

Investor Meeting on Q2 FY2019 Results



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Forward-Looking Statements

- Information given in this presentation contains certain forward-looking statements concerning forecasts, projections and plans whose realization is subject to risk and uncertainty from a variety of sources. Actual results may differ significantly from forecasts.
- Business performance and financial condition are subject to the effects of medical regulatory changes made by the governments of Japan and other nations concerning medical insurance, drug pricing and other systems, and to fluctuations in market variables such as interest rates and foreign exchange rates.
- The process of drug research and development from discovery to final approval and sales is long, complex and uncertain. Individual compounds are subject to a multitude of uncertainties, including the termination of clinical development at various stages and the non-approval of products after a regulatory filing has been submitted. Forecasts and projections concerning new products take into account assumptions concerning the development pipelines of other companies and any co-promotion agreements, existing or planned. The success or failure of such agreements could affect business performance and financial condition significantly.
- Business performance and financial conditions could be affected significantly by a substantial drop in sales of a major drug, either currently marketed or expected to be launched, due to termination of sales as a result of factors such as patent expiry and complications, product defects or unforeseen side effects. Santen Pharmaceutical also sells numerous products under sales and/or manufacturing license from other companies. Business performance could be affected significantly by changes in the terms and conditions of agreements and/or the non-renewal of agreements.
- Santen Pharmaceutical is reliant on specific companies for supplies of certain raw materials used in production. Business performance could be affected significantly by the suspension or termination of supplies of such raw materials if such an event were to adversely affect supply capabilities for related final products.

Values

天機に参与する

*Tenki ni sanyo suru*¹

- “Exploring the secrets and mechanisms of nature in order to contribute to people’s health”**

Santen’s original interpretation of a passage from chapter 22 of *Zhongyong (The Doctrine of the Mean)* by Confucius.

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

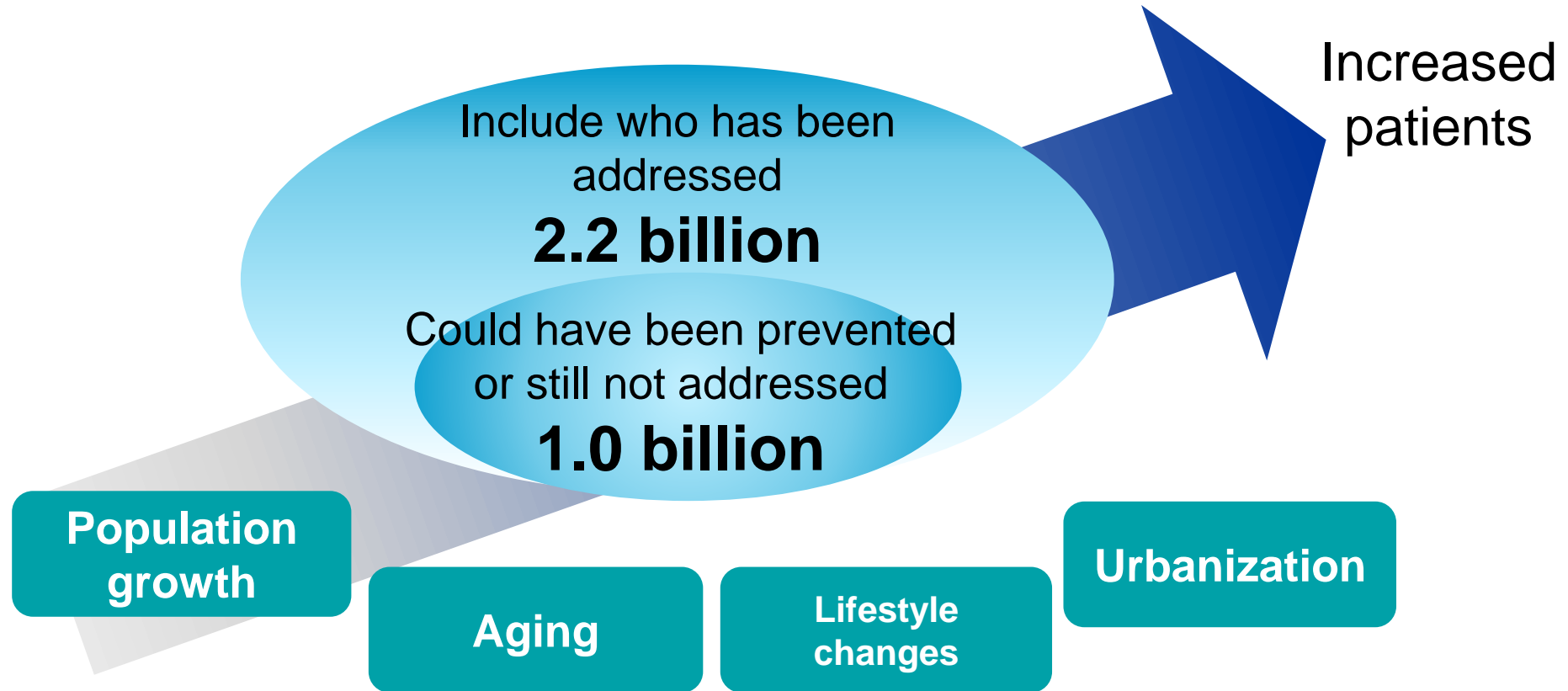
Mission
Statement

By focusing on ophthalmology, Santen develops unique scientific knowledge and organizational capabilities that contribute to the well-being of patients, their loved ones and consequently to society.

Vision is the Most Dominant of Our Senses

As a specialized company focusing on ophthalmology, we contribute to improve the QOL of patients around the world

