

Data Book

Half Year Ended September 30, 2017

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

Forecasts in this report are based on the currently available information. Forecasts in this report are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions etc. Actual results may differ materially depending on a number of factors including adverse economic conditions, delays in new products launch, currency exchange rate, legislative and regulatory developments.

Financial highlights

■ Consolidated financial summary

(Millions of yen)

Year ended March 31	2016		2017		2018			
	H1	FY	H1	FY	H1	% Change	FY forecast	% Change
Revenue	97,873	195,291	97,829	199,096	110,774	13.2	218,000	9.5
Operating income/profit	65,385	80,180	18,787	32,479	21,039	12.0	37,400	15.2
Net profit for the year	43,657	53,373	12,505	23,054	15,246	21.9	26,800	25.4
Dividends per share (yen)	12	25	13	26	13	0.0	26	0.0
Dividend payout ratio (%)	11.4	19.4	43.0	49.1	34.6	—	39.3	—
Core operating profit	24,541	43,067	22,464	39,687	24,386	8.6	44,000	10.9
Core net profit for the year	16,392	29,163	16,750	28,688	17,901	6.9	31,200	8.8
Core dividend payout ratio (%)	30.3	35.5	32.1	37.2	29.5	—	33.6	—

■ Consolidated statement of financial position summary

(Millions of yen)

Year ended March 31	2016		2017		2018	
	9.30	FY end	9.30	FY end	9.30	% Change
Total assets	352,080	355,399	323,555	358,906	374,180	5.1
Total equity	250,899	260,009	255,065	255,929	271,798	6.1
Interest-bearing debt	31,248	22,484	20,630	16,928	11,339	(45.0)

■ Consolidated financial indexes

Year ended March 31	2016		2017		2018			
	H1	FY	H1	FY	H1	% Change	FY forecast	% Change
EPS (yen)	105.55	128.99	30.21	52.96	37.56	24.3	66.23	25.1
Core EPS (yen)	39.63	70.48	40.46	71.14	44.09	9.0	77.31	8.7
BPS (yen)	606.31	627.78	620.83	628.09	664.68	7.1	—	—
Debt equity ratio (times)	0.1	0.1	0.1	0.1	0.0	(48.2)	—	—
PER (times)	7.6	13.1	24.5	30.4	23.6	(3.7)	—	—
Core PER (times)	20.2	24.0	18.3	22.7	20.1	9.7	—	—
PBR (times)	2.6	2.7	2.4	2.6	2.7	11.7	—	—
ROE (%)	37.8	22.6	9.7	8.4	11.6	19.3	10.6	—
Core ROE (%)	14.2	12.4	13.0	11.3	13.6	4.5	12.3	—
ROA (%)	26.6	16.2	7.0	6.1	8.3	18.3	—	—
Core ROA (%)	10.0	8.8	9.4	8.2	9.8	3.7	—	—
Equity ratio (%)	71.0	73.2	72.0	71.1	72.2	(8.4)	—	—
Free cash flows (millions of yen) #1	8,536	13,433	(9,866)	1,342	17,755	—	—	—
EBITDA (millions of yen) #2	20,952	38,598	23,768	42,832	26,860	13.0	—	—

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

#2 EBITDA = (Core profit for the year) + (Interest expense) + (Depreciation and amortization)

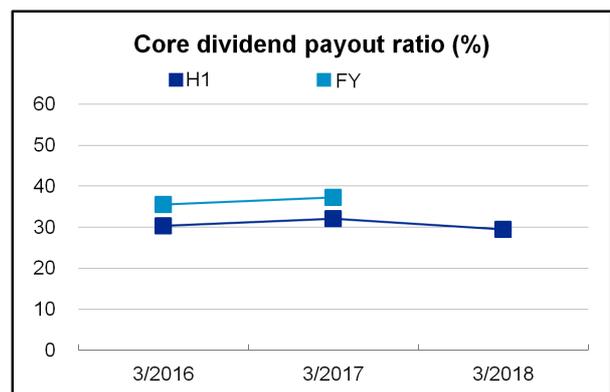
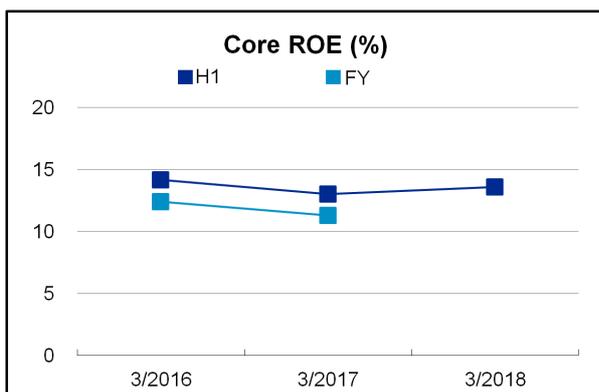
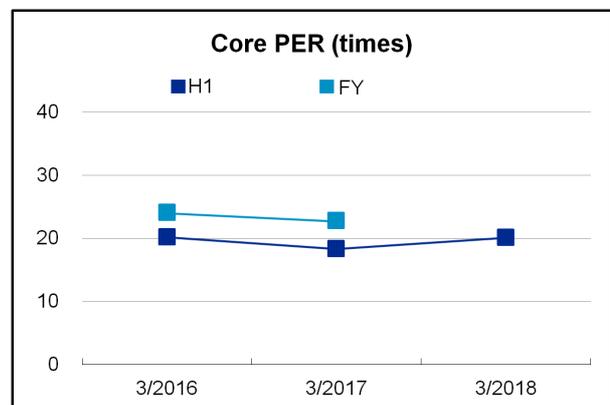
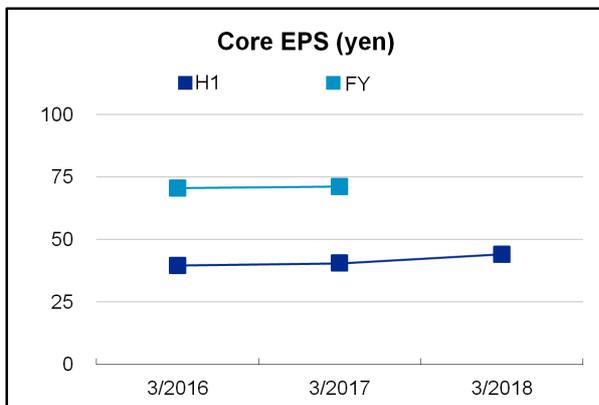
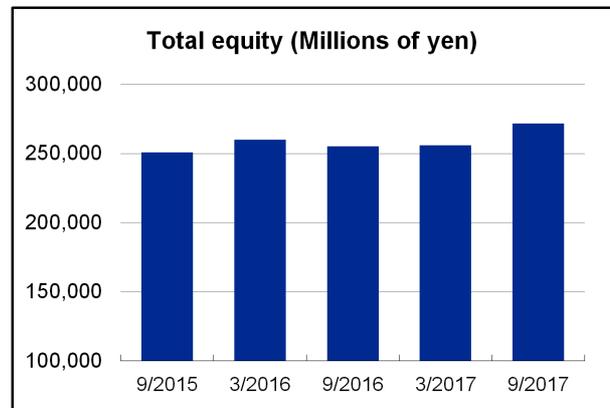
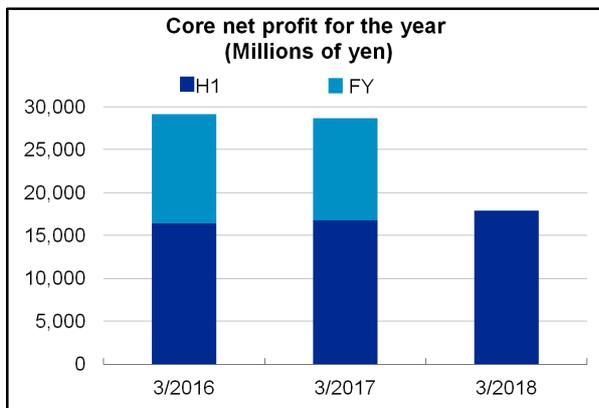
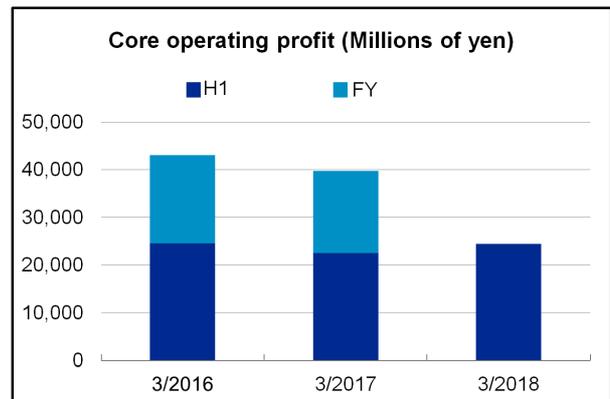
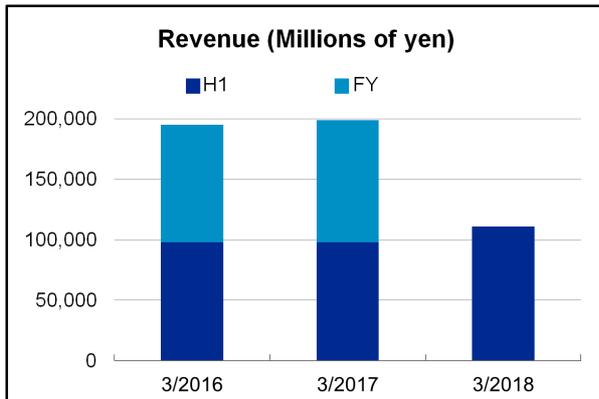
■ Exchange rates

