



FY2023-2025

**New Medium-Term
Management Plan**

April 13, 2023

Santen Pharmaceutical Co., Ltd.

■ Agenda

1. Medium- to Long-term growth policy and Medium-term objectives
2. Growth Strategy
 - Until FY2025: Improve profitability and maximize sales across regions
 - FY2026 onward: Value contribution through large-scale pipelines
 - Framework to support growth strategies
3. Capital Allocation
4. ESG Initiatives

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CORE PRINCIPLE and WORLD VISION

CORE PRINCIPLE

天機に参与する

Tenki ni sanyo suru

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

WORLD VISION

Happiness with Vision

The Happiest Life for every individual, through the Best Vision Experience

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

Fundamental strategy & organization revision to maximize people & patient-value contribution related to “Prescription Pharmaceuticals Business” (Rx business)






Business conditions are different from FY2021, MTP2025 kickoff

MTP2025's main strategies/measures

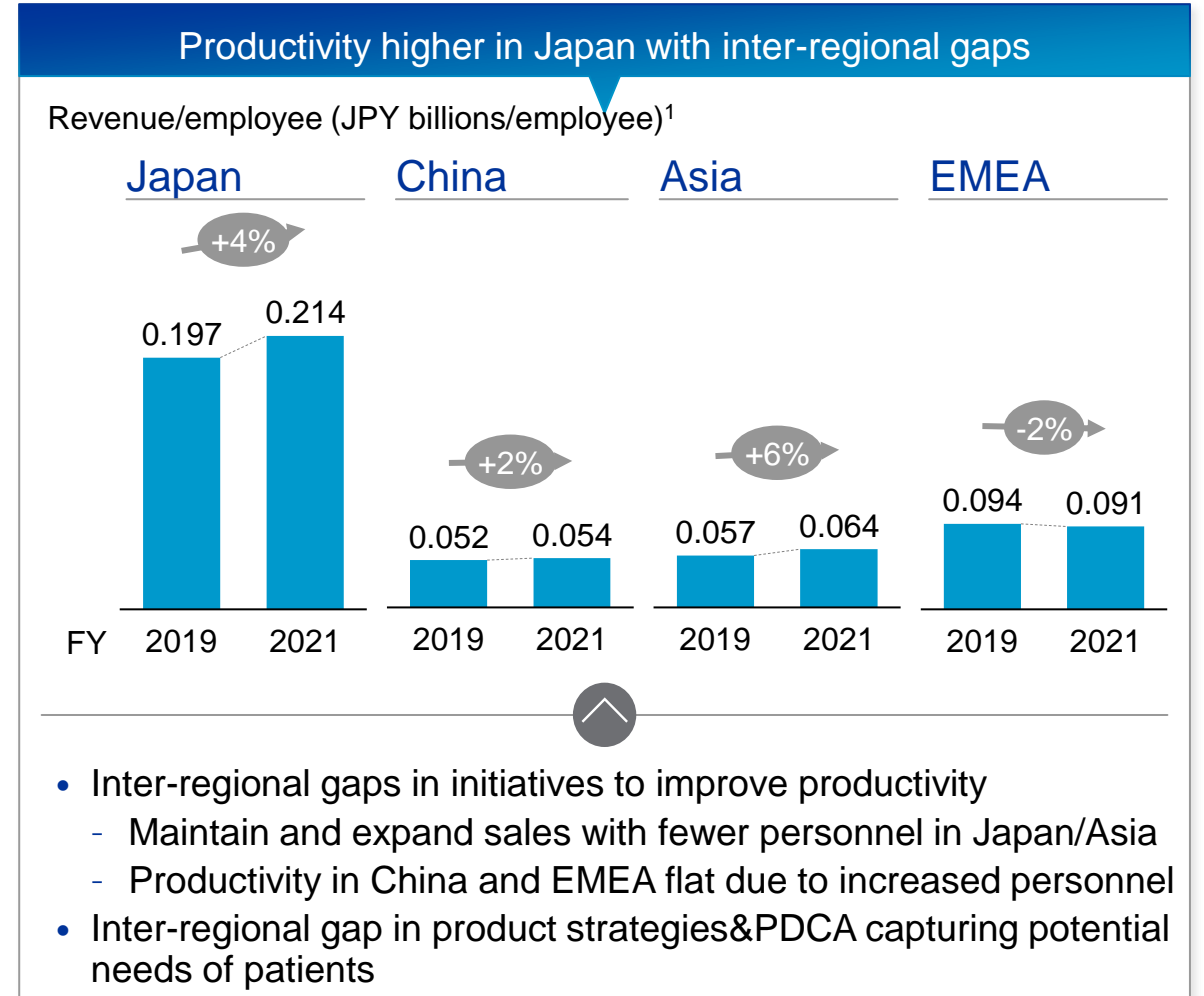
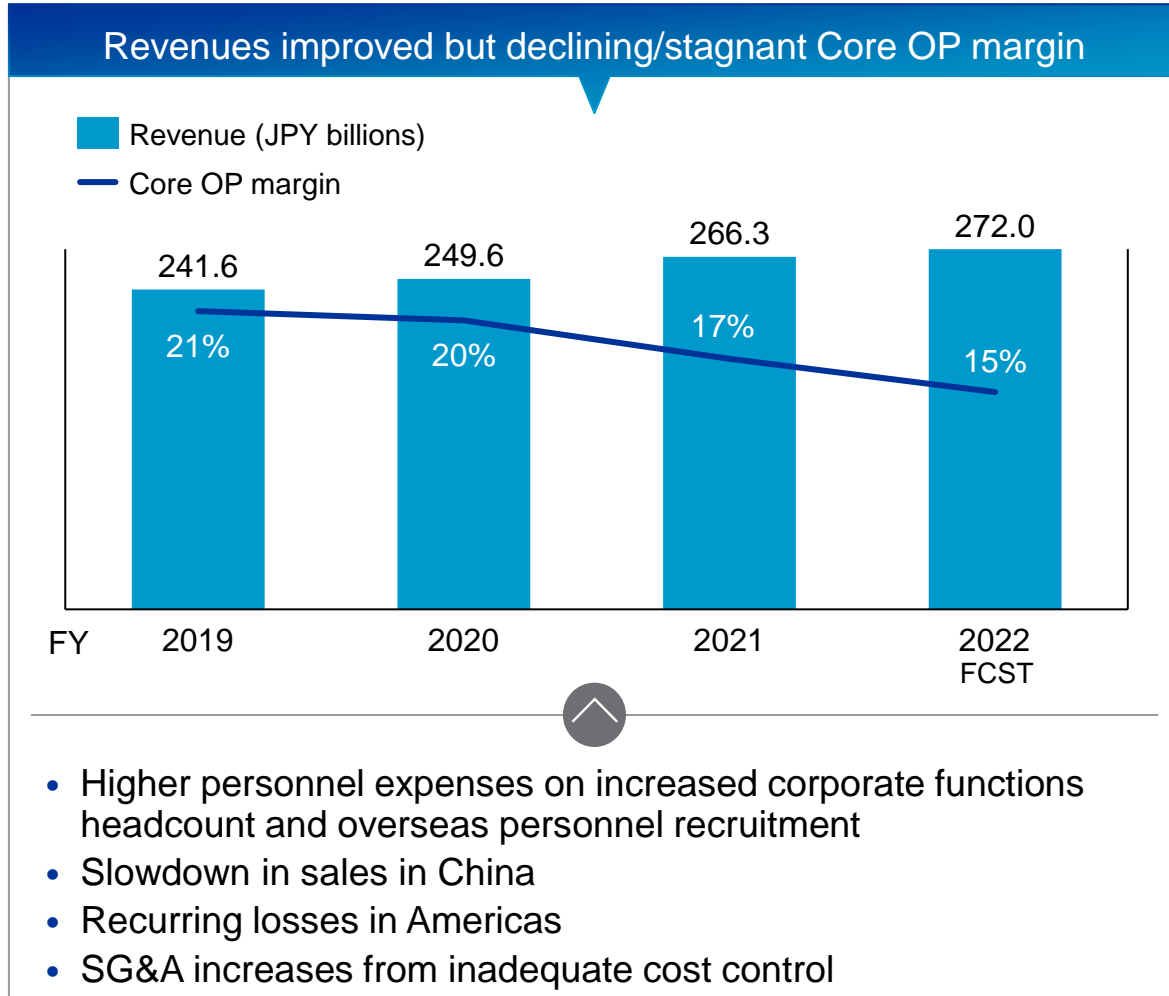
Current situation