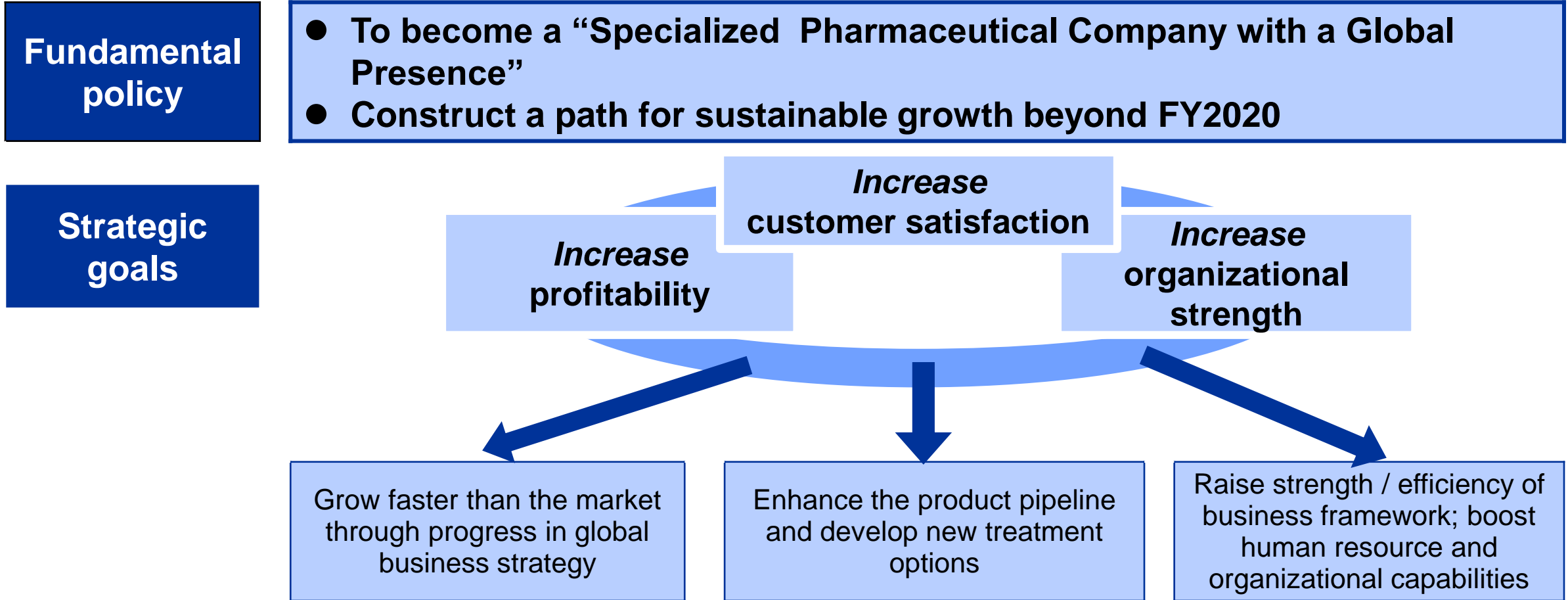
Number of People Visually Impaired in the World



Major factors associated with increasing number of people with visual impairment

MTP2020 Fundamental Policy and Strategic Goals

Responding to the needs of patients and medical professionals worldwide, Santen will achieve reliable growth while sustainably contributing to ophthalmic treatment worldwide



Q2 FY2019 Highlights

Robust 1st half results and steady progress toward achieving the full-year forecast

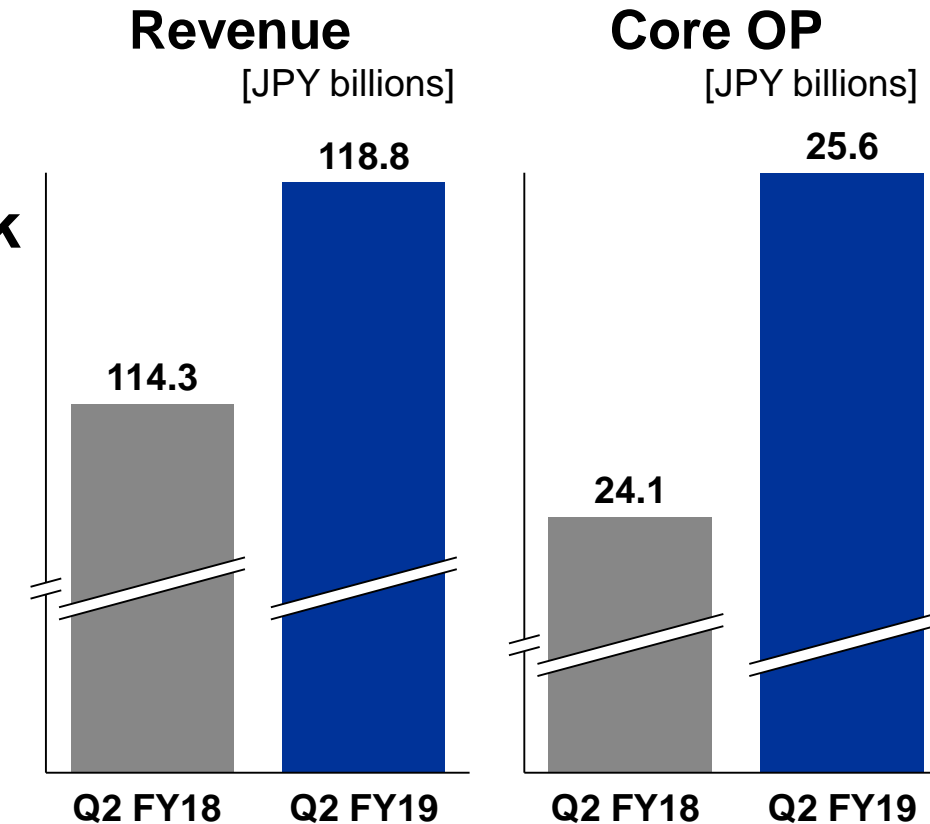
■ 1st half revenue up 3.9%, profit (core basis) up 6.2% YoY

■ Global ophthalmology business activities

- Partnership with Glaukos

■ Raise strength / efficiency of business framework

- Implementation of Management Frame Work



FY2019 Forecast (No Change from May 9)

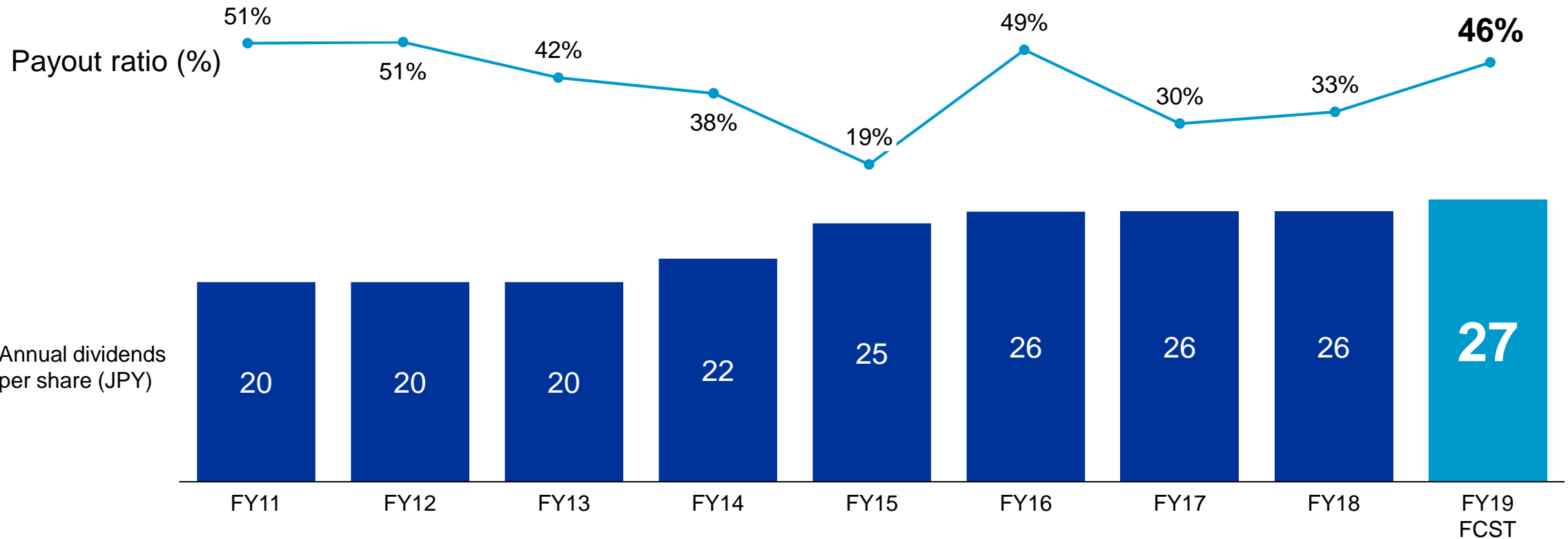
Aiming for further growth and efficiency improvements

