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SANTEN PHARMACEUTICAL CO., LTD.

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Third Quarter Financial Results for the Fiscal Year Ending March 31, 2018 [IFRS] (Consolidated)

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(JPY millions)

1. Consolidated performance for the nine months ended December 31, 2017

(1) Operating results

(Core basis *1)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	% change
Revenue	150,667	168,592	+11.9%
Core operating profit	33,057	35,042	+6.0%
Core net profit for the period	24,585	26,231	+6.7%
Core net profit for the period attributable to owners of the company	24,586	26,216	+6.6%
Basic core earnings per share (yen)	59.72	64.52	
Diluted core earnings per share (yen)	59.49	64.28	

(IFRS)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	% change
Revenue	150,667	168,592	+11.9%
Operating profit	27,488	30,087	+9.5%
Profit before tax	23,919	29,539	+23.5%
Net profit for the period	17,163	27,348	+59.3%
Net profit for the period attributable to owners of the company	17,164	27,332	+59.2%
Total comprehensive income for the period	17,581	34,602	+96.8%
Basic earnings per share (yen)	41.69	67.27	
Diluted earnings per share (yen)	41.53	67.02	

(2) Financial position

	March 31, 2017	December 31, 2017
Total assets	358,906	378,375
Total equity	255,929	281,222
Total equity attributable to owners of the company	255,110	279,451
Total equity attributable to owners of the company ratio	71.1%	73.9%
Equity per share attributable to owners of the company (yen)	628.09	687.47

Note :Q3 FY16 results and Q4 FY16 results are corrected retroactively from prior announced results upon the finalization of the purchase price allocation (PPA) relating to the acquisition of InnFocus.

2. Dividends

	Year to March 2017	Year to March 2018	(Forecasts) Year to March 2018
First quarter dividends per share (yen)	—	—	—
Second quarter dividends per share (yen)	13.00	13.00	—
Third quarter dividends per share (yen)	—	—	—
Year-end dividends per share (yen)	13.00	—	13.00
Annual dividends per share (yen)	26.00	—	26.00

3. Consolidated forecasts of results for the year ending March 31, 2018

(Core basis *1)

	Year to March 2018	% change
Revenue	224,000	+12.5%
Core operating profit	44,000	+10.9%
Core net profit for the year	31,200	+7.1%
Core net profit for the year attributable to owners of the company	31,400	+7.8%
Core earnings per share (yen)	77.31	

(IFRS)

	Year to March 2018	% change
Revenue	224,000	+12.5%
Operating profit	37,400	+15.2%
Profit before tax	37,700	+25.4%
Net profit for the year	32,000	+47.3%
Net profit for the year attributable to owners of the company	32,100	+47.7%
Basic earnings per share (yen)	79.03	

Note 1: The consolidated forecasts of results for the year ending March 31, 2018, which were released on May 10, 2017, are changed.

2: FY16 results are corrected retroactively from prior announced results upon the finalization of the purchase price allocation (PPA) relating to the acquisition of InnFocus. There was no resulting impact on operating profit. However, this PPA finalization resulted in a positive impact on FY16 core net profit of 437 million yen and in a negative impact on FY16 net profit of 1,330 million yen.

***Others**

(1) Changes in significant subsidiaries during the term

(changes in designated subsidiaries resulting in adjustment to the scope of consolidation): No

Note: Santen Ventures, Inc. has newly become a consolidated subsidiary.

(2) Changes in accounting policies and accounting estimates

[i] Changes in the accounting policies required by IFRS: No

[ii] Other changes: No

[iii] Changes in accounting estimates: No

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

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

December 31, 2017 : 406,500,015

March 31, 2017 : 406,173,015

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

December 31, 2017 : 7,166

March 31, 2017 : 6,646

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

Third quarter ended December 31, 2017: 406,304,134

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

(Information regarding the implementation of audit procedures)

This financial report is exempt from audit.

