughout the organization. Accordingly, we will investigate and identify a variety of issues in an effort to build frameworks and systems that allow us to address each issue on a Group-wide basis.

Conceptual Framework for CSR Initiatives and Implementation of Activities

Based on the three perspectives of "customers," "employees" and "society" stated in the Santen Code of Practice, as well as the core subjects of ISO 26000[1], Santen has defined 7 Core Subjects of CSR, for each of which a basic policy has been established. We have also defined a conceptual framework for CSR initiatives. Furthermore, Santen believes that it is important to appropriately evaluate its CSR activities based on opinions obtained through dialogue with stakeholders, and put these evaluations to good use in enhancing its activities.

For each of the 7 Core Subjects of CSR, we have defined medium-term activity themes and specific action items to be carried out. We strive to implement the medium-term activity themes and action items through the steady operation of the Plan-Do-Check-Action (PDCA) cycle both in the short- and medium-term time frame. Additionally, based on the state of progress of these activities and any changes in the activities' environment, we will set the goals of each of our medium-term activity themes, and we will define key performance indicators (KPIs) for each action item to objectively evaluate the state of progress on each activity. Through these measures, we are working to further improve and enhance our CSR activities.

7 Core Subjects of CSR



1. ISO 26000 was issued by the International Organization for Standardization (ISO) to provide guidance on social responsibility. It is applicable not only to corporations but also to all organizations, including governments, schools, and NGOs.
2. Stakeholder engagement refers to the process of conducting dialogue with stakeholders to understand their interests, and reflecting their interests in the Company's activities and decision-making.

CSR Management

Santen is pushing ahead with various activities to achieve stakeholder engagement[1]. We engage in dialogue with stakeholders such as medical professionals and support groups for visually impaired people. The invaluable opinions we receive are shared within the Company and used to enhance the quality of CSR activities. In addition, we are actively working to provide disclosure of information to shareholders and other investors, along with facilitating communication with these stakeholders.

1. Stakeholder engagement refers to the process of conducting dialogue with stakeholders to understand their interests, and reflecting their interests in the Company's activities and decision-making.

At a dialogue session with medical professionals

Provision of Appropriate Products and Services

Developing and Providing Appropriate Products

The Quality Compliance Division strives to assure product reliability and quality through its deep involvement in such wide-ranging processes as product research and development, manufacture and sales. Besides adhering to the Pharmaceutical and Medical Device Act of Japan, Santen has established a world-class quality assurance system based on its own specifications and standards. From a manufacturing perspective, Santen maintains a domestic plant network encompassing Noto and Shiga. Overseas, the Company operates plants in Tampere in Finland and Suzhou in China. Collectively, this represents a structure that ensures the stable manufacture of approximately 300 million bottles per year of ophthalmic solutions to patients worldwide.

Providing Information and Services Related to Products and Disorders

Providing medical professionals with information about indications, side effects, and methods of use is essential to ensuring the safe and proper use of products. Santen accordingly has a sales force of medical representatives across Japan who provide accurate information in a timely manner, and the Company continuously updates medical representative training with specialized education.

Our Customer Service Center deals comprehensively with customer inquiries on a centralized basis, and we channel customer feedback to the product development process to improve our products and enhance our information services.

We also prepare booklets about eye diseases, the proper use of ophthalmic solutions and medical devices and distribute them via medical institutions. This information is also made available to the public through our website.

Fair Business Practices

Santen recognizes that ensuring compliance in business activities is also an important issue. As such, Santen works to foster compliance awareness among employees, to implement its information security measures, to rigorously enforce personal information protection, and to properly operate and refine its internal control system. Moreover, recognizing that its suppliers are important business partners, Santen strives to build sound and mutually constructive relationships with these stakeholders.

Respect for Human Rights

Guided by its policies on respect for human rights, Santen formulates action plans, and implements human rights awareness activities based on those plans. Specifically, we work to foster an awareness of respect for human rights through training based on rank and position within regular training programs, displaying human rights education posters, and calling for human rights slogans, among other actions.

Occupational Health and Safety

Santen has built an occupational health and safety management system that is customized for the characteristics and scale of each workplace. At each workplace we regularly identify and address hazards inherent at facilities and in workplace practices. In this manner, we implement various measures in order to ensure the safety of employees and promote improved employee health, with a view to maintaining and enhancing a safe and comfortable workplace environment.

We are also promoting the employment of people with disabilities. In 1997, we established Claire Co., Ltd., a specified subsidiary, for this purpose. In order to provide a workplace in which people with disabilities are able to work with vigor and enthusiasm, we consistently improve conditions while encouraging the development of competencies.

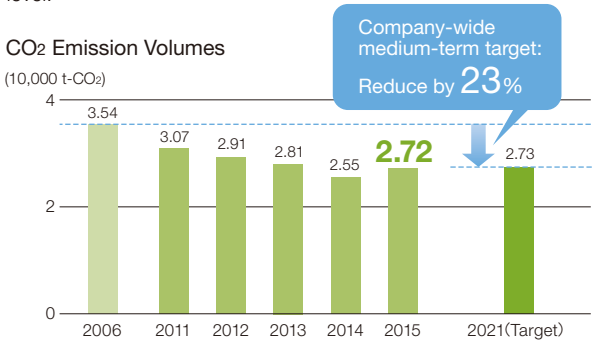
Environmental Conservation

Santen, recognizing that the nature created by the biodiversity is an essential foundation for the earth's environment, sees the conducting of environmental conservation activities as important management issues based on the theme of handing down a beautiful earth to future generations. As an organization, Santen

engages in various environmental issues in order to contribute to the creation of a low-carbon and recycling-oriented society. This is why Santen is building an environmental conservation system that is integrated with its business activities, and is implementing a variety of other environmental initiatives. Moreover, Santen is working to reduce its environmental load and conserve the earth's natural environment through voluntary activities undertaken by individual employees. In Japan, Santen has obtained ISO 14001 environmental management system certification with the Shiga Product Supply Center, Noto Plant, and specified subsidiary Claire Co., Ltd. as integrated organizations. Overseas subsidiary Santen Oy has also obtained ISO 14001 certification.

Additionally, Santen assesses its impact on the environment by measuring inputs and outputs. The former refers to the input of energy, materials and water resources associated with business activities, while the latter refers to emissions into the air and water of industrial waste. Furthermore, Santen assesses costs related to environmental conservation measures (investments and expenses) and benefits (economic and environmental preservation effects). Guided by this assessment, Santen continuously implements measures to reduce its environmental load.

Since fiscal 2013, Santen has participated in the Action Plan for a Low Carbon Society issued by the Federation of Pharmaceutical Manufacturers' Associations of Japan. Under this plan, Santen has set a medium-term target of reducing its CO_2 emissions volume by 23% by fiscal 2020, versus the fiscal 2005 level.



Social Contribution

Santen engages in social contribution activities centered on medical care and welfare connected with its business domains and on local communities.

In the medical care and welfare fields, Santen continuously donates to a number of organizations including Helen Keller International, an NGO that is devoted to fighting and treating preventable blindness in developing countries, as well as the Japan Eye Bank Association and the Japan National Society for the Prevention of Blindness. Furthermore, a joint lecture program was formed with the Nara Institute of Science and Technology to develop personnel who will advance leading-edge science and technology in the future. We also support the Chinese Ophthalmology Scholarship Program in China and the Ophthalmology Training Fund in Korea in support of the education of ophthalmologists. Furthermore, we work together with a support group for visually impaired people and other organizations so that our employees can act as volunteers when needed, for example when the group holds special events.

In addition, Santen contributes to local communities through concerted efforts to implement clean-up activities and promote the greening of the areas surrounding its headquarters, research facilities, manufacturing plants, and other main business sites while actively participating in crime prevention campaigns.

We also make donations, provide free supplies of pharmaceuticals and other items, and engage in other activities as a corporate citizen in response to relief efforts for large-scale disasters. Santen donated ¥3 million to support the recovery of residents and communities affected by the Central Nepal Earthquake that struck on April 25, 2015. The contributions were made through the Japanese Red Cross Society and the Japan Platform, an emergency humanitarian aid organization. The Company also made a contribution through Matching Donations[2] with its employees.

2. Matching Donations are contributions that comprise donations from Santen employees and an equal amount added by the Company.

Please refer to Santen's Corporate Social Responsibility (CSR) section on the Company's website for details.
http://www.santen.com/en/csr

Obtained the Highest Rating in the DBJ Environmental Rating System

In October 2014, Santen obtained the highest rating in the DBJ Environmental Rating developed by the Development Bank of Japan Inc., in recognition of being "particularly advanced in environmentally friendly measures." In the evaluation, Santen was advised of the following recommendations for future improvements. The Company was encouraged to deliver results based on quantitative KPIs established in each of its "7 Core Subjects of CSR" through dialogue with stakeholders identified in each subject. Santen was also urged to strengthen relationships of trust with an expansive range of stakeholders by demonstrating its commitment to add even more impetus to activities in the future. Taking full advantage of this environmental rating and the evaluation results, Santen will endeavor to continuously enhance its CSR activities going forward.

DBJ Environmental Rating Certificate

Corporate Governance

Basic Policy

Santen believes that it is vital to upgrade and strengthen corporate governance systems in order to achieve and enhance corporate value, and thus returns to shareholders. Accordingly, Santen is working to raise business performance while maintaining transparent and sound management practices through the development of effective corporate governance systems.

Santen has taken some specific steps such as appointing several outside directors to strengthen management supervision; establishing the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, which are all voluntary committees made up of inside and outside directors; and introducing a corporate officer system to strengthen management and improve the speed of business execution. Santen will continue to strengthen corporate governance further going forward with the aim of improving management transparency and objectivity.

Santen has adopted a "Company with Auditors" system as defined in Japan's Companies Act. Santen has enhanced the functions of the corporate auditors by setting up a Corporate Auditor's Group with staff dedicated to assisting with the duties of the corporate auditors, and by promoting collaboration with the Internal Auditing Group and Accounting Auditors, among other measures.

Governance Systems

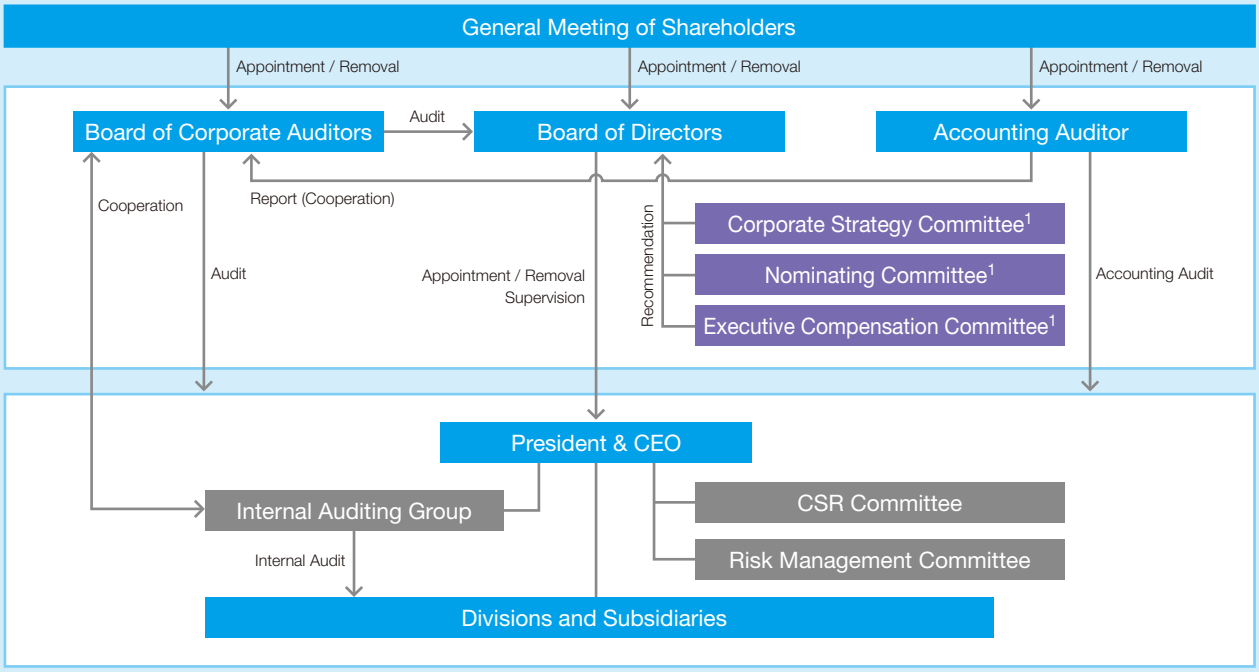
Board of Directors

In addition to various statutory functions, the Board of Directors formulates management policies, strategies, and business plans for Santen. The Board of Directors makes decisions relating to the acquisition or disposal of major financial assets and important organizational or personnel-related matters, and also oversees the execution of business at Santen and its subsidiaries. The Board convenes once a month in principle. As of June 2015, the Board comprised five members including two in-house directors (one of whom is a representative director) and three outside directors. The Board of Directors convened 13 times during fiscal 2014.

Board of Corporate Auditors

The Board of Corporate Auditors consists of four members, including three outside corporate auditors. Corporate auditors formulate auditing policies and plans, and attend meetings of the Board of Directors and other important business meetings. In addition, corporate auditors audit the execution of duties by directors through overseeing the operational and financial status of Santen's headquarters, major operating sites, and subsidiaries. The Board of Corporate Auditors convened 10 times during fiscal 2014.

Santen Internal Governance System As of June 2015



1. These committees are voluntary and not part of the statutory "Company with a Nominating Committee, etc. System" under the Japanese Companies Act.

●Voluntary Committees

Santen has established the following three committees composed of inside and outside directors as deliberative bodies to further strengthen corporate governance and to improve management transparency and objectivity. Note that these committees are not part of the statutory "Company with a Nominating Committee, etc. System" under the Japanese Companies Act.

Roles and Members of the Voluntary Committees

Committee	Role	Members
Corporate Strategy Committee	The Corporate Strategy Committee deliberates on key strategic issues such as business strategies.	All directors
Nominating Committee	The Nominating Committee deliberates on the selection of candidates for directors and submits recommendations to the Board of Directors, and also deliberates on the selection of candidates for corporate officers and corporate auditors and submits recommendations to the Board of Directors.	Representative director and outside directors
Executive Compensation Committee	The Executive Compensation Committee deliberates on the compensation of directors and corporate officers and submits recommendations to the Board of Directors. It also provides the Board of Corporate Auditors with information and advice on such matters as the compensation level for corporate auditors.	Representative director and outside directors

●Corporate Officer System

Santen has introduced a corporate officer system to strengthen management while improving the quality and speed of decision-making processes. There were 13 corporate officers as of June 2015, excluding some serving concurrently as directors.

Relationships between the Outside Directors and Outside Corporate Auditors and the Company

In selecting outside directors and outside corporate auditors, Santen applies the independence standards of stock exchanges in Japan, in addition to its own internal standards. Specifically, Santen specifies standards to determine independence in terms of relationships with the Santen Group (duties, transactions, stockholding, etc.) and decides on candidates in accordance with these standards.

None of the three outside directors or three outside corporate auditors are appointees from Santen's subsidiaries or affiliates, major shareholders or leading business partners. Each maintains a degree of independence to avoid conflicts of interest with ordinary shareholders. We note that outside director Akihiro Okumura is Professor Emeritus of Keio University, with which Santen conducts joint research and other activities, and to which it also makes donations. However, these activities are medical related and are not related to management studies, Okumura's area of specialization.

Reasons for Selection of Outside Directors and Outside Corporate Auditors

Akihiro Okumura Outside Director	Akihiro Okumura has extensive knowledge and experience amassed through the long years of his professorship of business administration at the undergraduate and graduate schools of several universities, and will be able to reflect this knowledge and experience in the Company's management.
Takayuki Katayama Outside Director	Takayuki Katayama has extensive knowledge and experience amassed through long years of involvement in management in Japan and overseas, and will be able to reflect his knowledge and experience in the Company's management.
Kanoko Oishi Outside Director	Kanoko Oishi has extensive knowledge and experience amassed through long years of involvement in management in Japan and overseas, and will be able to reflect her knowledge and experience in the Company's management.
Yutaka Mizuno Outside Corporate Auditor	Yutaka Mizuno has extensive knowledge and experience amassed through long years of involvement in management in Japan and overseas, and will be able to reflect his knowledge and experience in auditing the Company.
Koichi Matsuzawa Outside Corporate Auditor	Koichi Matsuzawa has extensive knowledge and experience amassed through long years of involvement in management in Japan and overseas, and will be able to reflect his knowledge and experience in auditing the Company.
Seiichiro Adachi Outside Corporate Auditor	Seiichiro Adachi has extensive knowledge and experience amassed through long years of involvement in management in Japan and overseas, along with experience serving as a full-time corporate auditor of a listed company, and will be able to reflect his knowledge and experience in auditing the Company.

Directors' and Corporate Auditors' Compensation

Position	Total Compensation (Millions of yen)	Total Compensation by Category (Millions of yen)				No. of Eligible People
		Basic Compensation (Annual)	Stock Compensation-Type Stock Options	Bonus	Retirement Benefits	
Directors (Excl. Outside Directors)	204	149	55	–	–	2
Corporate Auditors (Excl. Outside Corporate Auditors)	26	26	–	–	–	1
Outside Directors and Outside Corporate Auditors	64	64	–	–	–	7

Note: The number of directors and corporate auditors shown above represents the total number of individuals appointed in fiscal 2014, including one outside corporate auditor who resigned upon the expiry of his term of office at the close of the Annual General Meeting of Shareholders held on June 25, 2014.

Please refer to Santen's Corporate Governance Report (Japanese language only) posted on the Company's website for details.
http://www.santen.co.jp

Cooperation between Corporate Auditors and Accounting Auditors

The corporate auditors hold a meeting with the accounting auditors at the beginning of each fiscal year to receive presentations on the financial auditing plans for the year and any key audit-related issues as well as to exchange opinions, including requests from the corporate auditors. The accounting auditors present audit findings to the corporate auditors at the quarterly reviews and fiscal year-end audit result briefings three times a year to exchange opinions.

In addition, the corporate auditors attend each review meeting with the accounting auditors held after the conclusion of the quarterly reviews and fiscal year-end audit to exchange opinions on the quarterly reviews and fiscal year-end audit results and procedures. During the fiscal year, the corporate auditors perform audits of the auditing methods of the accounting auditors and exchange information with the accounting auditors as necessary.

Cooperation between Corporate Auditors and the Internal Auditing Group

Corporate auditors and the Internal Auditing Group cooperate closely at all times. For instance, they hold regular meetings at which they share progress with their respective audit plans and audits, and items to confirm, while also simultaneously visiting business sites and subsidiaries to conduct audits as necessary.

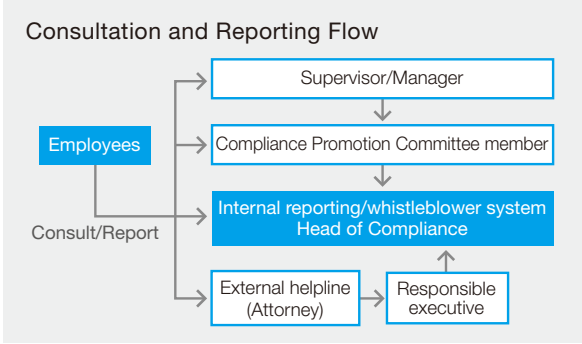
Compliance

Internal Governance System

Santen benefits society through its business activities, with a particular focus on contributing to patients and their loved ones—which incorporates *"Tenki ni sanyo suru"* that is in the Santen's Values—as a company active in the pharmaceutical industry. At the same time, aiming to heighten society's recognition of our value to society and achieve sustainable growth, we are developing the following internal control systems.

Our compliance system, the Santen Code of Practice, which was formulated in December 1999 and revised in line with changing social conditions, consists of the Declaration of Corporate Behavior and the Code of Conduct that defines strict ethical standards governing corporate activities. The Santen Code of Practice stipulates that the Company will not respond to any demands whatsoever made by antisocial forces that threaten the order and stability of civil society.

In addition, we have appointed a director and department responsible for internal governance, and established the CSR Committee to ensure rigorous compliance. Further, we maintain an internal system for compliance-related inquiries



and an external helpline to an independent attorney, which enables employees to report any suspected compliance violations directly or to receive compliance-related advice.

Santen aims to increase the appropriateness of Santen's operations by building a control system in which the Company provides recommendations and guidance on increasing appropriateness, developing regulations for the control of Group companies to clarify their roles and responsibilities, and strengthening audit functions at major Group companies.

As a department independent from operating divisions, the Internal Auditing Group—comprised of four people including the general manager—verifies that the above internal control systems work efficiently. The Internal Auditing Group reports directly to the president of Santen.

Regarding internal control related to the reliability of financial reports, Santen has established a system whereby divisions and principal subsidiaries check the appropriateness of their systems, while the Internal Auditing Group checks the suitability of these self-checks. In fiscal 2014, Santen did not discover any significant deficiencies or omissions that could undermine the reliability of its financial reports. Santen will continue to develop and maintain systems that consistently meet the requirements of the internal control reporting system, which is based on Japan's Financial Instruments and Exchange Act.

Guidelines Concerning Transparency

Santen has established "Guidelines Concerning Transparent Relations with Medical Institutions, etc." and "Guidelines Concerning Relations with Patient Groups" in accordance with various rules and regulations, including "Transparency Guideline for the Relation between Corporate Activities and Medical Institutions" and "Transparency Guideline for the Relation between Corporate Activities and Patient Groups" issued by the Japan Pharmaceutical Manufacturers Association. Information on the provision of funds and other related matters is made widely available to the public via the Company's website.

Please refer to Santen's Guidelines Concerning Transparency (Japanese language only) posted on the Company's website for details.

http://www.santen.co.jp

Risk Management

Risk Management Promotion Framework

Santen has built a system for responding appropriately to major risks related to its business activities, in accordance with its risk management rules. Operating divisions and headquarters avoid or minimize risk by routinely gathering information and preparing risk management policies and countermeasures for their operations. Further, the Risk Evaluation Committee discusses risk management policies and countermeasures for significant risks that transcend several divisions. An emergency situation affecting Santen beyond a certain level triggers the operation of the Crisis Response Committee headed by a representative director. Based on Santen's risk management rules, the committee coordinates efforts to minimize any losses or damages and ensure a quick recovery, and institutes measures to prevent a recurrence. As regards the status of such risk management efforts, the Company has a permanent secretariat in place with designated executives. The secretariat checks the status of risk management efforts from a Company-wide viewpoint, while the Internal Auditing Group examines them from an independent standpoint.

Business Continuity Management

Medicines are high-priority necessities for people affected by natural disasters or other emergencies. Santen believes it is essential to maintain supplies of drugs to patients and healthcare workers in affected areas. To this end, Santen has analyzed business continuity-related risks, clarified policies and identified those areas critical to maintaining product supplies. Detailed plans have been formulated to guide the response to an emergency, including the necessary organizational actions. To ensure systems will work, business continuity and disaster preparedness planning and activities are also part of the PDCA[1]-based management cycle.

1. A method to facilitate the smooth management of business activities through a P (Plan), D (Do), C (Check) and A (Action) business activity cycle.

Information Security

Regarding information control systems, Santen safely stores and controls information based on in-house rules such as for basic information security and document control. Furthermore, Santen has established personal information protection guidelines and a compliance program regarding personal information protection, which are explained to corporate officers and employees at training events. The Company also works to ensure that they are working properly.

Information Disclosure

Investor Relations Activities

Santen has established a Disclosure Policy around a fundamental policy of providing its shareholders and investors with information concerning its management policies, business strategies and financial performance in a coherent, fair and accurate manner. With this in mind, we are working to proactively disclose our corporate information.

Santen holds financial results meeting presentations after the release of interim and full-year results for analysts and institutional investors, and also conducts conference calls for them after its first- and third-quarter results are announced. Furthermore, Santen participates in conferences hosted by securities companies around the world and visits overseas shareholders and investors. Moreover, Santen conducts presentations for individual investors and other events such as small meetings, with the aim of explaining corporate information to a wide range of investors.

Santen's website carries a host of information, including flash reports, data books, financial result meeting presentations, and video of financial result meeting presentations. The website also carries annual securities reports (Japanese language only), annual reports, and convocation notices, resolution notices, and other materials for the general meetings of shareholders.

Financial result meeting presentation (May 2015)

Santen's website has been commended highly by third-party institutions. Notably, it was selected as a Good Corporate Website in the overall ranking of all listed companies in Japan based on a 2014 survey of corporate websites performed by Nikko Investor Relations Co., Ltd. Santen's website also received the Internet IR Commendation Award 2014 from Daiwa Investor Relations Co., Ltd.

Santen's website: http://www.santen.com

Message

Kanoko Oishi
Outside Director

Facilitating Checks and Balances in Management Decision-Making

Santen has embraced the goal of becoming a "Specialized Pharmaceutical Company with a Global Presence" as its long-term strategic vision, focusing on the field of ophthalmology. To achieve this vision, Santen will need to deliver total solutions that encompass activities beyond supplying products, such as supplying information to ophthalmologists and other medical professionals, raising awareness of ophthalmic diseases, and contributing to community healthcare. In addition, Santen must address unmet medical needs by pursuing cutting-edge research and development from a global viewpoint, and ensure that the effective treatments it has already developed are made available to patients.

As an outside director, my most critical role is to ensure correct corporate governance by facilitating "checks and balances" in the decision-making process that will be essential to realizing the strategic vision. To this end, I recognize that I will be expected to function effectively as an impartial external observer of management. Notably, my background in managing a healthcare institution has put me in touch with the needs of many patients over the years. By taking full advantage of this experience and sharing new perspectives with management, I intend to help Santen realize its strategic vision, and thereby become a provider of total solutions in the field of ophthalmology.