	FY2018	FY2019	
(JPY billions)			
Core basis	Actual	Forecast	YoY
Revenue	234.0	248.0	6.0%
COGS	90.8	95.0	4.7%
Gross margin	143.3	153.0	6.8%
SG&A	71.3	74.0	3.8%
R&D expenses	23.8	28.0	17.9%
OP	48.2	51.0	5.7%
Net profit	36.1	37.7	4.5%
Actual tax ratio	25.2%	26.1%	
ROE	12.5%	12.8%	0.3pt

FY2019 Dividend Forecast

Increase dividend by JPY1 to JPY27 (forecast)

- Stable and sustainable return to shareholders
- Mid and Long term strategic investment for growth beyond 2020
 - Implementing shareholder return policies to achieve the best balance between above two priorities considering dividends and total return



Share buyback (JPY billions)	-	13.7	-	-	-	12.3	-	13.9	-
Total return	51%	134%	42%	38%	19%	106%	30%	76%	46% *

* Total return forecast for FY2019 does NOT include the potential impact from future share buyback

Q2 FY2019 Financial Results ended September 30, 2019

Q2 FY2019 Results

Strong overseas sales led revenue and profit growth (core basis)

(JPY billions)	FY2018		FY2019	
	Q2 Actual	Q2 Actual	YoY	
Core basis				
Revenue	114.3	118.8	3.9%	
COGS	45.8	48.3	5.5%	
Gross margin	68.6	70.5	2.8%	
SG&A	33.5	33.4	-0.2%	
R&D expenses	11.0	11.4	4.1%	
OP	24.1	25.6	6.2%	
Net profit	17.8	18.8	5.6%	
IFRS				
OP	20.8	19.0	-8.7%	
Net profit	14.4	13.1	-8.7%	
USD	110.21	108.82		
EUR	129.81	121.28		
CNY	16.70	15.77		

Revenue

Japan: Steady growth of key products

Overseas: Maintain strong growth, particularly in Asia and China

⇒ Increase by JPY4.4 billion (+3.9%)

Core operating profit

- Steady growth of overseas business
- Increase profits by cost optimization

⇒ Increase by JPY1.5 billion (+6.2%)

IFRS operating profit and net profit

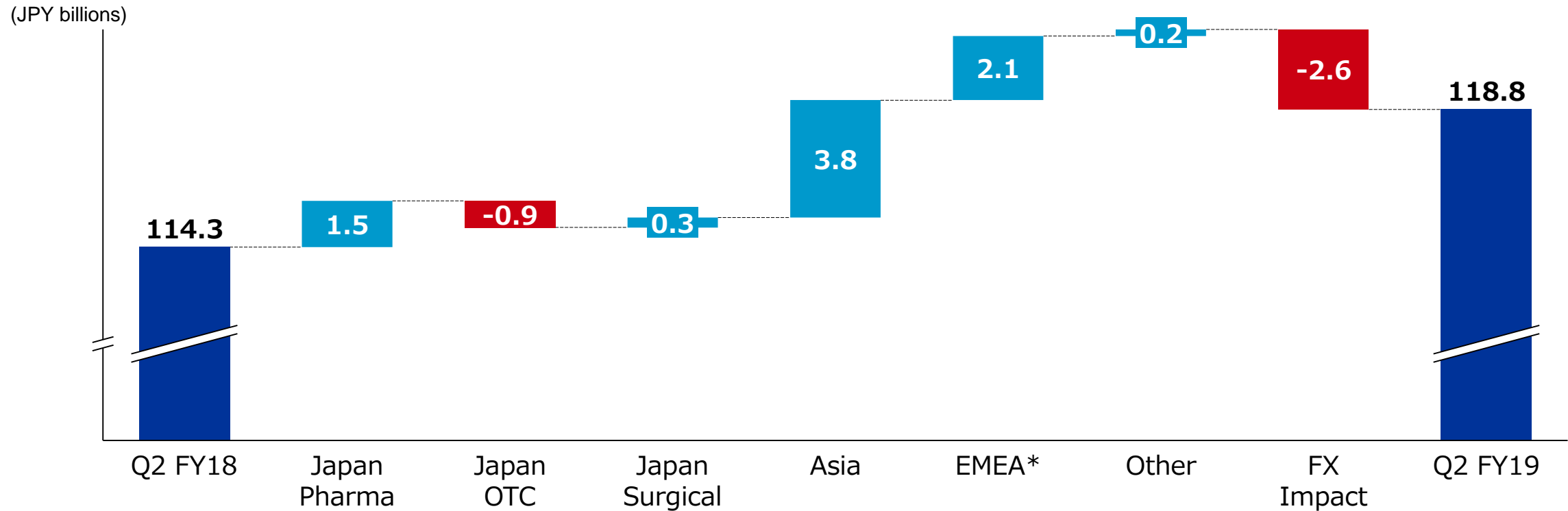
Temporary expenses increased due to the start of DE-128 amortization, and review of the timing and accuracy of milestone payments through development progress and business alliances.

Operating profit ⇒ Decreased by JPY1.8 billion (-8.7%)

Net profit ⇒ Decreased by JPY1.2 billion (-8.7%)

Q2 FY2019 Revenue

Double-digit sales growth in overseas (local currency basis) drove group sales



Japan

- Prescription Pharmaceuticals: Steady growth driven by *Eylea*** (+9.7%) and *Diquas* (+11.6%)
- OTC: Despite steady sales of premium products for the domestic market, revenue decreased due to sluggish overseas tourists' demands
- Surgical: *LENTIS Comfort*, newly launched in April providing comfortable vision in long and intermediate distance contributed to revenue

Overseas

- Asia : Strong sales in each country and region (JPY basis: China +17.1%, Korea +14.5%, Local currency basis: China +24.0%, South Korea +24.7%)
- EMEA* : Revenue increased 11.5% in € basis, while increased 4.1% in JPY due to the appreciation of JPY against €. *Tapcom* is driving growth.

Q2 FY2019 Income Statement

Revenue and profits (core basis) increased, however profits (IFRS) declined mainly due to DE-128 amortization.

