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SANTEN PHARMACEUTICAL CO., LTD.

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Third Quarter Financial Results for the Fiscal Year Ending March 31, 2017 [IFRS] (Consolidated)

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(JPY millions)

1. Consolidated performance for the nine months ended December 31, 2016

(1) Operating results

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	% change
Revenue	149,204	150,667	+1.0%
Operating profit	74,421	27,488	(63.1%)
Profit before tax	74,460	26,789	(64.0%)
Net profit for the period	49,887	19,812	(60.3%)
Net profit for the period attributable to owners of the company	49,887	19,813	(60.3%)
Total comprehensive income for the period	56,251	16,046	(71.5%)
Basic earnings per share (yen)	120.59	48.12	
Diluted earnings per share (yen)	120.04	47.94	

(Core basis *1)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016	% change
Revenue	149,204	150,667	+1.0%
Core operating profit	35,122	33,057	(5.9%)
Core net profit for the period	23,615	24,365	+3.2%
Core net profit for the period attributable to owners of the company	23,615	24,366	+3.2%
Basic core earnings per share (yen)	57.09	59.18	
Diluted core earnings per share (yen)	56.82	58.96	

(2) Financial position

	March 31, 2016	December 31, 2016
Total assets	355,399	321,249
Total equity	260,009	253,966
Total equity attributable to owners of the company	260,009	253,111
Total equity attributable to owners of the company ratio	73.2%	78.8%
Equity per share attributable to owners of the company (yen)	627.78	623.43

2. Dividends

	Year to March 2016	Year to March 2017	(Forecasts) Year to March 2017
First quarter dividends per share (yen)	—	—	
Second quarter dividends per share (yen)	12.00	13.00	
Third quarter dividends per share (yen)	—	—	
Year-end dividends per share (yen)	13.00		13.00
Annual dividends per share (yen)	25.00		26.00

3. Consolidated forecasts of results for the year ending March 31, 2017

	Year to March 2017	% change
Revenue	200,000	+2.4%
Operating profit	36,300	(54.7%)
Profit before tax	36,500	(54.1%)
Net profit for the year	25,300	(52.6%)
Net profit for the year attributable to owners of the company	25,300	(52.6%)
Basic earnings per share (yen)	61.09	

(Core basis *1)

	Year to March 2017	% change
Revenue	200,000	+2.4%
Core operating profit	44,100	+2.3%
Core net profit for the year	30,200	+3.5%
Core net profit for the year attributable to owners of the company	30,200	+3.5%
Core earnings per share (yen)	72.92	

*Others

(1) Changes in significant subsidiaries during the term

(changes in designated subsidiaries resulting in adjustment to the scope of consolidation): Yes

Increase: 1 subsidiary (subsidiary name: Chongqing Santen Kerui Pharmaceutical Co., Ltd.)

Note: 4 companies, Santen Business Services Co., Ltd., Santen Eye Care Co., Ltd., Santen Pharmaceutical (Hong Kong) Limited., and InnFocus, Inc., have newly become our consolidated subsidiaries.

(2) Changes in accounting policies and accounting estimates

[i] Changes in the accounting policies required by IFRS: Yes

[ii] Other changes: No

[iii] Changes in accounting estimates: No

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

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

December 31, 2016 : 406,005,015

March 31, 2016 : 414,191,515

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

December 31, 2016 : 6,531

March 31, 2016 : 22,369

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

Third quarter ended December 31, 2016: 411,719,990

Third quarter ended December 31, 2015: 413,682,088

(Information regarding the implementation of audit procedures)

These quarterly financial results are not subject to quarterly review procedures. Thus, at the time of disclosure of these financial results, the quarterly consolidated financial statement review procedures based on the Financial Instruments and Exchange Law, are in progress.

(Information regarding presentation currency)

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

(Caution)

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

*1(Core basis)

Core results are non-IFRS measures that remove non-core items including amortization on intangible assets associated with products, other income and expenses, finance income and expenses, and temporary expenses of selling, general and administrative expenses in order to provide greater transparency on underlying business performance.