Koichi Matsuzawa
Outside Corporate Auditor

Toward Governance as a Global Company

Santen is rapidly expanding business in Asia, Europe and the U.S. with the aim of becoming a "Specialized Pharmaceutical Company with a Global Presence." However, as the Company grows larger and the pace of its growth gets faster, so too will its social responsibility. All directors, executives and employees need to keep this in mind and act on it on a daily basis as Santen strives to develop businesses around the world. Meanwhile interest in corporate governance, as one aspect of social responsibility, is rising not only among investors but also the public at large. In Japan, compliance with the new Corporate Governance Code of the Tokyo Stock Exchange became advisable for all companies listed on the exchange from June 1, 2015.

Santen has already instituted a structure whereby its decision making and business execution are supervised and audited by a Board of Directors and Board of Corporate Auditors comprising outside appointees as the majority. As a corporate auditor, I am determined to raise the quality of this structure from an operating perspective, so that Santen can also gain recognition as a company with excellent corporate governance from people all over the world.

Board of Directors and Corporate Auditors

As of August 2015

(Front row, from left) Takayuki Katayama, Sadatoshi Furukado, Akira Kurokawa, Akihiro Okumura, Kanoko Oishi
(Back row, from left) Koichi Matsuzawa, Yoshihiro Noutsuka, Yutaka Mizuno, Seiichiro Adachi

Directors

Akira Kurokawa

Representative Director
President and Chief Executive Officer

1977 Joined the Company
1997 Director, General Manager, Head of the Office of Sales and Marketing Division, Prescription Pharmaceuticals
2001 Corporate Officer, Head of Sales and Marketing Division, Prescription Pharmaceuticals
2004 Senior Corporate Officer, Head of Sales and Marketing Division, Prescription Pharmaceuticals
2006 President & COO
2008 President & CEO (incumbent)

Sadatoshi Furukado

Director
Vice President, Executive Corporate Officer
Japan Business and Human Resources Development

1977 Joined the Company
2005 Corporate Officer, Head of Prescription Pharmaceuticals Sales Department
2007 Senior Corporate Officer, Head of Sales and Marketing Division, Prescription Pharmaceuticals
2011 Executive Corporate Officer, Japan and Asia Business and Head of Sales and Marketing Division, Prescription Pharmaceuticals
2011 Director (incumbent)
2013 Executive Corporate Officer, Japan Business and Human Resources Development, Head of Sales and Marketing Division, Prescription Pharmaceuticals
2014 Vice President, Executive Corporate Officer, Japan Business and Human Resources Development (incumbent)

Akihiro Okumura

Outside Director

1988 Professor, Keio Business School, Keio University
2008 Professor Emeritus, Keio University (incumbent)
2011 Outside Director of the Company (incumbent)
2014 Special Appointed Professor, Graduate School of Management and Information of Innovation, University of Shizuoka (incumbent)
2015 Vice President, University of Shizuoka (incumbent)

Takayuki Katayama

Outside Director

2006 Executive Vice-President and Representative Director, Teijin Limited
2011 Senior Advisor to CEO, Teijin Limited (incumbent)
2012 Outside Director of the Company (incumbent)
2012 Outside Corporate Auditor, Toyo Seikan Group Holdings, Ltd. (incumbent)

Kanoko Oishi

Outside Director

1993 Partner, McKinsey & Company, Inc.
2000 Established Mediva, Inc. Chief Executive Officer (incumbent)
2004 Established Platanus Medical Corporation, COO (incumbent)
2015 Outside Director of the Company (incumbent)
2015 Outside Director, Ezaki Glico Co., Ltd (incumbent)
2015 Outside Director, SURUGA bank Ltd. (incumbent)

Corporate Auditors

Yoshihiro Noutsuka

Standing Corporate Auditor

1976 Joined the Company
1999 General Manager, Accounting & Finance Group
2006 Corporate Officer, Head of Planning & Control Division
2008 Corporate Officer, Corporate, Community and Environment Relations
2010 Standing Corporate Auditor (incumbent)

Yutaka Mizuno

Outside Corporate Auditor

2004 Executive Officer, Matsushita Electric Industrial Co., Ltd. (currently, Panasonic Corporation)
2011 Outside Corporate Auditor of the Company (incumbent)
2013 Outside Audit & Supervisory Board Member, KOKUYO Co., Ltd. (incumbent)

Koichi Matsuzawa

Outside Corporate Auditor

1996 President & CEO, Kirin Europe
2008 Representative Director & Managing Director, Kirin Holdings Company, Limited
2009 President & CEO, Kirin Brewery Company, Limited
2014 Outside Corporate Auditor of the Company (incumbent)

Seiichiro Adachi

Outside Corporate Auditor

2008 Managing Director, Toyota Tsusho Corporation
2010 President, NV Toyota Tsusho Europe SA
2013 Full-time Audit & Supervisory Board Member, Toyota Tsusho Corporation
2015 Advisor, Toyota Tsusho Corporation (incumbent)
2015 Outside Corporate Auditor of the Company (incumbent)

Corporate Officers

As of August 2015

(Front row, from left) Akihiro Tsujimura, Takeshi Ito, Masamichi Sato, Naveed Shams
(Back row, from left) Akio Kimura, Shigeo Taniuchi, Kazuo Koshiji, Hiroyuki Yamazaki, Atsutoshi Ota, Noriaki Yamamoto, Kenji Morishima, Keizo Nakada
(Insert) Jyrki Liljeroos

Corporate Officers (Not including directors who also serve as corporate officers)

Masamichi Sato
Senior Corporate Officer
Corporate Development,
Head of CSR & General Affairs Division

Takeshi Ito
Senior Corporate Officer
Head of Japan Sales and Marketing, Prescription Pharmaceuticals

Naveed Shams, M.D., Ph.D.
Senior Corporate Officer
Chief Scientific Officer (CSO)
Head of Global Research and Development,
President & CEO of Santen Inc.

Akihiro Tsujimura
Senior Corporate Officer
Head of Asia Division

Atsutoshi Ota
Senior Corporate Officer
Head of Human Resources Development Division

Kazuo Koshiji
Senior Corporate Officer
Chief Financial Officer (CFO)
Head of Finance Division

Jyrki Liljeroos
Corporate Officer
President of Santen Oy

Kenji Morishima
Corporate Officer
Head of Global Pharmaceutical Technology Development

Akio Kimura
Corporate Officer
Head of Global Quality Compliance

Noriaki Yamamoto
Corporate Officer
Chief Information Officer (CIO)
Head of Information Systems Division

Hiroyuki Yamazaki
Corporate Officer
Head of Japan Prescription Pharmaceuticals Sales

Keizo Nakada
Corporate Officer
Head of Global Product Supply

Shigeo Taniuchi
Corporate Officer
Head of Santen Europe

Financial Section

OPERATING RESULTS

Adoption of International Financial Reporting Standards (IFRS)

The Santen Group conducts business internationally in countries and regions such as Japan, Asia, and Europe. Moreover, the composition of Santen Pharmaceutical Co., Ltd. shareholders is notable for its high shareholding of foreign investors, who own more than 40% of the shares of Santen Pharmaceutical Co., Ltd. Considering these factors, Santen has adopted International Financial Reporting Standards (IFRS) effective from the fiscal year ended March 31, 2015, for the purpose of improving the international comparability of its financial information in the capital markets. Figures for the fiscal year ended March 31, 2014 have been restated to conform to IFRS to facilitate comparison and analysis.

The main differences between IFRS and Japanese GAAP are as follows.

[Presentation of Accounts]

- Revenue under IFRS is equivalent to net sales under Japanese GAAP.
- Operating profit under IFRS differs from operating income under Japanese GAAP. Operating profit includes profits derived from ordinary operating activities, as well as other income, other expenses, extraordinary gains and extraordinary losses under Japanese GAAP. However, interest income, interest expense, exchange gains (losses) and other items included in those accounts are classified as finance income and finance expenses, and are not included in operating profit under IFRS.

[Supplemental Notes]

- Under Japanese GAAP, lump-sum payments and other expenses that were incurred in connection with product and technology licensing agreements that had arisen primarily before the approval of the authorities could be obtained were expensed as research and development expenses. Of these expenses, those that are eligible are carried as intangible assets under IFRS. These intangible assets are amortized on a straight-line basis over their estimated useful lives from the date the assets are available for use.
- In regard to goodwill, under Japanese GAAP, the Santen Group amortized goodwill over the period of expected benefit. Under IFRS, goodwill is not amortized.
- Under Japanese GAAP, the Santen Group amortized actuarial gains and losses on retirement benefits over a certain number of years within the average remaining service period for employees when the actuarial gains and losses were incurred. Under IFRS, the Santen Group must recognize the amount of the remeasurement of net defined benefit liability in other comprehensive income when it occurs, and immediately transfer it to retained earnings.

Adoption of Core Basis Indicators

In line with the adoption of IFRS, Santen discloses financial information on a core basis to better express its recurring business performance, along with IFRS results on a full basis. Financial information on a core basis excludes certain gains and expenses from IFRS results on a full basis.

Please see page 8 for a definition of the core basis and core basis results.

Revenue

Santen's activities essentially encompass the pharmaceuticals and other businesses. At 98.4%, the vast majority of revenue comes from the pharmaceuticals segment. In fiscal 2014, ended March 31, 2015, revenue from the pharmaceuticals segment rose 11.1% compared with the previous year, to ¥159,262 million. Revenue from the other segment decreased 12.6%, to ¥2,569 million. On this basis, total revenue for the fiscal year under review rose 10.6%, to ¥161,831 million.

Pharmaceuticals Business

[Prescription Pharmaceuticals]

Santen's ophthalmics, anti-rheumatics and other pharmaceuticals saw revenue increase 11.5%, to ¥152,556 million, representing 94.3% of consolidated revenue.

■ Ophthalmics

Domestic revenue from prescription ophthalmic pharmaceuticals improved 3.5%, to ¥105,345 million. This was largely attributable to successful promotional campaigns in Japan to provide individual medical facilities with scientific information tailored to their specific and changing needs. Overseas, prescription ophthalmic pharmaceutical revenue was up 32.1%, to ¥30,714 million, after conversion to yen. In Europe, our concentration on promotional campaigns centered on providing medical and other information saw *Taflotan* (sold as *Tapros* in Japan), a glaucoma and ocular hypertension treatment, increase its market share. In Asia, market penetration of the Company's products also progressed mainly in China and Korea. This was again attributable to successful promotional campaigns. As a result, total prescription ophthalmic pharmaceutical revenue increased 8.8%, to ¥136,059 million.

■ Anti-Rheumatics

Revenue from anti-rheumatics was down 6.1%, to ¥9,629 million, partly due to the impact of National Health Insurance (NHI) drug price revisions and competition. Santen completed the assignment of its anti-rheumatic pharmaceutical business to AYUMI Pharmaceutical on August 3, 2015.

■ Other Pharmaceuticals

Other pharmaceuticals includes revenues derived from technology-sharing agreements as well as contract work and manufacturing. In addition, certain profits generated by U.S.-based Merck & Co., Inc. were transferred to Santen in accordance with an agreement between the two companies. These profits were generated by Merck & Co., Inc. during the period from the completion of legal procedures in connection with Santen's taking over of ophthalmic products

from Merck & Co., Inc. until the start of sales of these products by the Santen Group in various countries and regions. With these revenues amounting to ¥5,174 million, revenue in other pharmaceuticals was ¥6,868 million.

[OTC Pharmaceuticals]

OTC pharmaceuticals revenue increased 4.1%, to ¥6,706 million, mainly due to a focus on promotional campaigns to enhance the brand value of the entire *Sante* series as well as a strong performance by highly priced products.

Other Businesses

[Medical Devices]

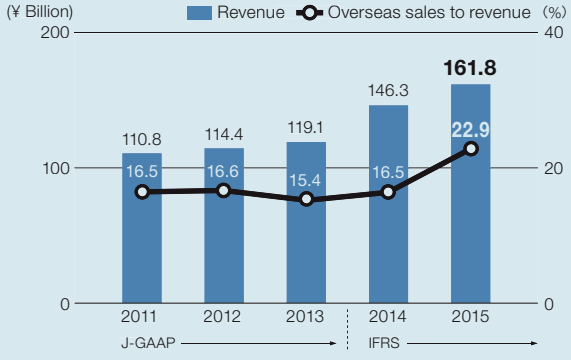
Revenue from medical devices fell 13.1% year on year, to ¥2,327 million, mainly due to the impact of competition, despite focusing initiatives on promotional campaigns for the *Eternity* foldable intraocular lens, which is made of a glistening-free hydrophobic acrylic optical material.

Revenue by Business Segment

	Millions of yen		%
	2015	2014	Change
Pharmaceuticals Business	**¥159,262**	¥143,320	11.1
Prescription pharmaceuticals	**152,556**	136,880	11.5
Ophthalmics	**136,059**	125,033	8.8
Anti-rheumatics	**9,629**	10,251	(6.1)
Other pharmaceuticals	**6,868**	1,595	330.6
OTC pharmaceuticals	**6,706**	6,440	4.1
Other Businesses	**2,569**	2,940	(12.6)
Medical devices	**2,327**	2,678	(13.1)
Others	**242**	262	(7.4)
Total	**¥161,831**	¥146,260	10.6

Note: Revenue for each segment refers to revenue to outside customers.

Revenue and Overseas Sales to Revenue



[Others]

Revenue in Others totaled ¥242 million. This revenue came from the cleaning of antidust and sterilized clothing operations of consolidated subsidiary Claire Co., Ltd. and sales of supplements.

Cost of Sales

Cost of sales decreased 1.7%, to ¥56,373 million. The cost of sales as a percentage of revenue decreased 4.4 percentage points, to 34.8%.

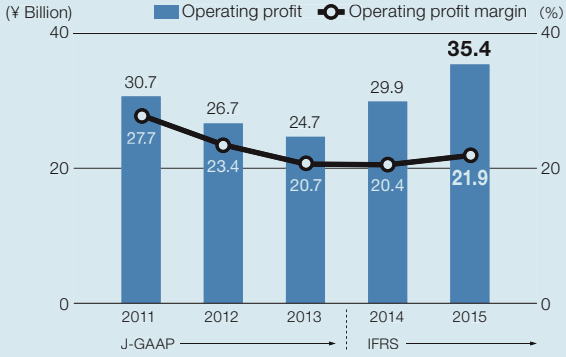
Selling, General and Administrative Expenses, Research and Development Expenses, and Amortization on Intangible Assets

Selling, general and administrative expenses increased 17.4%, to ¥48,893 million, mainly due to higher expenses related to selling activities associated with the ophthalmology assets taken over from U.S.-based Merck & Co., Inc. Research and development expenses rose 3.7% to ¥17,477 million. Amortization on intangible assets associated with products amounted to ¥3,979 million, mainly due to the recording of amortization on intangible assets in connection with the aforementioned ophthalmology assets taken over from U.S.-based Merck & Co., Inc.

Operating Profit

Operating profit was up 18.4%, to ¥35,374 million. The operating profit margin was 21.9%, up from 20.4% in the previous fiscal year.

Operating Profit and Operating Profit Margin



Other Income and Expenses

Finance income decreased 16.2% year on year, to ¥768 million, mainly because no gains on sale of shares were recorded in fiscal 2014. Finance expenses declined 35.5%, to ¥279 million, reflecting the diminished impact of exchange losses.

Income Tax Expenses

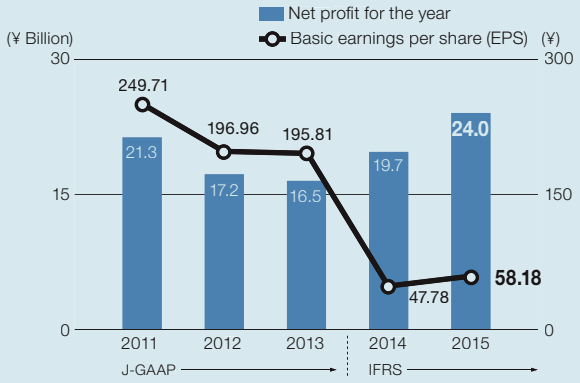
Income tax expenses totaled ¥11,831 million. The ratio of income tax expenses to profit before tax decreased from 35.1% to 33.0%.

Net Profit for the Year

Net profit for the year was up 21.9%, to ¥24,032 million. The ratio of net profit for the year to revenue was 14.9%, up from 13.5% in the previous fiscal year. Basic earnings per share was ¥58.18, up from ¥47.78, and diluted earnings per share was ¥57.93, up from ¥47.63 in the previous fiscal year.

Santen conducted a 5-for-1 stock split of ordinary shares on the effective date of April 1, 2015. Basic earnings per share (EPS) and diluted EPS for the fiscal year ended March 31, 2014 and the subsequent fiscal years were calculated as if the stock split had been conducted at the beginning of the fiscal year ended March 31, 2014.

Net Profit for the Year and Basic Earnings per Share (EPS)

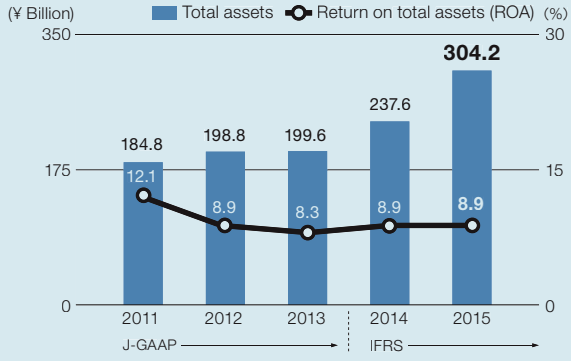


FINANCIAL CONDITION

Assets

As of March 31, 2015, total assets stood at ¥304,200 million, up ¥66,560 million, or 28.0%, compared with the previous fiscal year-end. The main contributing factor was the ophthalmology assets taken over from U.S.-based Merck & Co., Inc. Return on total assets (ROA) was 8.9%, mostly on par with the previous fiscal year. Total current assets were ¥150,672 million, and the ratio of total current assets to total assets declined from 64.5% as of the previous fiscal year-end to 49.5%. Property, plant and equipment totaled ¥29,104 million, intangible assets were ¥84,433 million, and financial assets amounted to ¥34,725 million.

Total Assets and Return on Total Assets (ROA)



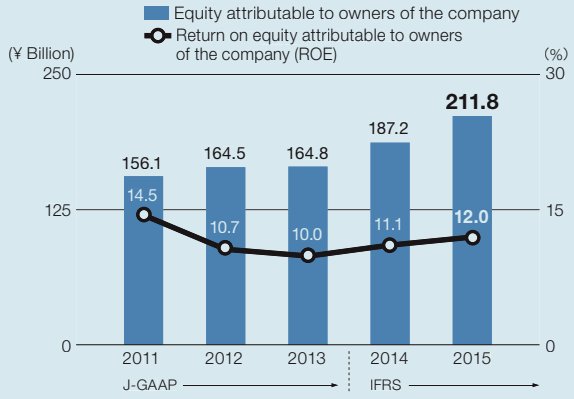
Liabilities

Total liabilities as of March 31, 2015 were ¥92,421 million, up ¥41,991 million compared with the previous fiscal year end. The main contributing factors were increases in financial liabilities and other financial liabilities, due to the execution of long-term debt totaling ¥40,000 million in connection with the ophthalmology assets taken over from U.S.-based Merck & Co., Inc. Total current liabilities were ¥56,340 million, and non-current liabilities were ¥36,081 million.

Equity

Total equity amounted to ¥211,779 million, up ¥24,569 million compared with the end of the previous fiscal year. This was mainly due to increases in retained earnings and other components of equity. The equity attributable to owners of the company ratio declined from 78.8% to 69.6%. Equity attributable to owners of the company per share was ¥511.14, an increase of ¥58.71, or 13.0%, compared with the end of the previous fiscal year. Return on equity attributable to owners of the company (ROE) increased from 11.1% to 12.0%.

Equity Attributable to Owners of the Company and Return on Equity Attributable to Owners of the Company (ROE)



Cash Flows

Santen strives to maintain a healthy balance sheet and to ensure an appropriate level of liquidity and sufficient resources to fund its business activities.

Net cash provided by operating activities was ¥25,386 million. The main components were net profit for the year of ¥24,032 million, depreciation and amortization of ¥6,958 million, an increase in trade and other receivables of ¥7,701 million, and income tax paid of ¥14,087 million.

Net cash used in investing activities was ¥61,709 million. This mainly reflected a cash outflow of ¥63,468 million for the purchase of intangible assets, despite proceeds of ¥4,149 million from the sale and redemption of investments.

Net cash provided by financing activities was¥28,960 million. The principal cash inflow was proceeds from long-term loans payable of ¥40,000 million in connection with the ophthalmology assets taken over from U.S.-based Merck & Co., Inc. This inflow was partially offset by dividends paid of ¥8,264 million.

As a result, cash and cash equivalents as of the end of the fiscal year amounted to ¥65,923 million, a decrease of ¥6,474 million.

Cash Flows Summary

	Millions of yen		
	2015	2014	Change
Cash flows from operating activities	**¥25,386**	¥26,686	¥(1,300)
Cash flows from investing activities	**(61,709)**	(7,847)	(53,862)
Cash flows from financing activities	**28,960**	(7,954)	36,914
Cash and cash equivalents at end of year	**65,923**	72,397	(6,474)

Note: Figures in parentheses indicate a decrease.

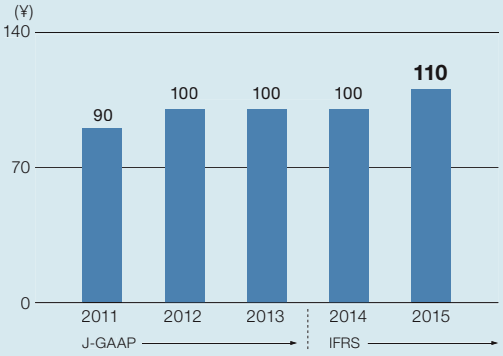
Distribution of Profits

Santen views returns to shareholders as one of its most important management goals and has instituted the following fundamental policies for the distribution of profits:

- We will implement an appropriate dividend policy based on the Company's operating results while taking into consideration the need to secure sufficient internal reserves to fund R&D and the implementation of growth strategies for the purposes of enhancing capital efficiency and expanding corporate value.
- We will strive to increase the level of dividends in line with such factors as the Company's demand for funds and the Company's financial position.
- We will consider the repurchase and retirement of treasury stock as a flexible method of providing a return to shareholders.

To maintain a stable level of dividends, under the Company's Fiscal 2014–2017 Medium-Term Management Plan, Santen is targeting a return on equity attributable to owners of the company (ROE) of more than 13%, and a dividend payout ratio of 40%. On this basis, the annual dividend per share was ¥110, an increase of ¥10 from the previous fiscal year. ROE stood at 12.0%.

Dividend per Share



FORWARD-LOOKING INFORMATION AND FACTORS THAT MIGHT AFFECT FUTURE RESULTS

Any statements that Santen Group makes, other than historical facts, contain forward-looking information based on our business plans and assumptions at the time of disclosure. Such forward-looking information includes, but is not limited to, our expected growth strategies, projected operating results, market forecasts and anticipated timing for developing, obtaining approval and bringing products to market. Our business, as well as each product we develop and market, is subject to various risks and uncertainties beyond our control. Therefore, these forward-looking statements might differ substantially from actual results. Risks and uncertainties that could affect the Company's future results and financial condition include, but are not limited to, the factors described below.

External Factors

Regulatory Controls

Our prescription pharmaceutical business is subject to government regulatory controls regarding healthcare programs and drug prices in Japan and other countries. Although our current operating and/or financial projections were made in full consideration of drug price revisions in Japan to the best extent possible, those revisions that may take place beyond the scope of our anticipated projections or other revisions in healthcare programs might also affect our operating and/or financial results.

In other countries and markets where we manufacture and sell our products, we continue to face a variety of regulatory controls over prices of prescription pharmaceuticals and government pressure for drug price reduction.

Social and Economic Conditions and Changes in the Law

The Santen Group's future results might be affected by political and economic changes in key markets worldwide in which it operates. Our anticipated business performance and financial condition might also be affected by changes in applicable accounting principles, and laws and regulations concerning taxes, the Product Liability Law, the Antitrust Law, environmental laws and regulations, and other factors.

Foreign Exchange

Since the Santen Group conducts operations in countries throughout the world, foreign exchange rate fluctuations affect its business performance and financial condition.

Overseas revenue for the fiscal year ended March 31, 2015 accounted for 22.9% of our consolidated revenue.

Competitive Factors

Generic Products

The sale of generic products both in and outside Japan has the potential to impact the Santen Group's performance. Some of our products have already been launched as generic products by other companies. Looking ahead, the impact from generic products could increase.

Dependency on Specific Products and Business Partners

Dependency on Mainstay Products

Total revenue of *EYLEA* and *Hyalein* accounted for more than 25% of the Santen Group's consolidated revenue for the fiscal year ended March 31, 2015. Should any sales suspension or a decline in revenue occur due to unanticipated negative influences, such as potential product defects or newly discovered side effects, our business performance and financial condition might be negatively affected.

Dependency on In-Licensed Products

Many products that the Santen Group sells are manufactured or sold under license from other companies. We hold exclusive rights to manufacture and sell ophthalmic formulations such as *Cravit, Detantol, Tapros, Diquas* and *Alesion*. We also have sales rights in Japan for *Livostin*, and exclusive sales rights in Japan for *Rescula* and *EYLEA*. Should changes be made in the contract period or conditions of such contracts, or should the agreements not be renewed, our business performance might be affected.

Dependency on Specific Business Partners

The Santen Group depends on specific business partners for the supply of certain raw materials such as active pharmaceutical ingredients and containers. If supply of these materials is interrupted or discontinued for any reason, our pharmaceutical production might be adversely affected. Should it subsequently affect the supply of our products and cause any interruption or discontinuance, it would adversely affect our business performance.