(JPY billions)	Q2 FY18		Q2 FY19		YoY
	Actual	vs Revenue	Actual	vs Revenue	
Revenue	114.3		118.8		3.9%
COGS	45.8	40.0%	48.3	40.7%	5.5%
Gross margin	68.6	60.0%	70.5	59.3%	2.8%
SG&A expenses	33.5	29.3%	33.4	28.1%	-0.2%
R&D expenses	11.0	9.6%	11.4	9.6%	4.1%
<i>Core operating profit</i>	<i>24.1</i>	<i>21.1%</i>	<i>25.6</i>	<i>21.6%</i>	<i>6.2%</i>
Amortization on intangible assets associated with products	3.5	3.0%	4.9	4.2%	42.1%
Other income	0.3	0.2%	0.2	0.1%	-38.1%
Other expenses	0.1	0.1%	1.9	1.6%	--
Operating profit (IFRS)	20.8	18.2%	19.0	16.0%	-8.7%
Finance income	0.5	0.5%	0.5	0.4%	-5.3%
Finance expenses	1.6	1.4%	1.1	0.9%	-29.1%
Profit before tax	19.8	17.3%	18.4	15.5%	-7.0%
Income tax expenses	5.4	4.7%	5.3	4.4%	-2.5%
<i>Actual tax ratio</i>	<i>27.4%</i>		<i>28.7%</i>		
Net profit (IFRS)	14.4	12.6%	13.1	11.1%	-8.7%
Core net profit	17.8	15.6%	18.8	15.8%	5.6%

Impact of starting amortization of DE-128: +1.4

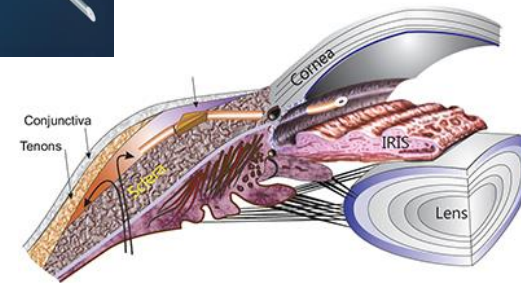
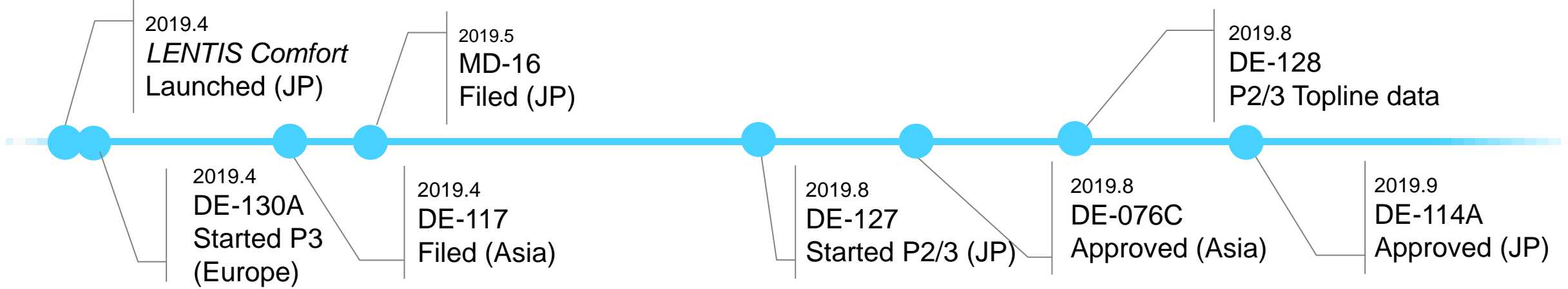
Revaluation of InnFocus contingent payment: +1.2

Since tax effect cannot be recognized on the expense from the change in the fair value of contingent payment (described above), income tax expense would not be reduced, resulting in an increase in actual tax rate.

Status of Research & Development

Q2 FY2019 Research and Development Highlights

Steady progress to expand the pipeline



The Current Status of Research and Development

Pipeline/product Development (1)

As of October, 2019
Updated information is underlined

	Indication	Region	Status
DE-111 <i>TAPCOM / TAPTIQOM</i> Combination of tafluprost and timolol maleate	Glaucoma / ocular hypertension	China	P3 <i>Plan: FY2020 P3 completion</i>
DE-117 <i>EYBELIS</i> EP2 receptor agonist	Glaucoma / ocular hypertension	US	P3 <i>Plan: FY2020 P3 completion</i>
		Japan	Launched
		Asia	Filed <i>Plan: FY2020 approval</i>
DE-126 FP/EP3 receptors dual agonist	Glaucoma / ocular hypertension	US	P2b
		Japan	
DE-128 <i>PRESERFLO MicroShunt</i>	Glaucoma	US	P2/3 <i>Plan: FY2019 PMA rolling submission completion, FY2020 launch</i>
		Europe	CE mark received
DE-130A Catioprost latanoprost	Glaucoma / ocular hypertension	Europe	P3 <i>Plan: FY2021 P3 completion</i>
		Asia	

The Current Status of Research and Development

Pipeline/product Development (2)