(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, 2016	Nine months ended December 31, 2017	
Revenue	150,667	168,592	
Cost of sales	(57,633)	(66,150)	
Gross profit	93,034	102,442	
Selling, general and administrative expenses	(44,583)	(49,504)	
Research and development expenses	(15,930)	(17,895)	
Amortization on intangible assets associated with products	(4,761)	(4,996)	
Other income	294	368	
Other expenses	(566)	(327)	
Operating profit	27,488	30,087	
Finance income	874	809	
Finance expenses	(4,443)	(1,357)	
Profit before tax	23,919	29,539	
Income tax expenses	(6,756)	(2,192)	
Net profit for the period	17,163	27,348	
Other comprehensive income			
Items that will not be reclassified subsequently to profit of loss			
Remeasurements of defined benefit plans	—	—	
Net gain on financial assets measured at fair value through other comprehensive income	(5,256)	2,854	
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments	5,674	4,400	
Other comprehensive income	418	7,254	
Total comprehensive income	17,581	34,602	
Profit attributable to			
Owners of the company	17,164	27,332	
Non-controlling interests	(1)	15	
Net profit for the period	17,163	27,348	
Total comprehensive income attributable to			
Owners of the company	17,558	34,487	
Non-controlling interests	23	114	
Total comprehensive income	17,581	34,602	
Earnings per share			
Basic earnings per share (yen)	41.69	67.27	
Diluted earnings per share (yen)	41.53	67.02	

Core basis		(JPY millions)	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017	
Revenue	150,667	168,592	
Core operating profit	33,057	35,042	
Core net profit for the period	24,585	26,231	
Basic core earnings per share (yen)	59.72	64.52	
Diluted core earnings per share (yen)	59.49	64.28	
Core profit attributable to			
Owners of the company	24,586	26,216	
Non-controlling interests	(1)	15	
Core net profit for the period	24,585	26,231	

Quarterly consolidated statement of financial position

Assets	(JPY millions)	
	March 31, 2017	December 31, 2017
Non-current assets		
Property, plant and equipment	28,550	29,671
Intangible assets	138,935	140,343
Financial assets	29,889	33,486
Deferred tax assets	2,396	2,324
Other non-current assets	2,124	2,365
Total non-current assets	201,894	208,189
Current assets		
Inventories	28,502	27,453
Trade and other receivables	70,970	78,515
Other financial assets	333	284
Other current assets	3,909	3,885
Cash and cash equivalents	53,297	60,048
Total current assets	157,011	170,186
Total assets	358,906	378,375

Equity and liabilities

(JPY millions)

	March 31, 2017	December 31, 2017
Equity		
Equity attributable to owners of the company		
Share capital	7,792	7,911
Capital surplus	8,417	8,536
Treasury shares	(10)	(11)
Retained earnings	223,283	240,220
Other components of equity	15,628	22,794
Total equity attributable to owners of the company	255,110	279,451
Non-controlling interests	819	1,772
Total equity	255,929	281,222
Liabilities		
Non-current liabilities		
Financial liabilities	26,288	22,803
Net defined benefit liabilities	1,900	2,380
Provisions	1,426	1,436
Deferred tax liabilities	17,963	13,639
Other non-current liabilities	1,919	1,349
Total non-current liabilities	49,496	41,608
Current liabilities		
Trade and other payables	23,937	24,742
Other financial liabilities	17,649	16,357
Income tax payable	3,279	4,728
Provisions	1,372	1,466
Other current liabilities	7,244	8,251
Total current liabilities	53,481	55,544
Total liabilities	102,977	97,152
Total equity and liabilities	358,906	378,375

Quarterly consolidated statement of changes in equity

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				17,164		
Other comprehensive income						(5,256)
Total comprehensive income	—	—	—	17,164	—	(5,256)
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				2,385		(2,381)
Total transactions with owners	40	(29)	15	(20,690)	—	(2,381)
Balance at December 31, 2016	7,735	8,360	(10)	218,419	—	11,040