+ : Positive - : Negative

<p>A</p>  <p>Profit ratio improvement in core businesses</p>	<p>1 Profit maximization in each region</p>	<p>+ Sales growth in each region</p> <p>+ Increase in productivity, especially in Japan and Asia</p> <p>- Decline in profit growth rate (Impact of COVID-19, pressure on drug prices/LoE)</p>
<p>B</p>  <p>Expansion of new areas</p>	<p>1 Establishment of revenue structure in Americas</p> <p>2 New diseases / other upsides</p>	<p>- Recurring losses in Americas</p> <p>- Decision to maximize streamlining</p> <p>- Development of new areas slower than initial expectations</p>
<p>C</p>  <p>Strengthening of foundation as a global company</p>	<p>1 Strengthening of product development capabilities</p> <p>2 Strengthening of product supply infrastructure</p> <p>3 Reflect strategies in company-wide financial KPIs and business KPIs</p> <p>4 Establishing global platform</p>	<p>- Cases of longer-than-expected development periods</p> <p>- Stock-out inventory risk. CMO dependency</p> <p>- Issues in budgeting, KPI-setting and monitoring</p> <p>- Postponed rollout of next generation ERP</p>

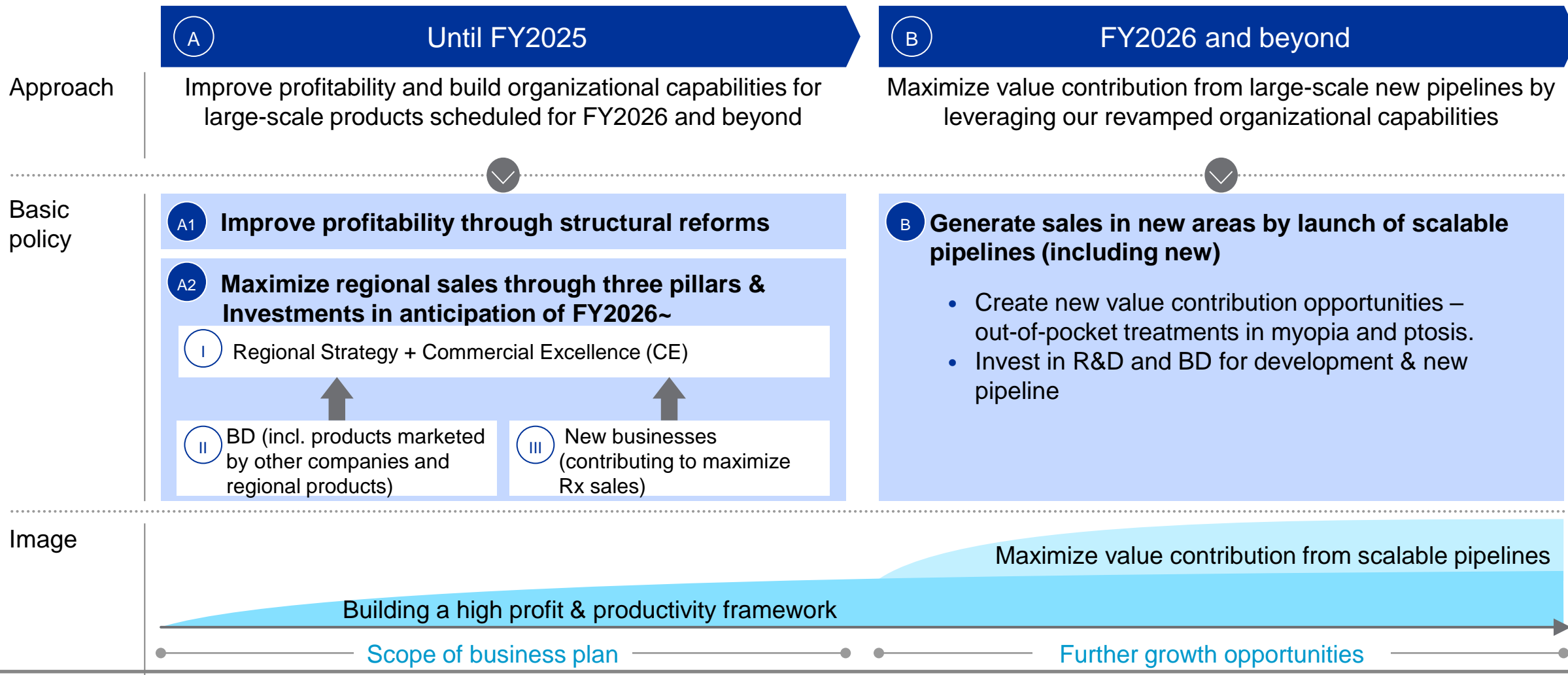
Declining profitability from corporate function expansion and investments

Inter-regional productivity gaps



1. Number of employees with commercial, strategy and other direct functions, excludes overhead departments. Excludes FX impact (based on FY2021 FX rate)

Profit maximization through structural reforms and sales maximization of each region ~FY2025 to lay the groundwork of a new framework for FY2026~



Pipeline snapshot

~FY2025 Existing therapeutic areas with LCM and new products

FY2026~ New areas with scalability- myopia and ptosis

■ : LCM products
 ■ : Drug with a new active ingredient/Medical device

	A ~FY2025				B FY2026 onward				
Existing area ¹	Glaucoma	Eybelis PFUD ⁵ Asia	Rhopressa JP, Asia	Catioprost Asia, EMEA	STN1012600 JP	Eybelis PFUD CN	Roclanda PFMD ⁶ EMEA	STN1012600 CN, EMEA	MicroShunt CN
		Taptiqom CN	Rocklatan Asia			Catioprost PFMD EMEA	Rocklatan JP		
	Dry eye	Diquas LX Asia	Cationorm CN			Diquas LX CN	STN1014100 World wide (WW)		
	Allergy	Alesion LX Asia	Alesion Cream JP	Verkazia CN	Alesion is a registered trademark of Boehringer Ingelheim KG				
Infectious diseases	Duressa Asia								
New area ²	Myopia	STN1012700 JP	STN1012701 EMEA			STN1012700 CN, Asia	STN1013400 WW		
	Ptosis					STN1013800 JP, CN, Asia, EMEA			
	Presbyopia					STN1013600 WW			
	FECD ³					STN1010904 ⁷ (FECD)			
	MGD ⁴					STN1010905 (MGD) WW			
	Retinitis pigmentosa					jCell JP, CN, Asia, EMEA			

The pipelines listed here are only those for which disclosure has been agreed upon with each partner company. Not all planned pipelines or development regions are specified. The schedule is based on the best-case scenario assumed as of March 31, 2023, and does not guarantee launch. 1. Disease areas where our existing products already obtained indications. 2. Disease areas where there are no existing Santen products on the market with indications. 3. Fuchs Endothelial Corneal Dystrophy 4. Meibomian Gland Dysfunction 5. Preservative Free Unit Dose 6. Preservative Free Multi Dose 7. Santen holds the exercise option for exclusive implementation rights for this program. This project code is a planned code number that will be assigned after Santen obtains exclusive implementation rights upon completion of Phase II clinical trials.