The percentage of the Santen Group's business conducted with the top 10 wholesalers in Japan has reached almost 70% of its consolidated revenue. If our wholesale partners experience bankruptcy leading to bad debts, our business performance might be adversely affected.

R&D Activities

Uncertainties in New Product Development

Years are required to bring new drugs from initial R&D to final approval and marketing. Various uncertainties exist at every stage in the development process that could sidetrack a new product, such as discontinuance of development or rejection after the application is filed. It is difficult for the Santen Group to accurately predict when new products, or new indications or formulations under development, will reach the approval stage and be ready for launch.

Forecasting a precise timeline for project development and completion depends on a number of variable factors, including, but not limited to, delayed government reviews, conflicting or unusable clinical data that does not indicate significant differences in relation to competitor products, safety and efficacy concerns and unexpected side effects — which might lead to discontinued development or delayed product launches and thereby negatively affect projected revenue from new drugs.

Potentially Insufficient Returns on R&D Investment

The creation and development of new pharmaceuticals, as well as the development of new indications and formulations, are critical for the future growth of the Santen Group. Every year we invest significantly in R&D, and there is a possibility that future investments will not result in revenue from new products sufficient to provide an adequate return.

Issues with Alliances

Forecasts for new pharmaceuticals include various assumptions of alliances in development and/or sales. Actual results of these alliances might affect Santen Group's business performance and financial condition.

Other Factors

Intellectual Property Rights

The Santen Group's businesses are protected by various patents relating to substances and manufacturing methods. We manage such intellectual property rights appropriately and maintain vigilance against third-party infringements; however, if a third-party infringement were to occur, our business performance might be affected. Moreover, we take care to ensure that our business activities do not infringe on the intellectual property rights of third parties; however, if such an infringement were to occur, it might affect our business performance, such as receiving compensation claims for damages.

Production Interruptions or Delays

The interruption or delay of production activities due to natural disasters or other catastrophes such as fire might affect the Santen Group's business performance and financial condition. Certain products are only manufactured at one location. If a specific plant is forced to halt production, supply of some products might be interrupted or delayed.

Cancellation of Sales and Product Withdrawals

If sales of the Santen Group's certain products are cancelled, or if the Group withdraws products due to product quality defects, unexpected side effects, tampering or other causes, its overall business performance might be negatively affected.

Litigation

The Santen Group's main business involves the production and sales of prescription pharmaceuticals. The nature of our business makes us vulnerable to litigation related to patents, the Product Liability Law, violation of the Antitrust Law and consumer-related and environmental lawsuits. If such legal actions take place, the proceedings might affect our overall business performance and financial condition. Currently, we are involved in no litigation that substantially impacts the management of the Group.

Risk Related to Global Business Expansion

The Santen Group sells pharmaceutical products and conducts research and development in countries all over the world. In the course of developing our global business to achieve sustained growth, we are conducting asset transfers and company acquisitions. The nature of these kinds of business activities in countries around the world makes us vulnerable to risks arising from changes in laws or regulations, the instability of a political situation, uncertainty in economic trends, differences in business practices, and other circumstances. As a result, we might not achieve the benefits and earnings that we had initially anticipated.

Eleven-year Summary of Selected Financial Data

Years ended March 31

	2005	2006	2007	2008
	J-GAAP	J-GAAP	J-GAAP	J-GAAP
For the year:				
Net sales/Revenue	¥ 92,696	¥ 98,398	¥ 100,486	¥ 103,394
Cost of sales	33,710	34,535	35,484	36,513
Selling, general and administrative expenses*2	40,004	42,868	44,590	46,510
Operating profit	18,982	20,995	20,412	20,371
Income before income taxes/Profit before tax	18,436	20,342	21,039	20,483
Income taxes/Income tax expenses	7,413	7,319	7,891	7,832
Net income/Net profit for the year	11,023	13,023	13,148	12,651
Capital expenditures/Payments for acquisition of property, plant and equipment, and intangible assets	4,907	2,106	3,556	3,151
Depreciation and amortization	4,750	4,824	4,761	4,593
Research and development expenses	12,620	13,971	13,663	12,942
Per share data (yen and U.S. dollars):				
Net income-basic/Basic earnings*3	¥ 125.85	¥ 150.26	¥ 151.58	¥ 146.15
Net income-diluted/Diluted earnings*3	125.71	150.01	151.31	145.94
Equity/Equity attributable to owners of the company*3	1,249.32	1,368.27	1,481.83	1,494.48
Cash dividends, applicable to period	50.00	60.00	65.00	80.00
Cash flows:				
Net cash flows from (used in) operating activities	¥ 6,619	¥ 20,879	¥ 14,959	¥ 15,468
Net cash flows from (used in) investing activities	(2,907)	(1,330)	(5,846)	(2,083)
Net cash flows from (used in) financing activities	(12,712)	(5,900)	(5,691)	(11,415)
Interest coverage ratio (times)	36.1	218.7	164.3	163.6
Debt to cash flow ratio (%)	104.0	26.9	36.4	34.1
At year-end:				
Total assets	¥ 139,980	¥ 150,458	¥ 159,099	¥ 156,547
Property, plant and equipment	32,676	30,395	30,485	29,849
Total current assets	82,735	93,893	100,820	102,754
Equity/Equity attributable to owners of the company	108,240	118,637	128,587	126,998
Long-term debt/Financial liabilities (non-current)	6,882	5,614	5,446	5,278
Return on equity/ Return on equity attributable to owners of the company (ROE) (%)	10.4	11.5	10.6	9.9
Return on total assets (ROA) (%)	7.6	9.0	8.5	8.0
Return on equity/Equity attributable to owners of the company ratio (%)	77.3	78.9	80.8	81.1
Equity ratio on stock price basis/ Equity attributable to owners of the company ratio on stock price basis (%)	142.3	163.0	165.3	126.2
Price earnings ratio (PER) (times)	18.3	18.8	20.0	15.9
Dividend on equity/ Dividend on equity attributable to owners of the company (DOE) (%)	4.1	4.6	4.6	5.4
Issued shares (thousands)	86,659	86,751	86,825	86,867
Number of employees	2,308	2,312	2,409	2,483

Notes: 1. U.S. dollar amounts have been translated from yen, solely for the convenience of the reader, at the rate of ¥120.17 to U.S.$1.00, the exchange rate prevailing on March 31, 2015.
2. Research and development expenses are included under J-GAAP but excluded under IFRS.
3. The Company conducted a stock split of ordinary shares at a ratio of 5 for 1 with an effective date of April 1, 2015. Basic earnings per share, diluted earnings per share and total equity per share for the fiscal year ended March 31, 2014 and the subsequent fiscal years are calculated as if the stock split had been conducted at the beginning of the fiscal year ended March 31, 2014 based on the number of shares issued after the stock split (excluding treasury shares).

Millions of yen							Thousands of U.S. dollars*1
2009	2010	2011	2012	2013	2014	2015	2015
J-GAAP	J-GAAP	J-GAAP	J-GAAP	J-GAAP	IFRS	IFRS	IFRS
¥ 101,619	¥ 110,594	¥ 110,812	¥ 114,416	¥ 119,066	¥146,260	**¥161,831**	**$1,346,680**
35,947	34,710	34,437	35,385	41,501	57,353	**56,373**	**469,107**
50,178	46,244	45,636	52,299	52,884	41,642	**48,893**	**406,864**
15,494	29,640	30,739	26,732	24,681	29,878	**35,374**	**294,369**
15,824	28,610	31,074	27,791	25,592	30,361	**35,863**	**298,437**
5,701	9,887	9,741	10,630	9,071	10,643	**11,831**	**98,452**
10,123	18,723	21,333	17,161	16,521	19,718	**24,032**	**199,985**
2,953	1,315	1,651	3,281	3,609	5,879	**66,440**	**552,889**
4,210	3,421	2,976	2,949	3,291	2,841	**6,958**	**57,899**
18,458	14,123	13,221	17,225	16,720	16,862	**17,477**	**145,437**
¥ 119.08	¥ 220.10	¥ 249.71	¥ 196.96	¥ 195.81	¥ 47.78	**¥ 58.18**	**$ 0.48**
118.97	219.85	249.42	196.76	195.51	47.63	**57.93**	**0.48**
1,472.32	1,614.08	1,793.15	1,887.81	1,998.44	452.43	**511.14**	**4.25**
80.00	80.00	90.00	100.00	100.00	100.00	**110.00**	**0.92**
¥ 11,849	¥ 26,110	¥ 17,768	¥ 21,483	¥ 9,943	¥ 26,686	**¥ 25,386**	**$ 211,248**
(5,619)	(829)	(7,676)	(10,273)	(4,596)	(7,847)	**(61,709)**	**(513,514)**
(11,373)	(6,753)	(1,570)	(8,559)	(21,557)	(7,954)	**28,960**	**240,988**
165.5	558.1	488.5	1,285.0	3,037.8	2,855.4	**309.8**	
5.5	2.5	1.1	1.1	1.9	0.6	**146.4**	
¥ 151,012	¥ 166,878	¥ 184,801	¥ 198,801	¥ 199,641	¥237,640	**¥304,200**	**$2,531,411**
28,665	26,574	24,957	25,523	27,420	27,175	**29,104**	**242,188**
101,053	118,832	137,668	140,288	132,583	153,241	**150,672**	**1,253,822**
125,181	137,343	156,099	164,514	164,808	187,210	**211,779**	**1,762,330**
154	75	152	179	145	102	**25,351**	**210,958**
8.0	14.3	14.5	10.7	10.0	11.1	**12.0**	
6.6	11.8	12.1	8.9	8.3	8.9	**8.9**	
82.9	82.3	84.5	82.8	82.6	78.8	**69.6**	
154.3	143.1	156.2	155.0	183.8	159.2	**237.7**	
23.0	12.7	13.3	17.9	22.7	19.2	**30.1**	
5.4	5.2	5.3	5.4	5.1	4.7	**4.6**	
86,916	86,992	87,053	87,147	82,469	82,583	**82,653**	
2,690	2,756	2,867	3,053	3,050	3,072	**3,230**	

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Santen Pharmaceutical Co., Ltd. and Subsidiaries
For the year ended March 31, 2015

	Note	Millions of yen		Thousands of U.S. dollars
		2014	2015	2015
Revenue	6, 7	¥146,260	**¥161,831**	**$1,346,680**
Cost of sales	9	(57,353)	**(56,373)**	**(469,107)**
Gross profit		88,907	**105,458**	**877,573**
Selling, general and administrative expenses	8, 9	(41,642)	**(48,893)**	**(406,864)**
Amortization on intangible assets associated with products	17	(190)	**(3,979)**	**(33,111)**
Research and development expenses	9	(16,862)	**(17,477)**	**(145,437)**
Other income	10	681	**723**	**6,019**
Other expenses	11	(1,016)	**(458)**	**(3,811)**
Operating profit		29,878	**35,374**	**294,369**
Finance income	12	916	**768**	**6,392**
Finance expenses	12	(433)	**(279)**	**(2,324)**
Profit before tax		30,361	**35,863**	**298,437**
Income tax expenses	13	(10,643)	**(11,831)**	**(98,452)**
Net profit for the year		19,718	**24,032**	**199,985**
Other comprehensive income for the year, net of tax				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans	14	463	**303**	**2,524**
Net gain or loss on financial assets measured at fair value through other comprehensive income	14	2,236	**7,863**	**65,442**
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation adjustments	14	4,752	**248**	**2,060**
Other comprehensive income	14	7,451	**8,414**	**70,026**
Total comprehensive income for the year		27,169	**32,446**	**270,011**
Profit attributable to				
Owners of the company		19,718	**24,032**	**199,985**
Non-controlling interests		—	**—**	**—**
Net profit for the year		19,718	**24,032**	**199,985**
Total comprehensive income attributable to				
Owners of the company		27,169	**32,446**	**270,011**
Non-controlling interests		—	**—**	**—**
Total comprehensive income for the year		¥ 27,169	**¥ 32,446**	**$ 270,011**

Earnings per share		Yen		U.S. dollars
		2014	2015	2015
Basic earnings per share	15	¥ 47.78	**¥ 58.18**	**$ 0.48**
Diluted earnings per share	15	47.63	**57.93**	**0.48**

Consolidated Statement of Financial Position

Santen Pharmaceutical Co., Ltd. and Subsidiaries
As of March 31, 2015

Assets	Note	Millions of yen			Thousands of U.S. dollars
		April 1, 2013 (Transition date)	2014	2015	2015
Non-current assets					
Property, plant and equipment	16	¥ 27,063	¥ 27,175	**¥ 29,104**	**$ 242,188**
Intangible assets	17	22,605	26,610	**84,433**	**702,614**
Financial assets	18	19,305	23,334	**34,725**	**288,964**
Deferred tax assets	13	5,011	5,215	**2,978**	**24,784**
Other non-current assets		2,234	2,065	**2,288**	**19,039**
Total non-current assets		76,218	84,399	**153,528**	**1,277,589**
Current assets					
Inventories	19	20,305	19,461	**20,133**	**167,535**
Trade and other receivables	20	45,324	53,986	**61,701**	**513,450**
Other financial assets	18	2,217	4,587	**187**	**1,552**
Other current assets		2,045	2,356	**2,728**	**22,704**
Cash and cash equivalents	21	60,237	72,397	**65,923**	**548,581**
Subtotal		130,128	152,787	**150,672**	**1,253,822**
Assets held for sale	22	414	454	**—**	**—**
Total current assets		130,542	153,241	**150,672**	**1,253,822**
Total assets		206,760	237,640	**304,200**	**2,531,411**
Equity and liabilities					
Equity					
Share capital	23	7,081	7,264	**7,383**	**61,439**
Capital surplus	23	7,776	7,959	**8,077**	**67,217**
Treasury shares	23	(2)	(9)	**(18)**	**(158)**
Retained earnings	23	150,516	162,727	**178,840**	**1,488,227**
Other components of equity	23, 24	2,486	9,269	**17,497**	**145,605**
Total equity attributable to owners of the company		167,857	187,210	**211,779**	**1,762,330**
Total equity		167,857	187,210	**211,779**	**1,762,330**
Liabilities					
Non-current liabilities					
Financial liabilities	25	141	102	**25,351**	**210,958**
Net defined benefit liabilities	26	5,966	5,401	**5,459**	**45,430**
Provisions	27	1,278	1,467	**1,444**	**12,015**
Deferred tax liabilities	13	2,395	2,795	**2,874**	**23,914**
Other non-current liabilities		1,007	1,479	**953**	**7,937**
Total non-current liabilities		10,787	11,244	**36,081**	**300,254**
Current liabilities					
Trade and other payables	28	13,766	19,072	**20,250**	**168,507**
Other financial liabilities	25	5,846	4,880	**19,298**	**160,593**
Income tax payable		3,168	8,081	**6,729**	**55,993**
Provisions	27	702	996	**1,197**	**9,962**
Other current liabilities		4,634	6,157	**8,866**	**73,772**
Total current liabilities		28,116	39,186	**56,340**	**468,827**
Total liabilities		38,903	50,430	**92,421**	**769,081**
Total equity and liabilities		¥206,760	¥237,640	**¥304,200**	**$2,531,411**

Consolidated Statement of Changes in Equity

Santen Pharmaceutical Co., Ltd. and Subsidiaries
For the year ended March 31, 2014

	Note	Millions of yen					
						Other components of equity	
		Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
Balance at April 1, 2013		¥7,081	¥7,776	¥(2)	¥150,516	¥ —	¥2,162
Comprehensive income							
Net profit for the year					19,718		
Other comprehensive income	14					463	2,236
Total comprehensive income for the year		—	—	—	19,718	463	2,236
Transactions with owners							
Issuance of new shares	23	183	183				
Acquisition of treasury shares	23			(7)			
Disposals of treasury shares	23		0	0			
Dividends	23				(8,250)		
Share-based payments	23, 24						
Other					743	(463)	(280)
Total transactions with owners		183	183	(7)	(7,507)	(463)	(280)
Balance at March 31, 2014		¥7,264	¥7,959	¥(9)	¥162,727	¥ —	¥4,118

	Note	Millions of yen				
		Other components of equity				
		Foreign currency translation adjustments	Subscription rights to shares	Total	Total equity attributable to owners of the company	Total equity
Balance at April 1, 2013		¥ —	¥324	¥2,486	¥167,857	¥167,857
Comprehensive income						
Net profit for the year				—	19,718	19,718
Other comprehensive income	14	4,752		7,451	7,451	7,451
Total comprehensive income for the year		4,752	—	7,451	27,169	27,169
Transactions with owners						
Issuance of new shares	23		(49)	(49)	317	317
Acquisition of treasury shares	23			—	(7)	(7)
Disposals of treasury shares	23			—	0	0
Dividends	23			—	(8,250)	(8,250)
Share-based payments	23, 24		124	124	124	124
Other				(743)	—	—
Total transactions with owners		—	75	(668)	(7,816)	(7,816)
Balance at March 31, 2014		¥4,752	¥399	¥9,269	¥187,210	¥187,210

		Millions of yen					
						Other components of equity	
	Note	Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
Balance at April 1, 2014		**¥7,264**	**¥7,959**	**¥(9)**	**¥162,727**	**¥ —**	**¥ 4,118**
Comprehensive income							
Net profit for the year					24,032		
Other comprehensive income	14					303	7,863
Total comprehensive income for the year		—	—	—	24,032	303	7,863
Transactions with owners							
Issuance of new shares	23	119	118				
Acquisition of treasury shares	23			(9)			
Dividends	23				(8,259)		
Share-based payments	23, 24						
Other					340	(303)	(37)
Total transactions with owners		119	118	(9)	(7,919)	(303)	(37)
Balance at March 31, 2015		**¥7,383**	**¥8,077**	**¥(18)**	**¥178,840**	**¥ —**	**¥11,944**

		Millions of yen				
		Other components of equity				
	Note	Foreign currency translation adjustments	Subscription rights to shares	Total	Total equity attributable to owners of the company	Total equity
Balance at April 1, 2014		**¥4,752**	**¥399**	**¥ 9,269**	**¥187,210**	**¥187,210**
Comprehensive income						
Net profit for the year				—	24,032	24,032
Other comprehensive income	14	248		8,414	8,414	8,414
Total comprehensive income for the year		248	—	8,414	32,446	32,446
Transactions with owners						
Issuance of new shares	23		(32)	(32)	205	205
Acquisition of treasury shares	23			—	(9)	(9)
Dividends	23			—	(8,259)	(8,259)
Share-based payments	23, 24		186	186	186	186
Other				(340)	—	—
Total transactions with owners		—	154	(186)	(7,877)	(7,877)
Balance at March 31, 2015		**¥5,000**	**¥553**	**¥17,497**	**¥211,779**	**¥211,779**

Consolidated Statement of Changes in Equity

Santen Pharmaceutical Co., Ltd. and Subsidiaries
For the year ended March 31, 2015

		Thousands of U.S. dollars					
						Other components of equity	
	Note	Share capital	Capital surplus	Treasury shares	Retained earnings	Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
Balance at April 1, 2014		**$60,449**	**$66,227**	**$(78)**	**$1,354,141**	**$ —**	**$34,264**
Comprehensive income							
Net profit for the year					**199,985**		
Other comprehensive income	14					**2,524**	**65,442**
Total comprehensive income for the year		**—**	**—**	**—**	**199,985**	**2,524**	**65,442**
Transactions with owners							
Issuance of new shares	23	**990**	**990**				
Acquisition of treasury shares	23			**(80)**			
Dividends	23				**(68,732)**		
Share-based payments	23, 24						
Other					**2,833**	**(2,524)**	**(309)**
Total transactions with owners		**990**	**990**	**(80)**	**(65,899)**	**(2,524)**	**(309)**
Balance at March 31, 2015		**$61,439**	**$67,217**	**$(158)**	**$1,488,227**	**$ —**	**$99,397**

		Thousands of U.S. dollars				
		Other components of equity				
	Note	Foreign currency translation adjustments	Subscription rights to shares	Total	Total equity attributable to owners of the company	Total equity
Balance at April 1, 2014		**$39,548**	**$3,322**	**$ 77,134**	**$1,557,873**	**$1,557,873**
Comprehensive income						
Net profit for the year				**—**	**199,985**	**199,985**
Other comprehensive income	14	**2,060**		**70,026**	**70,026**	**70,026**
Total comprehensive income for the year		**2,060**	**—**	**70,026**	**270,011**	**270,011**
Transactions with owners						
Issuance of new shares	23		**(267)**	**(267)**	**1,713**	**1,713**
Acquisition of treasury shares	23			**—**	**(80)**	**(80)**
Dividends	23			**—**	**(68,732)**	**(68,732)**
Share-based payments	23, 24		**1,545**	**1,545**	**1,545**	**1,545**
Other				**(2,833)**	**—**	**—**
Total transactions with owners		**—**	**1,278**	**(1,555)**	**(65,554)**	**(65,554)**
Balance at March 31, 2015		**$41,608**	**$4,600**	**$145,605**	**$1,762,330**	**$1,762,330**

Consolidated Statement of Cash Flows

Santen Pharmaceutical Co., Ltd. and Subsidiaries
For the year ended March 31, 2015

	Note	Millions of yen		Thousands of U.S. dollars
		2014	2015	2015
Cash flows from operating activities				
Net profit for the year		¥19,718	**¥24,032**	**$199,985**
Depreciation and amortization		2,841	**6,958**	**57,899**
Impairment losses		216	**290**	**2,413**
Finance income and expenses		(759)	**(529)**	**(4,406)**
Income tax expenses		10,643	**11,831**	**98,452**
Decrease (increase) in trade and other receivables		(8,128)	**(7,701)**	**(64,088)**
Decrease (increase) in inventories		1,411	**(521)**	**(4,332)**
Increase (decrease) in trade and other payables		5,242	**1,251**	**10,408**
Increase (decrease) in net defined benefit liabilities		346	**761**	**6,336**
Other		1,883	**2,554**	**21,258**
Subtotal		33,413	**38,926**	**323,925**
Interest received		104	**81**	**673**
Dividends received		518	**548**	**4,562**
Interest paid		(9)	**(82)**	**(682)**
Income tax paid		(7,340)	**(14,087)**	**(117,230)**
Net cash flows from (used in) operating activities		26,686	**25,386**	**211,248**
Cash flows from investing activities				
Payments into time deposits		(111)	**(84)**	**(703)**
Proceeds from withdrawal of time deposits		92	**184**	**1,530**
Payments for acquisition of investments		(4,825)	**(114)**	**(945)**
Proceeds from sale and redemption of investments		2,933	**4,149**	**34,530**
Payments for acquisition of property, plant and equipment		(3,461)	**(2,972)**	**(24,734)**
Proceeds from sales of property, plant and equipment		2	**656**	**5,455**
Payments for acquisition of intangible assets		(2,418)	**(63,468)**	**(528,155)**
Other		(59)	**(60)**	**(492)**
Net cash flows from (used in) investing activities		(7,847)	**(61,709)**	**(513,514)**
Cash flows from financing activities				
Proceeds from short-term loans		—	**35,000**	**291,254**
Repayments of short-term loans		—	**(35,000)**	**(291,254)**
Proceeds from long-term loans		—	**40,000**	**332,862**
Repayments of long-term loans		(29)	**(2,970)**	**(24,712)**
Dividends paid		(8,247)	**(8,264)**	**(68,769)**
Other		322	**194**	**1,607**
Net cash flows from (used in) financing activities		(7,954)	**28,960**	**240,988**
Net increase (decrease) in cash and cash equivalents		10,885	**(7,363)**	**(61,278)**
Cash and cash equivalents at the beginning of period		60,237	**72,397**	**602,451**
Effect of exchange rate changes on cash and cash equivalents		1,275	**889**	**7,408**
Cash and cash equivalents at the end of period	21	¥72,397	**¥65,923**	**$548,581**

1. Reporting Entity

Santen Pharmaceutical Co., Ltd. and its consolidated subsidiaries (the "Santen Group") conduct businesses centered on the production and sale of prescription pharmaceuticals.

Santen Pharmaceutical Co., Ltd. (the "Company") is a company incorporated in Japan. The addresses of the Company's headquarters and its major operating sites are disclosed on its corporate website (http://www.santen.com/en/).

The shares of the Company are listed on the Tokyo Stock Exchange.

2. Basis of Preparation

1) Compliance with IFRS and First-time Adoption

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

The Santen Group has adopted IFRS from the fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015), and the IFRS transition date (the "transition date") is April 1, 2013. Upon transitioning to IFRS, the Santen Group has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1").

The Santen Group's accounting policies comply with IFRS effective as of March 31, 2015, except for IFRSs that have not been early adopted and exemption provisions permitted under IFRS 1.

2) Basis of Measurement

The Santen Group's consolidated financial statements have been prepared on a historical cost basis, except for the financial instruments stated in Note 3 "Significant Accounting Policies."

3) Functional Currency and Presentation Currency

The Santen Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency. All financial information presented in Japanese yen has been rounded to the nearest million, except when otherwise indicated.

For the convenience of readers outside Japan, the accompanying consolidated financial statements are also presented in U.S. dollars by translating Japanese yen amounts at the exchange rate of ¥120.17 to US $1.00, the approximate rate of exchange at the end of March 31 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

4) Early Adoption of New Standards

The Santen Group has early adopted IFRS 9 *Financial Instruments* ("IFRS 9") (amended in October 2010 and December 2011) since the transition date.

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and divides financial instruments into two classifications: those measured at amortized cost and those measured at fair value. Changes in the fair value of financial assets measured at fair value are recognized in profit or loss. Changes in fair value with respect to investments in equity instruments are recognized in other comprehensive income, except for equity instruments held for trading purposes.