	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			—	17,164	(1)	17,613
Other comprehensive income	5,650		394	394	24	418
Total comprehensive income	5,650	—	394	17,558	23	17,581
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)	(2,385)	—		—
Total transactions with owners	—	124	(2,257)	(22,921)	832	(22,089)
Balance at December 31, 2016	8,261	840	20,141	254,646	855	255,500

Nine months ended December 31, 2017

(JPY millions)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
Balance at April 1, 2017	7,792	8,417	(10)	223,283	—	9,470
Comprehensive income						
Net profit for the period				27,332		
Other comprehensive income						2,854
Total comprehensive income	—	—	—	27,332	—	2,854
Transactions with owners						
Issuance of new shares	119	119				
Acquisition of treasury shares			(1)			
Dividends				(10,563)		
Changes in equity of subsidiary with non-controlling interests						
Share-based payments						
Other				168		(168)
Total transactions with owners	119	119	(1)	(10,395)	—	(168)
Balance at December 31, 2017	7,911	8,536	(11)	240,220	—	12,156

	Other components of equity			Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Subscription rights to shares	Total			
Balance at April 1, 2017	5,332	825	15,628	255,110	819	255,929
Comprehensive income						
Net profit for the period			—	27,332	15	27,348
Other comprehensive income	4,301		7,155	7,155	99	7,254
Total comprehensive income	4,301	—	7,155	34,487	114	34,602
Transactions with owners						
Issuance of new shares		(39)	(39)	200		200
Acquisition of treasury shares			—	(1)		(1)
Dividends			—	(10,563)		(10,563)
Changes in equity of subsidiary with non-controlling interests			—	—	838	838
Share-based payments		218	218	218		218
Other			(168)	—		—
Total transactions with owners	—	179	11	(10,146)	838	(9,308)
Balance at December 31, 2017	9,633	1,004	22,794	279,451	1,772	281,222

Quarterly consolidated statements of cash flows

(JPY millions)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
I. Cash flows from operating activities:		
Net profit for the period	17,163	27,348
Depreciation and amortization	7,315	8,092
Impairment losses	351	168
Finance expense (income)	1,357	(158)
Income tax expenses	6,756	2,192
Decrease (increase) in trade and other receivables	(7,830)	(6,560)
Decrease (increase) in inventories	(1,657)	2,043
Increase (decrease) in trade and other payables	(1,932)	617
Increase (decrease) in provisions and net defined benefit liabilities	(15)	346
Other	1,780	323
Subtotal	23,287	34,411
Interest received	44	68
Dividends received	681	580
Interest paid	(42)	(24)
Income tax paid	(23,664)	(5,990)
Net cash flows from (used in) operating activities	307	29,045
II. Cash flows from investing activities:		
Proceeds from withdrawal of time deposits	19	—
Payments for acquisition of investments	(116)	(158)
Proceeds from sales of investments	1,364	514
Payment for acquisition of subsidiary	(19,064)	—
Payments for acquisition of property, plant and equipment	(3,664)	(3,489)
Proceeds from sale of property, plant and equipment	4	—
Payments for acquisition of intangible assets	(3,063)	(3,051)
Other	(240)	(18)
Net cash flows from (used in) investing activities	(24,761)	(6,202)
III. Cash flows from financing activities:		
Proceeds from long-term loans	3,000	—
Repayments of long-term loans	(7,237)	(6,862)
Payment for acquisition of treasury shares	(12,380)	(1)
Capital contribution from non-controlling interests	832	838
Dividends paid	(10,646)	(10,471)
Other	69	197
Net cash flows from (used in) financing activities	(26,362)	(16,299)
IV. Net increase (decrease) in cash and cash equivalents	(50,816)	6,544
V. Cash and cash equivalents at the beginning of period	99,798	52,282
VI. Effect of exchange rate changes on cash and cash equivalents	(881)	1,222
VII. Cash and cash equivalents at the end of period	48,100	60,048

Segment information

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	(4,443)
				Profit before tax	23,919

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.