Improving profitability including growth in overseas revenue per employee and delivering stable dividends

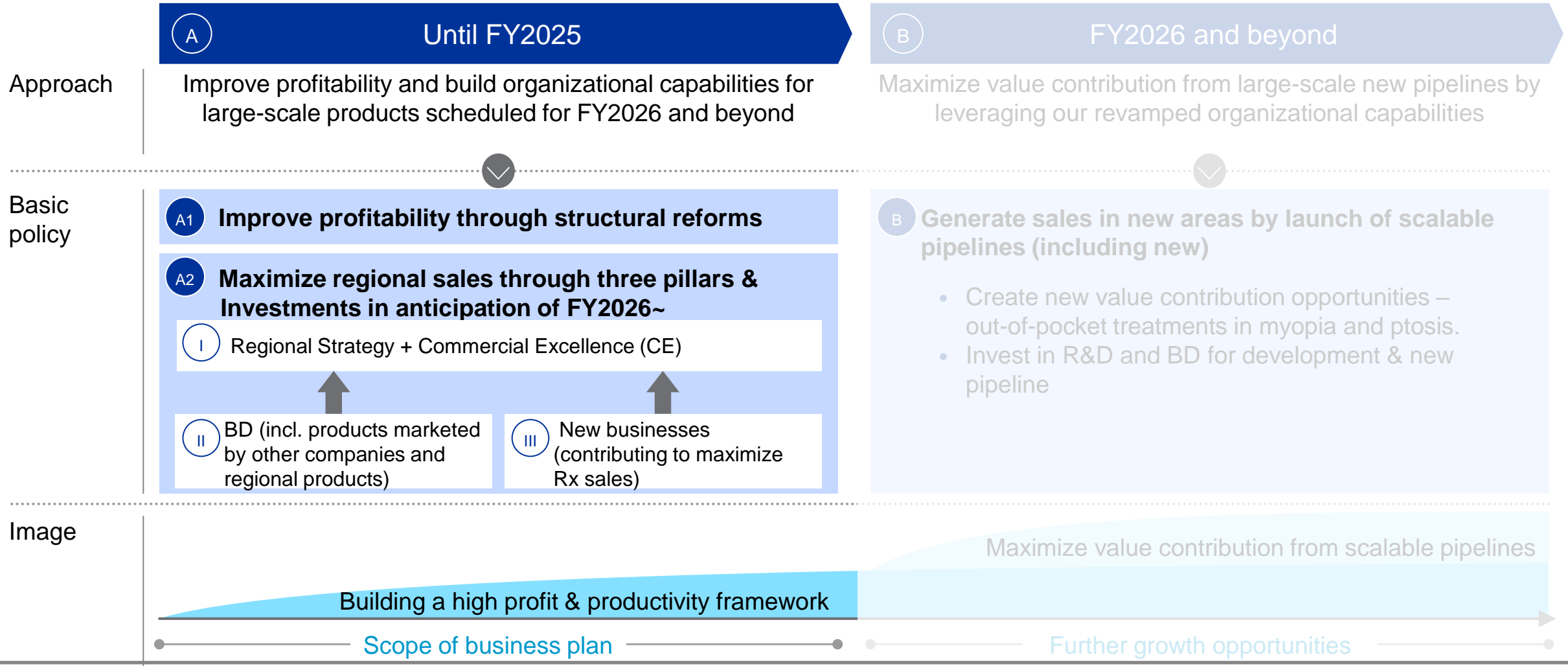
KPI	~FY2022 FY2022 FCST (as of February 7, 2023)	New MTP (~FY2025) FY2025 Targets
	<ul style="list-style-type: none"> Global expansion of core businesses 	<ul style="list-style-type: none"> Improve profitability based on structural reforms and maximizing sales in each region Build an organizational capabilities to serve as a foundation for growth FY2026 and beyond
Revenue	JPY 272.0 bil.	JPY 280.0 bil.
Core operating profit/margin	JPY 41.0 bil./ 15%	JPY 56.0 bil./ 20%
Revenue growth ratio per overseas employee ¹	-1% (CAGR for FY19-22 FCST)	Over 7% growth (CAGR for FY22FCST-25)
Core ROE	10%	13%
Growth rate of core EPS	-4.1% (CAGR for FY19-22FCST) (FY22FCST: JPY 79.5)	Over 10% (CAGR for FY22FCST-25)
Shareholder returns	Annual dividend per share JPY 32 +Share buyback JPY 25.7 bil. (FY22)	Goal to increase annual dividend with current JPY 32 as the floor + Opportunistic share buybacks as capital adjust.

1. China, Asia and EMEA. Excluding FX impact. Calculated based on FY2022 FX rate for up to FY2022, on New MTP rate for FY2023-2025

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Profit maximization through structural reforms and sales maximization of each region ~FY2025 to lay the groundwork of a new framework for FY2026~



Promoting four structural reforms in a downward pressure environment on earnings

Downward pressure on earnings



Patent cliff for large-scale products



Absence of large-scale new products



Inflationary cost increases



Increasing pressure on drug prices/LoE



Decline in consultations due to COVID-19

Structural reforms

Maximize streamlining of Americas

Optimize, factoring in recurring loss and current pipelines



Investment review

Optimize investments: Carefully examine IT or other large-scale investments



Cost optimization

Optimize each cost with a rigorous "zero-based" approach







Productivity improvement

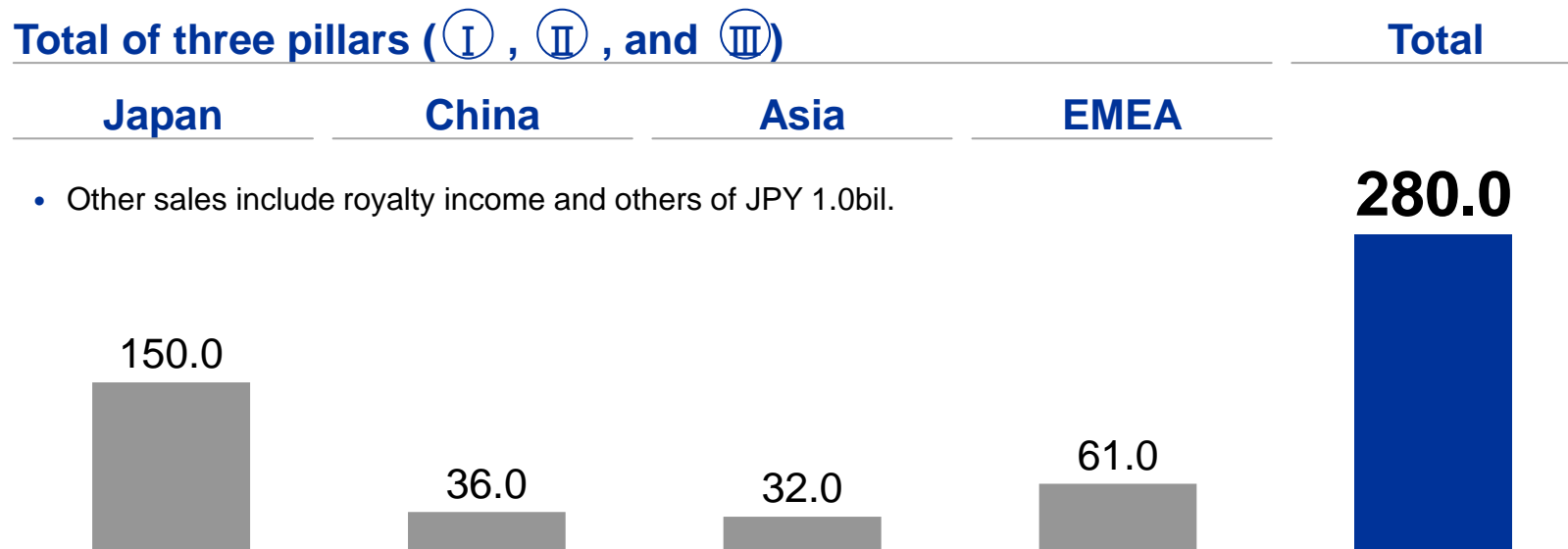
Optimization In line with current organizational status of overall company



Structural reforms in progress - In fine JPY 15bil. scale improvement expected in profit contribution by thorough FY2023 implementation

Summary		Expected timeline			Expected effect
		FY22	FY23	FY24 onward	(FY25/year)
Maximize streamlining of Americas 	Maximize streamlining of low-profit regions to secure investment resources for other regions	Prep.	Execution	Generate impact & contribute to profits	~JPY 8.0bil.
Re-assessment of investments 	Review past investments to reflect suitable scale and timeline to match ROI/invest in new opportunities after scrutinizing ROI	Prep.	Execution	Generate impact & contribute to profits	
Cost optimization 	Return to an appropriate cost level by tightening operating rules and reviewing purchasing methods	Prep.	Execution	Generate impact & contribute to profits	~JPY 7.0bil.
Productivity improvement 	Transition to an optimum organization in line with our growth strategy	Prep.	Execution	Generate impact & contribute to profits	

Revenues of JPY 280.0bil. and core OP of JPY 56.0bil. targeted in FY2025 through structural reforms and maximizing regional sales with three pillars



CAGR¹ (FY2022-2025)	- 5%	18%	12%	6%	1%
Change¹ (vs. FY2022FCST)	- 235	+140	+95	+105	+80
Market CAGR² (FY2022-2025)	- 5%	2%	2%	2%	0%

Core OP
JPY
56.0bil.