Quarterly consolidated statements of income and comprehensive income

IFRS basis (JPY millions)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Revenue	149,204	150,667
Cost of sales	(56,731)	(57,633)
Gross profit	92,474	93,034
Selling, general and administrative expenses	(43,067)	(44,583)
Research and development expenses	(14,284)	(15,930)
Amortization on intangible assets associated with products	(4,589)	(4,761)
Other income	44,835	294
Other expenses	(948)	(566)
Operating profit	74,421	27,488
Finance income	761	874
Finance expenses	(723)	(1,573)
Profit before tax	74,460	(26,789)
Income tax expenses	(24,573)	(6,976)
Net profit for the period	49,887	19,812
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurements of defined benefit plans	—	—
Net gain on financial assets measured at fair value through other comprehensive income	6,689	(6,451)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	(325)	2,685
Other comprehensive income	6,365	(3,766)
Total comprehensive income	56,251	16,046
Profit attributable to		
Owners of the company	49,887	19,813
Non-controlling interests	—	(1)
Net profit for the period	49,887	19,812
Total comprehensive income attributable to		
Owners of the company	56,251	16,023
Non-controlling interests	—	23
Total comprehensive income	56,251	16,046
Earnings per share		
Basic earnings per share (yen)	120.59	48.12
Diluted earnings per share (yen)	120.04	47.94

Core basis (JPY millions)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Revenue	149,204	150,667
Core operating profit	35,122	33,057
Core net profit for the period	23,615	24,365
Basic core earnings per share (yen)	57.09	59.18
Diluted core earnings per share (yen)	56.82	58.96
Core profit attributable to		
Owners of the company	23,615	24,366
Non-controlling interests	—	(1)
Core net profit for the period	23,615	24,365

Quarterly consolidated statement of financial position

Assets		(JPY millions)
	March 31, 2016	December 31, 2016
Non-current assets		
Property, plant and equipment	27,991	29,010
Intangible assets	83,681	105,247
Financial assets	44,535	31,864
Deferred tax assets	2,345	2,100
Other non-current assets	2,109	1,891
Total non-current assets	160,660	170,112
Current assets		
Inventories	24,996	26,205
Trade and other receivables	65,998	73,561
Other financial assets	234	351
Other current assets	3,714	2,920
Cash and cash equivalents	99,798	48,100
Total current assets	194,739	151,137
Total assets	355,399	321,249

Equity and liabilities

(JPY millions)

	March 31, 2016	December 31, 2016
Equity		
Share capital	7,695	7,735
Capital surplus	8,389	8,360
Treasury shares	(24)	(10)
Retained earnings	221,945	219,873
Other components of equity	22,003	17,152
Total equity attributable to owners of the company	260,009	253,111
Non-controlling interests	—	855
Total equity	260,009	253,966
Liabilities		
Non-current liabilities		
Financial liabilities	12,944	9,070
Net defined benefit liabilities	2,556	2,480
Provisions	1,629	1,482
Deferred tax liabilities	3,988	2,072
Other non-current liabilities	1,043	1,501
Total non-current liabilities	22,161	16,605
Current liabilities		
Trade and other payables	24,504	22,466
Other financial liabilities	19,881	17,990
Income tax payable	20,431	2,401
Provisions	1,276	1,413
Other current liabilities	7,138	6,408
Total current liabilities	73,230	50,678
Total liabilities	95,391	67,283
Total equity and liabilities	355,399	321,249

Quarterly consolidated statement of changes in equity

Nine months ended December 31, 2015

(JPY millions)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
Balance at April 1, 2015	7,383	8,077	(18)	178,840	—	11,944
Comprehensive income						
Net profit for the period				49,887		
Other comprehensive income						6,689
Total comprehensive income	—	—	—	49,887	—	6,689
Transactions with owners						
Issuance of new shares	212	212				
Acquisition of treasury shares			(5)			
Dividends				(9,925)		
Share-based payments						
Other				414		(414)
Total transactions with owners	212	212	(5)	(9,511)	—	(414)
Balance at December 31, 2015	7,595	8,289	(24)	219,216	—	18,220