Because evaluation inspection about the acquisition of InnFocus, Inc., was completed in the six months ended September 31, 2017, the financial statements in the nine months ended December 31, 2016 were calculated based on retroactively adjusted figures. The segment income(loss) in the nine months ended December 31, 2016 has not been changed.

Nine months ended December 31, 2017 (JPY millions)

	<Reportable segment> Pharmaceuticals	Other (Note:1)	Total	Adjustments	Consolidated total
Revenue:					
External customers	166,142	2,450	168,592	—	168,592
Intersegment	—	562	562	(562)	—
Total	166,142	3,012	169,154	(562)	168,592
Segment income (loss) (Note:2)	30,627	(540)	30,087	—	30,087
				Finance income	809
				Finance expenses	(1,357)
				Profit before tax	29,539

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.

Breakdown of revenues

Nine months ended December 31, 2016 (JPY millions)

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

Nine months ended December 31, 2017 (JPY millions)

Pharmaceuticals business			Other businesses		Total
Prescription pharmaceuticals		OTC pharmaceuticals	Medical devices	Others	
Ophthalmics	Other pharmaceuticals				
153,788	736	11,618	1,888	562	168,592

Revenue of major pharmaceuticals

(JPY millions)

Brand name Generic name/formulation	Therapeutic category	Region	Year ended March 31, 2017				Year ending March 31, 2018			
			Nine months ended December 31, 2016 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, 2017 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	10,140	(12.0%)	12,884	(9.6%)	11,434	12.8%	14,245	10.6%
		Japan	3,800	(21.2%)	4,660	(21.3%)	3,369	(11.3%)	4,308	(7.5%)
		Asia	5,380	(4.5%)	6,980	(0.3%)	6,948	29.1%	8,552	22.5%
		Europe	961	(10.6%)	1,245	(6.5%)	1,118	16.3%	1,384	11.2%
Tarivid ofloxacin/ophthalmic solution	Bacterial conjunctivitis	Total	1,314	(10.3%)	1,541	(12.5%)	1,246	(5.1%)	1,455	(5.6%)
		Japan	456	(16.7%)	559	(16.9%)	414	(9.2%)	472	(15.6%)
		Asia	858	(6.5%)	982	(9.8%)	832	(3.0%)	983	0.1%
		Europe	-	-	-	-	-	-	-	-
Tapcom tafluprost-timolol maleate/ combination ophthalmic solution	Glaucoma	Total	2,087	85.8%	2,798	82.4%	2,966	42.1%	3,973	42.0%
		Japan	1,760	73.9%	2,256	63.4%	1,953	10.9%	2,556	13.3%
		Asia	20	-	38	-	109	438.5%	136	260.3%
		Europe	306	174.9%	504	229.3%	904	195.1%	1,281	154.0%
Tapros tafluprost/ophthalmic solution	Glaucoma	Total	12,780	6.1%	16,406	4.9%	13,791	7.9%	18,083	10.2%
		Japan	7,605	6.1%	9,592	4.6%	7,590	(0.2%)	9,776	1.9%
		Asia	983	13.9%	1,227	11.8%	1,343	36.6%	1,723	40.4%
		Europe	4,193	4.6%	5,587	4.1%	4,816	14.9%	6,520	16.7%
		Other	-	-	-	-	41	-	64	-
Cosopt dorzolamide hydrochloride-timolol maleate/combination ophthalmic solution	Glaucoma	Total	17,020	8.3%	22,164	7.7%	18,622	9.4%	23,013	3.8%
		Japan	8,996	1.9%	11,366	1.4%	9,057	0.7%	11,468	0.9%
		Asia	1,876	(1.7%)	2,869	7.1%	2,440	30.1%	2,913	9.1%
		Europe	6,145	23.6%	8,122	18.1%	7,029	14.4%	8,476	4.4%
		Other	3	-	6	-	97	-	156	-
Timoptol timolol maleate/ ophthalmic solution	Glaucoma	Total	1,168	(24.1%)	1,509	(21.8%)	1,183	1.3%	1,438	(4.7%)
		Japan	788	(18.2%)	967	(18.1%)	662	(16.0%)	797	(17.6%)
		Asia	90	(16.9%)	119	(14.8%)	86	(4.3%)	115	(3.8%)