5) Approval of Consolidated Financial Statements

The Santen Group's consolidated financial statements for the fiscal year ended March 31, 2015 were approved by President and CEO Akira Kurokawa, and Senior Corporate Officer, Chief Financial Officer (CFO) and Head of Finance Division Kazuo Koshiji, on August 7, 2015.

3. Significant Accounting Policies

Unless otherwise stated, the Santen Group has consistently applied the accounting policies set forth below to all periods presented on the consolidated financial statements (including the consolidated statement of financial position as of the transition date).

1) Basis of Consolidation

The Santen Group's consolidated financial statements have been prepared based on the financial statements of the Company, subsidiaries and associates.

A. Subsidiaries

Subsidiaries are entities controlled by the Santen Group.

Control means that the Santen Group has power over the investee, has exposure to variable returns from involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investors' returns.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost. When the end of the reporting period of a subsidiary is different

from that of the Company, the subsidiary prepares its financial statements for consolidation purpose based on the provisional accounting as of the Company's closing date.

In the case of changes in the ownership interest in subsidiaries, if the Company retains control over the subsidiaries, they are accounted for as equity transactions. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration transferred or received is recognized directly in equity attributable to owners of the company.

All intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing consolidated financial statements.

The financial statements of subsidiaries that have different fiscal year-ends than the Santen Group are consolidated using financial statements based on a provisional closing as of the Santen Group's fiscal year-end.

B. Associates

Associates are entities over which the Santen Group has significant influence over the financial and operating policies, but does not have control or joint control over it.

Investments in associates are accounted for using the equity method, from the date on which the Group obtains significant influence to the date on which the Santen Group loses significant influence.

2) Business Combinations

Business combinations are accounted for using the acquisition method.

The identifiable assets acquired and the liabilities assumed are measured at the fair values at the acquisition date.

The Santen Group measures the consideration for an acquisition as the sum of (1) the consideration transferred in a business combination, (2) the amount of any non-controlling interest and (3) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree. The Santen Group recognizes goodwill as any excess of this consideration for acquisition over the net amount of the identifiable assets acquired and the liabilities assumed at the acquisition date. If the net amount of the identifiable assets and liabilities of the acquiree exceeds the consideration for acquisition, the acquirer recognizes the excess amount as profit or loss on the acquisition date. The consideration transferred in the business combination is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

Any expenses arising in connection with business combinations are accounted for as cost when incurred.

The Santen Group has adopted exemption provisions prescribed in IFRS 1. Accordingly, the Santen Group has not retrospectively applied IFRS 3 *Business Combinations* ("IFRS 3") to business combinations completed on or before the transition date of April 1, 2013.

3) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using exchange rates at the dates of transactions or rates that approximate the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate at the fiscal year-end, and exchange differences are recognized as profit or loss.

Assets and liabilities of foreign operations are translated into the presentation currency using the exchange rate at the fiscal year-end. Income and expenses of foreign operations are translated into the presentation currency using the average exchange rate during the fiscal year, except for cases of significant exchange rate movements. Exchange differences are recognized in other comprehensive income. If a foreign operation is discontinued, the cumulative exchange differences of the relevant foreign operation are reclassified to profit or loss when it is discontinued.

As the Santen Group has adopted the exemption provisions prescribed in IFRS 1, the cumulative amount of exchange differences prior to the transition date is transferred to retained earnings.

4) Revenue

A. Revenue

Revenue is measured at the fair value of the consideration received or receivable, less trade discounts, returns, and taxes such as consumption taxes. The Santen Group primarily recognizes the following as revenue:

i. Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

(a) The Santen Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) The Santen Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) The amount of revenue can be measured reliably;
(d) It is probable that the economic benefits associated with the transaction will flow to the entity;
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

ii. Intellectual property
Revenue from intellectual property is recognized on an accrual basis in accordance with the substance of the relevant agreement.

B. Other Income
Revenue that is based on factors other than the aforementioned revenue and finance income is recognized as other income.

C. Finance Income
i. Interest
Interest is recognized using the effective interest method.
ii. Dividend
Dividend is recognized when the Group's right to receive dividend is established.

5) Research and Development Expenses
Internally generated development expenses are recognized as an intangible asset only if capitalization criteria under IAS 38 *Intangible Assets* ("IAS 38") are satisfied.

Expenditure on research and development of an internal project is fully expensed as "Research and development expenses" when incurred.

6) Government Grants
Government grants are recognized at fair value when there is a reasonable assurance that the Santen Group will comply with the conditions attached to them and receive the grants.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants related to assets are recognized as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset.

7) Income Taxes
Income taxes consist of current income taxes and deferred taxes.

Current income tax is measured at the amount that is expected to be paid to or recovered from the taxation authorities using the tax rates enacted or substantively enacted at the end of the reporting period. Current income tax is recognized in profit or loss, except for taxes that arise from transactions or events that are recognized in other comprehensive income or directly in equity as well as those that arise from business combinations.

Deferred taxes are calculated based on the temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes at the end of the reporting period. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are basically recognized for taxable temporary differences.

Deferred tax assets and deferred tax liabilities are not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting profit nor taxable profit on the transaction date. Deferred tax liabilities are not recognized for taxable temporary differences on initial recognition of goodwill.

Deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries and associates when the parent company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse within the foreseeable future. Moreover, deferred tax assets are not recognized for deductible temporary differences when the temporary difference will reverse in the foreseeable future or taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are calculated based on the tax rates that are expected to apply to the period when the deferred tax assets will be realized or the deferred tax liabilities will be settled.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and liabilities are related to income taxes levied by the same taxation authority on the same taxable entity.

8) Property, Plant and Equipment
Property, plant and equipment is recognized at cost, which includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs eligible for capitalization.

After recognition, property, plant, and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment other than land are depreciated using the straight-line method over the estimated useful lives of each item, from the date the assets are available for use. The estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures:	3 to 50 years
Machinery and vehicles:	3 to 10 years
Tools, furniture and fixtures:	4 to 10 years

The depreciation methods, residual values and estimated useful lives are reviewed annually and adjusted as necessary.

Impairment losses are stated in “10) Impairment of property, plant and equipment and intangible assets.”

9) Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance and have been acquired individually or through business combinations. The major intangible assets are goodwill, intangible assets associated with products, and software.

A. Goodwill

The measurement of goodwill on initial recognition is stated in “2) Business combinations.” After initial recognition, goodwill is not amortized and is measured at cost less any accumulated impairment losses. Goodwill is allocated to the cash-generating units that are expected to benefit from synergies derived from business combinations.

B. Intangible Assets Other than Goodwill

Intangible assets other than goodwill that are acquired individually are recognized at cost, specifically any cost directly attributable to the acquisition of the asset. Intangible assets other than goodwill that are acquired through business combinations are recognized based on the fair value at the business combination date.

After recognition, intangible assets are measured using the cost model and are stated at cost less accumulated amortization and accumulated impairment losses.

These intangible assets are amortized using the straight-line method over the estimated useful lives (within approximately 20 years) from the date the assets are available for use. The estimated useful lives are calculated based on the term of legal protection or the economical life, and are regularly reviewed.

Impairment losses are shown in “10) Impairment of property, plant and equipment and intangible assets.” The treatment of expenditures related to research and development incurred within the Santen Group is shown in “5) Research and development expenses.”

10) Impairment of Property, Plant and Equipment and Intangible Assets

At the end of each reporting period, the Santen Group assesses whether there is any indication of impairment that property, plant and equipment and intangible assets available for use may be impaired for each asset or cash-generating unit. If there is an indication of impairment, the Santen Group performs impairment test and assesses the recoverability of each asset or cash-generating unit.

Goodwill and intangible assets that are not yet available for use are performed impairment test annually, irrespective of whether there is any indication of impairment.

The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets.

The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less cost of disposal or its value in use. In determining the value in use, the estimated future cash flow is discounted to the present value using a discount rate that reflects the time value of money and the risks specific to the asset. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment loss is recognized in profit or loss and the carrying amount is reduced to the recoverable amount.

An asset or a cash-generating unit other than goodwill for which impairment loss was recognized in prior years is assessed at the end of the reporting period to determine whether there is any indication that the impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases in which the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the estimated recoverable amount or the carrying amount that would have been determined if no impairment loss had been recognized in prior years. The reversal of impairment loss is immediately recognized in profit or loss.

11) Leases

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee. Leases other than finance leases are classified as operating leases.

At the commencement of the lease term, the Companies recognize finance leases as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The lease assets that have been recognized are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term of the asset.

Lease payments under an operating lease shall be recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

12) Financial Instruments

A. Financial Assets

i. Initial recognition and measurement

The Santen Group recognizes financial assets on the trade date when the Group becomes party to the contractual provisions of the financial asset.

If the following conditions (a) and (b) are met, the financial assets that have been initially recognized are classified as financial assets measured at amortized cost; otherwise, they are classified as financial assets measured at fair value. Equity investment other than held for trading is measured at fair value through other comprehensive income.

(a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;

(b) The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets are initially measured at fair value plus transaction costs directly attributable to the financial assets, except for financial assets measured at fair value through profit or loss.

ii. Subsequent measurement

The financial assets measured at amortized cost are calculated using the effective interest method.

The financial assets measured at fair value are measured with any changes in fair value recognized through profit or loss. In addition, changes in the fair value of equity instruments other than held for trading are recognized through other comprehensive income and presented as “Financial assets measured at fair value through other comprehensive income” in other components of equity. The amount of other components of equity is transferred directly to retained earnings, not to profit or loss, when the equity investment is derecognized or the decline in its fair value compared to its acquisition cost is significant and other-than-temporary.

iii. Impairment losses

Financial assets that are measured at amortized cost are assessed whether there is any objective evidence of impairment at the end of each reporting period. If there is objective evidence of impairment, impairment loss is recognized in profit or loss as the difference between the financial asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate.

If an impairment loss is reduced by an event occurring after the recognition of impairment losses, the reduction in the impairment loss is reversed through profit or loss.

iv. Derecognition

The Santen Group derecognizes a financial asset only when the contractual right to receive the cash flows from the asset expires or when the Companies transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss, and the cumulative gain or loss that was previously accumulated in accumulated other comprehensive income (loss) is reclassified to profit or loss.

B. Financial Liabilities

i. Initial recognition and measurement

The Santen Group recognizes financial liabilities on the trade date when the Group becomes a party to the contractual provisions of the financial liability.

Financial liabilities that have been initially recognized are classified as financial liabilities measured at amortized cost, except for financial liabilities measured at fair value through profit or loss.

Financial liabilities except for financial liabilities at fair value through profit or loss are initially measured at fair value less transaction costs that are directly attributable to the issuance.

ii. Subsequent measurement

The financial liabilities measured at amortized cost are measured using the effective interest method.

The financial liabilities measured at fair value through profit or loss are measured at fair value and any gains or losses arising on remeasurement are recognized in profit or loss.

iii. Derecognition

The Santen Group derecognizes financial liabilities when the obligation specified in the contract is exempted, cancelled, or expired.

C. Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Santen Group:

(a) Currently has a legally enforceable right to set off the recognized amounts;

(b) Intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

D. Derivatives

The Company utilizes derivatives for hedging the risk arising from fluctuation in foreign currency exchange rates and interest rates and share price. Derivatives are initially measured at fair value on the date when the derivative contracts are entered into and are subsequently remeasured to fair value at each reporting date. The

Santen Group does not enter into derivatives for trading or speculative purposes.

E. Hedge Accounting

The Santen Group designates certain derivatives as cash flow hedges and adopts hedge accounting for the derivatives.

At the inception of the hedge, the Santen Group documents the relationship between the hedging instrument and the hedged item, and the risk management objectives and strategies for undertaking the hedge. The Santen Group also assesses whether the derivatives used in hedging transactions are highly effective in achieving offsetting changes in cash flows of hedged items both at the hedge inception and on an ongoing basis. When a hedging instrument is designated as a cash flow hedge and meets the criteria for hedge accounting, the effective portion of the gains or losses on the hedging instrument is recognized in other comprehensive income. The ineffective portion of gains or losses on the hedging instrument is recognized in profit or loss.

The cumulative gain or loss that was previously recognized in other comprehensive income is reclassified to profit or loss in the same period when the cash flows of the hedged items are recognized in profit or loss and at the same line item in the consolidated statement of profit or loss and other comprehensive income.

Hedge accounting is discontinued when the Santen Group revokes the hedge designation, when the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer qualifies for hedge accounting.

13) Inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is calculated based on the weighted-average cost method, including raw materials, direct labor and other direct costs as well as relevant overhead expenses. The net realizable value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

14) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term highly liquid investments that are subject to insignificant risk of change in value, due within three months from the date of acquisition and readily convertible to known amounts of cash.

15) Assets Held for Sale

The Santen Group classifies a non-current asset or disposal group which must be available for immediate sale in its present condition and its sale must be highly probable as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The Santen Group measures a non-current asset or disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

16) Capital

A. Ordinary Shares

Proceeds from the issuance of ordinary shares are included in share capital and capital surplus. The transaction cost (net of tax) of equity transactions is deducted from capital surplus.

B. Treasury Shares

Treasury shares purchased by the Company are measured as the amount of the consideration paid for the shares and are recognized as a deduction from capital. The Company does not recognize any gains and losses on the acquisition, sale or cancellation of treasury shares. If the Company sells treasury shares, any differences between the carrying amount and the sales amount are recorded under capital surplus.

17) Share-based Payments

The Santen Group has a share option plan as equity settled share-based payments for its directors and corporate officers. Share options are measured at fair value on the grant date and the fair value is calculated using the Black-Scholes model. The fair value of share options are recognized as expenses and the corresponding amount as an increase in equity on the grant date.

The Santen Group has adopted exemption provisions prescribed in IFRS 1. Accordingly, the Santen Group has not retrospectively applied IFRS 2 *Share-based Payments* ("IFRS 2") to share options vested before the date of transition to IFRS.

18) Employee Benefits

A. Post-employment Benefits

The Santen Group has adopted defined benefit plans and defined contribution plans as post-employment benefit plans for employees.

i. Defined benefit plans

The present value of defined benefit obligations and the related current service costs and past service cost are calculated based on the projected unit credit method.

The discount rates are determined with reference to the market yields of high quality corporate bonds at the end of each reporting period. Service cost and net interest on the net defined benefit liabilities are recognized in profit or loss.

Actuarial gains and losses, return on plan assets excluding amounts included in net interest on the net defined benefit liabilities, and changes in the effect of the asset ceiling are recognized in other comprehensive income and reclassified to retained earnings in the period in which they are recognized.

ii. Defined contribution plans

Costs for defined contribution plans are recognized as expenses when they are paid.

B. Short-term Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service is recognized as expenses when employees have rendered services to the Santen Group.

19) Provisions

A provision is recognized when the Santen Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligations can be estimated reliably. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

4. Use of Judgments and Estimates and Assumptions

In preparing the Santen Group's consolidated financial statements, management makes judgments, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of assets and liabilities, and income and expenses. Actual results may differ from these estimates.

Judgments, estimates and assumptions made by management that may have a significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Impairment of property, plant and equipment and intangible assets
- Recoverability of deferred tax assets
- Provisions
- Measurement of defined benefit obligations
- Fair value of financial instruments
- Share-based payments

5. New Standards and Interpretations Not Yet Adopted

The new standards, interpretations and amendments that have been issued for the consolidated financial statements which the Santen Group has not yet adopted as of the approval date of the consolidated financial statements are set forth in the table below. The Santen Group is currently estimating the possible impact the application will have on the consolidated financial statements.

	IFRS	Mandatory adoption (From the fiscal year beginning on or after)	To be adopted by the Santen Group	Description of new standards, interpretations and amendments
IAS 16	Property, Plant and Equipment	January 1, 2016	Fiscal year ending March 2017	Amendment to the clarification of acceptable methods of depreciation
IAS 38	Intangible Assets	January 1, 2016	Fiscal year ending March 2017	Amendment to the clarification of acceptable methods of amortization
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	Fiscal year ending March 2018	New revenue standards which supersedes IAS 18 *"Revenue,"* IAS 11 *"Construction Contracts"* and a number of revenue-related interpretations
IFRS 9	Financial Instruments	January 1, 2018	Fiscal year ending March 2019	Amendment to classification, measurement, impairment and hedge accounting of financial instruments

6. Operating Segments

1) Reportable Segments

The reportable segment of the Santen Group brings together the components of the Group that are related to the Group's pharmaceuticals segment, which is centered on the manufacturing and distribution of prescription pharmaceuticals. These components of the Group are those for which separate financial information is available, and are evaluated regularly by the Board of Directors in order to decide on resource allocation and assess performance.

The pharmaceuticals segment conducts the manufacturing and distribution of prescription and OTC pharmaceuticals. Performance is measured based on segment operating profit. Transfer pricing between reportable segments is determined on an arm's length basis.

	Millions of yen				
As of the transition date (April 1, 2013)	Reportable segment: Pharmaceuticals	Other*1	Total	Adjustments*2	Consolidated financial statements
Segment assets	¥128,227	¥2,558	¥130,785	¥ 75,975	¥206,760

Notes: 1. "Other" comprises operating segments other than the reportable segment, including the medical device operating segments.
2. "Adjustments" of ¥75,975 million for segment assets refer to corporate assets unallocated to the reportable segment, and principally comprise the Company's surplus operating capital (stocks, corporate bonds, cash and cash equivalents).

	Millions of yen				
For the year ended March 31, 2014 (April 1, 2013 to March 31, 2014)	Reportable segment: Pharmaceuticals	Other*1	Total	Adjustments*2	Consolidated financial statements
Revenue from external customers	¥143,310	¥2,950	¥146,260	¥ —	¥146,260
Revenue from other operating segments	—	123	123	(123)	—
Total	143,310	3,073	146,383	(123)	146,260
Segment profit (loss)	30,487	(609)	29,878	—	29,878
Finance income	—	—	—	—	916
Finance expenses	—	—	—	—	(433)
Profit before tax	—	—	—	—	30,361
Segment assets	146,833	3,464	150,297	87,343	237,640
Other items:					
Depreciation and amortization	2,783	58	2,841	—	2,841
Impairment losses	—	216	216	—	216
Additions to non-current assets*3	¥ 5,862	¥ 67	¥ 5,929	¥ —	¥ 5,929

Notes: 1. "Other" comprises operating segments other than the reportable segment, including the medical device operating segments.
2. "Adjustments" of ¥87,343 million for segment assets refer to corporate assets unallocated to the reportable segment, and principally comprise the Company's surplus operating capital (stocks, corporate bonds, cash and cash equivalents) and deferred tax assets.
3. "Additions to non-current assets" exclude increases in financial assets and deferred tax assets.

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Millions of yen				
	Reportable segment: Pharmaceuticals	Other*1	Total	Adjustments*2	Consolidated financial statements
Revenue from external customers	¥159,262	¥2,569	¥161,831	¥ —	¥161,831
Revenue from other operating segments	—	623	623	(623)	—
Total	159,262	3,192	162,454	(623)	161,831
Segment profit (loss)	35,976	(602)	35,374	—	35,374
Finance income	—	—	—	—	768
Finance expenses	—	—	—	—	(279)
Profit before tax	—	—	—	—	35,863
Segment assets	218,206	3,477	221,683	82,517	304,200
Other items:					
Depreciation and amortization	6,906	52	6,958	—	6,958
Impairment losses	—	290	290	—	290
Additions to non-current assets*3	¥ 66,312	¥ 183	¥ 66,495	¥ —	¥ 66,495

	Thousands of U.S. dollars				
	Reportable segment: Pharmaceuticals	Other*1	Total	Adjustments*2	Consolidated financial statements
Revenue from external customers	$1,325,300	$21,380	$1,346,680	$ —	$1,346,680
Revenue from other operating segments	—	5,185	5,185	(5,185)	—
Total	1,325,300	26,565	1,351,865	(5,185)	1,346,680
Segment profit (loss)	299,376	(5,007)	294,369	—	294,369
Finance income	—	—	—	—	6,392
Finance expenses	—	—	—	—	(2,324)
Profit before tax	—	—	—	—	298,437
Segment assets	1,815,804	28,935	1,844,739	686,672	2,531,411
Other items:					
Depreciation and amortization	57,467	432	57,899	—	57,899
Impairment losses	—	2,413	2,413	—	2,413
Additions to non-current assets*3	$ 551,821	$ 1,523	$ 553,344	$ —	$ 553,344

Notes: 1. "Other" comprises operating segments other than the reportable segment, including the medical device operating segments.
2. "Adjustments" of ¥82,517 million ($686,672 thousand) for segment assets refer to corporate assets unallocated to the reportable segment, and principally comprise the Company's surplus operating capital (stocks, cash and cash equivalents).
3. "Additions to non-current assets" exclude increases in financial assets and deferred tax assets.

2) Products and Services Information

For the year ended March 31, 2014
(April 1, 2013 to March 31, 2014)

Millions of yen

	Pharmaceuticals				Other		Total
	Prescription pharmaceuticals						
	Ophthalmic	Anti-rheumatic pharmaceuticals	Other	OTC pharmaceuticals	Medical devices	Other	
Revenue from external customers	¥125,034	¥10,251	¥1,595	¥6,440	¥2,678	¥262	¥146,260

For the year ended March 31, 2015
(April 1, 2014 to March 31, 2015)

Millions of yen

	Pharmaceuticals				Other		Total
	Prescription pharmaceuticals						
	Ophthalmic	Anti-rheumatic pharmaceuticals	Other	OTC pharmaceuticals	Medical devices	Other	
Revenue from external customers	**¥136,059**	**¥9,629**	**¥6,868**	**¥6,706**	**¥2,327**	**¥242**	**¥161,831**

Thousands of U.S. dollars

	Pharmaceuticals				Other		Total
	Prescription pharmaceuticals						
	Ophthalmic	Anti-rheumatic pharmaceuticals	Other	OTC pharmaceuticals	Medical devices	Other	
Revenue from external customers	**$1,132,225**	**$80,126**	**$57,154**	**$55,796**	**$19,362**	**$2,017**	**$1,346,680**

3) Geographical Areas Information

Millions of yen

As of the transition date (April 1, 2013)	Japan	Europe	North America	Asia	Other	Total
Non-current assets*1	¥39,485	¥10,135	¥453	¥1,829	¥—	¥51,902

Note: 1. Non-current assets are classified into countries or regions based on the asset location.
Financial instruments and deferred tax assets are excluded.

Millions of yen

For the year ended March 31, 2014 (April 1, 2013 to March 31, 2014)	Japan	Europe	North America	Asia	Other	Total
Revenue from external customers*1	¥122,072	¥11,466	¥1,016	¥11,700	¥6	¥146,260
Non-current assets*2	41,816	11,448	393	2,193	—	55,850

Notes: 1. Revenue is classified into countries or regions based on customer location.
2. Non-current assets are classified into countries or regions based on the asset location.
Financial instruments and deferred tax assets are excluded.

Millions of yen

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Japan	Europe	North America	Asia	Other	Total
Revenue from external customers*1	**¥124,836**	**¥14,156**	**¥6,169**	**¥16,668**	**¥2**	**¥161,831**
Non-current assets*2	**100,991**	**10,889**	**459**	**3,486**	**—**	**115,825**

Thousands of U.S. dollars

	Japan	Europe	North America	Asia	Other	Total
Revenue from external customers*1	**$1,038,824**	**$117,796**	**$51,334**	**$138,706**	**$20**	**$1,346,680**
Non-current assets*2	**840,401**	**90,610**	**3,820**	**29,010**	**—**	**963,841**

Notes: 1. Revenue is classified into countries or regions based on customer location.
2. Non-current assets are classified into countries or regions based on the asset location.
Financial instruments and deferred tax assets are excluded.

4) Information on Major Customers

For the year ended March 31, 2014 (April 1, 2013 to March 31, 2014)	Millions of yen Revenue	Reportable segment
Major customers		
Suzuken Co., Ltd.	¥32,546	Pharmaceuticals
Mediceo Corporation	26,334	Pharmaceuticals

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Millions of yen Revenue	Reportable segment
Major customers		
Suzuken Co., Ltd.	**¥32,774**	Pharmaceuticals
Mediceo Corporation	**27,491**	Pharmaceuticals

For the year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Thousands of U.S. dollars Revenue	Reportable segment
Major customers		
Suzuken Co., Ltd.	**$272,727**	Pharmaceuticals
Mediceo Corporation	**228,764**	Pharmaceuticals

7. Revenue

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Sale of goods	¥145,581	**¥155,785**	**$1,296,369**
Other	679	**6,046**	**50,311**
Total	¥146,260	**¥161,831**	**$1,346,680**

8. Selling, General and Administrative Expenses

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Wages and bonuses	¥13,151	**¥14,663**	**$122,018**
Advertising and sales promotion expenses	10,613	**12,223**	**101,717**
Legal welfare expenses	1,897	**2,201**	**18,319**
Post-employment benefit cost	892	**901**	**7,494**
Depreciation and amortization	655	**819**	**6,815**

9. Employee Benefit Expenses

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Wages and bonuses	¥23,748	**¥25,389**	**$211,278**
Legal welfare expenses	3,276	**3,788**	**31,520**
Post-employment benefit cost (defined contribution plan)	1,137	**1,107**	**9,210**
Post-employment benefit cost (defined benefit plan)	1,139	**1,075**	**8,944**
Share-based payment	124	**186**	**1,545**
Other	866	**919**	**7,656**
Total	¥30,290	**¥32,464**	**$270,153**

Note: Employee Benefit Expenses are included in “Cost of sales,” “Selling, general and administrative expenses” and “Research and development expenses.”