(Yen)

Year ended March 31	2016		2017		2018	
	H1	FY	H1	FY	H1	FY forecast
Exchange rate: US dollar	121.82	120.45	105.86	108.64	111.18	110.00
: Euro	134.95	132.46	118.59	118.96	126.76	120.00
: CNY	19.67	19.05	16.04	16.14	16.43	16.50

Financial highlights

■ Consolidated financial summary (Graph)



Consolidated statements of income and comprehensive income

■IFRS

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018	
	H1	FY	H1	FY	H1	% Change
Revenue	97,873	195,291	97,829	199,096	110,774	13.2
Cost of sales (Percent of revenue)	(36,501) 37.3%	(72,829) 37.3%	(36,836) 37.7%	(74,966) 37.7%	(42,971) 38.8%	16.7 —
Gross profit (Percent of revenue)	61,372 62.7%	122,463 62.7%	60,993 62.3%	124,130 62.3%	67,803 61.2%	11.2 —
Selling, general and administrative expenses (Percent of revenue)	(27,588) 28.2%	(59,406) 30.4%	(28,738) 29.4%	(62,193) 31.2%	(31,676) 28.6%	10.2 —
Research and development expenses (Percent of revenue)	(9,243) 9.4%	(19,990) 10.2%	(10,304) 10.5%	(22,786) 11.4%	(11,742) 10.6%	13.9 —
Amortization on intangible assets associated with products (Percent of revenue)	(2,999) 3.1%	(6,205) 3.2%	(3,169) 3.2%	(6,412) 3.2%	(3,324) 3.0%	4.9 —
Other income	44,705	44,999	216	468	200	(7.3)
Other expenses	(861)	(1,681)	(211)	(728)	(223)	5.5
Operating profit (Percent of revenue)	65,385 66.8%	80,180 41.1%	18,787 19.2%	32,479 16.3%	21,039 19.0%	12.0 —
Finance income	450	782	445	909	497	11.6
Finance expenses	(500)	(1,492)	(2,352)	(1,565)	(851)	(63.8)
Profit before tax (Percent of revenue)	65,335 66.8%	79,470 40.7%	16,881 17.3%	31,822 16.0%	20,686 18.7%	22.5 —
Income tax expenses	(21,679)	(26,097)	(4,375)	(8,768)	(5,440)	24.3
Net profit for the year (Percent of revenue)	43,657 44.6%	53,373 27.3%	12,505 12.8%	23,054 11.6%	15,246 13.8%	21.9 —
ROE (%)	37.8	22.6	9.7	9.0	11.6	—

■IFRS (Core basis)

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018	
	H1	FY	H1	FY	H1	% Change
Revenue	97,873	195,291	97,829	199,096	110,774	13.2
Cost of sales (Percent of revenue)	(36,501) 37.3%	(72,829) 37.3%	(36,836) 37.7%	(74,966) 37.7%	(42,971) 38.8%	16.7 —
Gross profit (Percent of revenue)	61,372 62.7%	122,463 62.7%	60,993 62.3%	124,130 62.3%	67,803 61.2%	11.2 —
Selling, general and administrative expenses (Percent of revenue)	(27,588) 28.2%	(59,406) 30.4%	(28,224) 28.9%	(61,657) 31.0%	(31,676) 28.6%	12.2 —
Research and development expenses (Percent of revenue)	(9,243) 9.4%	(19,990) 10.2%	(10,304) 10.5%	(22,786) 11.4%	(11,742) 10.6%	13.9 —
Operating profit (Percent of revenue)	24,541 25.1%	43,067 22.1%	22,464 23.0%	39,687 19.9%	24,386 22.0%	8.6 —
Profit before tax (Percent of revenue)	24,541 25.1%	43,067 22.1%	22,464 23.0%	39,687 19.9%	24,386 22.0%	8.6 —
Income tax expenses	(8,149)	(13,904)	(5,714)	(10,999)	(6,485)	13.5
Net profit for the year (Percent of revenue)	16,392 16.7%	29,163 14.9%	16,750 17.1%	28,688 14.4%	17,901 16.2%	6.9 —
ROE (%)	14.2	12.4	13.0	11.2	13.6	—