		Europe	290	(37.9%)	422	(30.6%)	435	50.0%	526	24.7%
Timoptol XE timolol maleate/ long-acting ophthalmic solution	Glaucoma	Total	1,891	(4.1%)	2,382	(3.3%)	1,766	(6.6%)	2,236	(6.1%)
		Japan	1,303	(14.4%)	1,614	(14.4%)	1,144	(12.2%)	1,450	(10.2%)
		Asia	66	(1.3%)	88	0.8%	79	20.1%	100	13.1%
		Europe	522	36.5%	679	38.8%	544	4.2%	687	1.1%
Trusopt dorzolamide hydrochloride/ ophthalmic solution	Glaucoma	Total	3,342	(3.7%)	4,343	(4.8%)	3,587	7.3%	3,906	(10.1%)
		Japan	1,383	(19.8%)	1,731	(18.6%)	1,325	(4.2%)	1,396	(19.3%)
		Asia	207	(47.1%)	271	(39.3%)	232	11.8%	280	3.3%
		Europe	1,751	29.2%	2,333	17.2%	2,009	14.8%	2,194	(6.0%)
Rescula isopropyl unoprostone/ ophthalmic solution	Glaucoma	Total	1,321	(11.5%)	1,633	(11.5%)	1,200	(9.2%)	1,641	0.5%
		Japan	1,321	(11.5%)	1,633	(11.5%)	1,200	(9.2%)	1,641	0.5%
		Europe	-	-	-	-	-	-	-	-
		Other	-	-	-	-	-	-	-	-
Alesion epinastine hydrochloride/ ophthalmic solution	Allergy	Total	6,292	39.5%	12,235	29.0%	7,515	19.4%	14,926	22.0%
		Japan	6,292	39.5%	12,235	29.0%	7,515	19.4%	14,926	22.0%
Flumetholon fluorometholone/ ophthalmic solution	Inflammation	Total	2,520	(12.8%)	3,347	(11.3%)	2,604	3.4%	3,425	2.3%
		Japan	1,641	(15.3%)	2,224	(16.2%)	1,566	(4.6%)	2,123	(4.5%)
		Asia	878	(7.1%)	1,123	0.3%	1,038	18.2%	1,302	15.9%
Kary Uni pirenoxine/ ophthalmic solution	Senile cataract	Total	3,228	(3.7%)	4,124	(1.5%)	3,518	9.0%	4,439	7.7%
		Japan	2,271	(1.1%)	2,833	(2.3%)	2,187	(3.7%)	2,776	(2.0%)
		Asia	957	(9.3%)	1,291	0.3%	1,331	39.0%	1,663	28.8%
Oftan Catachrom cytochrome C, adenosine, nicotinamide/ ophthalmic solution	Senile cataract	Total	1,312	0.2%	2,224	18.9%	2,186	66.6%	2,456	10.4%
		Europe	1,312	0.2%	2,224	18.9%	2,186	66.6%	2,456	10.4%
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	Total	1,798	(11.3%)	2,285	(11.0%)	1,830	1.8%	2,288	0.1%
		Japan	1,798	(11.3%)	2,285	(11.0%)	1,830	1.8%	2,288	0.1%
Eylea aflibercept/ solution for intravitreal injection	Intravitreal VEGF inhibitor	Total	35,361	13.3%	45,155	12.9%	40,010	13.1%	50,299	11.4%
		Japan	35,361	13.3%	45,155	12.9%	40,010	13.1%	50,299	11.4%
Hyalain sodium hyaluronate/ophthalmic solution	Dry eye	Total	13,897	(12.1%)	17,595	(11.4%)	14,124	1.6%	17,683	0.5%
		Japan	9,529	(18.1%)	11,852	(18.2%)	8,692	(8.8%)	10,743	(9.4%)
		Asia	4,368	4.6%	5,743	6.9%	5,432	24.4%	6,940	20.8%
Diquasol diquafosol sodium/ophthalmic solution	Dry eye	Total	9,140	26.4%	11,940	24.0%	11,028	20.7%	14,874	24.6%
		Japan	8,496	26.8%	11,016	24.1%	9,937	17.0%	12,942	17.5%
		Asia	644	21.9%	924	23.1%	1,091	69.6%	1,932	109.0%
Ikervis ciclosporin/ophthalmic solution	Dry eye	Total	834	163.1%	1,303	73.5%	1,661	99.2%	2,344	79.9%
		Asia	1	-	2	-	4	274.2%	64	-
		Europe	833	162.8%	1,301	73.2%	1,657	99.0%	2,226	71.1%
		North America	-	-	-	-	-	-	49	-
		Other	-	-	-	-	-	-	6	-
Cationorm	Dry eye	Total	1,292	39.5%	1,835	26.3%	1,638	26.8%	2,587	41.0%
		Asia	147	38.0%	206	23.4%	243	65.7%	344	67.0%
		Europe	971	33.8%	1,318	28.1%	1,194	22.9%	1,894	43.7%
		North America	150	82.7%	280	15.7%	195	30.1%	287	2.4%
		Other	25	104.1%	31	114.9%	7	(73.0%)	62	101.7%
OTC pharmaceuticals			9,552	17.4%	12,553	14.1%	11,618	21.6%	14,000	11.5%