(JPY millions)

	Other components of equity			Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Subscription rights to shares	Total			
Balance at April 1, 2015	5,000	553	17,497	211,779	—	211,779
Comprehensive income						
Net profit for the period			—	49,887		49,887
Other comprehensive income	(325)		6,365	6,365		6,365
Total comprehensive income	(325)	—	6,365	56,251	—	56,251
Transactions with owners						
Issuance of new shares		(57)	(57)	366		366
Acquisition of treasury shares			—	(5)		(5)
Dividends			—	(9,925)		(9,925)
Share-based payments		249	249	249		249
Other			(414)	—		—
Total transactions with owners	—	192	(222)	(9,315)	—	(9,315)
Balance at December 31, 2015	4,675	745	23,640	258,716	—	258,716

Nine months ended December 31, 2016

(JPY millions)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
Balance at April 1, 2016	7,695	8,389	(24)	221,945	—	18,676
Comprehensive income						
Net profit for the period				19,813		
Other comprehensive income						(6,451)
Total comprehensive income	—	—	—	19,813	—	(6,451)
Transactions with owners						
Issuance of new shares	40	40				
Acquisition of treasury shares		(69)	(12,310)			
Disposals of treasury shares		(0)	0			
Cancellation of treasury shares		(0)	12,325	(12,325)		
Dividends				(10,751)		
Establishment of subsidiary with non-controlling interests						
Share-based payments						
Other				1,190		(1,186)
Total transactions with owners	40	(29)	15	(21,885)	—	(1,186)
Balance at December 31, 2016	7,735	8,360	(10)	219,873	—	11,040

(JPY millions)

	Other components of equity			Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Subscription rights to shares	Total			
Balance at April 1, 2016	2,611	716	22,003	260,009	—	260,009
Comprehensive income						
Net profit for the period			—	19,813	(1)	19,812
Other comprehensive income	2,661		(3,790)	(3,790)	24	(3,766)
Total comprehensive income	2,661	—	(3,790)	16,023	23	16,046
Transactions with owners						
Issuance of new shares		(10)	(10)	70		70
Acquisition of treasury shares			—	(12,380)		(12,380)
Disposals of treasury shares			—	0		0
Cancellation of treasury shares			—	—		—
Dividends			—	(10,751)		(10,751)
Establishment of subsidiary with non-controlling interests			—	—	832	832
Share-based payments		138	138	138		138
Other		(4)	(1,190)	—		—
Total transactions with owners	—	124	(1,062)	(22,921)	832	(22,089)
Balance at December 31, 2016	5,272	840	17,152	253,111	855	253,966

Quarterly consolidated statements of cash flows

(JPY millions)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
I . Cash flows from operating activities:		
Net profit for the period	49,887	19,812
Depreciation and amortization	6,873	7,315
Impairment losses	356	351
Finance income and expenses	(552)	1,195
Income tax expenses	24,573	6,976
Gain on disposal of disposal groups	(44,477)	—
Decrease (increase) in trade and other receivables	(7,182)	(7,830)
Decrease (increase) in inventories	(2,559)	(1,657)
Increase (decrease) in trade and other payables	4,853	(1,932)
Increase (decrease) in provisions and net defined benefit liabilities	338	(15)
Other	(1,949)	(928)
Subtotal	30,160	23,287
Interest received	50	44
Dividends received	572	681
Interest paid	(70)	(42)
Income tax paid	(12,749)	(23,664)
Net cash flows from (used in) operating activities	17,963	307
II . Cash flows from investing activities:		
Payments into time deposits	(21)	—
Proceeds from withdrawal of time deposits	21	19
Payments for acquisition of investments	(2,207)	(116)
Proceeds from sale and redemption of investments	1,310	1,364
Increase (decrease) through acquisition of subsidiary	—	(19,064)
Payments for acquisition of property, plant and equipment	(3,639)	(3,664)
Proceeds from sale of property, plant and equipment	34	4
Payments for acquisition of intangible assets	(1,630)	(3,063)
Proceeds on disposal of disposal groups	45,000	—
Other	(26)	(240)
Net cash flows from (used in) investing activities	38,842	(24,761)
III . Cash flows from financing activities:		
Proceeds from long-term loans	—	3,000
Repayments of long-term loans	(8,839)	(7,237)
Acquisition of treasury shares	(5)	(12,380)
Proceeds from contributions of non-controlling interests	—	832
Dividends paid	(9,826)	(10,646)
Other	337	69
Net cash flows from (used in) financing activities	(18,333)	(26,362)
IV . Net increase (decrease) in cash and cash equivalents	38,472	(50,816)
V . Cash and cash equivalents at the beginning of period	65,923	99,798
VI . Effect of exchange rate changes on cash and cash equivalents	(333)	(881)
VII . Cash and cash equivalents at the end of period	104,062	48,100