Revenue details

■ Revenue by business segment

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018		
	H1	FY	H1	FY	H1	% Change	FY forecast
Pharmaceuticals Business	96,540	192,554	96,302	196,023	109,253	13.4%	214,518
Prescription pharmaceuticals	91,634	181,550	90,215	183,469	101,540	12.6%	201,618
Ophthalmics	84,521	172,545	89,251	181,859	100,978	13.1%	200,561
Anti-rheumatics	3,514	3,495	—	—	—	—	—
Other pharmaceuticals	3,599	5,510	965	1,610	563	(41.7)%	1,056
OTC pharmaceuticals	4,906	11,004	6,087	12,553	7,713	26.7%	12,900
Other Businesses	1,334	2,737	1,528	3,073	1,521	(0.4)%	3,482
Medical devices	1,179	2,394	1,272	2,536	1,262	(0.7)%	2,858
Others	154	343	256	537	259	1.3%	624
Total revenue	97,873	195,291	97,829	199,096	110,774	13.2%	218,000

[Domestic]

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018		
	H1	FY	H1	FY	H1	% Change	FY forecast
Pharmaceuticals Business	69,102	139,196	70,354	142,439	76,472	8.7%	152,521
Prescription pharmaceuticals	64,238	128,278	64,322	130,018	68,912	7.1%	139,898
Ophthalmics	60,374	124,165	64,143	129,594	68,546	6.9%	139,475
Anti-rheumatics	3,514	3,495	—	—	—	—	—
Other pharmaceuticals	350	617	180	424	366	104.0%	423
OTC pharmaceuticals	4,864	10,918	6,032	12,421	7,560	25.3%	12,623
Other Businesses	1,300	2,654	1,455	2,919	1,484	2.0%	3,268
Medical devices	1,146	2,323	1,259	2,514	1,245	(1.1)%	2,800
Others	154	330	197	404	239	21.6%	468
Total revenue	70,402	141,849	71,809	145,358	77,955	8.6%	155,789
(Percent of revenue)	71.9%	72.6%	73.4%	73.0%	70.4%	—	71.5%

[Overseas]

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018		
	H1	FY	H1	FY	H1	% Change	FY forecast
Pharmaceuticals Business	27,437	53,358	25,948	53,584	32,781	26.3%	61,997
Prescription pharmaceuticals	27,396	53,271	25,893	53,451	32,628	26.0%	61,720
Ophthalmics	24,147	48,379	25,108	52,265	32,432	29.2%	61,086
Anti-rheumatics	—	—	—	—	—	—	—
Other pharmaceuticals	3,249	4,892	785	1,186	196	(75.0)%	633
OTC pharmaceuticals	42	87	55	132	153	178.7%	278
Other Businesses	33	84	72	154	38	(48.0)%	214
Medical devices	33	71	13	22	17	34.0%	58
Others	—	13	59	132	20	(65.9)%	156
Total revenue	27,471	53,442	26,020	53,738	32,819	26.1%	62,211
(Percent of revenue)	28.1%	27.4%	26.6%	27.0%	29.6%	—	28.5%

■ Overseas revenue by region

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018		
	H1	FY	H1	FY	H1	% Change	FY forecast
North America	3,305	5,265	800	1,433	119	(85.1)%	1,027
EMEA#1	11,602	25,562	13,095	28,521	17,127	30.8%	31,825
Asia	12,562	22,601	12,117	23,738	15,550	28.3%	29,072
Others	2	14	8	46	23	168.8%	288
Total overseas revenue	27,471	53,442	26,020	53,738	32,819	26.1%	62,211

■ Overseas profit contribution

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018		
	H1	FY	H1	FY	H1	% Change	FY forecast
North America	(1,144)	(2,197)	(740)	(3,424)	(2,229)	(201.2)%	(5,913)
EMEA#1	2,267	4,781	1,372	3,514	3,697	169.9%	6,812
Asia	4,313	5,088	3,341	4,912	4,494	34.5%	7,146
Others	0	0	0	0	0	—	0
Total overseas profit contribution	5,436	7,672	3,951	5,001	5,963	50.9%	8,045

#1 Europe, the Middle East and Africa

Revenue details

■ Revenue of major prescription pharmaceuticals

(Millions of yen)