Exchange rate (yen)	Major currency	3rd quarter ended December 31, 2016	Fiscal year ended March 31, 2017	3rd quarter ended December 31, 2017	Fiscal year to March 31, 2018(Forecasts)
	US dollar		106.93	108.64	111.75
Euro		118.36	118.96	128.90	120.00
RMB		16.02	16.14	16.64	16.50

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

Research & development

As of February 6

■ Pipeline of prescription pharmaceuticals (Clinical Stage)

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
diquafosol sodium	DE-089	Dry eye	Merck Sharp & Dohme Corp. (U.S.)	China					Oct-2017	
A dry eye treatment which stimulates secretion of mucin and aqueous components from the corneal and conjunctival epithelium. Its mechanism of action is different from existing treatments. Launched in December 2010 in Japan. Acquired import drug license in China in October 2017. Launched in October 2013 in Korea. Launched in Vietnam in February 2016. Launched in Thailand in April 2016. Currently seeking sequential approvals for marketing in Asia.										
sirolimus	DE-109	Uveitis	Original	U.S.						
				Japan						
				Europe						
				Asia				Apr-2015		
An intravitreal injection with immunosuppressive effect, anti-angiogenic effect, etc. Received CRL from the U.S. FDA in December 2017 and the U.S., Europe and Japan are under consideration. NDA filed in Asia in April 2015.										
epinastine hydrochloride	DE-114A	Allergic conjunctivitis	Nippon Boehringer Ingelheim	Japan						
An H ₁ receptor antagonist with membrane-stabilizing function, as treatment for allergic conjunctivitis. High dose drug. Started Phase 3 in Japan in May 2017.										
omidenepeg isopropyl	DE-117	Glaucoma/ Ocular hypertension	Co-development with Ube Industries	U.S.						
				Japan				Nov-2017		
				Asia						
An EP2 receptor agonist with a new mechanism of action. Completed Phase 2b in the U.S. in February 2015. Filed for manufacturing and marketing approval in Japan in November 2017. Started Phase 3 in Asia in December 2016.										
carotuximab	DE-122	Wet Age-related macular degeneration	TRACON Pharmaceuticals	U.S.		(Phase 2a)				
An intravitreal injection of anti-angiogenic antibody. Started Phase 2a in Philippines in July 2017 for development in the U.S.										
sepetaprost	DE-126	Glaucoma/ Ocular hypertension	ONO PHARMACEUTICAL	U.S.		(Phase 2b)				
				Japan		(Phase 2b)				
A prostaglandin analogue eye drop drug product with a novel mode of action that is both FP and EP3 receptors dual agonist for the treatment of glaucoma and ocular hypertension. Started Phase 2b in the U.S. and Japan in July 2017.										
atropine sulfate	DE-127	Myopia	Singapore Health Services, Nanyang Technological University	Asia						
Muscarinic antagonist which reduces juvenile myopia progression. Started Phase 2 in Asia in November 2017.										