10. Other Income

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Gain on disposal of non-current assets	¥ —	¥155	$1,287
Government grants	419	323	2,695
Other	262	245	2,037
Total	¥681	¥723	$6,019

11. Other Expenses

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Loss on disposal of non-current assets	¥ 28	¥ 54	$ 445
Impairment losses*1	216	290	2,413
Restructuring expenses*2	539	—	—
Other	233	114	953
Total	¥1,016	¥458	$3,811

Notes: 1. Impairment losses are stated in "16. Property, Plant and Equipment 2)" and "17. Intangible Assets 2)."
2. Restructuring expenses are expenses that are incurred in conjunction with advancing organizational and business reform measures at the Company and its consolidated subsidiaries.

12. Finance Income and Expenses

1) Finance Income

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Interest income			
Financial assets measured at amortized cost	¥ 81	¥ 72	$ 600
Dividends income			
Financial assets measured at fair value through other comprehensive income	518	548	4,562
Life insurance	148	144	1,197
Total dividend income	666	692	5,759
Other	169	4	33
Total	¥916	¥768	$6,392

2) Finance Expenses

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Interest expense			
Financial liabilities measured at amortized cost	¥ 1	¥ 88	$ 733
Other	5	3	24
Total interest expense	6	91	757
Foreign exchange losses	358	23	196
Net interest related to post-employment benefits	68	65	535
Other	1	100	836
Total	¥433	¥279	$2,324

13. Deferred Taxes and Income Taxes

1) Deferred Taxes

i. Deferred tax assets and liabilities reported in the consolidated statement of financial position

	Millions of yen			
	As of April 1, 2013	Recognized through profit or loss	Recognized in other comprehensive income	As of March 31, 2014
Deductible temporary differences				
Retirement benefit liabilities	¥ 3,375	¥ 180	¥ (259)	¥ 3,296
Research and development expenses	1,126	145	—	1,271
Depreciation and amortization	940	215	—	1,155
Accrued bonus	882	65	—	947
Accrued enterprise taxes	321	289	—	610
Inventories	437	17	—	454
Unearned revenue	—	246	—	246
Paid absences	153	4	—	157
Impairment losses	18	(2)	—	16
Other	1,021	77	—	1,098
Subtotal	8,273	1,236	(259)	9,250
Taxable temporary differences				
Financial assets measured at fair value through other comprehensive income	(1,295)	92	(1,230)	(2,433)
Research and development in progress	(4,445)	(629)	—	(5,074)
Reserve for special depreciation	(17)	6	—	(11)
Other	(40)	—	—	(40)
Subtotal	(5,797)	(531)	(1,230)	(7,558)
Unused tax losses and tax credits				
Unused tax credits	—	307	—	307
Unused tax losses	140	281	—	421
Subtotal	140	588	—	728
Net amount	¥ 2,616	¥ 1,293	¥ (1,489)	¥ 2,420

The difference between the net amount of temporary differences recognized through profit or loss in the table above and the total deferred income taxes stated in “2) Income Tax Expenses i. Income Taxes Recognized through Profit or Loss” is attributable to foreign exchange fluctuations.

	Millions of yen			
	As of March 31, 2014	Recognized through profit or loss	Recognized in other comprehensive income	As of March 31, 2015
Deductible temporary differences				
Retirement benefit liabilities	¥ 3,296	**¥ (105)**	**¥ (177)**	**¥ 3,014**
Research and development expenses	1,271	**458**	**—**	**1,729**
Depreciation and amortization	1,155	**149**	**—**	**1,304**
Accrued bonus	947	**(81)**	**—**	**866**
Accrued enterprise taxes	610	**(125)**	**—**	**485**
Inventories	454	**(10)**	**—**	**444**
Unearned revenue	246	**(4)**	**—**	**242**
Paid absences	157	**(11)**	**—**	**146**
Impairment losses	16	**72**	**—**	**88**
Other	1,098	**40**	**—**	**1,138**
Subtotal	9,250	**383**	**(177)**	**9,456**
Taxable temporary differences				
Financial assets measured at fair value through other comprehensive income	(2,433)	**4**	**(3,380)**	**(5,809)**
Research and development in progress	(5,074)	**171**	**—**	**(4,903)**
Reserve for special depreciation	(11)	**6**	**—**	**(5)**
Other	(40)	**6**	**—**	**(34)**
Subtotal	(7,558)	**187**	**(3,380)**	**(10,751)**
Unused tax losses and tax credits				
Unused tax credits	307	**497**	**—**	**804**
Unused tax losses	421	**174**	**—**	**595**
Subtotal	728	**671**	**—**	**1,399**
Net amount	¥2,420	**¥ 1,241**	**¥(3,557)**	**¥ 104**

The difference between the net amount of temporary differences recognized through profit or loss in the table above and the total deferred income taxes stated in “2) Income Tax Expenses i. Income Taxes Recognized through Profit or Loss” is attributable to foreign exchange fluctuations.

	Thousands of U.S. dollars			
	As of March 31, 2014	Recognized through profit or loss	Recognized in other comprehensive income	As of March 31, 2015
Deductible temporary differences				
Retirement benefit liabilities	$ 27,427	$ (875)	$ (1,469)	$ 25,083
Research and development expenses	10,575	3,809	—	14,384
Depreciation and amortization	9,612	1,236	—	10,848
Accrued bonus	7,883	(674)	—	7,209
Accrued enterprise taxes	5,077	(1,044)	—	4,033
Inventories	3,781	(80)	—	3,701
Unearned revenue	2,047	(31)	—	2,016
Paid absences	1,308	(93)	—	1,215
Impairment losses	132	602	—	734
Other	9,138	326	—	9,464
Subtotal	76,980	3,176	(1,469)	78,687
Taxable temporary differences				
Financial assets measured at fair value through other comprehensive income	(20,248)	33	(28,123)	(48,338)
Research and development in progress	(42,225)	1,424	—	(40,801)
Reserve for special depreciation	(95)	50	—	(45)
Other	(326)	53	—	(273)
Subtotal	(62,894)	1,560	(28,123)	(89,457)
Unused tax losses and tax credits				
Unused tax credits	2,554	4,135	—	6,689
Unused tax losses	3,501	1,450	—	4,951
Subtotal	6,055	5,585	—	11,640
Net amount	$20,141	$ 10,321	$ (29,592)	$ 870

The difference between the net amount of temporary differences recognized through profit or loss in the table above and the total deferred income taxes stated in "2) Income Tax Expenses i. Income Taxes Recognized through Profit or Loss" is attributable to foreign exchange fluctuations.

ii. Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets are recognized in the statement of financial position

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Deductible temporary differences	¥ 550	¥ 331	¥ 265	$ 2,202
Carry-forwards of unused tax losses	5,910	6,873	6,651	55,347
Carry-forwards of unused tax credits	920	1,113	1,401	11,660

iii. The expiry schedule for unused tax losses for which no deferred tax assets are recognized in the statement of financial position

	Millions of yen			Thousands of U.S. dollars
	April 1,2013 (Transition date)	2014	2015	2015
1st year	¥ 197	¥ 268	**¥ 21**	**$ 173**
2nd year	217	18	**36**	**300**
3rd year	11	20	**2**	**17**
4th year	35	1	**28**	**234**
5th year onward	5,450	6,566	**6,564**	**54,623**
Total	¥5,910	¥6,873	**¥6,651**	**$ 55,347**

iv. In the fiscal years ended March 31, 2015 and 2014, there were subsidiaries that recognized carry-forwards of unused tax losses. In the fiscal year ended March 31, 2015, deferred tax assets of ¥595 million ($4,951 thousand) were recognized to the extent that future taxable profit is expected (¥421 million, ¥140 million as of March 31, 2014 and April 1, 2013, respectively). The recoverability of deferred tax assets depends on future taxable profit. The future taxable profit used to recognize these deferred tax assets has been projected in line with business plans approved by management, and is highly likely to be achieved based on a comparison of actual performance trends against previous plans. Accordingly, management believes that the recoverability of deferred tax assets presents no particular issues.

v. In the fiscal years ended March 31, 2015 and 2014, the Company did not recognize deferred tax liabilities related to the taxable temporary differences associated with investment in subsidiaries, because the Company was able to control the timing of the reversal of the temporary differences and it was probable that such differences would not reverse in the foreseeable future. The taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized amounted to ¥2,481 million ($20,646 thousand) as of March 31, 2015, ¥949 million as of March 31, 2014, and ¥233 million as of April 1, 2013.

2) Income Tax Expenses

i. Income Taxes Recognized through Profit or Loss

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Current income taxes			
Current	¥12,144	**¥12,688**	**$105,581**
Subtotal	12,144	**12,688**	**105,581**
Deferred income taxes			
Occurrence and reversal of temporary differences	(1,663)	**(1,323)**	**(11,005)**
Change in tax rate	162	**466**	**3,876**
Subtotal	(1,501)	**(857)**	**(7,129)**
Total income tax expenses	¥10,643	**¥11,831**	**$ 98,452**

Current income taxes include tax benefits arising from previously unrecognized carry-forwards of unused tax losses, tax credits or temporary differences of a prior period. As a result, current income taxes were reduced by ¥558 million ($4,643 thousand) in the fiscal year ended March 31, 2015 and ¥314 million in the fiscal year ended March 31, 2014.

Deferred taxes include tax benefits arising from previously unrecognized carry-forwards of tax losses, tax credits or temporary differences of a prior period, as well as deferred tax expenses arising from the write-down, or reversals of previous write-down of deferred tax asset. As a result, deferred taxes increased by ¥830 million ($6,907 thousand) in the fiscal year ended March 31, 2015 and ¥749 million in the fiscal year ended March 31, 2014.

ii. Reconciliation of Applicable Income Tax Rate

The Company is subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rate calculated on those taxes was 35.5% and 37.9% for the fiscal years ended March 31, 2015 and 2014. Foreign subsidiaries are subject to income taxes in their respective countries.

	2014	2015
Effective statutory income tax rate	37.9%	**35.5%**
Non-deductible items / non-taxable income	1.0%	**0.8%**
Tax credit for research and development expenses	(4.8%)	**(3.6%)**
Differences in tax rates applied to subsidiaries	0.4%	**(0.2%)**
Effect of changes in tax rates	0.5%	**1.3%**
Movements in unrecognized deferred tax assets	(0.3%)	**(0.6%)**
Other	0.4%	**(0.2%)**
Actual tax rate	35.1%	**33.0%**

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.48% for the fiscal year ended March 31, 2015 to 32.94% and 32.18%, respectively, as of March 31, 2015. Due to these changes in statutory income tax rates, net deferred tax assets (after deducting the deferred tax liabilities) increased by ¥121 million ($1,007 thousand) as of March 31, 2015, deferred taxes for the fiscal year ended March 31, 2015 increased by ¥466 million ($3,878 thousand), net gain on financial assets measured at fair value through other comprehensive income increased by ¥595 million ($4,951 thousand) and remeasurements of defined benefit plans decreased by ¥8 million ($66 thousand).

14. Other Comprehensive Income

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Remeasurement of defined benefit plans			
Amounts arising during the year	¥ 722	**¥ 480**	**$ 3,993**
Reclassification adjustments to profit or loss	—	**—**	**—**
Before tax effects	722	**480**	**3,993**
Tax effects	(259)	**(177)**	**(1,469)**
Remeasurement of defined benefit plans	463	**303**	**2,524**
Net gain or loss on financial assets measured at fair value through other comprehensive income			
Amounts arising during the year	3,466	**11,243**	**93,565**
Reclassification adjustments to profit or loss	—	**—**	**—**
Before tax effects	3,466	**11,243**	**93,565**
Tax effects	(1,230)	**(3,380)**	**(28,123)**
Net gain or loss on financial assets measured at fair value through other comprehensive income	2,236	**7,863**	**65,442**
Foreign currency translation adjustments			
Amounts arising during the year	4,752	**248**	**2,060**
Reclassification adjustments to profit or loss	—	**—**	**—**
Before tax effects	4,752	**248**	**2,060**
Tax effects	—	**—**	**—**
Foreign currency translation adjustments	4,752	**248**	**2,060**
Total other comprehensive income	¥7,451	**¥8,414**	**$70,026**

15. Earnings Per Share

Basis of calculating basic earnings per share

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Profit attributable to owners of the company	¥19,718	**¥24,032**	**$199,985**
Profit not attributable to ordinary shareholders of the company	—	**—**	**—**
Profit used to calculate basic earnings per share	19,718	**24,032**	**199,985**

Basis of calculating diluted earnings per share

Profit used to calculate basic earnings per share	¥19,718	**¥24,032**	**$199,985**
Adjustment	—	**—**	**—**
Profit used to calculate diluted earnings per share	¥19,718	**24,032**	**199,985**

	Thousands of shares	
	2014	2015
Weighted average number of shares during the year	412,685	**413,056**
Subscription rights to shares	1,265	**1,799**
Weighted average number of diluted ordinary shares during the year	413,950	**414,855**

Earnings per share (attributable to owners of the company):

	Yen		U.S. dollars
	2014	2015	2015
Basic	¥47.78	**¥58.18**	**$ 0.48**
Diluted	47.63	**57.93**	**0.48**

Note: The Company has conducted a 5-for-1 stock split with an effective date of April 1, 2015. However, Basic earnings per share and Diluted earnings per share are calculated based on the assumption that the stock split was conducted on April 1, 2013.

16. Property, Plant and Equipment

1) Statements of Changes in Acquisition Cost, Accumulated Depreciation and Accumulated Impairment Losses and the Carrying Amount by Category

A. Acquisition Cost

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of April 1, 2013	¥42,546	¥11,988	¥11,955	¥8,068	¥2,441	¥76,998
Additions	192	83	375	—	1,879	2,529
Transfers	1,302	949	645	—	(2,896)	—
Disposals	(83)	(18)	(379)	—	(454)	(934)
Foreign currency translation differences	678	451	312	10	107	1,558
Other	—	—	—	—	(261)	(261)
Balance as of March 31, 2014	¥44,635	¥13,453	¥12,908	¥8,078	¥ 816	¥79,890
Additions	**196**	**87**	**642**	**—**	**3,496**	**4,421**
Transfers	**275**	**748**	**324**	**—**	**(1,347)**	**—**
Disposals	**(54)**	**(118)**	**(523)**	**—**	**—**	**(695)**
Foreign currency translation differences	**84**	**47**	**(14)**	**(5)**	**72**	**184**
Balance as of March 31, 2015	**¥45,136**	**¥14,217**	**¥13,337**	**¥8,073**	**¥3,037**	**¥83,800**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of March 31, 2014	$371,432	$111,950	$107,413	$67,221	$ 6,792	$664,808
Additions	**1,628**	**725**	**5,340**	**—**	**29,094**	**36,787**
Transfers	**2,288**	**6,221**	**2,697**	**—**	**(11,206)**	**—**
Disposals	**(450)**	**(978)**	**(4,351)**	**—**	**—**	**(5,779)**
Foreign currency translation differences	**701**	**391**	**(115)**	**(43)**	**597**	**1,531**
Balance as of March 31, 2015	**$375,599**	**$118,309**	**$110,984**	**$67,178**	**$25,277**	**$697,347**

B. Accumulated Depreciation and Impairment Losses

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of April 1, 2013	¥(29,165)	¥(10,390)	¥(10,380)	¥—	¥—	¥(49,935)
Depreciation	(1,183)	(464)	(570)	—	—	(2,217)
Impairment losses	(16)	(51)	(24)	—	—	(91)
Disposals	63	18	347	—	—	428
Foreign currency translation differences	(315)	(355)	(230)	—	—	(900)
Balance as of March 31, 2014	¥(30,616)	¥(11,242)	¥(10,857)	¥—	¥—	¥(52,715)
Depreciation	**(1,203)**	**(550)**	**(667)**	**—**	**—**	**(2,420)**
Impairment losses	**(10)**	**(16)**	**(147)**	**—**	**(30)**	**(203)**
Disposals	**45**	**20**	**509**	**—**	**—**	**574**
Foreign currency translation differences	**28**	**13**	**27**	**—**	**—**	**68**
Balance as of March 31, 2015	**¥(31,756)**	**¥(11,775)**	**¥(11,135)**	**¥—**	**¥(30)**	**¥(54,696)**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
Balance as of March 31, 2014	$(254,774)	$(93,553)	$(90,347)	$—	$ —	$(438,674)
Depreciation	**(10,013)**	**(4,574)**	**(5,551)**	**—**	**—**	**(20,138)**
Impairment losses	**(81)**	**(136)**	**(1,224)**	**—**	**(251)**	**(1,692)**
Disposals	**374**	**165**	**4,237**	**—**	**—**	**4,776**
Foreign currency translation differences	**234**	**109**	**226**	**—**	**—**	**569**
Balance as of March 31, 2015	**$(264,260)**	**$(97,989)**	**$(92,659)**	**$—**	**$(251)**	**$(455,159)**

C. Carrying Amount

	Millions of yen					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
As of April 1, 2013	¥13,381	¥1,598	¥1,575	¥8,068	¥2,441	¥27,063
As of March 31, 2014	14,019	2,211	2,051	8,078	816	27,175
As of March 31, 2015	**¥13,380**	**¥2,442**	**¥2,202**	**¥8,073**	**¥3,007**	**¥29,104**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery, equipment and vehicles	Tools, fixtures and fittings	Land	Construction in progress	Total
As of March 31, 2015	**$111,339**	**$20,320**	**$18,325**	**$67,178**	**$25,026**	**$242,188**

2) Impairment Losses

In the fiscal year ended March 31, 2015, the Santen Group recorded impairment losses of ¥203 million ($1,692 thousand) and ¥91 million as of March 31, 2015 and March 31, 2014, respectively. Impairment losses are included in other expenses in the statement of income and comprehensive income.

The major assets for which impairment losses were recognized for the year ended March 31, 2014 were “Machinery and vehicles” and “Tools, furniture and fixtures” in the “Other” segment. The carrying amounts of these assets were written down to the recoverable amounts due to the decline in expected profitability. Those recoverable amounts were measured at the value in use.

The major assets for which impairment losses were recognized for the year ended March 31, 2015 were “Tools, fixtures and fittings” in the “Other” segment. The carrying amounts of these assets were written down to the recoverable amounts due to the significant decline in expected profitability. Those recoverable amounts were measured at the value in use.

3) Other Disclosures

Santen Group has contractual commitments for the acquisition of property, plant and equipment as of March 31, 2015 totaling ¥1,535 million ($12,774 thousand) and no significant contractual commitments as of March 31, 2014 and April 1, 2013.

17. Intangible Assets

1) Statements of Changes in Acquisition Cost, Accumulated Amortization and Accumulated Impairment Losses and the Carrying Amount by Category

A. Acquisition Cost

	Millions of yen				
	Goodwill	Intangible assets associated with products	Software	Other	Total
Balance as of April 1, 2013	¥6,075	¥21,504	¥7,043	¥ 925	¥35,547
Additions	—	1,477	191	726	2,394
Transfers	—	—	877	(877)	—
Disposals	—	(43)	(125)	—	(168)
Foreign currency translation differences	1,097	1,234	121	70	2,522
Balance as of March 31, 2014	¥7,172	¥24,172	¥8,107	¥ 844	¥40,295
Additions	**—**	**62,639**	**226**	**891**	**63,756**
Transfers	**—**	**—**	**548**	**(548)**	**—**
Disposals	**—**	**(601)**	**(427)**	**—**	**(1,028)**
Foreign currency translation differences	**(594)**	**(668)**	**(7)**	**65**	**(1,204)**
Balance as of March 31, 2015	**¥6,578**	**¥85,542**	**¥8,447**	**¥1,252**	**¥101,819**

	Thousands of U.S. dollars				
	Goodwill	Intangible assets associated with products	Software	Other	Total
Balance as of March 31, 2014	$59,681	$201,151	$67,463	$ 7,021	$335,316
Additions	**—**	**521,256**	**1,880**	**7,414**	**530,550**
Transfers	**—**	**—**	**4,560**	**(4,560)**	**—**
Disposals	**—**	**(5,003)**	**(3,550)**	**—**	**(8,553)**
Foreign currency translation differences	**(4,943)**	**(5,561)**	**(59)**	**540**	**(10,023)**
Balance as of March 31, 2015	**$54,738**	**$711,843**	**$70,294**	**$10,415**	**$847,290**

B. Accumulated Amortization and Accumulated Impairment Losses

	Millions of yen				
	Goodwill	Intangible assets associated with products	Software	Other	Total
Balance as of April 1, 2013	¥—	¥(6,395)	¥(5,882)	¥(665)	¥(12,942)
Amortization	—	(190)	(420)	(14)	(624)
Impairment losses	—	(122)	(3)	—	(125)
Disposals	—	43	122	—	165
Foreign currency translation differences	—	—	(97)	(62)	(159)
Balance as of March 31, 2014	¥—	¥(6,664)	¥(6,280)	¥(741)	¥(13,685)
Amortization	**—**	**(3,979)**	**(551)**	**(8)**	**(4,538)**
Impairment losses	**—**	**—**	**(87)**	**—**	**(87)**
Disposals	**—**	**601**	**378**	**—**	**979**
Foreign currency translation differences	**—**	**—**	**13**	**(68)**	**(55)**
Balance as of March 31, 2015	**¥—**	**¥(10,042)**	**¥(6,527)**	**¥(817)**	**¥(17,386)**

	Thousands of U.S. dollars				
	Goodwill	Intangible assets associated with products	Software	Other	Total
Balance as of March 31, 2014	$—	$(55,456)	$(52,261)	$(6,167)	$(113,884)
Amortization	**—**	**(33,108)**	**(4,585)**	**(68)**	**(37,761)**
Impairment losses	**—**	**—**	**(721)**	**—**	**(721)**
Disposals	**—**	**5,002**	**3,146**	**—**	**8,148**
Foreign currency translation differences	**—**	**—**	**109**	**(567)**	**(458)**
Balance as of March 31, 2015	**$—**	**$(83,562)**	**$(54,312)**	**$(6,802)**	**$(144,676)**

C. Carrying Amount

	Millions of yen				
	Goodwill	Intangible assets associated with products	Software	Other	Total
As of April 1, 2013	¥6,075	¥15,109	¥1,161	¥260	¥22,605
As of March 31, 2014	¥7,172	¥17,508	¥1,827	¥103	¥26,610
As of March 31, 2015	**¥6,578**	**¥75,500**	**¥1,920**	**¥435**	**¥84,433**

	Thousands of U.S. dollars				
	Goodwill	Intangible assets associated with products	Software	Other	Total
As of March 31, 2015	**$54,738**	**$628,281**	**$15,982**	**$3,613**	**$702,614**

2) Impairment Losses

In the fiscal year ended March 31, 2015, the Santen Group recorded impairment losses of ¥87 million ($721 thousand) and ¥125 million as of March 31, 2015 and March 31, 2014, respectively. Impairment losses are recognized in other expenses in the statement of income and comprehensive income.

The intangible assets for which impairment losses were recognized for the year ended March 31, 2014 were “Intangible assets associated with products” in the “Other” segment. The carrying amounts of these intangible assets were written down to the recoverable amounts due to the decline in expected profitability. Those recoverable amounts were measured at the value in use.

The intangible assets for which impairment losses were recognized for the year ended March 31, 2015 were “Software” in the “Other” segment. The carrying amounts of these intangible assets were written down to the recoverable amounts due to the decline in expected profitability. Those recoverable amounts were measured at the value in use.

3) Impairment Test for Goodwill

In the fiscal year ended March 31, 2015, the Santen Group recorded goodwill of ¥6,578 million ($54,738 thousand), ¥7,172 million and ¥6,075 million as of March 31, 2015, March 31, 2014 and April 1, 2013, respectively.

This goodwill was recognized as a result of the acquisition of Santen S.A.S. This goodwill is allocated to the Pharmaceuticals segment and impairment testing is performed.

The recoverable amount in the impairment test for goodwill was measured using the market value of the share price of the Company.

In the fiscal year ended March 31, 2015, the Santen Group did not recognize an impairment loss on goodwill, because the recoverable amount exceeded the carrying amount.

4) Other Disclosures

i. Amortization of intangible assets associated with products is recorded as amortization of intangible assets associated with products in the consolidated statement of profit or loss and other comprehensive income. Amortization associated with other intangible assets is included in cost of sales, selling, general and administrative expenses and research and development expenses in the consolidated statement of profit or loss and other comprehensive income.

ii. The Santen Group did not recognize any internally generated intangible assets as of March 31, 2015, March 31, 2014 and April 1, 2013.

iii. Significant Intangible Assets

The significant product marketing and distribution rights recognized in the consolidated statement of financial position were mainly composed of the patents, trademarks, domain names, health registrations and others related to Merck's ophthalmology products. The carrying amount of these intangible assets was ¥58,257 million ($484,788 thousand) as of March 31, 2015.

The Santen Group recorded rights associated with Cyclokat (Cyclosporine) that were recognized in conjunction with the acquisition of Santen S.A.S., and the rights associated with DE-109 (sirolimus) that were acquired by contract from MacuSight, Inc. as intangible assets associated with products. The carrying amount of these intangible assets was ¥7,688 million ($63,976 thousand) and ¥6,420 million ($53,424 thousand), respectively, as of March 31, 2015, ¥8,357 million and ¥6,420 million, respectively, as of March 31, 2014 and ¥7,123 million and ¥6,420 million, respectively, as of the transition date.

The remaining amortization period of product marketing and distribution rights associated with Merck's ophthalmology products is mainly 10 to 16 years, and Cyclokat and DE-109 are not yet being amortized because these intangible assets are not yet available for use.

iv. Commitments

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Research and development milestone	¥ 4,217	¥13,746	**¥22,765**	**$189,442**
Sales target milestone	15,129	21,410	**38,262**	**318,396**
Total	¥19,346	¥35,156	**¥61,027**	**$507,838**

The amounts shown in the table above represent the maximum payments to be made when all milestones are achieved, and they are undiscounted and not risk adjusted. Since the achievement of the conditions for payment is highly uncertain, it is unlikely that they will all fall due and the amounts of the actual payments may vary considerably from those stated in the table.