Brand name Generic name/formulation	Therapeutic category	Region	2016		2017		2018			
			H1	FY	H1	FY	H1	% Change	FY forecast	% Change
Cravit levofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	8,032	14,250	6,914	12,884	7,658	10.8	13,945	8.2
		Japan	3,280	5,918	2,601	4,660	2,318	(10.9)	4,308	(7.5)
		Asia	4,058	7,001	3,704	6,980	4,561	23.1	8,252	18.2
		Europe	694	1,331	610	1,245	780	27.9	1,384	11.2
Tarivid ofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	1,086	1,761	858	1,541	882	2.8	1,455	(5.6)
		Japan	374	673	312	559	284	(9.0)	472	(15.6)
		Asia	712	1,088	547	982	599	9.6	983	0.1
Tapcom tafluprost-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	637	1,534	1,282	2,798	1,875	46.2	3,800	35.8
		Japan	561	1,381	1,116	2,256	1,265	13.4	2,587	14.6
		Asia	—	—	12	38	64	438.5	90	137.1
		Europe	76	153	155	504	547	253.7	1,124	122.9
Tapros tafluprost/ophthalmic solution	Glaucoma	Total	7,729	15,633	8,186	16,406	8,960	9.5	18,115	10.4
		Japan	4,613	9,168	4,961	9,592	4,936	(0.5)	10,489	9.3
		Asia	550	1,097	570	1,227	880	54.4	1,613	31.5
		Europe	2,566	5,368	2,654	5,587	3,144	18.4	5,985	7.1
		Other	—	—	—	—	—	—	28	—
Cosopt dorzolamide hydrochloride-timolol maleate/combination ophthalmic solution	Glaucoma	Total	9,804	20,583	11,176	22,164	12,163	8.8	23,013	3.8
		Japan	5,705	11,214	5,887	11,366	5,915	0.5	11,468	0.9
		Asia	1,269	2,493	1,303	2,669	1,583	21.5	2,913	9.1
		Europe	2,830	6,876	3,986	8,122	4,662	16.9	8,476	4.4
		Other	—	—	—	6	4	—	156	—
Timoptol timolol maleate/ ophthalmic solution	Glaucoma	Total	1,032	1,930	845	1,509	780	(7.6)	1,373	(9.0)
		Japan	637	1,182	522	967	437	(16.3)	853	(11.8)
		Asia	74	140	63	119	60	(5.1)	124	4.0
		Europe	321	608	260	422	283	9.2	395	(6.2)
Timoptol XE timolol maleate/ long-acting ophthalmic solution	Glaucoma	Total	1,296	2,463	1,173	2,382	1,165	(0.7)	2,236	(6.1)
		Japan	998	1,886	867	1,614	753	(13.1)	1,450	(10.2)
		Asia	45	87	41	88	52	26.2	100	13.1
		Europe	253	489	265	679	360	36.0	687	1.1
Trusopt dorzolamide hydrochloride/ ophthalmic solution	Glaucoma	Total	2,193	4,561	2,159	4,343	2,276	5.4	3,906	(10.1)
		Japan	1,132	2,125	914	1,731	866	(5.3)	1,396	(19.3)
		Asia	296	446	137	271	152	11.0	280	3.3
		Europe	765	1,990	1,108	2,333	1,242	12.1	2,194	(6.0)
		Other	—	—	—	9	16	—	36	298.4
Rescula isopropyl unoprostone/ ophthalmic solution	Glaucoma	Total	967	1,845	870	1,633	788	(9.4)	1,641	0.5
		Japan	967	1,845	870	1,633	788	(9.4)	1,641	0.5
Alesion epinastine hydrochloride/ ophthalmic solution	Allergy	Total	2,745	9,483	4,066	12,235	5,088	25.1	14,926	22.0
		Japan	2,745	9,483	4,066	12,235	5,088	25.1	14,926	22.0
Flumetholon fluorometholone/ ophthalmic solution	Inflammation	Total	2,015	3,775	1,781	3,347	1,843	3.5	3,425	2.3
		Japan	1,287	2,655	1,104	2,224	1,059	(4.1)	2,123	(4.5)
		Asia	728	1,120	677	1,123	784	15.8	1,302	15.9
Kary Uni pirenoxine/ ophthalmic solution	Senile cataract	Total	2,268	4,187	2,120	4,124	2,428	14.5	4,439	7.7
		Japan	1,495	2,900	1,502	2,833	1,446	(3.7)	2,776	(2.0)
		Asia	773	1,287	618	1,291	982	58.8	1,663	28.8
Oftan Catachrom cytochrome C, adenosine, nicotinamide/ ophthalmic solution	Senile cataract	Total	929	1,870	661	2,224	1,449	119.2	2,456	10.4
		Europe	929	1,870	661	2,224	1,449	119.2	2,456	10.4
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	Total	1,335	2,568	1,187	2,285	1,192	0.4	2,288	0.1
		Japan	1,335	2,568	1,187	2,285	1,192	0.4	2,288	0.1
Eylea afibercept/ solution for intravitreal injection	Intravitreal VEGF inhibitor	Total	19,575	39,988	22,820	45,155	26,044	14.1	46,199	2.3
		Japan	19,575	39,988	22,820	45,155	26,044	14.1	46,199	2.3
Hyalain sodium hyaluronate/ophthalmic solution	Dry eye	Total	10,407	19,864	9,308	17,595	9,453	1.6	17,483	(0.6)
		Japan	7,576	14,491	6,256	11,852	5,738	(8.3)	10,743	(9.4)
		Asia	2,832	5,372	3,052	5,743	3,716	21.7	6,740	17.4
Diquas diquafosol sodium/ophthalmic solution	Dry eye	Total	4,576	9,631	5,795	11,940	7,179	23.9	14,574	22.1
		Japan	4,232	8,880	5,403	11,016	6,447	19.3	12,642	14.8
		Asia	344	751	391	924	732	86.9	1,932	109.0
		Total	159	751	452	1,303	1,012	123.9	2,344	79.9
Ikervis ciclosporin/ophthalmic solution	Dry eye	Asia	—	—	—	2	1	—	64	—
		Europe	159	751	452	1,301	1,011	123.6	2,226	71.1
		North America	—	—	—	—	—	—	49	—
		Other	—	—	—	—	—	—	6	—
		Total	536	1,453	755	1,835	939	24.4	2,587	41.0
Cationorm	Dry eye	Asia	65	167	83	206	110	32.0	344	67.0
		Europe	427	1,029	619	1,318	774	25.1	1,894	43.7
		North America	41	242	44	280	52	18.8	287	2.4
		Other	2	14	8	31	2	(75.2)	62	101.7
		Total	4,906	11,004	6,087	12,553	7,713	26.7	12,900	2.8
OTC pharmaceuticals			4,906	11,004	6,087	12,553	7,713	26.7	12,900	2.8
Exchange rate (yen)	US dollar		121.82	120.45	105.86	108.64	111.18		110.00	
	Euro		134.95	132.46	118.59	118.96	126.76		120.00	
	CNY		19.6	19.05	16.04	16.14	16.43		16.50	

Notes: Forecasts in this report are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions, etc.

Consolidated statement of financial position

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018	
	FY end		FY end		9.30	
		%		%		%
■Assets						
Non-current assets						
Property, plant and equipment	27,991	7.9	28,550	8.0	29,393	7.9
Intangible assets	83,681	23.5	138,935	38.7	138,570	37.0
Financial assets	44,535	12.5	29,889	8.3	31,899	8.5
Deferred tax assets	2,345	0.7	2,396	0.7	2,176	0.6
Other non-current assets	2,109	0.6	2,124	0.6	2,310	0.6
Total non-current assets	160,660	45.2	201,894	56.3	204,348	54.6
Current assets						
Inventories	24,996	7.0	28,502	7.9	28,063	7.5
Trade and other receivables	65,998	18.6	70,970	19.8	74,837	20.0
Other financial assets	234	0.1	333	0.1	843	0.2
Other current assets	3,714	1.0	3,909	1.1	4,243	1.1
Cash and cash equivalents	99,798	28.1	53,297	14.8	61,846	16.5
Total current assets	194,739	54.8	157,011	43.7	169,832	45.4
Total assets	355,399	100.0	358,906	100.0	374,180	100.0
■Equity and liabilities						
Equity						
Share capital	7,695	2.2	7,792	2.2	7,856	2.1
Capital surplus	8,389	2.4	8,417	2.3	8,482	2.3
Treasury shares	(24)	(0.0)	(10)	(0.0)	(10)	(0.0)
Retained earnings	221,945	62.4	223,283	62.2	233,260	62.3
Other components of equity	22,003	6.2	15,628	4.4	20,503	5.5
Total equity attributable to owners of the company	260,009	73.2	255,110	71.1	270,091	72.2
Non-controlling interests	—	—	819	0.2	1,708	0.5
Total equity	260,009	73.2	255,929	71.3	271,798	72.6
Liabilities						
Non-current liabilities						
Financial liabilities	12,944	3.6	26,288	7.3	23,788	6.4
Net defined benefit liabilities	2,556	0.7	1,900	0.5	2,368	0.6
Provisions	1,629	0.5	1,426	0.4	1,415	0.4
Deferred tax liabilities	3,988	1.1	17,963	5.0	17,781	4.8
Other non-current liabilities	1,043	0.3	1,919	0.5	1,237	0.3
Total non-current liabilities	22,161	6.2	49,496	13.8	46,589	12.5
Current liabilities						
Trade and other payables	24,504	6.9	23,937	6.7	26,431	7.1
Other financial liabilities	19,881	5.6	17,649	4.9	14,338	3.8
Income tax payable	20,431	5.7	3,279	0.9	6,061	1.6
Provisions	1,276	0.4	1,372	0.4	1,361	0.4
Other current liabilities	7,138	2.0	7,244	2.0	7,602	2.0
Total current liabilities	73,230	20.6	53,481	14.9	55,793	14.9
Total liabilities	95,391	26.8	102,977	28.7	102,381	27.4
Total equity and liabilities	355,399	100.0	358,906	100.0	374,180	100.0