Profit margin
20%

[vs. FY2022 FCST]
+5pt

1. Based on forecast for FY2022 as of Feb 7, 2023. Calculated based on the exchange rates for each fiscal year. 2. Based on Santen estimation using FY2022 forecast. Calculations for China, Asia, and EMEA exclude the retinal disease area. Calculations for Asia and EMEA are based on main sales countries.

Abundant growth opportunities for Santen's value contribution

Basic policy		Key growth opportunities				Potential patient pool
		Target disease ¹	Summary			(mm ppl) ²
Japan	Maintain and further strengthen as a base market	GL DE AL O	Address unmet needs related to QOL ³ (instillation burden, etc.)			Approx. 20
		GL DE AL O	Market development by improving rate of continued consultations			Approx. 0.6
		GL DE AL O	Improve treatment continuation rate by improving patient satisfaction			Approx. 5
China	Focus with long-term perspective on market expansion	GL DE AL O	Channel expansion into out-of-pocket medical treatment			Approx. 200 ⁴
		GL DE AL O	Channel expansion beyond large hospitals			Approx. 10 ⁵
		GL DE AL O	Early detection of undiagnosed patients and guidance for appropriate medical care			Approx. 200 ⁶
Asia	Build on further the strong South Korean market, and nurture the 2 nd largest market in the region	GL DE AL O	Market development through a higher rate of continued consultations			Approx. 0.2
		GL DE AL O	Market development for potential patients who have yet to undergo treatment			Approx. 30 ⁶
		GL DE AL O	Expand prescription of cyclosporine for patients with inflammation			Approx. 3
		GL DE AL O	Capture the self-medication market			Approx. 40 ⁷
EMEA	Build on market presence by strategic prioritizations and productivity improvements	GL DE AL O	Maintain and expand prescription opportunities in Rx area			Approx. 3
		GL DE AL O	Capture untreated patients in the surgical field			Approx. 0.2
		GL DE AL O	Maximizing prescription opportunities of cyclosporin			Approx. 2
		GL DE AL O	Expansion in eye care segment utilizing digital tools			Approx. 60 ⁷

We are not expecting profits from business activities in the Americas by FY2025

1. GL: Glaucoma; DE: Dry eye; AL: Allergy; O (Others): retinal diseases/infectious diseases, etc. 2. Estimated by Santen. Round to one significant digit using rounding off 3. Quality of life 4. Includes OTC users in optometry/pharmacy. OTC users numbers are calculated by the sum of potential patients (population × total prevalence excluding patients treated with Rx drugs) and patients who gave up treatment. 5. Includes patients who attend hospitals other than tier 3 in the relevant area. 6. Includes potential patients. 7. Target OTC users

Maintain and strengthen Santen's presence by launching new products to address unmet needs and market expansion



Basic policy based on the current situation



Maintain and further strengthen as a base market

- Largest market size among the countries and regions where we operate (JPY 371.9bil.¹), but the market is gradually contracting
- Temporary sales decline expected due to LoE/generic erosion
- That said, positioned to lead the industry with No. 1 market share (52.2%)¹,



Growth opportunities and measures

Growth opportunities²

GL Address unmet needs related to QOL (instillation burden, etc.)
 DE
 AL • Treatment discontinuation due to high instillation burden, etc.
 O

Potential pool³

Approx. 20mm ppl

Examples of measures

Develop and market new formulation based on patient needs

GL Market development by improving rate of continued consultations
 DE
 AL • High self-drop out rate because of absence of subjective symptoms for glaucoma⁴
 O

Approx. 0.6mm ppl

Increase number of facilities which adopt the glaucoma treatment continuation tool (ACT Pack)

GL Improve treatment continuation rate by improving patient satisfaction
 DE
 AL • Issues with continuation rates with DE. Low rate possibly comes from low satisfaction⁵
 O

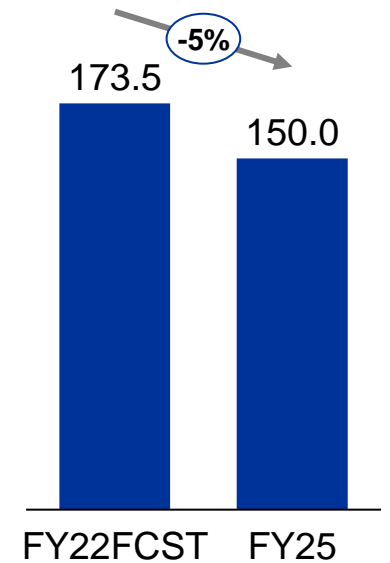
Approx. 5mm ppl

Increase number of facilities which install dry eye examination support system



Revenue

(JPY billions)



FY25 contribution profit ratio: 43%

1. Copyright © 2023 IQVIA. Santen analysis based on JPM 2021.4-2022.3 Reprinted with permission 2. Santen survey 3. Santen estimate 4. Kashiwagi, Kenji , Furuya, Toshie : Japanese journal of ophthalmology 58(1):68-74(2014) 5. Overview of Santen web research targeted to dry eye patients

Expand sales coverage and promote development of potential markets to increase market share in anticipation of market growth



Basic policy based on the current situation



Focus with long-term perspective on market expansion

- Room to expand in all existing disease areas
- Potential to become the largest market in myopia and ptosis FY2025 onward
- Strong presence as a major player with a market share of 13%¹ in the total ophthalmology market



Growth opportunities and measures

Growth opportunities²

GL	Channel expansion into out-of-pocket medical treatment
DE	
AL	<ul style="list-style-type: none"> • High Optometry Potential • Explore business opportunities outside public hospitals which are subject to restrictions from VBP/NRDL delisting
O	
GL	Channel expansion beyond large hospitals
DE	
AL	<ul style="list-style-type: none"> • Various medical access points exist beyond hospital channels
O	
GL	Early detection of undiagnosed patients and guidance for appropriate medical care
DE	
AL	<ul style="list-style-type: none"> • Higher proportion of undiagnosed patients than in other countries • Top share in PG⁴
O	

Potential pool³

Approx. 200mm ppl

Approx. 10mm ppl

Approx. 200mm ppl

Examples of measures

Expand efficient *Diquas* prescriptions through comprehensive approach to stakeholders, including physicians

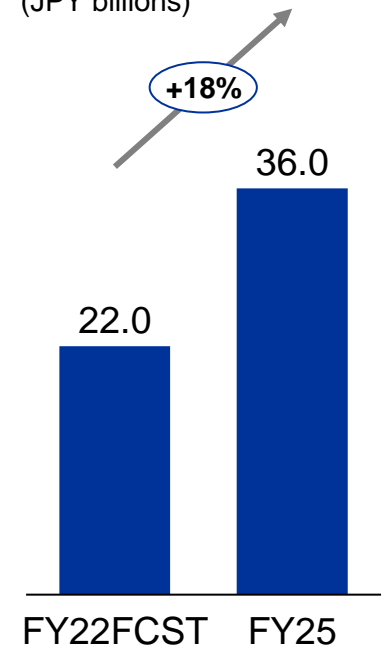
Leverage in-house resources and external partners (CSO) to increase sales through expansion of multi-channel coverage

Develop ecosystem with specialists and local partners by leveraging brand presence



Revenue

(JPY billions)



FY25 contribution profit ratio: 40%

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Accelerate business expansion in glaucoma and dry eye with focus on South Korea, Thailand and Vietnam as key markets



Basic policy based on the current situation



Build on further the strong South Korean market, and nurture the 2nd largest market in the region

- South Korea accounts for the majority of sales in Asia region¹
- High market share in Thailand and Vietnam with significant room for market growth
 - Thailand: approx. 30%² for glaucoma, Vietnam: approx. 40%² for infections, approx. 20%² for dry eye
 - Shift to OTC channels in dry eye area in Asia overall