As of October, 2019
Updated information is underlined

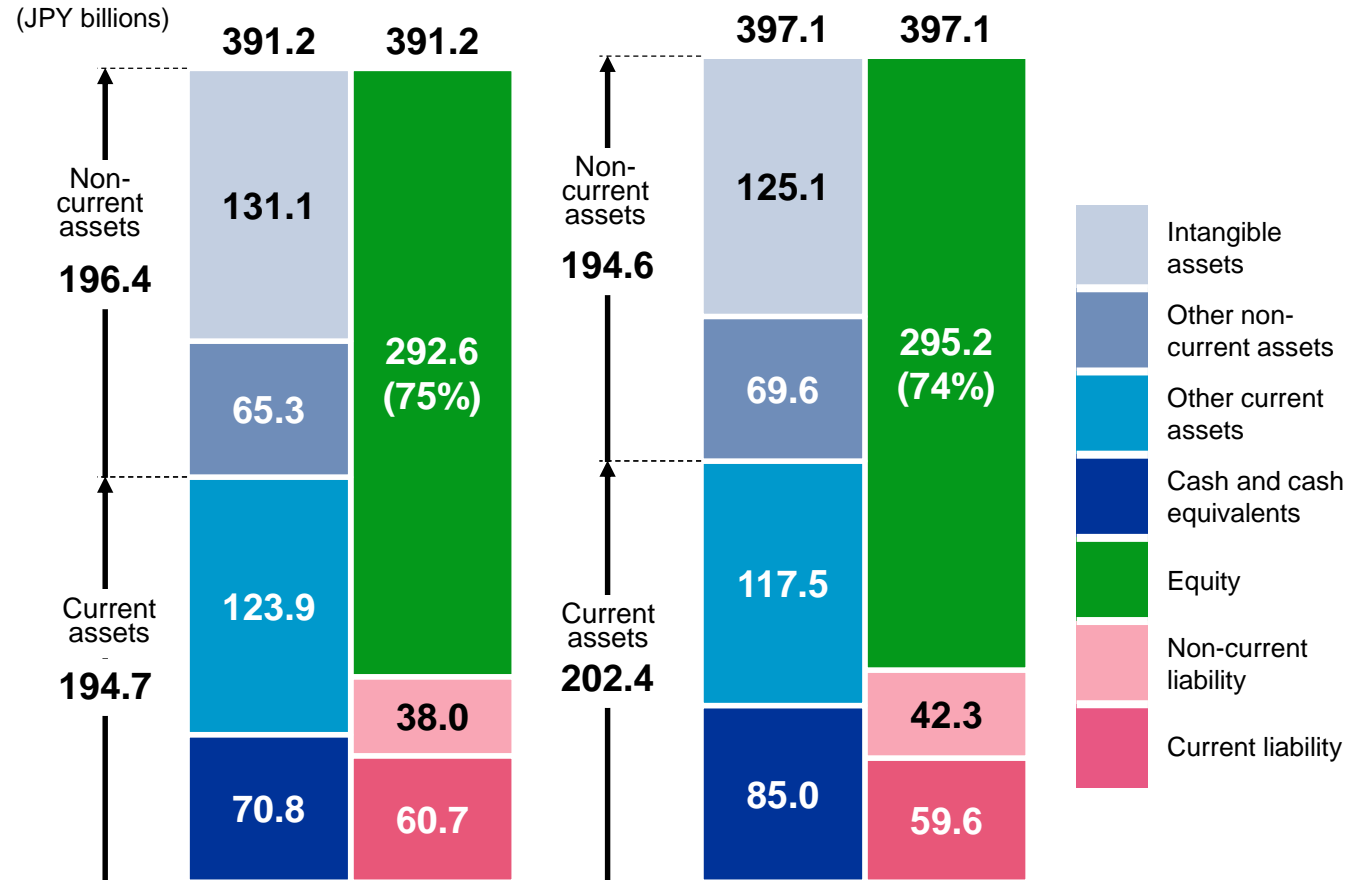
	Indication	Region	Status
DE-109 IVT sirolimus	Uveitis	US	P3 <i>Plan: FY2022 P3 completion</i>
		Japan	P3
		Europe	P3
		Asia	Filed
DE-122 Anti-endoglin antibody	Wet age-related macular degeneration	US	P2a <i>Plan: FY2019 P2a completion</i>
DE-076C Vekacia / Verkazia ciclosporin	Vernal kerato-conjunctivitis	Europe	Launched
		Asia	<u>Approved of expanded indication to <i>Ikervis</i> in Aug 2019 in Taiwan</u>
		Others	Approved, <i>Plan: FY2019 launch</i>
DE-114A epinastine HCl (high dose)	Allergic conjunctivitis	Japan	<u>Approved in Sep 2019</u> <i>Plan: Nov 2019 NHI price listing and launch soon after</i>
DE-127 atropine sulfate	Myopia	Japan	<u>Started P2/3 in Aug 2019</u> <i>Plan: FY2023 P2/3 completion</i>
		Asia	P2 <i>Plan: FY2019 P2 completion</i>
MD-16 Intraocular lens	Cataract	Japan	Filed <i>Plan: FY2019 approval</i>

Appendix

Q2 FY2019 Financial Position

March 31, 2019

September 30, 2019



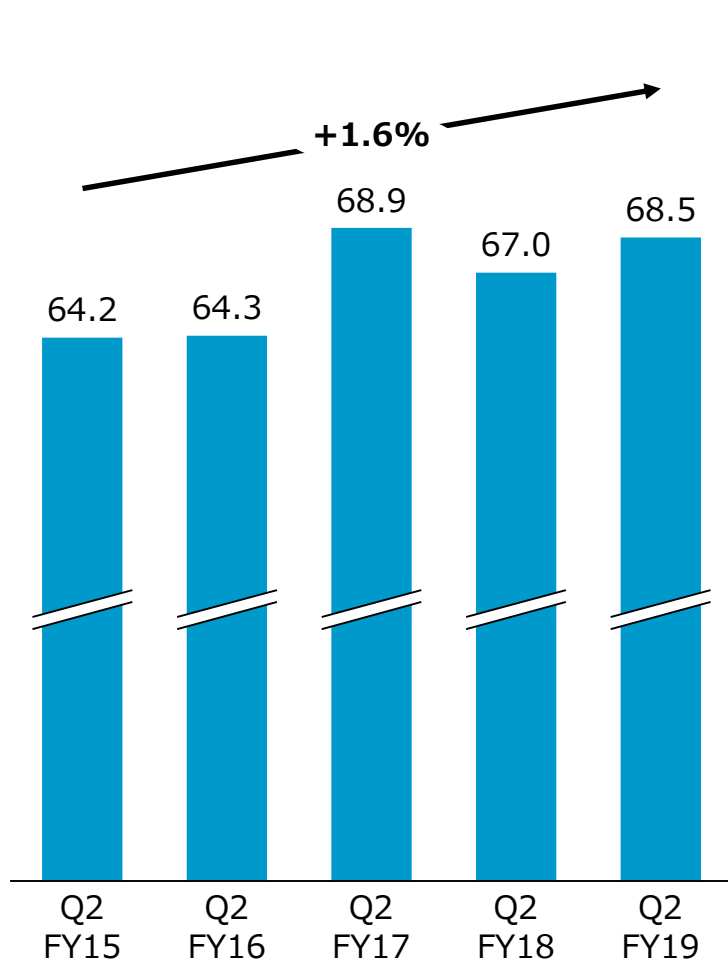
	March 31, 2019	September 30, 2019	Change
Non-current assets	196.4	194.6	-1.8
Property, plant and equipment	31.7	38.3	6.6
Intangible assets	131.1	125.1	-6.0
Financial assets	30.0	27.4	-2.7
Other	3.6	3.9	0.3
Current assets	194.7	202.4	7.7
Inventories	35.2	33.7	-1.6
Trade and other receivables	84.6	78.3	-6.3
Cash and cash equivalents	70.8	85.0	14.2
Other	4.1	5.5	1.4
Equity	292.6	295.2	2.6
Non-current liabilities	38.0	42.3	4.3
Financial liabilities	3.6	4.1	0.5
Long-term payable	19.7	20.7	1.1
Deferred tax liabilities	9.4	7.7	-1.6
Other	5.3	9.7	4.4
Current liabilities	60.7	59.6	-1.1
Account payable (trade)	32.1	31.4	-0.7
Other financial liabilities	12.1	14.0	1.9
Income tax payable	7.2	6.3	-0.9
Other	9.3	7.9	-1.4

Q2 FY2019 Revenue (Japan)