Consolidated statements of cash flows

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018
	H1	FY	H1	FY	H1
I . Cash flows from operating activities:					
Net profit for the year	43,657	53,373	12,505	23,054	15,246
Depreciation and amortization	4,511	9,338	4,837	9,882	5,384
Impairment losses	313	395	67	475	115
Finance income and expenses	(261)	(545)	1,651	1,180	(11)
Income tax expenses	21,679	26,097	4,375	8,768	5,440
Gain on disposal of disposal groups	(44,477)	(44,477)	—	—	—
Decrease (increase) in trade and other receivables	(3,943)	(4,799)	(1,751)	(5,489)	(3,140)
Decrease (increase) in inventories	(1,915)	(5,388)	(2,879)	(4,120)	1,192
Increase (decrease) in trade and other payables	2,627	4,376	(501)	(425)	2,383
Increase (decrease) on net defined benefit liabilities	163	(3,974)	(83)	(200)	265
Other	(3,264)	653	(3,061)	913	(2,143)
Subtotal	19,090	35,049	15,160	34,039	24,732
Interest received	28	67	33	74	47
Dividends received	281	573	268	681	293
Interest paid	(49)	(98)	(30)	(52)	(18)
Income tax paid	(6,965)	(13,067)	(20,480)	(23,900)	(3,321)
Net cash flows from (used in) operating activities	12,385	22,525	(5,049)	10,843	21,732
II . Cash flows from investing activities:					
Payments into time deposits	(22)	(21)	—	—	—
Proceeds from withdrawal of time deposits	22	21	19	19	—
Payments for acquisition of investments	(1,963)	(2,210)	(114)	(478)	(5)
Proceeds from sale and redemption of investments	1,310	2,682	483	1,364	2
Increase (decrease) through acquisition of subsidiary	—	—	(19,047)	(19,064)	—
Payments for acquisition of property, plant and equipment	(2,588)	(4,299)	(2,066)	(4,145)	(1,692)
Proceeds from sales of property, plant and equipment	32	696	4	4	—
Payments for acquisition of intangible assets	(1,261)	(4,793)	(2,751)	(5,355)	(2,284)
Proceeds on disposal of disposal groups	45,000	45,000	—	—	—
Other	(18)	(25)	(233)	(545)	(11)
Net cash flows from (used in) investing activities	40,512	37,052	(23,705)	(28,201)	(3,991)
III . Cash flows from financing activities:					
Proceeds from short-term loans payable	—	—	—	—	—
Repayments of short-term loans payable	—	—	—	—	—
Proceeds from long-term loans payable	—	500	3,000	3,000	—
Repayments of long-term loans payable	(5,897)	(15,133)	(4,825)	(9,524)	(4,575)
Acquisition of treasury shares	(5)	(5)	(2,073)	(12,380)	(1)
Proceeds from contributions of non-controlling interests	—	—	—	832	838
Dividends paid	(4,954)	(9,923)	(5,385)	(10,751)	(5,279)
Other	327	495	43	167	111
Net cash flows from (used in) financing activities	(10,529)	(24,066)	(9,239)	(28,657)	(8,905)
IV . Net increase (decrease) in cash and cash equivalents	42,368	35,510	(37,993)	(46,015)	8,836
V . Cash and cash equivalents at the beginning of year	65,923	65,923	99,798	99,798	52,282
VI . Effect of exchange rate changes on cash and cash equivalents	(280)	(1,636)	(3,462)	(1,501)	727
VII . Cash and cash equivalents at the end of period	108,011	99,798	58,343	52,282	61,846

Other consolidated information

■R&D expenses

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018	
	H1	FY	H1	FY	H1	FY forecast
Consolidated	9,243	19,990	10,304	22,786	11,742	25,000
Percent of revenue	9.4%	10.2%	10.5%	11.4%	10.6%	11.5%

■Capital expenditures

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018	
	H1	FY	H1	FY	H1	FY forecast
Consolidated	1,793	4,474	2,864	5,216	2,731	7,660

■Depreciation and amortization

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018	
	H1	FY	H1	FY	H1	FY forecast
Manufacturing cost	684	1,445	728	1,515	962	1,880
Selling, general and administrative expenses	513	1,035	601	1,246	717	1,270
R&D expenses	315	653	338	709	381	680
Consolidated total	1,512	3,133	1,667	3,470	2,060	3,830

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

■Amortization on intangible assets associated with products

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018	
	H1	FY	H1	FY	H1	FY forecast
Intangible assets (Merck products)	2,581	5,186	2,645	5,357	2,760	5,590
Intangible assets (Ikervis)	255	625	336	674	359	680
Other	163	394	188	381	205	350
Consolidated total	2,999	6,205	3,169	6,412	3,324	6,620

■Additional information of statement of financial position

(Millions of yen)

Fiscal year ended March 31	2016		2017		2018
	9.30	FY end	9.30	FY end	9.30
In-process research and development	8,595	11,363	50,568	54,818	56,317
Investment securities	33,907	43,413	32,841	28,615	30,843
Notes and accounts receivable	63,302	63,954	64,403	68,829	72,216
Notes and accounts payable ^{#1}	17,557	17,225	18,935	17,883	21,009