Segment information

Nine months ended December 31, 2015

(JPY millions)

	<Reportable segment> Pharmaceuticals	Other (Note:1)	Total	Adjustments	Consolidated total
Revenue:					
External customers	147,194	2,011	149,204	—	149,204
Intersegment	—	496	496	(496)	—
Total	147,194	2,506	149,700	(496)	149,204
Segment income (loss) (Note:2)	75,202	(781)	74,421	—	74,421
				Finance income	761
				Finance expenses	(723)
				Profit before tax	74,460

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

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

Nine months ended December 31, 2016

(JPY millions)

	<Reportable segment> Pharmaceuticals	Other (Note:1)	Total	Adjustments	Consolidated total
Revenue:					
External customers	148,364	2,302	150,667	—	150,667
Intersegment	—	467	467	(467)	—
Total	148,364	2,769	151,133	(467)	150,667
Segment income (loss) (Note:2)	27,871	(383)	27,488	—	27,488
				Finance income	874
				Finance expenses	(1,573)
				Profit before tax	26,789

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

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

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

Breakdown of revenues

Nine months ended December 31, 2015

(JPY millions)

Pharmaceuticals business				Other businesses		Total
Prescription pharmaceuticals			OTC pharmaceuticals	Medical devices	Others	
Ophthalmics	Anti-rheumatics	Other pharmaceuticals				
130,801	3,508	4,746	8,138	1,754	256	149,204

Nine months ended December 31, 2016

(JPY millions)

Pharmaceuticals business				Other businesses		Total
Prescription pharmaceuticals			OTC pharmaceuticals	Medical devices	Others	
Ophthalmics	Anti-rheumatics	Other pharmaceuticals				
137,461	—	1,352	9,552	1,869	434	150,667

Revenue of major prescription pharmaceuticals

(JPY millions)