—	DE-128 (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	DE-076B (Cyclokat)	Severe keratitis in patients with dry eye	Original	U.S.						
				Asia					Dec-2017	
				Others				Apr-2016		
An ophthalmic emulsion to treat severe keratitis in adult patients with dry eye through an immunosuppressive effect. Cationic emulsion technology has enhanced ocular tissue absorption. Launched in Germany and England in July 2015 with successive launches following in European countries. Currently seeking sequential approvals for marketing in Asia and launched in Thailand in December 2017. NDA filed in Canada in April 2016.										

Generic name	Dev. code	Indication	Original/Licensor	Region	P1	P2	P3	NDA Filed	Approved	Launched
ciclosporin	DE-076C (Vekacia)	Vernal keratoconjunctivitis	Original	Europe				Dec-2016		
An ophthalmic emulsion which improves vernal keratoconjunctivitis by immunosuppressive effect. Cationic emulsion technology has enhanced ocular tissue absorption. NDA filed and granted Priority Review status in Europe in December 2016. In July 2017, the Committee for Human Medicinal Products of the European Medicines Agency adopted a positive opinion, recommending the marketing authorization.										

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

■ Changes from Q2 FY17 (November 1, 2017)

Dev. code	Changes
DE-109	Received CRL from U.S. FDA in December 2017.
DE-117	Filed for manufacturing and marketing approval in Japan in November 2017.
DE-127	Started Phase 2 in Asia in November 2017.
DE-076B (Cyclokat)	Launched in Thailand in December 2017.

Other consolidated information

Capital expenditures (JPY millions)

	Nine months ended December 31, 2016	Year ended March 31, 2017	Nine months ended December 31, 2017	Year ending March 31, 2018
	Actual			Forecast
Consolidated	4,091	5,216	4,460	7,660

Depreciation and amortization (JPY millions)

	Nine months ended December 31, 2016	Year ended March 31, 2017	Nine months ended December 31, 2017	Year ending March 31, 2018
	Actual			Forecast
Manufacturing cost	1,116	1,515	1,445	1,880
Selling, general and administrative expenses	918	1,246	1,076	1,270
R&D expenses	520	709	574	680
Consolidated total	2,554	3,470	3,095	3,830

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, 2016	Year ended March 31, 2017	Nine months ended December 31, 2017	Year ending March 31, 2018
	Actual			Forecast
Intangible assets (Merck products)	3,977	5,357	4,140	5,590
Intangible assets (Ikervis)	503	674	548	680
Other	282	381	308	350
Consolidated total	4,761	6,412	4,996	6,620

R&D expenses (JPY millions)

	Nine months ended December 31, 2016	Year ended March 31, 2017	Nine months ended December 31, 2017	Year ending March 31, 2018
	Actual			Forecast
Consolidated	15,930	22,786	17,895	25,000
Percent of revenue	10.6%	11.4%	10.6%	11.2%

*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.