^{#1} Including electronically recorded monetary liabilities

■Number of employees

Fiscal year ended March 31	2016		2017		2018
	9.30	FY end	9.30	FY end	9.30
Japan	1,904	1,915	1,977	1,975	2,014
North America	165	175	195	213	226
EMEA ^{#2}	631	660	676	669	653
Asia	630	713	772	810	863
Consolidated	3,330	3,463	3,620	3,667	3,756

^{#2} Europe, the Middle East and Africa

Research & development

As of November 1, 2017

■ Pipeline of prescription pharmaceuticals (clinical stage)

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
diquafosol sodium	DE-089	Dry eye	Merck Sharp & Dohme Corp. (U.S.)	China				Oct-17		
A dry eye treatment which stimulates secretion of mucin and aqueous components from the corneal and conjunctival epithelium. Its mechanism of action is different from existing treatments. Launched in December 2010 in Japan. Acquired import drug license in China in October 2017. Launched in October 2013 in Korea. Launched in Vietnam in February 2016. Launched in Thailand in April 2016. Currently seeking sequential approvals for marketing in Asia.										
sirolimus	DE-109	Uveitis	Original	U.S.				Feb-17		
				Japan						
				Europe						
				Asia				Apr-15		
An intravitreal injection with immunosuppressive effect, anti-angiogenic effect, etc. NDA filed in the US in February 2017. Preparing NDA file in Europe. NDA filed in Asia in April 2015.										
epinastine hydrochloride	DE-114A	Allergic conjunctivitis	Nippon Boehringer Ingelheim	Japan						
An H ₁ receptor antagonist with membrane-stabilizing function, as treatment for allergic conjunctivitis. High dose drug. Started Phase 3 in Japan in May 2017.										
omidenepeg isopropyl	DE-117	Glaucoma/ Ocular hypertension	Co-development with Ube Industries	U.S.						
				Japan		(Phase 2b/3)				
				Asia						
An EP2 receptor agonist with a new mechanism of action. Completed Phase 2b in the U.S in February 2015. Started Phase 2b/3 in Japan in December 2015. Started Phase 3 in Asia in December 2016.										
carotuximab	DE-122	Wet Age-related macular degeneration	TRACON Pharmaceuticals	U.S.		(Phase 2a)				
An intravitreal injection of anti-endothelin antibody. Completed Phase 1/2 in the U.S. and started Phase 2a in July 2017.										
sepetaprost	DE-126	Glaucoma/ Ocular hypertension	ONO PHARMACEUTICAL	U.S.		(Phase 2b)				
				Japan		(Phase 2b)				
A prostaglandin analogue eye drop drug product with a novel mode of action that is both FP and EP3 receptors dual agonist for the treatment of glaucoma and ocular hypertension. Started Phase 2b in the U.S. and Japan in July 2017.										
atropine sulfate	DE-127	Myopia	Singapore Health Services, Nanyang Technological University	Asia						
Muscarinic antagonist which reduces juvenile myopia progression. Preparing Phase 2 in Asia.										
—	DE-128 (InnFocus MicroShunt)	Glaucoma	Original	U.S.		(Phase 2/3)				
				Europe						
In August 2016, acquired InnFocus, developer of InnFocus MicroShunt. MicroShunt is a drainage implant device designed to lower and sustain intraocular pressure (IOP) for the treatment of primary open-angle glaucoma through the drainage of aqueous humor.										
ciclosporin	Cyclokat	Severe keratitis in patients with dry eye	Original	U.S.						
				Asia				Nov-16		
				Other				Apr-16		
An ophthalmic emulsion to treat severe keratitis in adult patients with dry eye through an immunosuppressive effect. Cationic emulsion technology has enhanced ocular tissue absorption. Launched in Germany and England in July 2015 and planning successive launches in European countries. NDA filed in Asian countries successively and approved in some countries including Thailand (November 2016) and Korea (March 2017). NDA filed in Canada in April 2016.										

Generic name	Dev. name	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
ciclosporin	Vekacia	Vernal Keratoconjunctivitis	Original	Europe	Dec-16					
An ophthalmic emulsion which improves vernal keratoconjunctivitis by immunosuppressive effect. Cationic emulsion technology has enhanced ocular tissue absorption. NDA filed and granted Priority Review status in Europe in December 2016. In July 2017, the Committee for Human Medicinal Products of the European Medicines Agency adopted a positive opinion, recommending the marketing authorization.										

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

■ Changes from Q1 FY17 (August 1, 2017)

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

Pharmaceutical market in Japan

■Revision of National Health Insurance (NHI) drug prices

	2009	2010	2011	2012	2013	2014	2015	2016#1	2017
Industry average	—	mid -6%	—	-6.25%	—	-2.7%	—	-5.57%#1	—
Ophthalmic drugs	—	early -3%	—	mid -4%	—	high -1%	—	early -6%	—
Santen	—	mid -5%	—	high -5%	—	high -1%	—	early -7%#2	—

#1 Excluding market expansion re-pricing -0.9%

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

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

Excluding consumption tax impact	
2014	
Industry average	-5.6%
Ophthalmic drugs	high -4%
Santen	high -4%

■Market share in prescription ophthalmics

(Billions of yen)

For the year ended March 31	2016		2017		2018
	H1	FY	H1	FY	H1
Share	43.4%	44.0%	45.4%	45.5%	46.1%
Market	169.1	347.5	169.3	345.5	177.5

Notes: - On an NHI drug price basis.

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Source: Santen analysis based on IMS JPM

Period: 2015.4-2017.9; Unauthorized copy prohibited

■Market shares by therapeutic area - prescription ophthalmics#3

(Billions of yen)

For the year ended March 31		2016		2017		2018
		H1	FY	H1	FY	H1
Glaucoma treatments	Market	32.8%	32.6%	32.3%	32.2%	31.4%
	Share	56.1	112.6	57.7	114.3	58.3
Corneal disease treatments	Market	63.9%	63.4%	62.8%	62.7%	62.5%
	Share	22.9	46.4	22.7	45.5	23.5
Anti-infective	Market	50.7%	49.8%	44.9%	44.1%	41.0%
	Share	8.7	16.4	7.8	14.6	7.4
Anti-allergy	Market	36.2%	36.3%	42.9%	42.9%	47.3%
	Share	13.0	35.8	14.5	37.7	15.6
Anti-VEGF#4	Market	61.7%	65.7%	72.3%	72.4%	71.8%
	Share	37.1	74.5	36.6	74.5	42.3

Notes: - On an NHI drug price basis.