Brand name Generic name/formulation	Therapeutic category	Region	Year ended March 31, 2016				Year ending March 31, 2017			
			Nine months ended December 31, 2015 Actual	Changes from same period of previous year	Year ended March 31 Actual	Changes from same period of previous year	Nine months ended December 31, 2016 Actual	Changes from same period of previous year	Year ending March 31 Forecasts	Changes from same period of previous year
Cravit levofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	11,528	9.5%	14,250	6.4%	10,140	△12.0%	11,437	△19.7%
		Japan	4,821	△6.9%	5,918	△8.9%	3,800	△21.2%	4,439	△25.0%
		Asia	5,632	32.8%	7,001	29.1%	5,380	△4.5%	5,689	△18.7%
		Europe	1,075	△3.4%	1,331	△10.0%	961	△10.6%	1,309	△1.6%
Tarivid ofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	1,465	△8.0%	1,761	△7.8%	1,314	△10.3%	1,561	△11.4%
		Japan	548	△10.2%	673	△11.7%	456	△16.7%	551	△18.1%
		Asia	917	△6.6%	1,088	△5.2%	858	△6.5%	1,010	△7.2%
Tapcom tafluprost-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	1,123	405.4%	1,534	302.3%	2,087	85.8%	2,774	80.9%
		Japan	1,012	359.0%	1,381	303.3%	1,760	73.9%	2,239	62.2%
		Asia	-	-	-	-	20	-	27	-
		Europe	111	-	153	292.8%	306	174.9%	508	231.9%
Tapros tafluprost/ophthalmic solution	Glaucoma	Total	12,044	29.5%	15,633	26.8%	12,780	6.1%	17,030	8.9%
		Japan	7,170	13.7%	9,168	10.1%	7,605	6.1%	10,285	12.2%
		Asia	864	44.5%	1,097	34.3%	983	13.9%	1,251	14.0%
		Europe	4,010	67.1%	5,368	68.6%	4,193	4.6%	5,487	2.2%
		Other	-	-	-	-	-	-	7	-
Cosopt dorzolamide hydrochloride-timolol maleate/combination ophthalmic solution	Glaucoma	Total	15,711	81.8%	20,583	65.0%	17,020	8.3%	21,610	5.0%
		Japan	8,829	7.4%	11,214	4.9%	8,996	1.9%	11,719	4.5%
		Asia	1,908	383.7%	2,493	179.6%	1,876	△1.7%	2,381	△4.5%
		Europe	4,974	-	6,876	666.4%	6,145	23.6%	7,451	8.4%
		Other	-	-	-	-	3	-	59	-
Timoptol timolol maleate/ ophthalmic solution	Glaucoma	Total	1,538	64.7%	1,930	52.3%	1,168	△24.1%	1,414	△26.7%
		Japan	964	4.0%	1,182	△2.8%	788	△18.2%	902	△23.7%
		Asia	108	-	140	380.8%	90	△16.9%	118	△15.6%
		Europe	467	-	608	-	290	△37.9%	393	△35.3%
Timoptol XE timolol maleate/ long-acting ophthalmic solution	Glaucoma	Total	1,971	34.4%	2,463	24.1%	1,891	△4.1%	2,411	△2.1%
		Japan	1,522	4.7%	1,886	△1.6%	1,303	△14.4%	1,558	△17.4%
		Asia	66	505.8%	87	221.9%	66	△1.3%	81	△6.9%
		Europe	383	-	489	-	522	36.5%	772	57.7%
Trusopt dorzolamide hydrochloride/ ophthalmic solution	Glaucoma	Total	3,471	225.6%	4,561	146.2%	3,342	△3.7%	3,647	△20.0%
		Japan	1,725	66.6%	2,125	37.6%	1,383	△19.8%	1,533	△27.9%
		Asia	391	-	446	706.0%	207	△47.1%	240	△46.1%
		Europe	1,355	-	1,990	688.7%	1,751	29.2%	1,863	△6.4%
		Other	-	-	-	-	1	-	11	-
Detantol bunazosin hydrochloride/ ophthalmic solution	Glaucoma	Japan	903	△6.0%	1,117	△9.1%	851	△5.8%	1,060	△5.1%
Rescula isopropyl unoprostone/ ophthalmic solution	Glaucoma	Japan	1,492	△1.7%	1,845	△4.7%	1,321	△11.5%	1,666	△9.7%
Alesion epinastine hydrochloride/ ophthalmic solution	Allergy	Japan	4,510	55.9%	9,483	41.6%	6,292	39.5%	11,741	23.8%
Flumetholon fluorometholone/ ophthalmic solution	Inflammation	Total	2,883	3.0%	3,775	△0.9%	2,520	△12.6%	3,277	△13.2%
		Japan	1,937	△2.7%	2,655	△6.6%	1,641	△15.3%	2,219	△16.4%
		Asia	945	17.1%	1,120	15.8%	878	△7.1%	1,057	△5.6%
Kary Uni pirenoxine/ ophthalmic solution	Senile cataract	Total	3,351	9.8%	4,187	7.1%	3,228	△3.7%	4,051	△3.2%
		Japan	2,296	1.2%	2,900	△0.3%	2,271	△1.1%	2,835	△2.2%
		Asia	1,055	34.6%	1,287	28.6%	957	△9.3%	1,216	△5.5%
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	Japan	2,027	1.2%	2,568	△0.2%	1,798	△11.3%	2,318	△9.7%
Eylea afibercept/ solution for intravitreal injection	Intravitreal VEGF inhibitor	Japan	31,203	76.1%	39,988	60.7%	35,361	13.3%	45,688	14.3%
Hyalein sodium hyaluronate/ophthalmic solution	Dry eye	Total	15,804	4.0%	19,864	1.3%	13,897	△12.1%	15,680	△21.1%
		Japan	11,627	△2.6%	14,491	△5.4%	9,529	△18.1%	10,457	△27.8%
		Asia	4,177	27.8%	5,372	25.1%	4,368	4.6%	5,223	△2.8%
Diquas diqafosol sodium/ophthalmic solution	Dry eye	Total	7,228	23.3%	9,631	22.0%	9,140	26.4%	13,357	38.7%
		Japan	6,700	20.9%	8,880	19.7%	8,496	26.8%	12,313	38.7%
		Asia	528	67.0%	751	57.7%	644	21.9%	1,043	38.9%
Ikervis ciclosporin/ophthalmic solution	Dry eye	Europe	317	-	751	-	834	163.1%	1,922	155.8%
Cationorm	Dry eye	Total	926	94.2%	1,453	77.3%	1,292	39.5%	2,267	56.1%
		Asia	106	208.7%	167	89.6%	147	38.0%	258	54.6%
		Europe	726	90.4%	1,029	75.7%	971	33.8%	1,712	66.4%
		North America	82	39.3%	242	68.9%	150	82.7%	243	0.5%
		Other	12	397.9%	14	493.7%	25	104.1%	53	268.9%
OTC pharmaceuticals			8,138	64.0%	11,004	64.1%	9,552	17.4%	13,849	25.9%