Growth opportunities and measures

Growth opportunities³

GL DE AL O	Market development through a higher rate of continued consultations <ul style="list-style-type: none"> • Low patient satisfaction with treatment • Issue with continuation rates
GL DE AL O	Market development for potential patients who have yet to undergo treatment <ul style="list-style-type: none"> • Ratio of potential patient per population is more than twice that of Japan
GL DE AL O	Expand prescription of cyclosporine for patients with inflammation <ul style="list-style-type: none"> • Effective treatment for patients with inflammation is not yet established
GL DE AL O	Capture the self-medication market <ul style="list-style-type: none"> • Use of OTC is also common in Southeast Asia

Potential pool⁴

Approx. 0.2mm ppl

Approx. 30mm ppl

Approx. 3mm ppl

Approx. 40mm ppl

Examples of measures

Expand new products and digital tools by leveraging the No. 1⁵ presence in glaucoma

Expand *Diquas* prescription to patients with diseases that can also cause dry eye

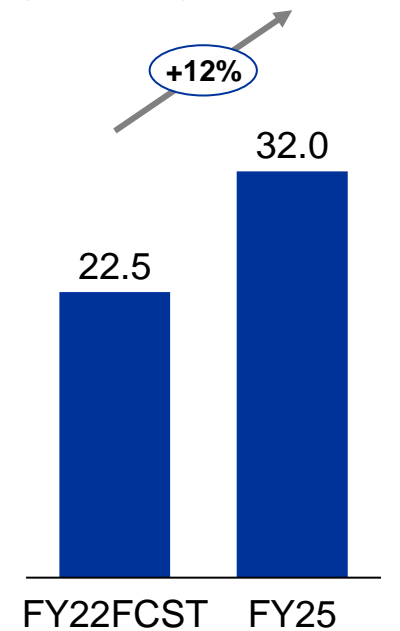
Establish an appropriate treatment flow for patients with complicated inflammatory conditions

Develop pharmacy channels by leveraging Rx presence



Revenue

(JPY billions)



FY25 contribution profit ratio: 40%

1. FY2022 forecast 2. Copyright © 2023 IQVIA. Santen analysis based on IQVIA MIDAS 2022.1Q-2022.4Q. Reprinted with permission 3. Santen survey 4. Santen estimate. Calculated based on South Korea, Thailand, and Vietnam as target countries. 5. Copyright © 2023 IQVIA. Santen analysis based on IQVIA MIDAS 2022.1Q-2022.4Q(excl. India). Reprinted with permission

Sales and share expansion by new and strategic product penetration mainly in EU5/Nordic with large growth opportunities



Basic policy based on the current situation



Build on market presence by strategic prioritizations and productivity improvements

- Santen's share of overall EMEA is approx. 10%¹. Further increases in presence expected in each country.
 - Santen's share in the Nordic region is high (39%¹) with room to maintain and improve No.1 position
 - EU5 accounts for majority of EMEA (63%²) with room for improvement in Santen products penetration
- New business opportunities in the Middle East³, as a promising market following EU5



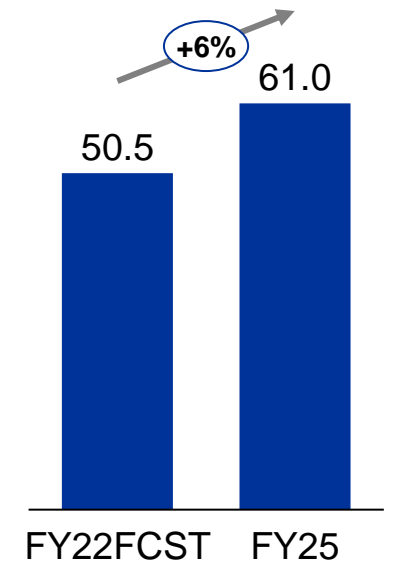
Growth opportunities and measures



Revenue

(JPY billions)

Growth opportunities ⁴	Potential pool ⁵	Examples of measures
GL DE AL O Maintain and expand prescription opportunities in Rx area <ul style="list-style-type: none"> • Significant room for expansion through opportunities to provide new treatment options 	Approx. 3mm ppl	Offer products covering all treatment stages Maintain No.1 ⁶ position in glaucoma area
GL DE AL O Capture untreated patients in the surgical field <ul style="list-style-type: none"> • Complete deployment in major countries with room for further penetration 	Approx. 0.2mm ppl	Promote minimally-invasive device in moderate and severe stages
GL DE AL O Maximizing prescription opportunities of cyclosporin <ul style="list-style-type: none"> • Appropriate treatment flow for patients with inflammation not established 	Approx. 2mm ppl	Improve adherence by enhancing awareness of early/long-term treatments
GL DE AL O Expansion in eye care segment utilizing digital tools <ul style="list-style-type: none"> • High self-medication ratio for the early treatment for dry eye 	Approx. 60mm ppl	Develop new Go-to-Market models, build <i>Ocutears</i> brand



FY25 contribution profit ratio: 33%

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Opportunities to improve commercial excellence (“CE”) across regions

CE Process

Current status and improvement opportunities in overseas regions



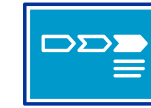
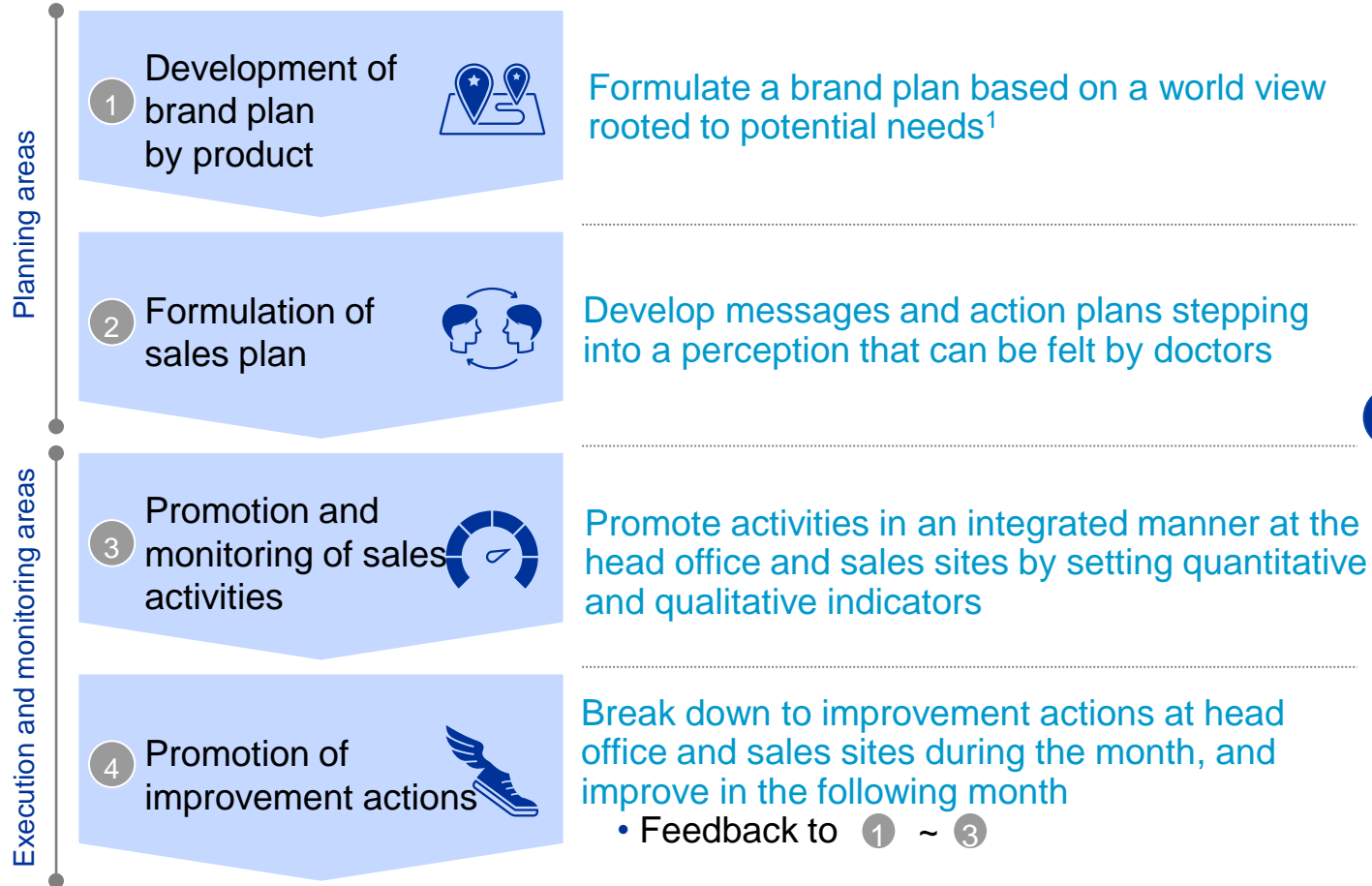
Fully leverage learnings from Japan that implemented CE since FY2012