18. Financial Assets (Non-current) and Other Financial Assets (Current)

1) Components

A. Non-current Assets

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Financial assets measured at amortized cost				
Corporate bonds	¥2,211	¥ —	**¥ —**	**$ —**
Other	932	847	**928**	**7,718**
Financial assets measured at fair value through other comprehensive income				
Stock	15,970	22,327	**33,634**	**279,891**
Financial assets measured at fair value through profit or loss				
Golf membership rights, etc.	192	160	**163**	**1,355**
Total	¥19,305	¥23,334	**¥34,725**	**$288,964**

B. Current Assets

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Financial assets measured at amortized cost				
Corporate bonds	¥2,008	¥4,112	**¥ —**	**$ —**
Other	209	475	**187**	**1,552**
Total	¥2,217	¥4,587	**¥187**	**$1,552**

2) Financial Assets Measured at Fair Value through Other Comprehensive Income

Equities are held mainly for the purpose of strengthening business relationships with investees, and not for the purpose of obtaining gains through short-term trading. Accordingly, they are designated as financial assets measured at fair value through other comprehensive income.

A. Fair Value

The main components of financial assets measured at fair value through other comprehensive income and those fair value are as follows:

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
ONO PHARMACEUTICAL CO., LTD.	¥5,063	¥9,273	**¥14,085**	**$117,210**
Eisai Co., Ltd.	3,988	3,815	**8,104**	**67,438**
Daiichi Sankyo Company, Ltd.	3,812	3,650	**4,005**	**33,326**

B. Other

Dividend income related to financial assets measured at fair value through other comprehensive income held by the Company was ¥548 million ($4,562 thousand) as of March 31, 2015 and ¥516 million as of March 31, 2014.

Financial assets measured at fair value through other comprehensive income that were disposed of during the fiscal years were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Fair value at date of sale	¥37	**¥40**	**$327**
Cumulative gains (losses)	35	**37**	**309**
Dividend income	2	**—**	**—**

Note: These financial assets were sold by foreign subsidiaries. Cumulative gains (net of tax) of ¥37 million ($309 thousand) in the fiscal year ended March 31, 2015 and ¥27 million in the fiscal year ended March 31, 2014 were reclassified from other components of equity to retained earnings.

19. Inventories

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Merchandise and finished goods	¥16,862	¥16,223	**¥16,036**	**$133,439**
Work in process	325	391	**585**	**4,869**
Raw materials and supplies	3,118	2,847	**3,512**	**29,227**
Total	¥20,305	¥19,461	**¥20,133**	**$167,535**

20. Trade and Other Receivables

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Notes and accounts receivables	¥44,140	¥52,086	**¥59,611**	**$496,058**
Other	1,186	1,903	**2,094**	**17,425**
Allowance for doubtful receivables	(2)	(3)	**(4)**	**(33)**
Total	¥45,324	¥53,986	**¥61,701**	**$513,450**

21. Cash and Cash Equivalents

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Cash on hand and balances with banks	¥51,325	¥63,509	**¥65,945**	**$548,762**
Time deposits over three months	(87)	(112)	**(22)**	**(181)**
Short-term investments	8,999	9,000	**—**	**—**
Total cash and cash equivalents in consolidated statement of financial position	60,237	72,397	**65,923**	**548,581**
Cash and cash equivalents in consolidated statement of cash flows	¥60,237	¥72,397	**¥65,923**	**$548,581**

22. Assets Held for Sale

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Assets				
Property, plant and equipment				
Buildings and structures	¥242	¥266	**¥—**	**$—**
Land	172	188	**—**	**—**
Total	¥414	¥454	**¥—**	**$—**

Note: The assets held for sale as of April 1, 2013 and March 31, 2014 were reclassified based on management's decision for the sale of buildings and land held by a U.S. subsidiary. These assets were part of the pharmaceuticals segment and were sold in the year ended March 31, 2015.

23. Equity and Other Equity Items

1) Share Capital and Treasury Shares

	Stocks	
	2014	2015
Type of shares[*1]	Ordinary shares	**Ordinary shares**
Number of authorized shares	220,000,000	**220,000,000**
Number of issued shares[*2]		
Beginning of year	82,469,103	**82,582,903**
Change during year[*3]	113,800	**70,200**
End of year	82,582,903	**82,653,103**
Treasury shares		
Beginning of year	900	**2,324**
Change during year[*4]	1,424	**1,521**
End of year	2,324	**3,845**

Notes: 1. The ordinary shares have no par value.
2. The issued shares are fully paid.
3. The changes in the number of issued shares during the fiscal years were attributable to the issuance of new shares upon the exercise of subscription rights to shares.
4. The changes in the number of treasury shares during the fiscal years were due to the purchase of fractional shares less than one trading unit and the fulfillment of requests to additionally purchase such shares.
5. The Company conducted a 5-for-1 share split of ordinary shares on the effective date of April 1, 2015. As a result, the number of authorized shares rose by 880,000,000 to 1,100,000,000, the number of issued shares rose by 330,612,412 to 413,265,515, and the number of treasury shares rose by 15,380 to 19,225.

2) Capital Surplus

Capital surplus consists of additional paid-in capital not included in share capital upon the ordinary issuance of new shares and the issuance of new shares due to the exercise of subscription rights to shares, as well as other capital surplus.

3) Other Components of Equity

A. Remeasurements of Defined Benefit Plans

These are changes caused by remeasurements of defined benefit plans.

B. Net Gain or Loss on Financial Assets Measured at Fair Value through Other Comprehensive Income

This includes the cumulative amount of net changes in the fair value of financial assets measured at fair value through other comprehensive income until the recognition of the asset is cancelled or an impairment loss on the asset is booked.

C. Foreign Currency Translation Adjustments

These are exchange differences arising from the translation of the financial statements of foreign operations.

D. Subscription Rights to Shares

The Company has adopted a stock option plan based on subscription rights to shares. In accordance with rules set forth primarily by Article 280-20 and Article 280-21 of the former amended Commercial Code of 2001 and Article 361 and Article 238 of the Companies Act, the Company grants subscription rights to shares. The amount of subscription rights to shares recorded in other components of equity is based on the fair value thereof. In addition, the contractual conditions and other details of the subscription rights to shares are stated in “24. Share-based Payments.”

4) Retained Earnings and Dividends

A. Retained Earnings

These are earnings recognized as profit or loss in or before the fiscal year ended March 31, 2015, and earnings reclassified from other comprehensive income.

B. Dividends

i. Dividends paid

Year ended March 31, 2014 Resolution date	Total dividends (Millions of yen)	Dividends per share (Yen)			Record date	Effective date
Annual General Meeting of Shareholders (June 25, 2013)	¥4,123	¥50.00			31 Mar.13	26 Jun.13
Board of Directors meeting (November 6, 2013)	4,127	50.00			30 Sep.13	29 Nov.13

Year ended March 31, 2015 Resolution date	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Record date	Effective date
Annual General Meeting of Shareholders (June 25, 2014)	**¥4,129**	**$34,362**	**¥50.00**	**$0.42**	**31 Mar.14**	**26 Jun.14**
Board of Directors meeting (November 5, 2014)	**4,130**	**34,370**	**50.00**	**$0.42**	**30 Sep.14**	**28 Nov.14**

ii. Dividends declared after the reporting period, before approval of the announcement of financial statements

Year ended March 31, 2014 Resolution date	Total dividends (Millions of yen)	Dividends per share (Yen)			Record date	Effective date
Annual General Meeting of Shareholders (June 25, 2014)	¥4,129	¥50.00			31 Mar.14	26 Jun.14

Year ended March 31, 2015 Resolution date	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Record date	Effective date
Annual General Meeting of Shareholders (June 24, 2015)	**¥4,959**	**$41,267**	**¥60.00**	**$0.50**	**31 Mar.15**	**25 Jun.15**

Note: The Company has conducted a 5-for-1 stock split with an effective date of April 1, 2015.
However, the impact of this stock split is not reflected in “Dividends per share (Yen)”.

24. Share-based Payments

1) Contractual Conditions for Share Options

A. Eligible Persons

Directors of the Company, Corporate Officers of the Company, and Directors of significant foreign subsidiaries

B. Vesting Conditions

No provisions

C. Exercise Period for Share Options Granted

For ten years from grant date

D. Settlement Method

Settled in shares

2) Number and Weighted-average Exercise Price of Share Options

	2014		2015		
	Number of shares (stocks)	Weighted-average exercise price (Yen)	Number of shares (stocks)	Weighted-average exercise price (Yen)	Weighted-average exercise price (U.S. dollars)
Balance at the beginning of the year	747,700	¥3,005	**664,500**	**¥2,905**	**$24.17**
Granted	30,600	1	**34,500**	**1**	**0.01**
Exercised*1	113,800	2,786	**70,200**	**2,931**	**24.39**
Expired	—	—	**—**	**—**	**—**
Balance at the end of the year	664,500	2,905	**628,800**	**2,742**	**22.82**
Balance of exercisable share options, end of year	509,600	2,979	**563,700**	**3,059**	**25.46**

Notes: 1. The weighted-average share price of stock options at the time of exercise was ¥6,663 ($55.45) in the fiscal year ended March 31, 2015 and ¥4,520 in the fiscal year ended March 31, 2014.

2. The Company has conducted a 5-for-1 stock split with an effective date of April 1, 2015. However, the impact of this stock split is not reflected.

3) Range and Weighted-average Remaining Contractual Life of Share Options at the Fiscal Year-end

The exercise price of share options ranged from ¥1 ($0.01) to ¥3,315 ($27.59) as of March 31, 2015 and ¥1 to ¥3,315 as of March 31, 2014. The weighted-average remaining life was 5.3 years as of March 31, 2015 and 5.8 years as of March 31, 2014. Furthermore, the Company has conducted a 5-for-1 stock split with an effective date of April 1, 2015. However, the impact of this stock split is not reflected.

4) Fair Value and Fair Value Measurement Method of Share Options Granted During the Year

A. Measurement Method

Black-Scholes model

B. Fair Value and Primary Base Assumptions and Measurement Method

	2014	2015
Resolution date	August 6, 2013	**August 5, 2014**
Expected volatility*1 (%)	23.7	**28.6**
Option life (years)	6.5	**6.5**
Expected dividend yield (%)	1.82	**1.67**
Risk-free interest rate (%)	0.385	**0.215**

	Yen		U.S. dollars
	2014	2015	2015
Fair value (yen)	¥4,049.52	**¥5,382.98**	**$44.79**
Weighted-average share price (yen)	4,560	**6,000**	**49.93**
Exercise price (yen)	1	**1**	**0.01**

Note: The expected volatility is estimated by calculating the volatility of the share price at the end of each month relative to the end of the previous month, and determining the annualized standard deviation of the volatility for the past 6 years.

5) Expenses Recognized in Consolidated Statement of Income

Expense related to share-based payments was ¥186 million ($1,545 thousand) in the fiscal year ended March 31, 2015, and ¥124 million in the fiscal year ended March 31, 2014.

25. Financial Liabilities (Non-current) and Other Financial Liabilities (Current)

1) Components

A. Components of Non-current Liabilities

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Long-term loans payables (excluding the current portion of long-term loans payable)	¥ 61	¥ 42	**¥25,304**	**$210,567**
Finance lease obligations	80	60	**47**	**391**
Total	¥141	¥102	**¥25,351**	**$210,958**

B. Components of Current Liabilities

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Current portion of long-term loans payable	¥ —	¥ —	**¥11,767**	**$ 97,922**
Finance lease obligations	32	51	**43**	**357**
Other payables	5,195	4,092	**6,525**	**54,302**
Other	619	737	**963**	**8,012**
Total	¥5,846	¥4,880	**¥19,298**	**$160,593**

26. Post-employment Benefits

1) Outline of Post-employment Benefit Plans

In order to provide for post-employment benefits for employees, the Company and its consolidated subsidiaries have adopted funded and unfunded defined benefit plans and defined contribution plans.

With defined benefit corporate pension plans (all constitute funded plans), a lump-sum payment and pension will be provided according to wage and service length. However, the Company and some of its consolidated subsidiaries have introduced cash balance plans to defined benefit corporate pension plans.

A retirement benefit trust has been set up for some defined benefit corporate pension plans. With post-employment lump-sum payment plans (unfunded, but some are funded as a result of setting up a retirement benefit trust), a lump-sum payment is provided as a post-employment benefit according to wage and service length.

2) Defined Benefit Plans

A. Net Defined Benefit Liabilities

	Millions of yen		
	Defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance as of April 1, 2013	¥17,018	¥(11,052)	**¥5,966**
Current service cost	1,071	—	**1,071**
Interest (income) expense	199	(131)	**68**
Remeasurement of the net defined benefit liabilities			
Return on plan assets excluding amounts included in interest income on plan assets	—	(532)	**(532)**
Actuarial gains and losses arising from changes in demographic assumptions	(43)	—	**(43)**
Actuarial gains and losses arising from changes in financial assumptions	(115)	—	**(115)**
Experience adjustments	(32)	—	**(32)**
Total remeasurement of the net defined benefit liabilities	(190)	(532)	**(722)**
Foreign currency translation differences	34	(8)	**26**
Employer contributions to plan	—	(437)	**(437)**
Benefits paid by plan	(915)	344	**(571)**
Balance as of March 31, 2014	¥17,217	¥(11,816)	**¥5,401**
Current service cost	1,010	—	**1,010**
Interest (income) expense	210	(145)	**65**
Remeasurement of the net defined benefit liabilities			
Return on plan assets excluding amounts included in interest income on plan assets	—	(1,157)	**(1,157)**
Actuarial gains and losses arising from changes in demographic assumptions	227	—	**227**
Actuarial gains and losses arising from changes in financial assumptions	686	—	**686**
Experience adjustments	(236)	—	**(236)**
Total remeasurement of the net defined benefit liabilities	677	(1,157)	**(480)**
Foreign currency translation differences	(11)	6	**(5)**
Employer contributions to plan	—	(422)	**(422)**
Benefits paid by plan	(529)	270	**(259)**
Other	165	(16)	**149**
Balance as of March 31, 2015	¥18,739	¥(13,280)	**¥5,459**

	Thousands of U.S. dollars		
	Defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance as of March 31, 2014	$143,269	$(98,328)	**$44,941**
Current service costs	8,409	—	**8,409**
Interest (income) cost	1,746	(1,211)	**535**
Remeasurement of the net defined benefit liabilities			
Return on plan assets excluding amounts included in interest income on plan assets	—	(9,629)	**(9,629)**
Actuarial gains and losses arising from changes in demographic assumptions	1,891	—	**1,891**
Actuarial gains and losses arising from changes in financial assumptions	5,709	—	**5,709**
Experience adjustments	(1,964)	—	**(1,964)**
Total remeasurement of the net defined benefit liabilities	5,636	(9,629)	**(3,993)**
Foreign currency translation differences	(94)	48	**(46)**
Employer contributions to plan	—	(3,508)	**(3,508)**
Benefits paid by plan	(4,397)	2,243	**(2,154)**
Other	1,376	(130)	**1,246**
Balance as of March 31, 2015	$155,945	$(110,515)	**$45,430**

B. Components of Plan Assets

	Presence of quoted market prices in active markets	Millions of yen			Thousands of U.S. dollars
		April 1, 2013 (Transition date)	2014	2015	2015
Equities	Yes	¥ 3,513	¥ 4,044	**¥ 6,696**	**$ 55,718**
Bonds	Yes	5,204	5,853	**3,741**	**31,130**
General account of life insurance companies	No	2,071	1,502	**1,540**	**12,814**
Other	No	264	417	**1,303**	**10,853**
Total		¥11,052	¥11,816	**¥13,280**	**$ 110,515**

Plan assets are invested with the aim of securing the required overall returns over the long term with an acceptable risk exposure, in order to ensure the payment of pensions and other benefits in the future. To achieve this goal, the Santen Group selects assets that are suitable for investment along with determining the optimal combination of assets for the future based on consideration of the expected rate of return, risk and other factors. In addition, the composition of assets is revised as necessary.

C. Actuarial Assumptions

	2014	2015
Discount rate (%)	1.22	**0.93**

D. Sensitivity Analysis

A 0.5% change in significant actuarial assumption would affect the present value of defined benefit obligations by the amounts shown below:

	Millions of yen				Thousands of U.S. dollars	
	2014		2015		2015	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Discount rate (%)	¥(1,092)	¥1,204	**¥(1,159)**	**¥1,279**	**$(9,648)**	**$10,643**

Note: In this analysis, the other variables are assumed to be fixed.

E. Impact of the Defined Benefit Plan on Future Cash Flows

The estimated contribution amount for the fiscal year ending March 31, 2016 is ¥424 million ($3,528 thousand). The weighted average duration of the defined benefit obligation for the fiscal year ended March 31, 2015 is 14.4 years (for the fiscal year ended March 31, 2014, 14.7 years).

27. Provisions

1) Statements of Changes in Provisions

Millions of yen

	Asset retirement obligations (Note A)	Provision for restructuring (Note B)	Provision for paid absence (Note C)	Other	Total	Breakdown on consolidated statement of financial position	
						Non-current	Current
Balance as of April 1, 2014	¥221	¥802	¥1,129	¥311	¥2,463	¥1,467	¥ 996
Additional provision made in the period	—	—	815	431	1,246	—	—
Amounts used during the period	0	—	732	175	907	—	—
Unused amounts reversed during the period	—	—	—	136	136	—	—
The increase during the period in the discounted amount arising from the passage of time	3	—	4	—	7	—	—
Foreign currency translation differences	—	(36)	(18)	22	(32)	—	—
Balance as of March 31, 2015	**¥224**	**¥766**	**¥1,198**	**¥453**	**¥2,641**	**¥1,444**	**¥1,197**

Thousands of U.S. dollars

	Asset retirement obligations (Note A)	Provision for restructuring (Note B)	Provision for paid absence (Note C)	Other	Total	Breakdown on consolidated statement of financial position	
						Non-current	Current
Balance as of April 1, 2014	$ 1,842	$6,678	$9,391	$2,587	$20,498	$12,208	$8,290
Additional provision made in the period	—	—	6,784	3,583	10,367	—	—
Amounts used during the period	2	—	6,095	1,455	7,552	—	—
Unused amounts reversed during the period	—	—	—	1,131	1,131	—	—
The increase during the period in the discounted amount arising from the passage of time	24	—	32	—	56	—	—
Foreign currency translation differences	—	(302)	(147)	188	(261)	—	—
Balance as of March 31, 2015	**$1,864**	**$6,376**	**$9,965**	**$3,772**	**$21,977**	**$12,015**	**$9,962**

Note A

Asset retirement obligations are recorded to provide for the removal of hazardous substances from plant equipment and other facilities and the fulfillment of obligations to restore leased buildings and other facilities to their original state. To this end, the amount expected to be payable in the future is discounted according to the expected period of use based on estimates and other information obtained from construction contractors.

The Santen Group predicts that the timing of the outflow of economic benefits will primarily be after over one year has passed from each fiscal year-end.

Note B

The provision for restructuring provides for expenditures to be incurred in the course of implementing business restructuring measures. It is provided for in the estimated amount of the related expenses. Furthermore, the Santen Group predicts that the timing of the outflow of economic benefits will primarily be after over one year has passed from each fiscal year-end.

Note C

The provision for paid absence recognizes a liability for the unused portion of paid absence granted to employees based on the paid absence system. The Santen Group predicts that the timing of the outflow of economic benefits will primarily be after over one year has passed from each fiscal year-end.

28. Trade and Other Payables

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Trade accounts payable	¥ 9,370	¥14,271	**¥14,330**	**$119,247**
Other payables	4,396	4,801	**5,920**	**49,260**
Total	¥13,766	¥19,072	**¥20,250**	**$168,507**

29. Financial Instruments

1) Capital Management

The Santen Group considers the equity attributable to owners of the company ratio and profit ratio to equity attributable to owners of the company to be important management indicators. The Group monitors these indicators closely, and conducts purchases of treasury stock on the market and new share issuances as necessary. In doing so, the Group aims to maintain the trust of investors, creditors, and the markets and sustain a strong capital base to support continued development of its business into the future.

2) Outline of Financial Risk Management

The risks arising from financial instruments held by the Santen Group are as follows:

A. Credit Risk

1) Outline

Credit risk is the risk of financial loss borne by the Santen Group if a customer or a counterparty to a financial instrument is unable to meet its contractual obligations. The main sources of credit risk are customer receivables and investments.

i. Trade and other receivables

The Santen Group performs due date and credit limit controls in accordance with its credit management rules and periodically assesses the financial reliability of each customer taking into account the customer's financial position and other factors.

The percentage of the Santen Group's business conducted with the top 10 wholesalers in Japan reached 68.3% of consolidated revenue in the fiscal year ended March 31, 2015, compared with 73.8% in the fiscal year ended March 31, 2014. If the Santen Group's wholesale partners experience bankruptcy leading to credit losses, its business performance might be adversely affected.

ii. Financial assets (investments)

The Santen Group purchases only bonds issued by issuers that have high credit ratings.

2) Credit exposure

The maximum amount of exposure to credit risks for financial assets is the carrying amount after considering impairment in the consolidated statement of financial position.

3) Aging analysis

The analysis of the aging of trade and other receivables that were not impaired as of the end of the reporting period is as follows:

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Not past due	¥45,326	¥53,989	**¥61,705**	**$513,483**
Past due				
30 days or less	—	—	**—**	**—**
Over 30 days but within 90 days	—	—	**—**	**—**
Over 90 days	—	—	**—**	**—**
Total past due	—	—	**—**	**—**
Allowance for doubtful receivables	(2)	(3)	**(4)**	**(33)**
Total trade and other receivables	¥45,324	¥53,986	**¥61,701**	**$513,450**

B. Liquidity Risk

1) Outline

Liquidity risk is the risk that the Santen Group will encounter difficulty in fulfilling obligations related to the financial liabilities it must settle using cash or other financial assets. The main sources of liquidity risk are trade payables and loans payable.
The Santen Group manages liquidity risk primarily by monitoring monthly cash flows.

2) Maturity analysis

The contractual maturities of financial liabilities are as follows.

	Millions of yen							
Transition date (as of April 1, 2013)	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 2 years	Between 2 years and 3 years	Between 3 years and 4 years	Between 4 years and 5 years	Over 5 years
Trade and other payables	¥13,766	¥13,766	¥13,766	¥—	¥—	¥—	¥—	¥—
Other financial liabilities								
Loans payable	61	61	—	43	18	—	—	—
Other payables	5,195	5,195	5,195	—	—	—	—	—
Other	731	731	650	33	31	5	5	7
Total	¥19,753	¥19,753	¥19,611	¥76	¥49	¥5	¥5	¥7

	Millions of yen							
Year ended March 31, 2014 (as of March 31, 2014)	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 2 years	Between 2 years and 3 years	Between 3 years and 4 years	Between 4 years and 5 years	Over 5 years
Trade and other payables	¥19,072	¥19,072	¥19,072	¥—	¥—	¥—	¥—	¥—
Other financial liabilities								
Loans payable	42	42	—	42	—	—	—	—
Other payables	4,092	4,092	4,092	—	—	—	—	—
Other	848	848	788	15	20	7	7	11
Total	¥24,054	¥24,054	¥23,952	¥57	¥20	¥7	¥7	¥11

	Millions of yen							
Year ended March 31, 2015 (as of March 31, 2015)	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 2 years	Between 2 years and 3 years	Between 3 years and 4 years	Between 4 years and 5 years	Over 5 years
Trade and other payables	**¥20,250**	**¥20,250**	**¥20,250**	**¥ —**	**¥ —**	**¥ —**	**¥—**	**¥—**
Other financial liabilities								
Loans payable	**37,071**	**37,243**	**11,867**	**11,698**	**9,575**	**4,103**	**—**	**—**
Other payables	**6,525**	**6,525**	**6,525**	**—**	**—**	**—**	**—**	**—**
Other	**1,053**	**1,053**	**1,007**	**16**	**14**	**10**	**3**	**3**
Total	**¥64,899**	**¥65,071**	**¥39,649**	**¥11,714**	**¥9,589**	**¥4,113**	**¥ 3**	**¥ 3**

	Thousands of U.S. dollars							
	Carrying amount	Contractual cash flows	Within 1 year	Between 1 year and 2 years	Between 2 years and 3 years	Between 3 years and 4 years	Between 4 years and 5 years	Over 5 years
Trade and other payables	**$168,507**	**$168,507**	**$168,507**	**$ —**	**$ —**	**$ —**	**$—**	**$—**
Other financial liabilities								
Loans payable	**308,489**	**309,916**	**98,754**	**97,341**	**79,678**	**34,143**	**—**	**—**
Other payables	**54,302**	**54,302**	**54,302**	**—**	**—**	**—**	**—**	**—**
Other	**8,760**	**8,760**	**8,376**	**136**	**120**	**82**	**25**	**21**
Total	**$540,058**	**$541,485**	**$329,939**	**$97,477**	**$79,798**	**$34,225**	**$25**	**$21**

The Company has entered into a short-term loan agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Details as of the end of each fiscal year are as follows:

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Total amount of loan agreement	¥—	¥—	**¥45,000**	**$374,470**
Execution amount	—	—	**35,000**	**291,254**
Difference	¥—	¥—	**¥10,000**	**$ 83,216**

The execution amount of ¥35,000 ($291,254 thousand) million based on the above short-term loan agreement was refinanced as long-term loans payable in October 2014. The total amount of long-term loans payable was ¥40,000 million ($332,862 thousand), and is based on long-term loan agreements with The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Development Bank of Japan Inc.

C. Market Risk

1) Outline

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises foreign currency risk, interest rate risk, and other price risks.

The Santen Group responds to currency risk by adjusting the balance of outstanding foreign currency denominated financial assets and liabilities in the same currency.