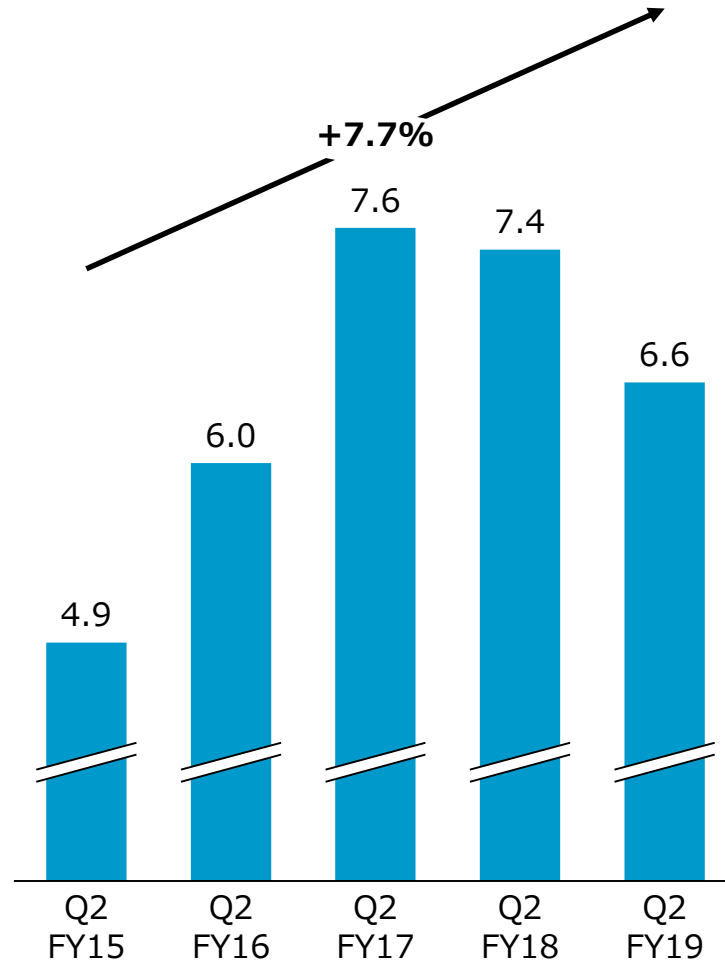


【Japan Pharma】

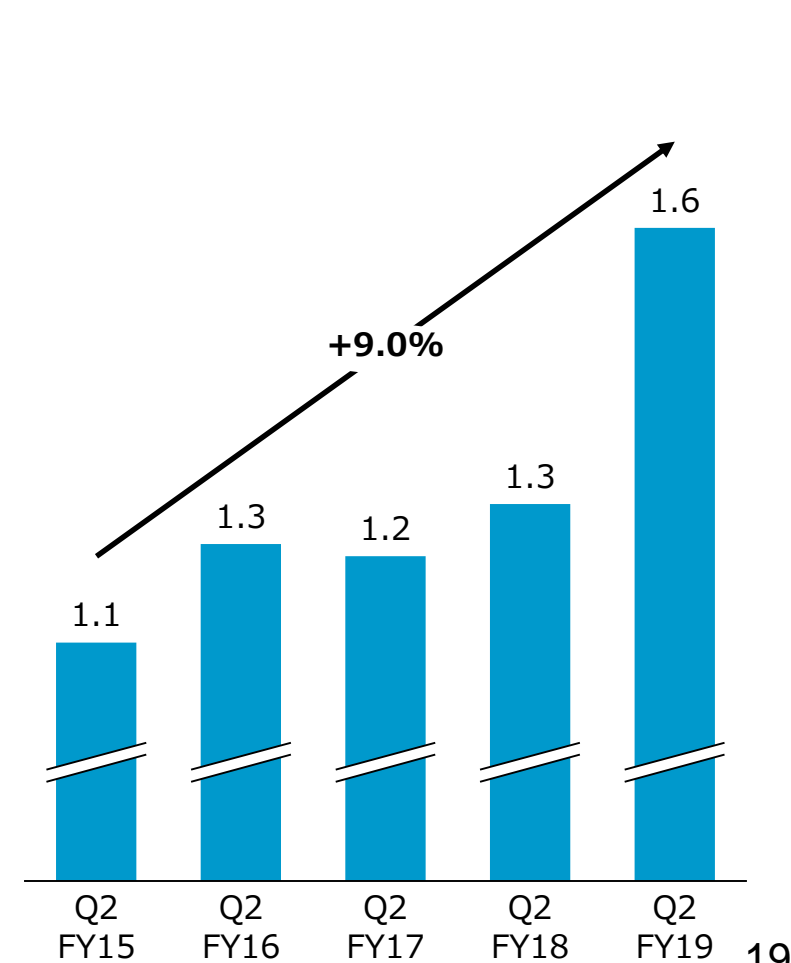
(JPY billions, CAGR)



【OTC】



【Surgical】

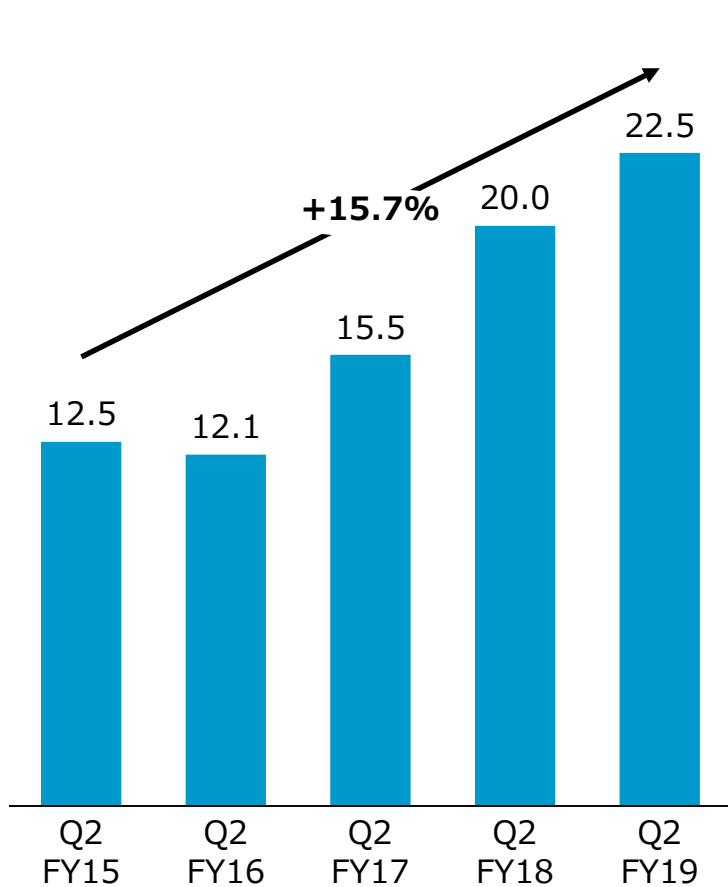


Q2 FY2019 Revenue (Asia)



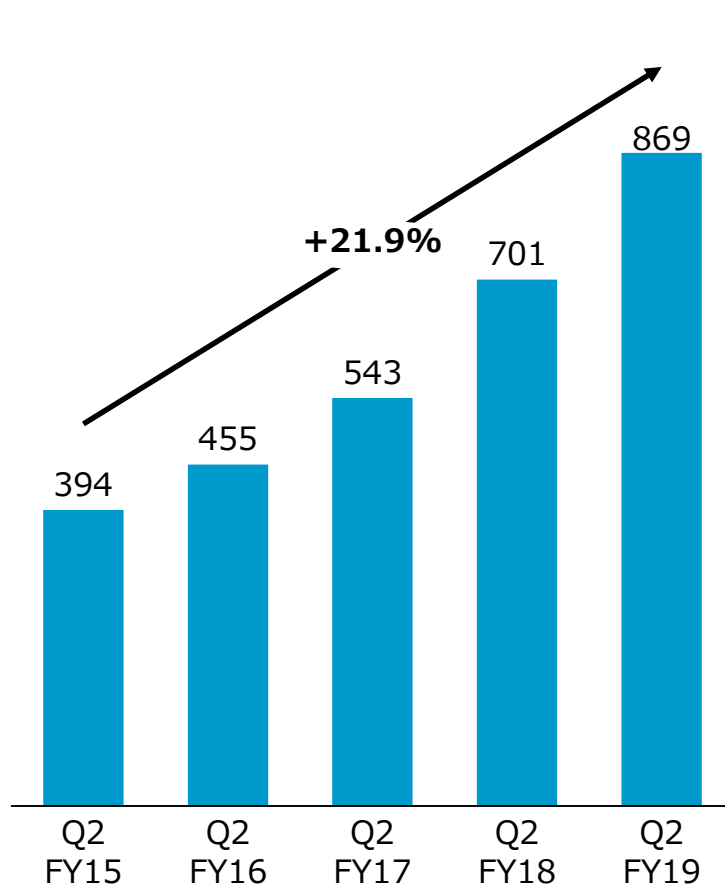
【JPY Basis】

(JPY billions, CAGR)