Establish region-specific "Optimized Commercial Excellence" by fully utilizing know-how acquired in Japan

CE Process

Vision of Santen

Know-how and assets in Japan that can be utilized



Established methods



Standardized framework



Human talent which led CE introduction

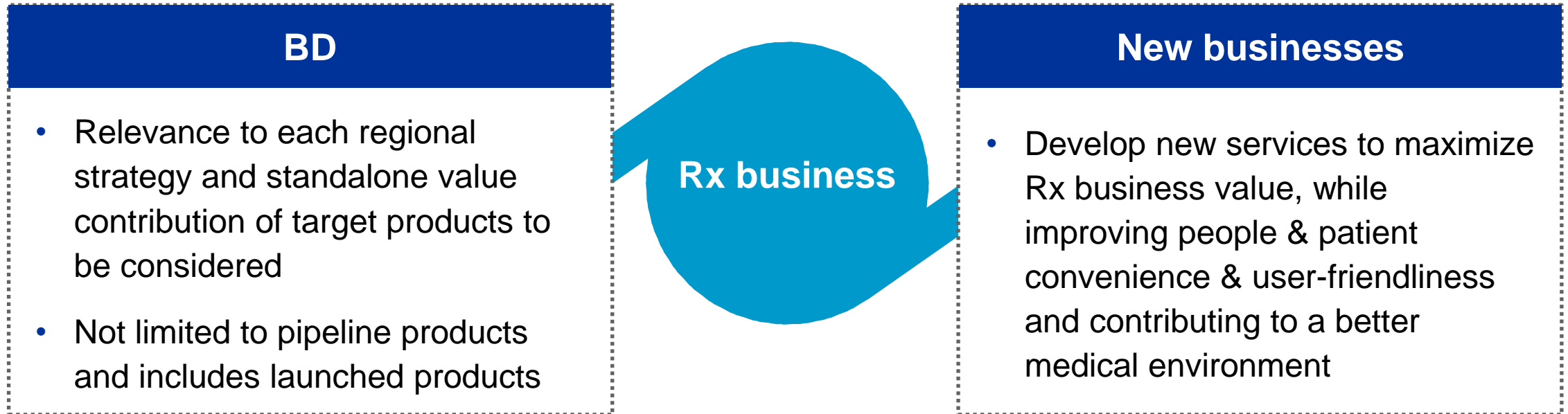
1. Potential need refers to the gap between the ideal treatment and the status-quo based on Santen drugs.

Promoting BD/New businesses towards maximizing regional sales



Guidelines for BD and new business considerations

- Promote products and services development tailored to patients' and medical professionals' needs, placing a focus on relevance to regional business strategies. As a result, expanding the value contribution Santen makes to treatment flows in each relevant area
- Decisions to be made upon thorough assessment on profit contribution from invested capital



Assess and promote new service development based on unmet people & patient needs with two approaches to maximize new products sales

Unmet needs¹ of consumers/patients in the ophthalmology area

Convenience

- High burden of initial consultation and continuation
- Long waiting times for medical consultations etc.

Status of diagnosis/treatment

- Low patient consultation/treatment continuation rate
- Unestablished diagnosis and treatment based on guidelines

Approaches

Provide services to enhance convenience of medical care using digital technology



Develop and deploy solutions to promote treatment reform




Benefits to Santen

Establish appropriate medical care flow towards expanding Rx sales

- Solution development and deployment
- Develop treatment infrastructure for out-of-pocket

Generate standalone sales from provided service

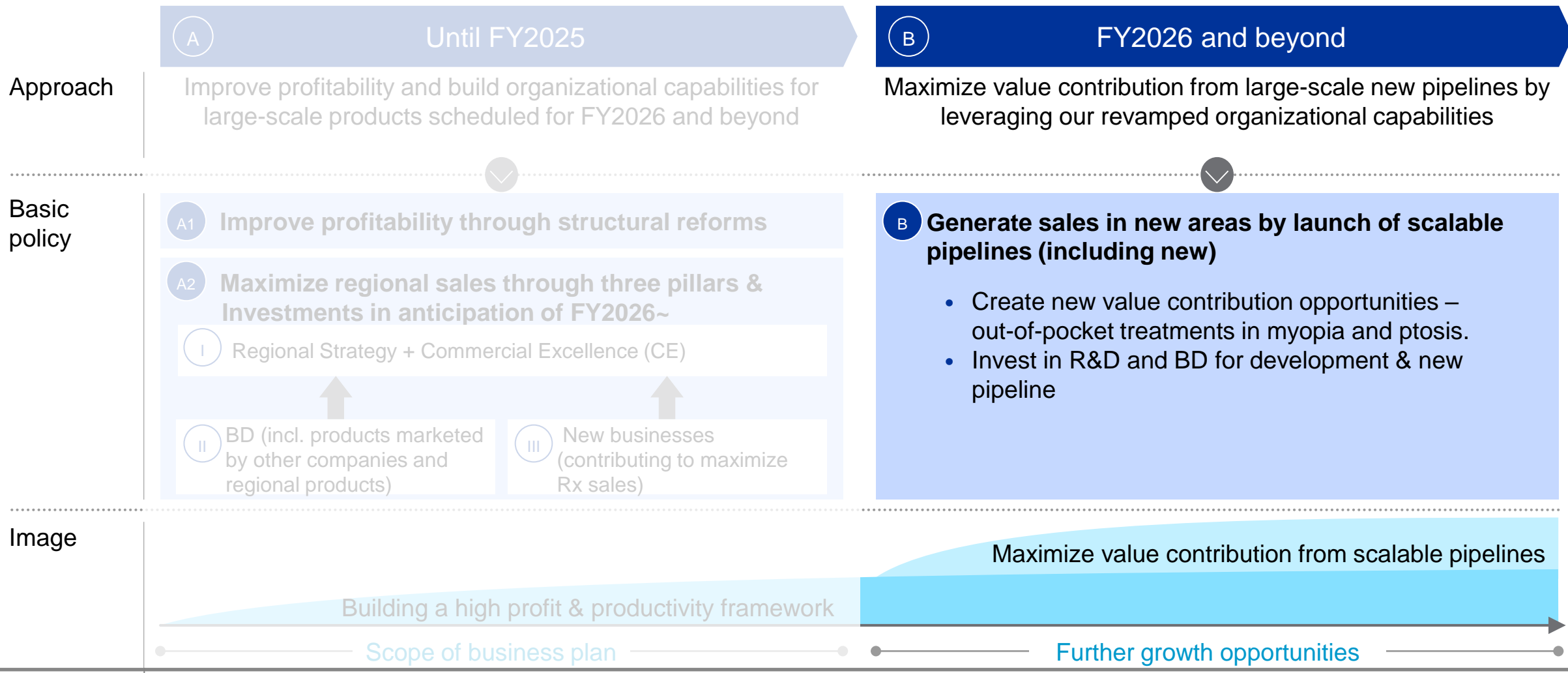



1. Santen survey

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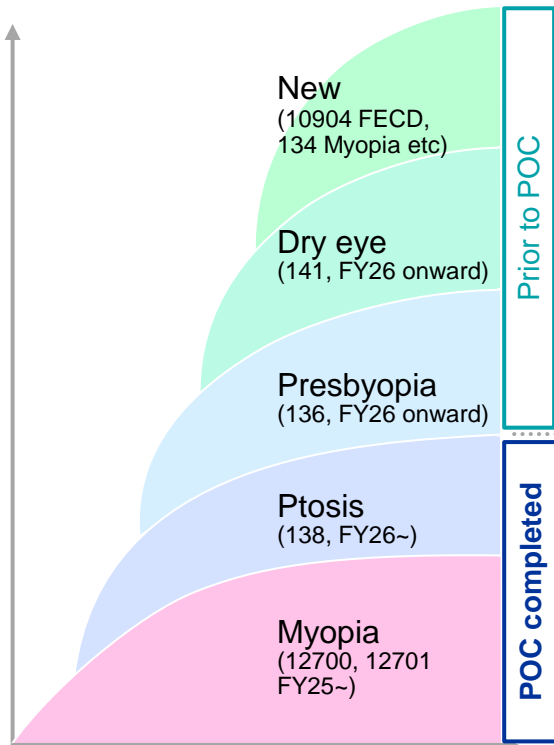