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#3Including co-promoted products

Source: Santen analysis based on IMS JPM

#4Including co-promoted product of Bayer Yakuhin, Ltd. (MAH)

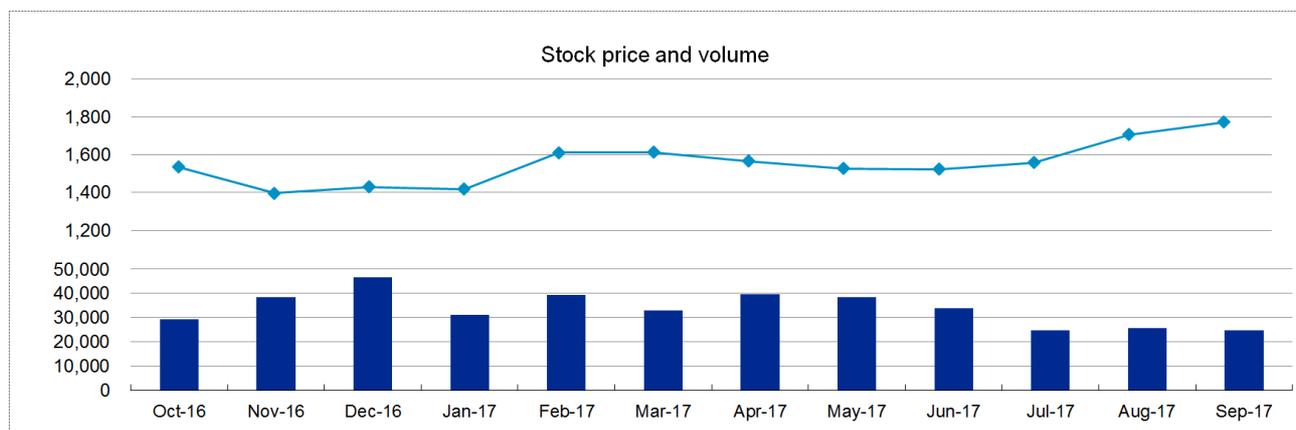
Period: 2015.4-2017.9; Unauthorized copy prohibited

Stock information

■Stock price (Tokyo Securities Exchange 1st market)

(Yen and thousand shares)

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Stock price:												
End of month	1,534	1,396	1,430	1,416	1,610	1,612	1,567	1,525	1,524	1,557	1,706	1,773
Volume	29,368	38,260	46,752	30,974	39,347	33,034	39,666	38,446	33,846	24,796	25,667	24,556



■Major shareholders (top 10)

As of September 30, 2017

Name	Number of shares held	Percent of investment
	Thousand shares	%
State Street Bank and Trust Company 505223	32,858	8.1
Japan Trustee Service Bank, Ltd.(Trust Account)	30,937	7.6
The Master Trust Bank of Japan, Ltd.(Trust Account)	20,606	5.1
Nippon Life Insurance Company	10,662	2.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,605	2.6
ONO PHARMACEUTICAL Co.,Ltd.	9,307	2.3
Development Bank of Japan Inc.	8,275	2.0
RBC IST 15 PCT LENDING ACCOUNT - CLIENT ACCOUNT	7,825	1.9
Japan Trustee Service Bank, Ltd.(Trust Account 5)	7,143	1.8
National Mutual Insurance Federation of Agricultural Cooperatives	7,121	1.8

■Major stock information

	3/2014	3/2015	3/2016	3/2017	9/2017
Issued shares (thousands)	82,582	82,653	414,192	406,173	406,354
Treasury stock (thousands)	2	3	22	7	7
Market Capitalization (million)	378,219	723,181	701,188	654,740	720,452
A purchased amount of money (millions of yen)	—	—	—	12,310	—
The number of the purchased stocks (thousand shares)	—	—	—	8,284	—

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

Stock information

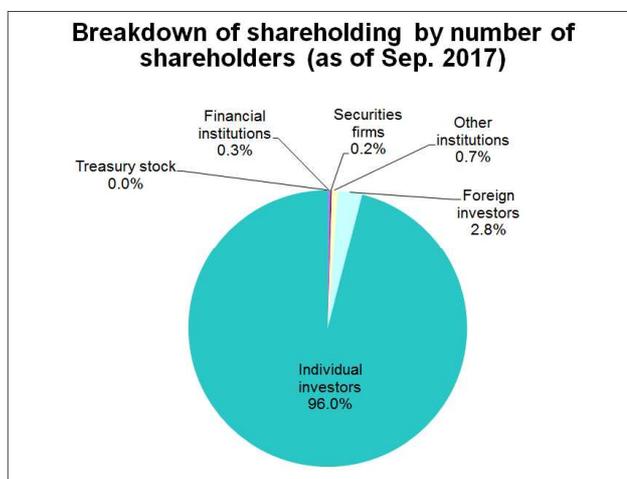
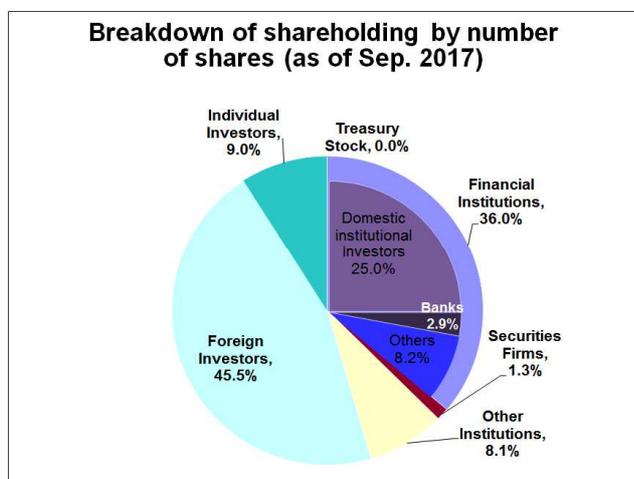
■ Breakdown of shareholding by number of shares

As of	9/2015		3/2016		9/2016		3/2017		9/2017	
	Thousand shares	Proportion (%)								
Financial institutions	146,390	35.4	146,963	35.5	148,731	35.8	152,090	37.4	146,439	36.1
City & regional banks	11,424	2.8	11,576	2.8	11,507	2.8	11,496	2.8	11,571	2.9
Trust banks	98,285	23.8	98,601	23.8	99,965	24.1	103,541	25.5	101,545	25.0
(concerned in trust works)	86,312	—	86,474	—	87,867	—	90,732	—	89,976	—
Life and non-life insurance	21,171	5.1	21,016	5.1	21,578	5.1	21,455	5.3	17,775	4.4
Other financial institutions	15,510	3.7	15,770	3.8	15,682	3.8	15,599	3.8	15,547	3.8
Securities firms	4,694	1.1	4,868	1.2	2,905	0.7	4,915	1.2	5,392	1.3
Other institutions	37,827	9.1	36,938	8.9	37,056	9.0	34,231	8.4	32,900	8.1
Foreign investors	186,924	45.2	186,294	45.0	184,108	44.4	175,774	43.3	184,990	45.5
Individual investors	37,978	9.2	39,106	9.4	39,997	9.7	39,156	9.6	36,626	9.0
Treasury Stock	22	0.0	22	0.0	1,455	0.4	7	0.0	7	0.0
Total	413,836	100.0	414,192	100.0	414,252	100.0	406,173	100.0	406,354	100.0