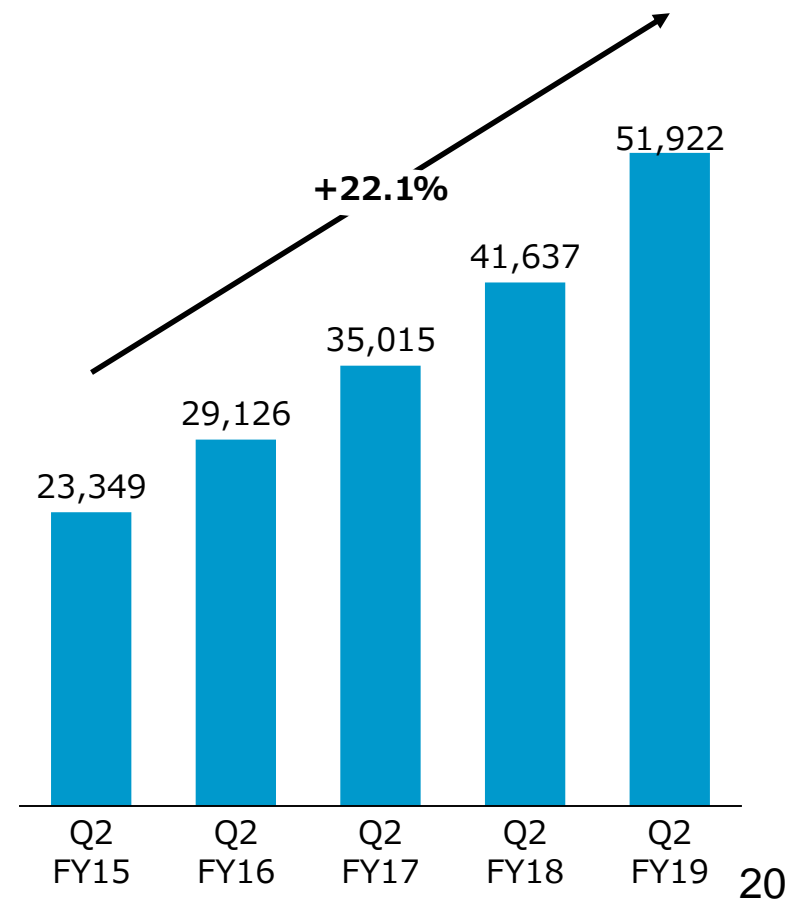
【China : Local Currency Basis】

(CNY millions, CAGR)



【Korea : Local Currency Basis】

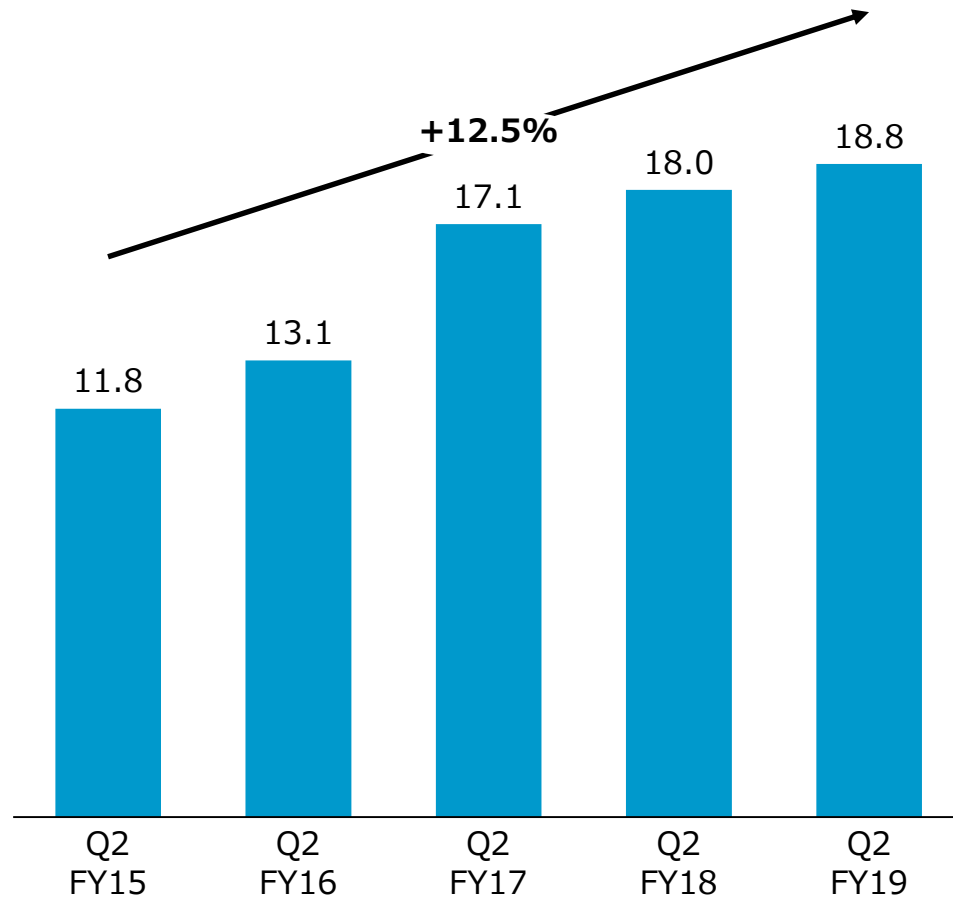
(KRW million, CAGR)



Q2 FY2019 Revenue (EMEA*)