Launch of promising scalable pipelines across regions FY2026~ to maximize value contribution to patients globally

Major pipelines

Expected value contribution to patients

Total pipeline peak sales³



- For patients with ophthalmology diseases with no existing drug, provide new drugs (FIC¹) or new drugs that are more effective and user-friendly than existing drugs (BIC²)

- Once or twice a day eye drop application is **the most user-friendly**
- **The effect of stabilizing tears is the greatest**

- Potential for FIC¹ to mitigate disease progression
- **Addressing root cause** to treat disease

- Provide new treatment in the form of eye drops to patients and consumers (including esthetic medical purposes) (FIC¹)
- Compared with difficult surgeries, eye drops are highly convenient

- FIC¹ (Japan/Asia) to mitigate disease progression
- **Expect reduced risk of future ophthalmic disease** due to inhibition of eye axis elongation

Approx. JPY **250.0**bil ~⁴

Approx. JPY **45.0**bil⁵

Approx. JPY **60.0**bil⁵



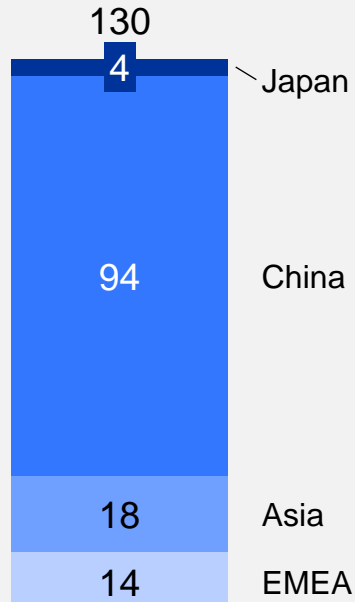
For emerging areas including out-of-pocket treatment, will lay groundwork by FY2025 to swiftly establish standard treatment flow. Aim to further increase peak sales through the following actions to leverage points

1.First-in-class 2. Best-in-class 3. Shows annual peak sales by regions. Americas included for presbyopia, dry eye and New. These figures are not official prediction or target number for each product or area, based on a scenario including technical success Santen currently considers without taking into account the success rate of development. 4.Base Case forecast. Does not include Asia given examination upon obtaining POC. The total value for "New" are sums of STN1010904, STN1013400 and others. 5. Upside forecast

Maximize product value contribution by reforming treatment flow addressing four leverage points

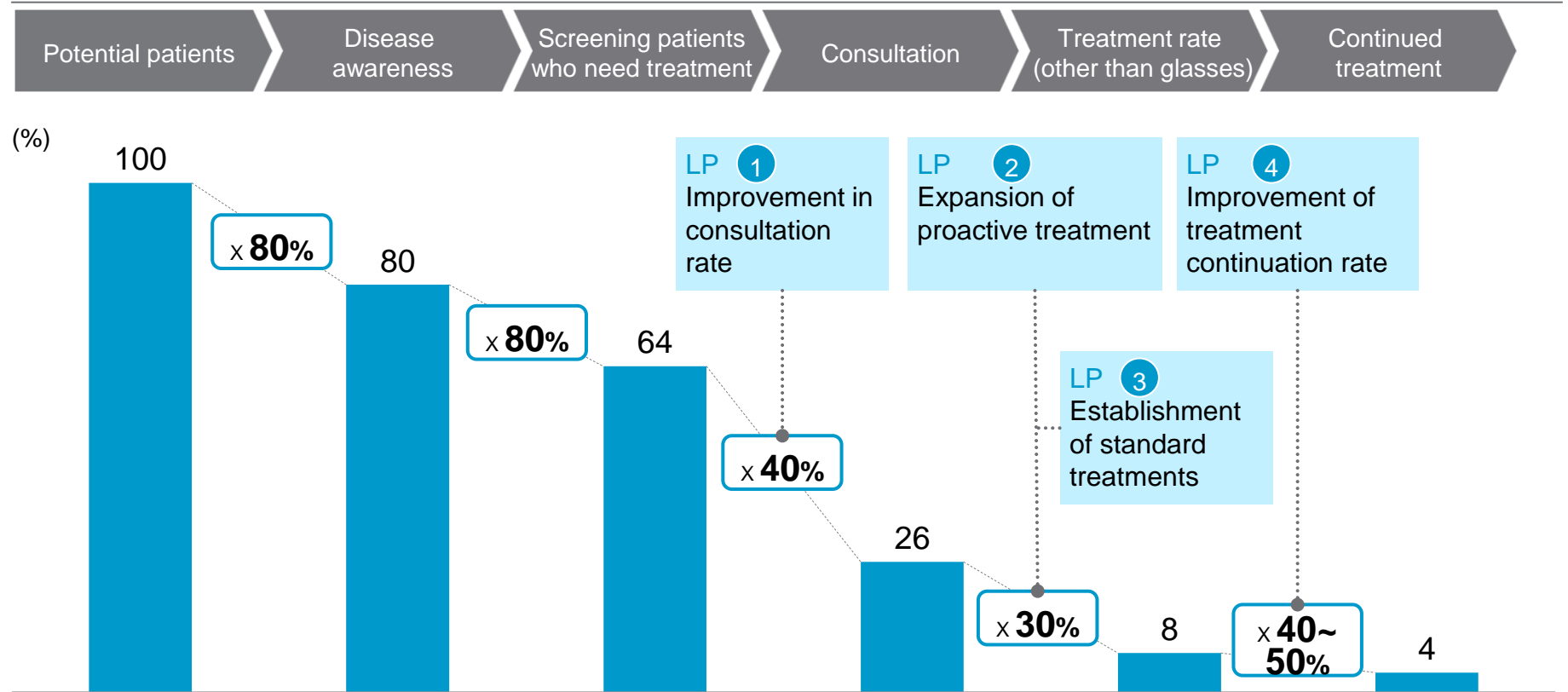
More than 100 million patients in four regions²

(Millions of people)



Estimated number of pediatric myopia patients

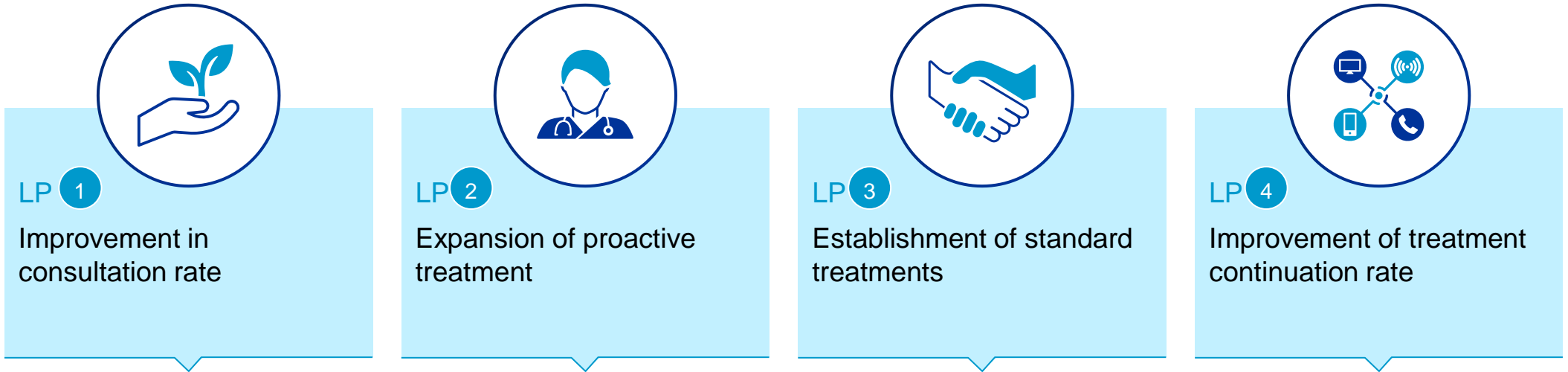
Opportunities to maximize product contribution value by fixing bottlenecks from consultation to continued treatment³



1. Leverage point refers to the elements to be considered in order to maximize the product value in relation to the gap between the ideal form of medical care and the current situation. 2. Santen estimate. Asia: South Korea, Taiwan, Singapore, Thailand, Philippines, Hong Kong, Indonesia, Vietnam, Malaysia. EMEA: the UK, France, Germany, Spain, Italy, Switzerland, Austria, Netherlands, Denmark, Norway, Sweden, Finland, Ireland, Portugal. 3. Figures are based on survey results from Japan and China.