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

■ Breakdown of shareholding by number of shareholders

As of	9/2015		3/2016		9/2016		3/2017		9/2017	
	Number of shareholders	Proportion (%)								
Financial institutions	70	0.3	77	0.3	73	0.3	66	0.3	62	0.3
City & regional banks	6	0.0	8	0.0	7	0.0	7	0.0	8	0.0
Trust banks	30	0.2	30	0.1	29	0.1	26	0.1	26	0.1
Life and non-life insurance	26	0.1	27	0.1	25	0.1	24	0.1	21	0.1
Other financial institutions	8	0.0	12	0.1	12	0.1	9	0.1	7	0.0
Securities firms	46	0.3	52	0.2	50	0.2	40	0.2	34	0.2
Other institutions	142	0.8	154	0.7	150	0.6	152	0.6	140	0.7
Foreign investors	519	2.9	549	2.3	558	2.3	539	2.3	563	2.8
Individual investors	17,380	95.7	22,700	96.5	23,852	96.6	22,852	96.6	19,229	96.0
Treasury stock	1	0.0	1	0.0	1	0.0	1	0.0	1	0.0
Total	18,158	100.0	23,533	100.0	24,684	100.0	23,650	100.0	20,029	100.0



Consolidated subsidiaries

【Japan】

As of September 30,2017

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

【North America】

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

【EMEA】

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

【Asia】

Company name	Main business	Location	Paid-in capital	Equity owned
Santen Pharmaceutical (China) Co., Ltd.	Clinical development, production and marketing of pharmaceuticals	China	3,800 million yen	100%
Santen Pharmaceutical Sales and Marketing (Suzhou) Co., Ltd.	Marketing of pharmaceuticals	China	35,000 thousand CNY	100% #3
Chongqing Santen Kerui Pharmaceutical Co., Ltd	Production and marketing of pharmaceuticals	China	200,000 thousand CNY	49% #4
Santen Pharmaceutical Korea Co., Ltd.	Clinical development and marketing of pharmaceuticals	Korea	29,000,000 thousand won	100%
Taiwan Santen Pharmaceutical Co., Ltd.	Marketing of pharmaceuticals	Taiwan	42,000 thousand Taiwan dollars	100%
Santen India Private Limited	Market research and clinical development of pharmaceuticals	India	48,500 thousand India rupees	99.9%, 0.1% #1
Santen Pharmaceutical Asia Pte. Ltd.	Headquarter of ASEAN business, production and marketing of pharmaceuticals	Singapore	20,500 thousand Singapore dollars	100%
SANTEN (THAILAND) CO., LTD.	Marketing of pharmaceuticals	Thailand	110,000 thousand Thai baht	100% #5
SANTEN PHARMA MALAYSIA SDN. BHD.	Marketing of pharmaceuticals	Malaysia	4,000 thousand Malaysian ringgit	100% #5
SANTEN PHILIPPINES INC.	Marketing of pharmaceuticals	Philippines	43,309 thousand Philippine peso	100% #5
SANTEN PHARMACEUTICAL (HONG KONG) LIMITED	Marketing of pharmaceuticals	Hong Kong	7,600 thousand HKD	100% #5

#1 Indirect investment through Santen Holdings U.S. Inc.

#2 Indirect investment through Santen Holdings EU B.V.

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

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

#5 Indirect investment through Santen Pharmaceutical Asia Pte. Ltd.

News releases

News releases during April 2017-September 2017

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

2017

7-Apr Santen Announces Strategic Investment in Regenerative Patch Technologies LLC

Santen announced that Santen has made an investment in Regenerative Patch Technologies LLC (“RPT”). RPT has developed proprietary technologies that can produce and subsequently deliver a monolayer of stem cell-derived retinal pigment epithelial cells on a scaffold through a minimally invasive surgical approach.

25-Apr Santen Announces U.S. FDA Filing Acceptance of New Drug Application (NDA) for Intravitreal Sirolimus (DE-109) in the Treatment of Non-Infectious Uveitis of the Posterior Segment

Santen announced that the U.S. Food and Drug Administration (FDA) has accepted for review the New Drug Application (NDA) for intravitreal (IVT) sirolimus (440 µg), development code DE-109, for the treatment of non-infectious uveitis of the posterior segment (NIU-PS). The FDA has set an action date of December 24, 2017 to complete its review of the IVT sirolimus NDA, per the Prescription Drug User Fee Act (PDUFA). IVT sirolimus was granted orphan drug designation by the FDA and the European Commission (EC) in 2011.

1-May Santen to Establish a Corporate Venture Capital Fund in the United States

Santen announced plans to establish a corporate venture capital fund (“fund”) to be based in Emeryville, California, United States. The purpose of the fund is to create valuable synergies with early stage companies developing differentiated technologies as ophthalmic treatments in order to enhance Santen’s R&D pipeline and contribute to our goal of improving the quality of life of patients suffering from eye diseases.

18-Jul Santen Donates to Northern Kyushu Area Disaster Relief Efforts

26-Jul Santen Receives Positive CHMP Opinion in Europe for Ciclosporin eye drops for the Treatment of Paediatric Patients with Severe Vernal Keratoconjunctivitis

Santen announced that the Committee for Human Medicinal Products (CHMP) of the European Medicines Agency (EMA) has adopted a positive opinion, recommending the marketing authorization for ciclosporin 1mg/mL eye drops, emulsion, for the treatment of severe vernal keratoconjunctivitis (VKC) in paediatric populations¹.

26-Jul Santen and TRACON Announce Initiation of a Phase 2a Study of DE-122 for the Treatment of Wet Age-Related Macular Degeneration

Santen and TRACON Pharmaceuticals, Inc. (NASDAQ:TCON, TRACON) today announced that Santen has initiated a Phase 2a clinical study of DE-122 in patients with wet age-related macular degeneration (AMD). The initiation of the Phase 2a study triggers a US\$7 million milestone payment from Santen to TRACON.

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

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

19-Sep Santen Selected as a Member of Dow Jones Sustainability Asia Pacific Index, an Index for Socially Responsible Investment

Santen announced that Santen has been selected for the Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific), the Asia Pacific version of the Dow Jones Sustainability Indices (DJSI), one of the world’s foremost indices for socially responsible investment (SRI).



SANTEN PHARMACEUTICAL CO., LTD.