With no floating interest rate financial instruments in its portfolio, the Santen Group has judged that it has no exposure to significant interest rate risk.

Other price risks primarily have an impact on stocks of companies with which the Company has business relationships. The Company periodically reviews the fair market values of these stocks and reports on them at the Company's Board of Directors meeting.

2) Foreign currency risk

i. Foreign currency risk exposure

The following is a summary of the quantitative currency risk exposure data provided to the Santen Group's management based on its risk management policy:

	Thousands		
	April 1, 2013 (Transition date)	2014	2015
	USD	USD	USD
Trade and other receivables	$6,906	$5,087	**$8,560**
Trade and other payables	(129)	(34)	**(4,553)**
Net exposure amount	$6,777	$5,053	**$4,007**

ii. Sensitivity analysis of foreign currency risk

The tables below show the increase (decrease) in profit or loss for the year that would result from the yen's depreciation against the euro or U.S. dollar at the rates indicated below at fiscal year-end.

This analysis is based on foreign exchange rate variables that the Santen Group believes to be reasonably possible as of the fiscal year-end. The analysis assumes that all other variables (particularly interest rates) are held constant. It was conducted on the same basis as the analysis for the year ended March 31, 2014. The yen's appreciation at the same rate would have the opposite effect, in the same amount, on profit (loss) for the year.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
	Profit (loss)	Profit (loss)	Profit (loss)
U.S. dollar (5% appreciation)	¥26	**¥24**	**$200**

3) Fair Value of Financial Instruments

A. Fair Value and Carrying Amount

The carrying amount and fair value of financial instruments are shown below. Financial instruments measured at fair value, and financial instruments whose carrying amounts and fair values are reasonable approximation, are not included in the following table.

	Millions of yen						Thousands of U.S. dollars	
	April 1, 2013 (Transition date)		2014		2015		2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Loans payable	¥61	¥61	¥42	¥42	**¥37,071**	**¥36,992**	**$308,489**	**$307,831**

B. Approaches and Valuation Techniques Applied to Measure Fair Value

The valuation techniques for measuring the fair value of financial instruments are as follows:

i. Loans payable

Loans payable with floating interest rates have fair values that approximate their carrying amounts because market interest rates are reflected in a short period. The fair value of loans payable with fixed interest rates are measured by the total sum of the principal and interest discounted by the interest rates that would apply if similar borrowings were conducted anew.

C. Fair Value Hierarchy

The following table is an analysis of financial instruments carried at fair value by valuation method.

The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as a price) or indirectly (i.e., derived from price)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Millions of yen			
Transition date (as of April 1, 2013)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Stock	¥15,467	¥—	¥503	¥15,970
Financial assets measured at fair value through profit or loss				
Golf membership rights, etc.	—	51	141	192

	Millions of yen			
Year ended March 31, 2014 (as of March 31, 2014)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income				
Stock	¥21,232	¥—	¥1,095	¥22,327
Financial assets measured at fair value through profit or loss				
Golf membership rights, etc.	—	19	141	160

	Millions of yen				Thousands of U.S. dollars			
Year ended March 31, 2015 (as of March 31, 2015)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income								
Stock	**¥32,664**	**¥—**	**¥970**	**¥33,634**	**$271,819**	**$ —**	**$8,072**	**$279,891**
Financial assets measured at fair value through profit or loss								
Golf membership rights, etc.	**—**	**21**	**142**	**163**	**—**	**173**	**1,182**	**1,355**

The presence of any financial instruments subject to significant transfers between the fair value hierarchy levels is determined at the end of every fiscal year.

There were no financial instruments subject to significant transfers between the fair value hierarchy levels at the transition date, and in the years ended March 31, 2014 and 2015.

The change in carrying values associated with Level 3 financial instruments using significant unobservable inputs.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Balance, beginning of year	¥ 644	**¥1,236**	**$10,283**
Purchases	1	**105**	**878**
Other comprehensive income	130	**(225)**	**(1,872)**
Sales	(2)	**(2)**	**(20)**
Other	463	**(2)**	**(15)**
Balance, end of year	¥1,236	**¥1,112**	**$ 9,254**

Securities categorized into Level 3 are measured using the market values of comparable companies, valuation models based on net assets of investees, and other valuation approaches.

30. Operating Leases

1) The Total of Future Minimum Lease Payments under Non-cancellable Operating Leases

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Not later than 1 year	¥1,526	¥1,934	**¥2,047**	**$17,032**
Later than 1 year and not later than 5 years	2,965	2,470	**2,108**	**17,544**
Later than 5 years	33	1	**—**	**—**
Total	¥4,524	¥4,405	**¥4,155**	**$34,576**

2) Lease Payments Recognized as Expenses

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Lease payments	¥1,734	**¥2,128**	**$17,705**

31. Subsidiaries

1) Structure of the Santen Group

All subsidiaries (23 companies) are consolidated. The names of the major consolidated subsidiaries are shown in "Business Bases." From the fiscal year ended March 31, 2015, the Santen Group has included Santen Switzerland SA, Santen Italy S.r.l. and Santen UK Limited, as well as Santen Pharmaceutical Spain, S.L., SANTEN (THAILAND) CO., LTD., SANTEN PHARMA MALAYSIA SDN. BHD. and SANTEN PHILIPPINES INC., in the scope of consolidation following the establishment of these companies.

32. Related Parties

1) Related Party Transactions

Year ended March 31, 2014 (April 1, 2013 to March 31, 2014)
There were no significant transactions.

Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)
There were no transactions to report.

2) Compensation for Key Management Personnel

The key management personnel of the Company refers to all of its directors, including outside directors.

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Compensation	¥155	**¥187**	**$1,559**
Post-employment benefits	3	**—**	**—**
Share-based payment	46	**55**	**462**
Total	¥204	**¥242**	**$2,021**

33. Contingencies

1) Contingent Liabilities

A. Guarantees

The Company has provided guarantees to financial institutions covering employee loans.
These are not recognized as liabilities in the consolidated statement of financial position because the possibility of loss from contingent liabilities was remote.

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	2015	2015
Employees (loan guarantees)	¥130	¥103	**¥76**	**$632**

34. Subsequent Events

1) Stock Split

The Company resolved to conduct a stock split at a meeting of its Board of Directors held on February 24, 2015. The stock split was conducted on April 1, 2015.

A. Purpose of Stock Split

The purpose of the stock split is to expand the Company's investor base and enhance the liquidity of its stock by reducing the price per unit of shares to provide investors with more affordable purchase opportunities.

B. Outline of Stock Split

i. Method of stock split

A 5-for-1 stock split of ordinary shares owned by shareholders entered or recorded in the last register of shareholders as of the record date of Tuesday, March 31, 2015.

ii. Increase in number of shares by stock split

Total number of issued shares before stock split:	82,653,103 shares
Increase in number of shares by stock split:	330,612,412 shares
Total number of issued shares after stock split:	413,265,515 shares
Total number of authorized shares after stock split:	1,100,000,000 shares

iii. Schedule of stock split

Public notice date of record date:	Monday, March 16, 2015
Record date:	Tuesday, March 31, 2015
Effective date:	Wednesday, April 1, 2015

C. Adjustment to Exercise Price of Stock Options (Subscription Rights to Shares)

Effective April 1, 2015, in consideration of the stock split, the exercise price of the subscription rights to shares that were issued by the Company was adjusted as follows:

		Yen		U.S. dollars	
	Board of Directors resolution date	Exercise price per share before adjustment	Exercise price per share after adjustment	Exercise price per share before adjustment	Exercise price per share after adjustment
4th subscription rights to shares	June 24, 2005	¥2,480	**¥496**	$20.64	**$4.13**
5th subscription rights to shares	June 27, 2006	2,715	**543**	22.59	**4.52**
6th subscription rights to shares	June 26, 2007	3,050	**610**	25.38	**5.08**
7th subscription rights to shares	June 25, 2008	2,734	**547**	22.75	**4.55**
8th subscription rights to shares	June 24, 2009	2,920	**584**	24.30	**4.86**
9th subscription rights to shares	June 23, 2010	3,170	**634**	26.38	**5.28**
10th subscription rights to shares	June 22, 2011	3,230	**646**	26.88	**5.38**
11th subscription rights to shares	June 20, 2012	3,315	**663**	27.59	**5.52**

D. Impact on Per Share Information, etc.

The impact of this stock split has been calculated as if the stock split had been conducted at the beginning of the fiscal year ended March 31, 2014, and is shown in "15. Earnings Per Share."

2) Significant Company Split

The Company has resolved at its Board of Directors meeting held on May 12, 2015 to assign its anti-rheumatic pharmaceuticals business to Hyperion Pharma Co., Ltd. ("Hyperion"), which is controlled by funds for which Unison Capital, Inc. ("Unison") acts as advisor ("Transaction"). On the same date, the Company, Hyperion and Showa Yakuhin Kako Co., Ltd. ("Showa"), which is another investee of funds for which Unison acts as advisor, entered into an agreement on the Transaction.

On August 3, 2015, an absorption-type company split was executed.

Hyperion is a company newly incorporated for the purpose of the Transaction and will change its trade name before completion of the Transaction.

A. Purpose of the transaction

As a result of the Transaction, the Company will focus completely on the ophthalmic pharmaceutical business and become much more specialized to meet patients' needs for advanced medical care, and by doing so, the Company is aiming to become one of the top three ophthalmic pharmaceutical companies in the world by 2020. At the same time, the Company has established a strong presence in the field of the anti-rheumatic pharmaceuticals business by gaining the largest share in the market in Japan for disease-modifying anti-rheumatic drugs (DMARDs). The Company believes that the Transaction, through which its anti-rheumatic pharmaceuticals business is succeeded to by Hyperion, which aims to become a pharmaceutical company specializing in orthopedics and rheumatism, will make a further contribution to the improvement of patients' quality of life.

B. Method of the transaction

In the Transaction, the rights and obligations relating to the Company's anti-rheumatic pharmaceuticals business will be succeeded to by Hyperion through an absorption-type company split (the "Company Split"). However, approvals for manufacture and sales, inventories, contractual statuses under certain relevant agreements, and the like held by the Company in relation to the anti-rheumatic pharmaceuticals business will be separately transferred to Hyperion after Hyperion establishes structures for manufacture and distribution of each product and will not be transferred through the method of a company split.

On and after the effective date of the Company Split, Hyperion will provide information about the products to medical professionals and distribute the products succeeded to by Hyperion from the Company through the Transaction. The Company and Hyperion will cooperate with each other so that, as promptly as possible after the effective date of the Company Split, Hyperion can succeed to the approvals for manufacture and sales of certain products that are currently held by the Company. After completion of procedures for succession of approvals for manufacture and sales, Hyperion will manufacture and distribute the products and provide information about the products.

C. Summary of the Company Split

i. Schedule for the Company Split

Date of approval of the absorption-type company split by the Company's Board of Directors	May 12, 2015
Execution date of agreement for absorption-type company split	May 12, 2015
Date for absorption-type company split (effective date)	August 3, 2015

Note: Note that a shareholders meeting of the Company for approval of an absorption-type company split will not be held due to the Company Split constituting a simplified absorption-type company split as provided for in Article 784(2) of the Companies Act.

ii. Method of the Company Split

The Company Split will be an absorption-type company split (simplified absorption-type company split) in which the Company is the splitting company and Hyperion is the succeeding company.

iii. Consideration pertaining to the Company Split

As consideration for succession of rights and obligations regarding the anti-rheumatic pharmaceuticals business, the Company, which is the splitting company, received ¥45 billion ($374 million) in cash from Hyperion, the succeeding company.

D. Outline of counterparty to the Company Split

(1) Name	Hyperion Pharma Co., Ltd.
(2) Location	4-12-15 Ginza, Chuo-ku, Tokyo
(3) Name and title of representative	Tatsuya Hayashi, Representative Director
(4) Business activities	Production and marketing of pharmaceuticals
(5) Share capital	¥500,000 ($4,160.77)
(6) Date of establishment	January 16, 2015
(7) Net assets	¥1 million ($8,322 thousand)
(8) Total assets	¥1 million ($8,322 thousand)
(9) Number of employees	1 (secondee) (non-consolidated)

(Based on information as of March 31, 2015. Information in "(1) Name," "(7) Net assets," "(8) Total assets" and "(9) Number of employees" is as of Hyperion's incorporation.)

E. Outline of business division to be split off

i. Businesses activities of the division to be split off

Business relating to distribution, marketing, research, and development of anti-rheumatic Pharmaceuticals.
In terms of the Santen Group's reportable segments, this business division is classified under the pharmaceuticals segment.

ii. Operating results of the division to be split off

	Result of division in the year ended March 31, 2015
Revenue	¥9,629 million ($80,128 thousand)

iii. Assets and liabilities to be split off and their carrying amounts (as of March 31, 2015)

The carrying amounts of the assets and liabilities to be split off from the Company through the Transaction are negligible.

Note: Hyperion changed its trade name to AYUMI Pharmaceutical Corporation on June 2, 2015.

35. First-time Adoption

Effective from the fiscal year ended March 31, 2015, the Santen Group has disclosed consolidated financial statements in accordance with IFRS. The latest consolidated financial statements prepared in accordance with Japanese GAAP were those for the year ended March 31, 2014. The date of transition is April 1, 2013.

1) Exemption Provisions for Retrospective Application

Under IFRS 1, first-time adopters of IFRSs must apply IFRSs retrospectively, in principle, although certain exemptions are permitted. The Santen Group has applied the following exemption provisions:

A. Cumulative Translation Difference of Foreign Operations

IFRS 1 allows an entity to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS. Accordingly, the Santen Group has reset the full amount of the cumulative transition differences for all foreign operations to be zero at the date of transition to IFRS, these transition differences in retained earnings.

B. Business Combinations

IFRS 1 allows an entity to not apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRSs. Accordingly, the Santen Group has not applied IFRS 3 *Business Combinations* retrospectively to business combinations undertaken before the IFRS transition date. The Santen Group has conducted impairment tests of goodwill at the IFRS transition date, regardless of whether there was any indication that the goodwill may be impaired.

C. Share-based Payment Transactions

IFRS 1 allows an entity to not apply IFRS 2 *Share-based Payment* to equity instruments granted on or after November 7, 2002 that vested before the later of the IFRS transition date and January 1, 2005. Accordingly, the Santen Group has not applied IFRS 2 *Share-based Payment* to equity instruments granted on or after November 7, 2002 that vested before the IFRS transition date.

2) Reconciliations

Reconciliations that must be disclosed upon first-time adoption of IFRS are as follows.

"Reclassifications" in the reconciliations include items that do not affect retained earnings and comprehensive income, while "Differences in recognition and measurement" includes items that affect retained earnings and comprehensive income.

Notes on reconciliations of income and comprehensive income for the year ended March 31, 2014
(April 1, 2013 to March 31, 2014)

	Millions of yen						
Accounts under Japanese GAAP	Japanese GAAP	Impact of change in accounting period	Reclassification	Differences in recognition and measurement	IFRS	Note	Accounts under IFRS
Net sales	¥ 148,663	¥(2,372)	¥ (31)	¥ —	¥ 146,260		Revenue
Cost of sales	(58,104)	720	31	—	(57,353)		Cost of sales
Gross profit	90,559	(1,652)	—	—	88,907		Gross profit
Selling, general and administrative expenses	(63,145)	1,780	18,656	1,067	(41,642)	A, F	Selling, general and administrative expenses
	—	—	(157)	(33)	(190)	F	Amortization on intangible assets associated with products
	—	—	(18,419)	1,557	(16,862)	B, F	Research and development expenses
	—	—	618	63	681	F	Other income
	—	—	(894)	(122)	(1,016)	F	Other expenses
Operating income	27,414	128	(196)	2,532	29,878		Operating profit
Other income	1,224	(14)	27	(321)	916	F	Finance income
Other expenses	(1,745)	710	669	(67)	(433)	C, F	Finance expenses
Income before income taxes	26,893	824	500	2,144	30,361		Profit before tax
Income taxes current	(11,763)	117	1,465	(462)	(10,643)	D	Income tax expenses
Income taxes deferred	1,979	(14)	(1,965)	—	—		
Net income	17,109	927	—	1,682	19,718		Net profit for the year
Remeasurements of defined benefit plans, net of taxes	585	(2)	—	(120)	463		Remeasurements of defined benefit plans
Unrealized gains (losses) on securities, net of taxes	2,143	(22)	—	115	2,236	E	Net gain on financial assets measured at fair value through other comprehensive income
Foreign currency translation adjustments	5,542	(837)	—	47	4,752		Foreign currency translation adjustments
Other comprehensive income (loss)	8,270	(861)	—	42	7,451		Other comprehensive income
Total comprehensive income	¥25,379	¥ 66	¥ —	¥1,724	¥27,169		Total comprehensive income for the year

A. Adjustments to Selling, General and Administrative Expenses

Under Japanese GAAP, the Santen Group amortized actuarial gains and losses on retirement benefits over a certain number of years within the average remaining service period for employees when the actuarial gains and losses were incurred. Under IFRS, the Santen Group must recognize the amount of the remeasurement of net defined benefit liabilities in other comprehensive income when it occurs, and immediately transfer it to retained earnings.

In regard to amortization of goodwill, under Japanese GAAP, the Santen Group has amortized goodwill over the period of expected benefit. Under IFRS, goodwill is not amortized.

B. Adjustments to Research and Development Expenses

Under Japanese GAAP, lump-sum payments and other expenses that were incurred in connection with product and technology licensing agreements that had arisen primarily before the approval of the authorities could be obtained were expensed as research and development expenses. Of these expenses, those that are eligible for capitalization under IAS 38 are carried as intangible assets under IFRS. These intangible assets are amortized on a straight-line basis over their estimated useful lives from the date the assets are available for use.

C. Adjustments to Finance Income and Expenses

Under Japanese GAAP, the interest expense and the expected return on plan assets component of retirement and severance costs, was included in cost of sales or selling, general and administrative expenses. Under IFRS, it is carried in finance expenses.

D. Adjustments to Income Taxes

Under Japanese GAAP, deferred tax assets related to unrealized gains and losses of inventories with respect to transactions within the inventory group were calculated using the effective tax rate of the seller. Under IFRS, these deferred tax assets are calculated using the effective tax rate of the buyer. In addition, deferred tax assets and deferred tax liabilities are carried for temporary differences arising from other adjustments for differences with IFRS.

E. Adjustments to Remeasurements of Defined Benefit Plans

Under Japanese GAAP, the Santen Group amortized actuarial gains and losses on retirement benefits over a certain number of years within the average remaining service period for employees when the actuarial gains and losses were incurred. Under IFRS, the Santen Group recognizes the amount of the remeasurement of net defined benefit liabilities in other comprehensive income when it occurs, and immediately transfers it to retained earnings.

F. Reclassifications

In accordance with IFRS regulations, the Santen Group has made reclassifications. The main reclassifications are as follows:

Under Japanese GAAP, research and development expenses and amortization of intangible assets were included in selling, general and administrative expenses. Under IFRS, research and development expenses are shown separately as research and development expenses and some of the amortization of intangible assets as amortization of intangible assets associated with products.

Under IFRS, finance-related income and expenses are shown as finance income and finance expenses, and all other items are included in other income and other expenses. Under Japanese GAAP, these income and expenses were presented in other income and other expenses.

Notes on reconciliations of equity as of the transition date (April 1, 2013)

Accounts under Japanese GAAP	Millions of yen: Japanese GAAP	Impact of change in accounting period	Reclassification	Differences in recognition and measurement	IFRS	Note	Accounts under IFRS
Assets							**Assets**
Non-current assets							Non-current assets
Property, plant and equipment	¥ 27,420	¥ 56	¥ (413)	¥ —	¥ 27,063	G	Property, plant and equipment
Intangible assets	14,124	495	400	7,586	22,605	A	Intangible assets
Investment securities	18,174	23	1,090	18	19,305	G	Financial assets
Deferred tax assets	4,460	26	1,875	(1,350)	5,011	B, G	Deferred tax assets
Other assets	2,880	89	(1,391)	656	2,234	G	Other non-current assets
Total non-current assets	67,058	689	1,561	6,910	76,218		Total non-current assets
Current assets							Current assets
Inventories	20,949	(107)	—	(537)	20,305		Inventories
Trade receivables	43,841	300	1,183	—	45,324	G	Trade and other receivables
Short-term investments	2,094	(0)	123	—	2,217	G	Other financial assets
Other current assets	4,024	(33)	(1,409)	(537)	2,045	G	Other current assets
Allowance for doubtful receivables	(2)	0	2	—	—		
Deferred tax assets	1,880	(6)	(1,874)	—	—	B, G	
Cash and deposits	59,797	440	—	—	60,237		Cash and cash equivalents
	—	—	—	—	130,128		Subtotal
	—	—	414	—	414	G	Assets held for sale
Total current assets	132,583	594	(1,561)	(1,074)	130,542		Total current assets
Total assets	199,641	1,283	—	5,836	206,760		Total assets
Net assets							**Equity**
Common stock	7,081	—	—	—	7,081		Share capital
Capital surplus	7,775	—	1	—	7,776		Capital surplus
Treasury stock	(2)	—	—	—	(2)		Treasury shares
Retained earnings	151,002	(893)	—	407	150,516	C	Retained earnings
Accumulated other comprehensive income (loss)	(1,048)	838	323	2,373	2,486	D	Other components of equity
Stock subscription rights	324	—	(324)	—	—		
Total net assets	165,132	(55)	—	2,780	167,857		Total equity
Total liabilities							**Liabilities**
Non-current liabilities							Non-current liabilities
Long-term debt	145	(4)	—	—	141		Financial liabilities
Retirement and severance benefits	3,664	(0)	—	2,302	5,966	E	Net defined benefit liabilities
Asset retirement obligation	160	—	685	433	1,278	F, G	Provisions
Deferred tax liabilities	2,269	126	—	—	2,395	B, G	Deferred tax liabilities
Other liabilities	1,011	432	(436)	—	1,007	G	Other non-current liabilities
Retirement and severance benefits for directors	249	—	(249)	—	—	G	
Total non-current liabilities	7,498	554	—	2,735	10,787		Total non-current liabilities
Current liabilities							Current liabilities
Trade accounts payable	9,266	104	4,396	—	13,766	G	Trade and other payables
Other payables	9,868	512	(4,855)	321	5,846	G	Other financial liabilities
Income tax payable	3,039	183	(54)	—	3,168		Income tax payable
	—	—	702	—	702	G	Provisions
Other current liabilities	4,838	(15)	(189)	—	4,634	G	Other current liabilities
Total current liabilities	27,011	784	—	321	28,116		Total current liabilities
Total liabilities	34,509	1,338	—	3,056	38,903		Total liabilities
Total equity and liabilities	¥199,641	¥1,283	¥ —	¥5,836	¥206,760		Total equity and liabilities

A. Adjustments to Intangible Assets

Under Japanese GAAP, lump-sum payments and other expenses that were incurred in connection with product and technology licensing agreements that had arisen primarily before the approval of the authorities could be obtained were expensed as research and development expenses. Of these expenses, those that are eligible for capitalization under IAS 38 are carried as intangible assets under IFRS. These intangible assets are amortized on a straight-line method over their estimated useful life from the date the assets are available for use.

In regard to amortization of goodwill, under Japanese GAAP, the Santen Group has amortized goodwill over the period of expected benefit. Under IFRS, goodwill is not amortized.

B. Adjustments to Deferred Tax Assets and Deferred Tax Liabilities

Under Japanese GAAP, deferred tax assets related to unrealized gains and losses of inventories with respect to transactions within the inventory group were calculated using the effective tax rate of the seller. Under IFRS, these deferred tax assets are calculated using the effective tax rate of the buyer. In addition, deferred tax assets and deferred tax liabilities are carried for temporary differences arising from other adjustments for differences with IFRS.

C. Adjustments to Retained Earnings

	Millions of yen
Intangible assets (Note A)	¥7,586
Other components of equity (Note D)	(2,152)
Net defined benefit liabilities (Note E)	(2,302)
Provisions (Note F)	(433)
Other	(1,063)
Subtotal	1,636
Adjustment of tax effects (Note B)	(1,229)
Total adjustments to retained earnings	¥ 407

D. Adjustments to Other Components of Equity

Under Japanese GAAP, the Santen Group amortized actuarial gains and losses over a certain number of years within the average remaining service period for employees when the actuarial gains and losses were incurred. Under IFRS, the Santen Group must recognize the amount of the remeasurement of net defined benefit liabilities in other comprehensive income when it occurs, and immediately transfer it to retained earnings.

The Santen Group has elected to adopt the exemption provisions prescribed by IFRS 1, transferring the full amount of the cumulative translation difference of foreign operations to retained earnings as of the transition date of April 1, 2013.

E. Net Defined Benefit Liabilities

Under Japanese GAAP, the Santen Group amortized actuarial gains and losses over a certain number of years within the average remaining service period for employees when the actuarial gains and losses were incurred. Under IFRS, the Santen Group must recognize the amount of the remeasurement of net defined benefit liabilities in other comprehensive income when it occurs, and immediately transfer it to retained earnings.

F. Adjustments for Provisions

Under IFRS, the Santen Group records a provision for the unused portion of paid leave granted to employees based on the paid leave system.

G. Reclassifications

In accordance with IFRS regulations, the Santen Group has made reclassifications. The main reclassifications are as follows:

- Under IFRS, assets previously included in property, plant and equipment in accordance with Japanese GAAP are presented as “assets held for sale” when the assets are highly likely to be sold and the assets can be sold immediately in their current state.

- Under Japanese GAAP, deferred tax assets and deferred tax liabilities were classified and presented as current or non-current. Under IFRS, all deferred tax assets and liabilities are presented as non-current.