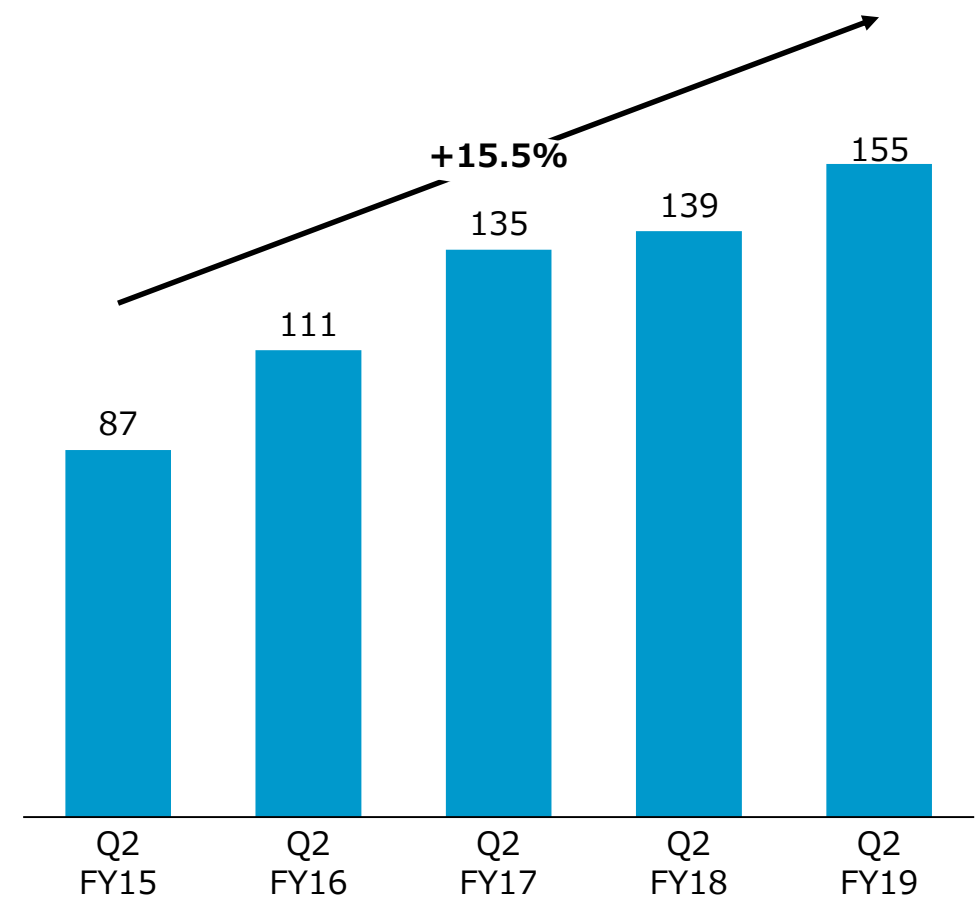
【JPY Basis】

(JPY billions, CAGR)



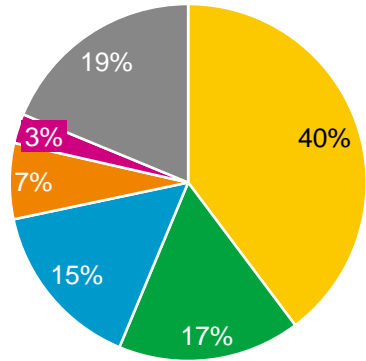
【EURO Basis】

(EUR millions, CAGR)



Q2 FY2019 Revenue by Area

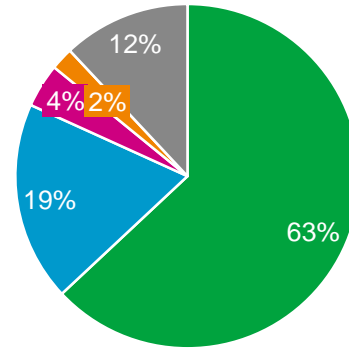
Japan



(Billion JPY)	
Eylea*	30.8
Diquas	7.8
Alesion	4.9
Others	33.9
Total	77.3

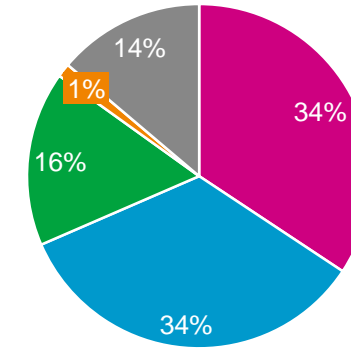
Eylea*: Co-promoted product of Bayer Yakuhin, Ltd. (MAH)

EMEA



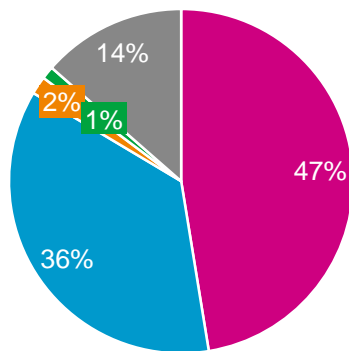
(Billion JPY)	
Cosopt	4.6
Tapros	3.2
Ikervis	1.4
Others	9.2
Total	18.4

Asia



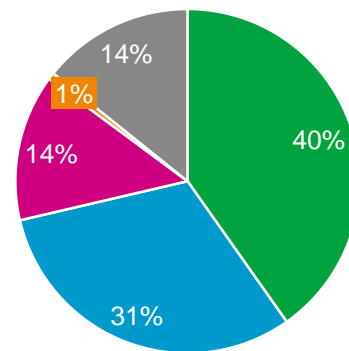
(Billion JPY)	
Cravit	6.8
Hyalein	6.0
Cosopt	2.0
Others	7.7
Total	22.5

China



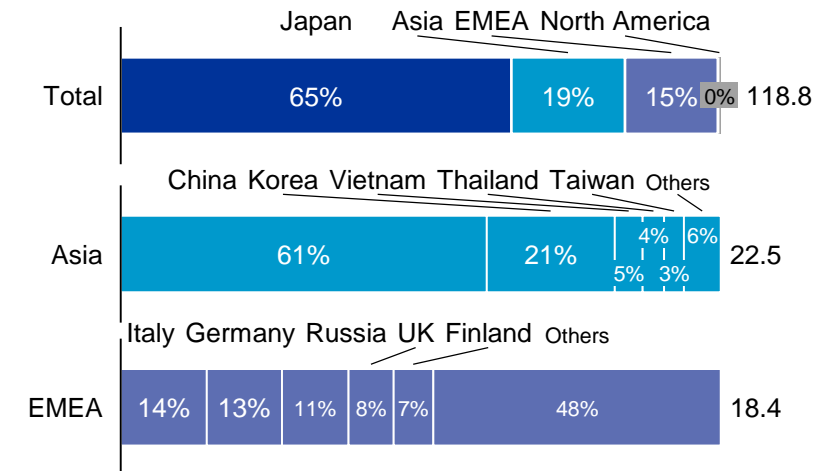
(Billion JPY)	
Cravit	6.0
Hyalein	4.9
Flumetholon	0.8
Others	2.1
Total	13.7

Asia (Ex. China)



(Billion JPY)	
Cosopt	2.0
Diquas	1.2
Hyalein	1.1
Others	4.5
Total	8.8

Revenue by business segment (Bil JPY)



■ Intravitreal VEGF inhibitor
 ■ Glaucoma/Device
 ■ Dry eye
 ■ Allergy
 ■ Bacterial conjunctivitis
 ■ Others

The logo for Santen features a stylized 'S' in a light blue color, followed by the word 'Santen' in a bold, dark blue sans-serif font.

A Clear Vision For Life™