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

Research & development

■ Pipeline of prescription pharmaceuticals (Clinical Stage)

Generic name	Dev.code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
tafluprost	DE-085	Glaucoma/ Ocular hypertension	Co-development with Asahi Glass	China	Mar-16					
A prostaglandin F _{2α} derivative for the treatment of glaucoma and ocular hypertension. Since December, 2008, launched in Japan, Europe, and the U.S. In Asia, launched in Hong Kong, Korea, Indonesia, and Singapore, etc. Launched in China in March 2016.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
diquafosol sodium	DE-089	Dry eye	Merck Sharp & Dohme Corp. (U.S.)	China	Jan-12					
				Asia	Feb-16					
A dry eye treatment which stimulates secretion of mucin and aqueous components from the corneal and conjunctival epithelium. Its mechanism of action is different from existing treatments. Launched in December 2010 in Japan and in October 2013 in Korea. NDA filed in China in January 2012. Launched in Vietnam in February 2016. Launched in Thailand in April 2016. Currently seeking sequential approvals for marketing in Asia.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
Iomerizine HCl	DE-090	Glaucoma	MSD K.K.	Japan						
A new type of glaucoma treatment which inhibits the progression of visual field defects. It is the only calcium antagonist being development as an oral glaucoma treatment. Compared to NMDA receptor antagonists, it has excellent safety profile with mild systemic adverse drug reactions.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
sirolimus	DE-109	Uveitis	Original	U.S.						
				Japan						
				Europe						
				Asia	Apr-15					
An intravitreal injection with immunosuppressive effect, anti-angiogenic effect, etc. Preparing NDA file in the U.S. and Europe. NDA filed in Asia in April 2015.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
tafluprost/ timolol maleate	DE-111	Glaucoma/ Ocular hypertension	Co-development with Asahi Glass	Korea	Apr-16					
				Asia	Mar-16					
A fixed dose combination drug of a prostaglandin F _{2α} derivative and a beta-adrenergic receptor blocker. Launched in Japan in November 2014. Approved successively in EU countries since October 2014 and launched since January 2015. Launched in Korea in April 2016. NDA being filed in Asian countries successively, and approved in Thailand, etc.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
omidenepeg isopropyl	DE-117	Glaucoma/ Ocular hypertension	Co-development with Ube Industries	U.S.						
				Japan	(Phase 2b/3)					
An EP2 receptor agonist with a new mechanism of action. Completed Phase 2b in the U.S. in February 2015. Started Phase 2b/3 in Japan in December 2015. Preparing Phase3 in Korea and Asia.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
tafluprost	DE-118	Glaucoma/ Ocular hypertension	Co-development with Asahi Glass	Asia	Apr-16					
A prostaglandin F _{2α} derivative for the treatment of glaucoma and ocular hypertension. Preservative-free, single dose type product. Launched in October 2013 in Japan. Acquired marketing approval in Hong Kong since June 2015. Seeking sequential approvals for marketing in Asian countries. Launched in Singapore and another county since April, 2016.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
TBD	DE-120	Wet Age-related macular degeneration	Original	U.S.						
An intravitreal injection with dual inhibitor of VEGF and PDGF. Started Phase 2a in the U.S. in April 2015.										