- Receivables and payables included in other current assets, other assets under investments and other assets, other current liabilities, and other liabilities under non-current liabilities in accordance with Japanese GAAP are shown as trade receivables, trade payables, financial assets, financial liabilities and provisions based on the definitions, carrying requirements and other matters prescribed by IFRS.

Notes on reconciliations of equity as of the transition date (March 31, 2014)

Accounts under Japanese GAAP	Millions of yen: Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Accounts under IFRS
Assets						**Assets**
Non-current assets						Non-current assets
Property, plant and equipment	¥ 27,629	¥ (454)	¥ —	¥ 27,175	F	Property, plant and equipment
Intangible assets	16,585	694	9,331	26,610	A	Intangible assets
Investment securities	21,740	999	595	23,334	F	Financial assets
Deferred tax assets	5,488	2,346	(2,619)	5,215	B, F	Deferred tax assets
Other assets	3,658	(1,593)	—	2,065	F	Other non-current assets
Total non-current assets	75,100	1,992	7,307	84,399		Total non-current assets
Current assets						Current assets
Inventories	20,031	—	(570)	19,461		Inventories
Trade receivables	52,086	1,900	—	53,986	F	Trade and other receivables
Short-term investments	4,225	362	—	4,587	F	Other financial assets
Other current assets	4,925	(2,366)	(203)	2,356	F	Other current assets
Allowance for doubtful receivables	(4)	4	—	—		
Deferred tax assets	2,346	(2,346)	—	—	B, F	
Cash and cash equivalents	72,397	—	—	72,397		Cash and cash equivalents
	—	—	—	152,787		Subtotal
	—	454	—	454	F	Assets held for sale
Total current assets	156,006	(1,992)	(773)	153,241		Total current assets
Total assets	231,106	—	6,534	237,640		Total assets
Net assets						**Equity**
Common stock	7,264	—	—	7,264		Share capital
Capital surplus	7,959	—	—	7,959		Capital surplus
Treasury stock	(9)	—	—	(9)		Treasury shares
Retained earnings	160,116	(1)	2,612	162,727	C	Retained earnings
Accumulated other comprehensive income (loss)	5,481	400	3,388	9,269	D	Other components of equity
Stock subscription rights	399	(399)	—	—		
Total net assets	181,210	—	6,000	187,210		Total equity
Total liabilities						**Liabilities**
Non-current liabilities						Non-current liabilities
Long-term debt	102	—	—	102		Financial liabilities
Net defined benefit liability	5,401	—	—	5,401		Net defined benefit liabilities
Provision for business structure improvement	802	222	443	1,467	E, F	Provisions
Asset retirement obligation	221	(221)	—	—		
Deferred tax liabilities	2,796	—	(1)	2,795	B, F	Deferred tax liabilities
Other liabilities	1,480	(1)	—	1,479		Other non-current liabilities
Total non-current liabilities	10,802	—	442	11,244		Total non-current liabilities
Current liabilities						Current liabilities
Trade accounts payable	14,270	4,802	—	19,072	F	Trade and other payables
Other payables	9,696	(4,908)	92	4,880	F	Other financial liabilities
Income tax payable	8,170	(89)	—	8,081		Income tax payable
	—	996	—	996	F	Provisions
Other current liabilities	6,958	(801)	—	6,157	F	Other current liabilities
Total current liabilities	39,094	—	92	39,186		Total current liabilities
Total liabilities	49,896	—	534	50,430		Total liabilities
Total equity and liabilities	¥231,106	¥ —	¥6,534	¥237,640		Total equity and liabilities

A. Adjustments to Intangible Assets

Under Japanese GAAP, lump-sum payments and other expenses that were incurred in connection with product and technology licensing agreements that had arisen primarily before the approval of the authorities could be obtained were expensed as research and development expenses. Of these expenses, those that are eligible for capitalization under IAS 38 are carried as intangible assets under IFRS. These intangible assets are amortized on a straight-line basis over their estimated useful lives from the date the assets are available for use.

In regard to amortization of goodwill, under Japanese GAAP, the Santen Group amortized goodwill over the period of expected benefit. Under IFRS, goodwill is not amortized.

B. Adjustments to Deferred Tax Assets and Deferred Tax Liabilities

Under Japanese GAAP, deferred tax assets related to unrealized gains and losses of inventories with respect to transactions within the group were calculated using the effective tax rate of the seller. Under IFRS, these deferred tax assets are calculated using the effective tax rate of the buyer. In addition, deferred tax assets and deferred tax liabilities are carried for temporary differences arising from other adjustments for differences with IFRS.

C. Adjustments to Retained Earnings

	Millions of yen
Intangible assets (Note A)	¥9,331
Other components of equity (Note D)	(3,281)
Provisions (Note E)	(443)
Other	(422)
Subtotal	5,185
Adjustments due to tax effects (Note B)	(2,573)
Total adjustments to retained earnings	¥2,612

D. Adjustments to Other Components of Equity

Under Japanese GAAP, the Santen Group amortized actuarial gains and losses over a certain number of years within the average remaining service period for employees when the actuarial gains and losses were incurred. Under IFRS, the Santen Group must recognize the amount of the remeasurement of net defined benefit liabilities in other comprehensive income when it occurs, and immediately transfer it to retained earnings.

The Santen Group has elected to adopt the exemption provisions prescribed by IFRS 1, transferring the full amount of the cumulative exchange differences on translation of foreign operations to retained earnings as of the transition date of April 1, 2013.

E. Adjustments for Provisions

Under IFRS, the Santen Group records a provision for the unused portion of paid leave granted to employees based on the paid leave system.

F. Reclassifications

In accordance with IFRS regulations, the Santen Group has made reclassifications. The main reclassifications are as follows:

- Under IFRS, assets previously included in property, plant and equipment in accordance with Japanese GAAP are presented as “assets held for sale” when the assets are highly likely to be sold and the assets can be sold immediately in their current state.
- Under Japanese GAAP, deferred tax assets and deferred tax liabilities were classified and presented as current or non-current. Under IFRS, all deferred tax assets and liabilities are presented as non-current.
- Receivables and payables included in other current assets, other assets under investments and other assets, other current liabilities, and other liabilities under non-current liabilities in accordance with Japanese GAAP are shown as trade receivables, trade payables, financial assets, financial liabilities and provisions based on the definitions, carrying requirements and other matters prescribed by IFRS.

Significant adjustments to consolidated statement of cash flows for the year ended March 31, 2014

Significant differences between the consolidated statement of cash flows prepared and disclosed in accordance with Japanese GAAP and those prepared and disclosed in accordance with IFRS are as follows:

Under Japanese GAAP, lump-sum payments and other expenses that were incurred in connection with product and technology licensing agreements that had arisen primarily before the approval of the authorities could be obtained were expensed as research and development expenses and the expenditures were classified as cash flows from operating activities. Of these expenditures, ¥1,127 million that was eligible for capitalization under IAS 38 were classified as cash flows from investing activities under IFRS.

Internal Control Report

1 Framework of internal control over financial reporting

We, as President and CEO of Santen Pharmaceutical Co., Ltd. (the Company) and CFO of the Company, are responsible for the design and operation of internal controls over financial reporting ("ICOFR") and establishing and maintaining an ICOFR based on the framework of ICOFR in Japan in accordance with "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Report (Business Accounting Council (Council Opinions), February 15, 2007)."

Internal control aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual component as a whole. Therefore ICOFR does not provide an absolute assurance for preventing and detecting all errors to consolidated financial statements.

2 Assessment Scope, Timing and Procedures

Basis of Presenting Internal Control Report

The report on ICOFR of the consolidated financial statements of the Company ("Internal Control Report") is prepared on the basis of generally accepted assessment standards of internal control over financial reporting in Japan ("Assessment Standards") and is compiled from the Internal Control Report prepared by the Company as required by the Financial Instruments and Exchange Law of Japan ("Law").

The Assessment Standards require management to assess ICOFR, which consists of the internal controls over the consolidated financial statements included in the Annual Securities Report filed under the Law and the internal control over disclosure information and others included in the Annual Securities Report that materially affects the reliability of the financial statements.

The scope of management's assessment of ICOFR in this annual report is different from the scope required by the Assessment Standards. Management assessment of ICOFR in this annual report covers the ICOFR with respect to the accompanying consolidated financial statements only. In addition, the accompanying consolidated financial statements are reclassified and modified from the consolidated financial statements prepared for the purpose of the Law.

Supplementary information is also added to the consolidated financial statements. The process of making reclassifications and modifications and the addition of certain information is for the convenience of readers outside Japan. Management voluntarily includes the process in its assessment of ICOFR, even though it is outside the scope of the Assessment Standards.

Scope of Assessment

Management's assessment of ICOFR was conducted as of March 31, 2015 in accordance with the Assessment Standards.

In evaluating internal controls, management first assessed internal controls that have a material impact on overall consolidated financial reporting ("company-level controls") and, based on the results, selected business process to be assessed. For assessment of process level controls management analyzed the selected business processes, identify a key control that would have a material impact on the reliability of financial reporting, and assessed effectiveness of internal controls through assessing design and operation of the key controls.

Management assessed the effectiveness of the ICOFR applicable for the Company and its subsidiaries, to extent necessary in light of their degree of impact on the reliability of financial reporting. Management determined materiality for reliability of financial reporting in light of their degree of quantitative and qualitative impact on financial reporting. From the results of the company-level controls assessment of the Company and two subsidiaries, management determined a reasonable scope for process level controls to be assessed.

Management selected the Pharmaceuticals business unit of the Company as the significant business unit for assessing process level controls, as its revenue was more than 80% of the previous fiscal year's consolidated revenue. The process related to revenue, account receivables and inventories from the Pharmaceuticals business unit of the Company was selected for process level control assessment as they have significant relation to the business objectives of the Company. Apart from selected significant business units, including other business units, processes whose accounts were determined to have a high risk of misstatement and involves significant use of management estimate and projection, and processes whose businesses or operations included high risk transactions were additionally selected for controls assessment.

3 Results of assessment

Based on our assessment procedures noted above, we concluded the Company's internal control over financial reporting was effective as of March 31, 2015.

4 Supplementary information

No subsequent events have arisen that has caused to materially effect our evaluation of the effectiveness on the internal control over financial reporting as of March 31, 2015.

5 Other

None.

Akira Kurokawa
President & CEO

Kazuo Koshiji
CFO

August 7, 2015

Independent Auditor's Report

To the Board of Directors of
Santen Pharmaceutical Co., Ltd.:

We have audited the accompanying consolidated financial statements of Santen Pharmaceutical Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for the year ended March 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Santen Pharmaceutical Co., Ltd. and its consolidated subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 34 to the consolidated financial statements, on May 12, 2015, Santen Pharmaceutical Co., Ltd., Hyperion Pharma Co., Ltd. and Showa Yakuhin Kako Co., Ltd. entered into an agreement to assign the anti-rheumatic pharmaceuticals business of Santen Pharmaceutical Co., Ltd. to Hyperion Pharma Co., Ltd. On August 3, 2015, an absorption-type company split was executed.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Report on the Internal Control Report

We also have audited the accompanying report on internal control over financial reporting of the consolidated financial statements of Santen Pharmaceutical Co., Ltd. as at March 31, 2015 ("Internal Control Report").

Management's Responsibility for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in conformity with assessment standards for internal control over financial reporting generally accepted in Japan. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal control report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Internal Control Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the assessment of internal control over financial reporting in the Internal Control Report. The procedures selected depend on the auditor's judgement, including significance of effect on the reliability of financial reporting. Also, an internal control audit includes evaluating the appropriateness of the scope, procedures and result of the assessment determined and presented by management, and the overall internal control report presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Internal Control Report, in which Santen Pharmaceutical Co., Ltd. states that internal control over financial reporting was effective as at March 31, 2015, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

KPMG AZSA LLC

August 7, 2015
Osaka, Japan

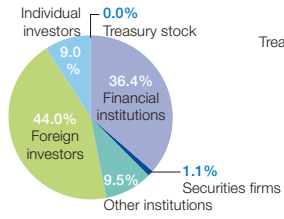
Corporate Information / Stock Information

As of March 31, 2015

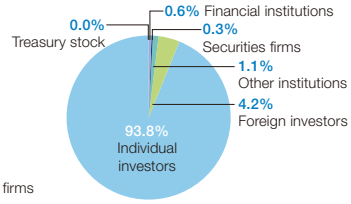
Corporate Headquarters	Santen Pharmaceutical Co., Ltd. Grand Front Osaka Tower A, 4-20 Ofuka-cho, Kita-ku, Osaka 530-8552, Japan URL: http://www.santen.com TEL: +81-6-6321-7000 (Main) +81-6-4802-9360 (PR and IR) E-MAIL: ir@santen.co.jp
Established	1890
Paid-in Capital	¥7,383 million
Number of Shareholders	11,368
Stock Exchange Listings	Tokyo
Ticker Code	4536
Transfer Agent	Osaka Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 6-3, Fushimi-cho 3-chome, Chuo-ku, Osaka 541-8502, Japan
Major Offices	Sendai, Tokyo, Nagoya, Osaka and Fukuoka
Manufacturing Plants	Noto and Shiga
Research Laboratory	Nara Research and Development Center
Number of Employees	3,230 (non-consolidated: 1,899)
Number of Shares Issued	82,653,103

Composition of Shareholders

By number of shares



By number of shareholders

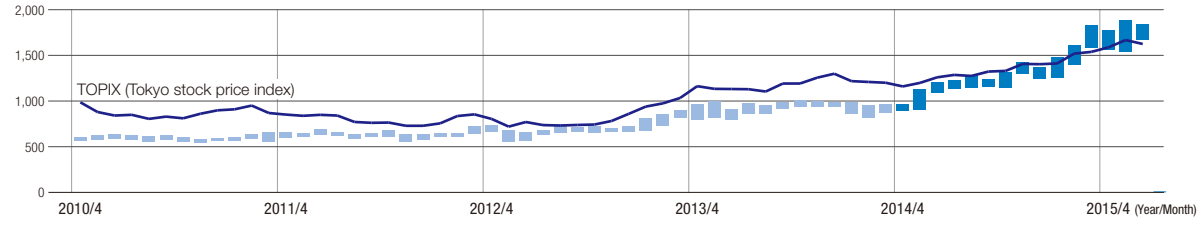


Major Shareholders

Name	Number of shares held (Thousands of shares)	Percentage of ownership
State Street Bank and Trust Company 505223	5,709	6.9%
Japan Trustee Service Bank, Ltd.	5,587	6.8
The Master Trust Bank of Japan, Ltd.	3,432	4.2
Development Bank of Japan Inc.	3,310	4.0
Nippon Life Insurance Company	2,132	2.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,121	2.6
Ono Pharmaceutical Co., Ltd.	1,861	2.3
Daiichi Sankyo Company, Ltd.	1,836	2.2
National Mutual Insurance Federation of Agricultural Cooperatives	1,438	1.7
Trust & Custody Services Bank, Ltd. as trustee for Eisai Company, Limited Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd	1,373	1.7

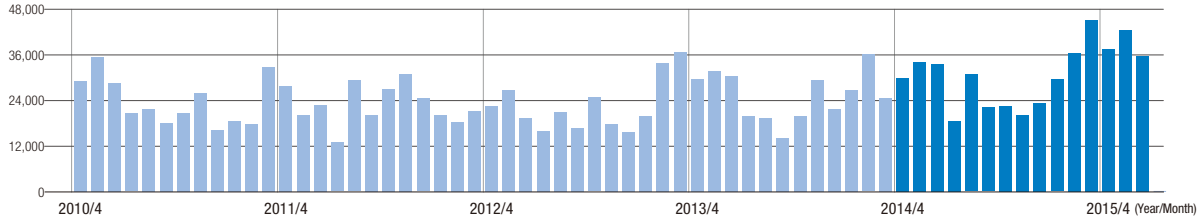
Stock Price Range (Yen)

Monthly basis



Trading Volume (Thousands of shares)

Monthly basis



Yearly High and Low Prices

	2011	2012	2013	2014	2015
High (yen)	689	731	1,010	1,230	1,892
Low (yen)	546.2	555.6	666	813	1,262

Notes 1: Calendar years.
2: Stock prices for 2015 are for the period to the end of June.
3: Stock price and trading volume from July 16, 2013 are those listed on the Tokyo Stock Exchange; prior to this date are those listed on the Osaka Securities Exchange.
4. Santen conducted a 5-for-1 stock split of ordinary shares on the effective date of April 1, 2015. Figures for stock price and trading volume from before the stock split have been adjusted using the stock split ratio.

Business Bases

As of August 2015

Corporate Headquarters and Subsidiaries	Location
❶ Corporate Headquarters	Japan
❷ Claire Co., Ltd.	Japan
❸ Santen Holdings U.S. Inc.	U.S.A.
❹ Santen Inc.	U.S.A.
❺ Advanced Vision Science, Inc.	U.S.A.
❻ Santen Holdings EU B.V.	Netherlands
❼ Santen Oy	Finland
❽ Santen S.A.S.	France
❾ Santen GmbH	Germany
❿ SantenPharma AB	Sweden
⓫ Santen Switzerland SA	Switzerland
⓬ Santen Italy S.r.l.	Italy
⓭ Santen UK Limited	U.K.
⓮ Santen Pharmaceutical Spain, S.L.	Spain
⓯ Santen Pharmaceutical (China) Co., Ltd.	China
⓰ Santen Pharmaceutical Sales & Marketing (Suzhou) Co., Ltd.	China
⓱ Santen Pharmaceutical Korea Co., Ltd.	Korea
⓲ Taiwan Santen Pharmaceutical Co., Ltd.	Taiwan
⓳ Santen India Private Limited	India
⓴ Santen Pharmaceutical Asia Pte. Ltd.	Singapore
㉑ SANTEN (THAILAND) CO., LTD.	Thailand
㉒ SANTEN PHARMA MALAYSIA SDN. BHD.	Malaysia
㉓ SANTEN PHILIPPINES INC.	Philippines

Other Office

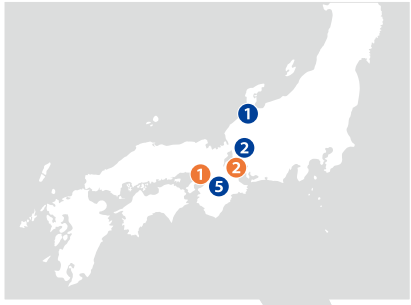
㉔ Beijing Representative Office (China)　㉕ Ho Chi Minh City Representative Office (Vietnam)

Plants and Laboratories

❶ Noto Plant (Japan)

❷ Shiga Product Supply Center (Japan)

❸ Tampere Plant (Finland)



❹ Suzhou Plant (China)

❺ Nara Research and Development Center (Japan)

History

Company History

1890
Founder Kenkichi Taguchi opened Taguchi Santendo in Kitahama, Osaka

1925
Operations incorporated as Santendo Co., Ltd.

1935
Yodogawa Plant established in Higashiyodogawa-ku, Osaka

1944
Head Office transferred to Yodogawa Plant (Higashiyodogawa-ku, Osaka)

1945
Company name changed to Santendo Pharmaceutical Co., Ltd.

1958
Company name changed to current form of Santen Pharmaceutical Co., Ltd.

Santen entered prescription pharmaceutical business

1977
Stock listed on First Section of Tokyo Stock Exchange and Osaka Securities Exchange

Production system introduced to allow filling of solution into molded containers to make bottle-packed eye drops

1982
Central Research Laboratories established

1985
Noto Plant established

1990
Long-term business vision formulated to mark centenary

1993
Subsidiary Santen Inc. established in the U.S.

1994
Subsidiary Santen GmbH established in Germany

1996
Representative office established in Beijing, China

Nara Research and Development Center and Shiga Plant (currently Shiga Product Supply Center) established

1997
Finnish ophthalmics pharmaceutical company acquired and Santen Oy established

Subsidiary Taiwan Santen Pharmaceutical Co., Ltd. established

1998
Medium-term Plan “Hitomi 21” formulated

2000
Subsidiary Santen Pharmaceutical Korea Co., Ltd. established

Representative office established in Guangzhou, China

2001
U.S.-based Advanced Vision Science, Inc. acquired

2002
Introduced Dimple Bottle, an innovative patient-oriented container for ophthalmic solutions

1900

1990

Product History

1890s
Launch of *Heburin-gan*, a cold medicine

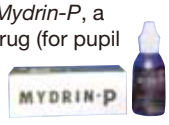
1899
Launch of *Daigaku Eye Drops*

1952
Launch of *Daigaku Penicillin Eye Drops*

1953
Launch of *Daigaku Mycillin Eye Drops*

1954
Launch of *Daigaku Super Eye Drops*

1962
Launch of *Mydrin-P*, a mydriatic drug (for pupil dilation)



Launch of *Super Sante* marks first use of plastic eye drop containers in Japan

1963
Launch of *Thiola*, an original liver detoxification agent

1965
Launch of *Sante de U*

1970
Launch of antibiotic ophthalmic *Ecolicin*

1975
Launch of anti-inflammatory ophthalmic *Flumetholon*

1978
Santen commenced sales of medical devices

1981
Launch of *Timoptol*, a treatment for glaucoma and ocular hypertension

1985
Launch of *Sante 40 NE*

1986
Santen commenced sales of intraocular lenses

1987
Launch of anti-rheumatic *Rimatil*

Launch of anti-infective ophthalmic *Tarivid*

1991
Launch of *Sante FX*

1992
Launch of *BSS PLUS*, an ophthalmic perfusion and bathing solution

Launch of *Kary Uni*, a treatment for early-stage senile cataracts

1995
Launch of *Hyalein* (sodium hyaluronate), a treatment for corneal and conjunctival epithelial disorders

Launch of anti-allergy ophthalmic *Alegysal*

Launch of anti-rheumatic *Azulfidine EN*

Launch of *Opegan Hi*, an adjuvant for ophthalmic operations

1999
Launch of *Timoptol XE*, a treatment for glaucoma and ocular hypertension

Launch of *Sante FX Neo*

2000
Launch of anti-infective ophthalmic solution *Cravit* (levofloxacin)

Note:
Based on the years when sales were launched by Santen Pharmaceutical.

2000

2001
Launch of *Detantol*, a treatment for glaucoma and ocular hypertension

Launch of anti-allergy ophthalmic *Livostin*

2002
Launch of *Sante de U Plus E Alpha*

Launch of *Sante 40*

2003
Launch of *ClariFlex* foldable intraocular lenses

2004
Launch of *Rescula*, a treatment for glaucoma and ocular hypertension

Launch of anti-rheumatic *Metolate*

2006
Launch of *Papilock Mini*, a treatment for vernal keratoconjunctivitis

Launch of *Sante Medical 10*

Launch of *Sante AL Cool II*

2007
Launch of *Sante Uruoi Contact a*

2003
2003-2005 Medium-Term Management Plan formulated

ISO 14001 certification acquired by Noto Plant

Santen Activity Improved Navigator (SAIN) medical information support system developed

2004
U.S. sales partnership with Johnson & Johnson Vision Care, Inc. (currently VISTAKON Pharmaceuticals, LLC) started

2005
Subsidiary Santen Pharmaceutical (China) Co., Ltd. established

2006
2006-2010 Medium-Term Management Plan formulated

2007
Santen Pharmaceutical (China) Co., Ltd. established Suzhou Plant

2010

2008
Launch of nutritional supplement *Sante Lutax*

Launch of *Sante 40i*

Launch of *Eternity* foldable intraocular lens

Launch of *Tapros* (tafluprost), a treatment for glaucoma and ocular hypertension

2009
Launch of *Sante FX V Plus*

Launch of *Eternity Natural* foldable intraocular lens

2010
Launch of *Cosopt*, a treatment for glaucoma and ocular hypertension

Launch of *Diquas*, a treatment for dry eye

2012
Launch of *Sante Medical Guard*

Launch of Intravitreal VEGF Inhibitor *EYLEA*

Launch of *Sante 40* series

2008
Completion of pharmaceutical development building and ancillary building at Nara Research and Development Center

2009
Santen Pharmaceutical (China) Co., Ltd. commenced direct marketing

2010
Santen Pharmaceutical Korea Co., Ltd. commenced direct marketing

2011
2011-2013 Medium-Term Management Plan formulated

Subsidiary Santen India Private Limited established in India

2012
Acquired Novagali Pharma S.A.S. of France (currently Santen S.A.S.) and made it a wholly owned subsidiary

Established Santen Holdings EU B.V. in the Netherlands as a holding company

Started integrated production at the Suzhou Plant

2013
Head Office transferred to Kita-ku, Osaka

Representative office established in Ho Chi Minh City, Vietnam

Established Santen Pharmaceutical Asia Pte. Ltd. in Singapore

2014
Took over ophthalmology assets from U.S.-based Merck & Co., Inc.

2014-2017 Medium-Term Management Plan formulated

Established subsidiaries in Switzerland, Italy, the U.K., Spain, Thailand, Malaysia and the Philippines

2015
Assigned anti-rheumatic pharmaceuticals business to AYUMI Pharmaceutical Corporation

2013
Launch of *Eternity Natural Uni*

Launch of *Sante Beautéye*

Launch of *Sante PC*

Launch of *Tapros Mini*, a treatment for glaucoma and ocular hypertension

Launch of anti-allergy ophthalmic solution *Alesion*

2014
Launch of *TAPCOM* (tafluprost/timolol maleate), a treatment for glaucoma and ocular hypertension

Launch of *Soft Santear Hitomi Stretch*

2015
Launch of nutritional supplement *Sante Lutax 20 + Vitamin & Mineral*

Launch of *New Sante de U α*

Launch of *COSOPT Mini*, a treatment for glaucoma and ocular hypertension

Launch of *Ikervis*, a treatment for severe keratitis in adult patients with dry eye disease

SANTEN PHARMACEUTICAL CO., LTD.

www.santen.com

This report is printed with
vegetable oil ink.

Printed in Japan