Generic name	Dev. code	Indication	Original/Licensors	Region	P1	P2	P3	NDA Filed	Approved	Launched
carotuximab	DE-122	Wet Age-related macular degeneration	TRACON Pharmaceuticals	U.S.	(Phase 1/2)					
An intravitreal injection of anti-endoglin antibody. Started Phase1/2 in the U.S. in September 2015.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
sepetaprost	DE-126	Glaucoma/ Ocular hypertension	ONO PHARMACEUTICAL	U.S.	(Phase 2a)					
A prostaglandin analogue eye drop drug product with a novel, mode of action that is both FP and EP3 receptors dual agonist for the treatment of glaucoma and ocular hypertension. Preparing Phase 2b in the U.S.										

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

Generic name	Dev. name	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
ciclosporin	Cyclokot	Severe keratitis in patients with dry eye	Original	Europe	Jul-15					
				U.S.						
				Korea	Dec-2015					
				Asia	Nov-2016					
An ophthalmic emulsion which improves severe keratitis in adult patients with dry eye by immunosuppressive effect. Cationic emulsion technology has enhanced ocular tissue absorption. Launched in Germany and England in July 2015 and planning successive launches in EU countries. NDA filed in Asian countries successively, and approved in Thailand In November 2016. NDA filed in Korea in December 2015.										

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

Generic name	Dev. name	Indication	Original/Licensor	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.										

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

■ Changes from 2Q FY16 (November 2, 2016)

Dev. Code / name	Changes
Cyclokot	Approved in Thailand in November 2016.
Vekacia	NDA filed in Europe in December 2016.

Other consolidated information

Capital expenditures

(JPY millions)

	Nine months ended December 31, 2015	Year ended March 31, 2016	Nine months ended December 31, 2016	Year ending March 31, 2017
	Actual			Forecast
Consolidated	3,088	4,474	4,091	7,070

Depreciation and amortization

(JPY millions)

	Nine months ended December 31, 2015	Year ended March 31, 2016	Nine months ended December 31, 2016	Year ending March 31, 2017
	Actual			Forecast
Manufacturing cost	1,071	1,445	1,116	1,590
Selling, general and administrative expenses	693	1,035	918	1,250
R&D expenses	520	653	520	660
Consolidated total	2,284	3,133	2,554	3,500

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

Amortization on intangible assets associated with products

(JPY millions)

	Nine months ended December 31, 2015	Year ended March 31, 2016	Nine months ended December 31, 2016	Year ending March 31, 2017
	Actual			Forecast
Intangible assets (Merck products)	3,873	5,186	3,977	5,310
Intangible assets (Ikervis)	443	625	503	660
Other	273	394	282	1,080
Consolidated total	4,589	6,205	4,761	7,050

R&D expenses

(JPY millions)

	Nine months ended December 31, 2015	Year ended March 31, 2016	Nine months ended December 31, 2016	Year ending March 31, 2017
	Actual			Forecast
Consolidated	14,284	19,990	15,930	20,400
Percent of revenue	9.6%	10.2%	10.6%	10.2%

*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.