Eliminate burdens to consultation and treatment continuation by improving the physicians' incentives and consolidating access to medical care for patients

Leverage point



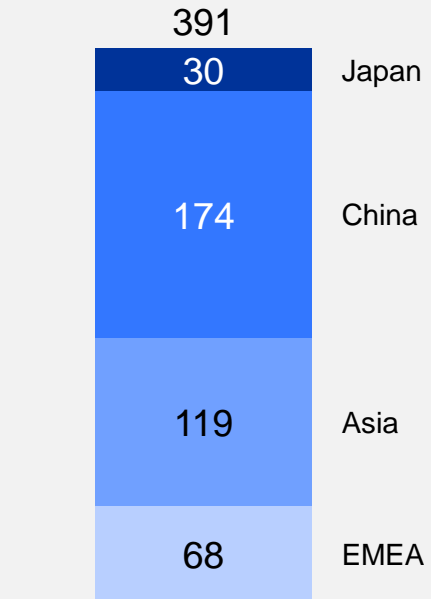
Santen's action (Example)

- LP 1: Improvement in consultation rate**
 - Improvement of access by providing information about facilities that offer treatment
 - Stimulate motivation to undergo medical examinations through use of app for myopia prevention
- LP 2: Expansion of proactive treatment**
 - Share treatment case studies through network of ophthalmologists
 - Support out-of-pocket treatment for doctors
- LP 3: Establishment of standard treatments**
 - Development of treatment guidelines through collaboration with academic societies
 - Building evidence for differentiation from other drugs
- LP 4: Improvement of treatment continuation rate**
 - Securing both online and offline channels

Create market for ptosis treatment by new product launch and addressing three leverage points

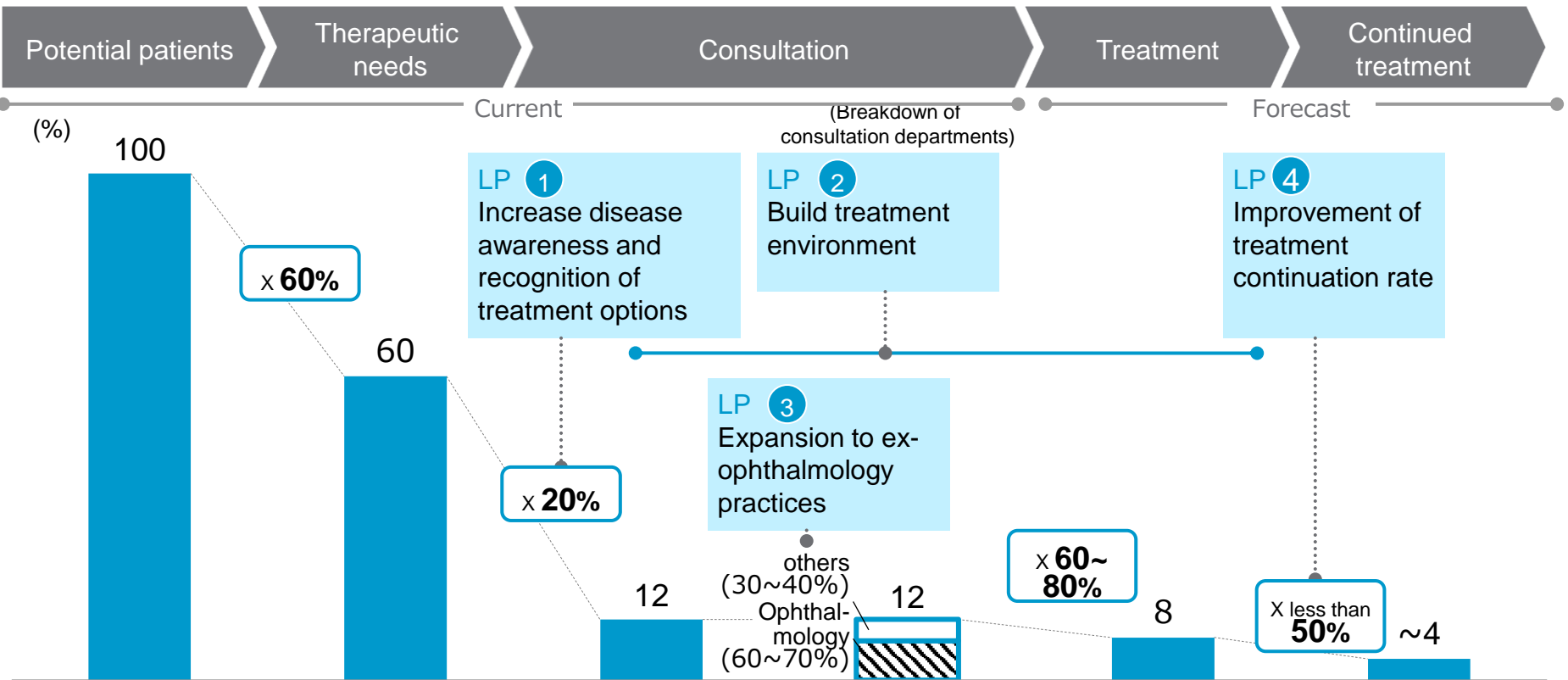
Approximately 400 million people in four regions²

(Millions of people)



Estimated number of potential acquired ptosis patients

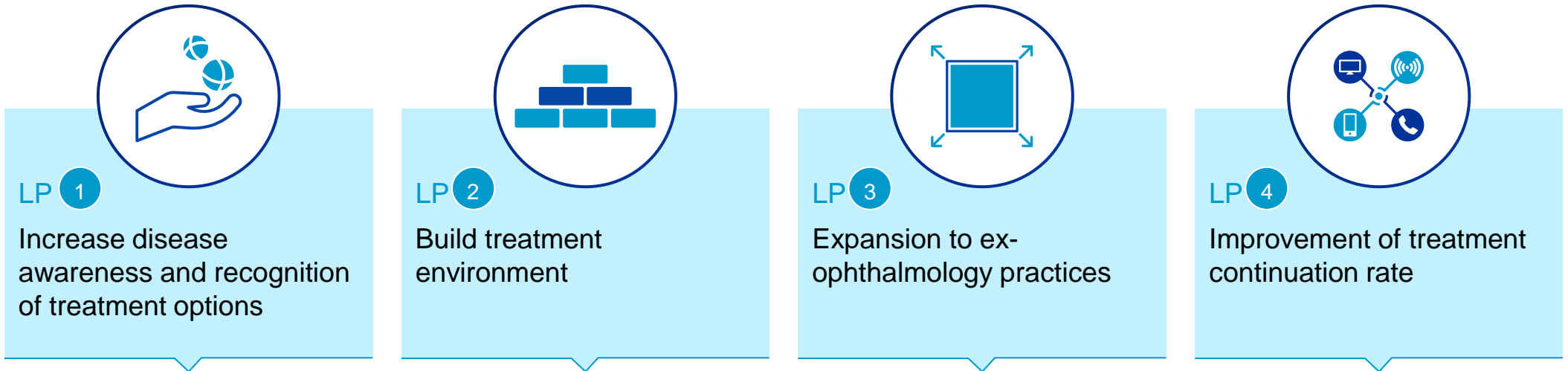
Underdeveloped market due to lack of promising products.
Opportunity to create a market with new product launch³



1. Leverage point refers to the elements to be considered in order to maximize the product value in relation to the gap between the ideal form of medical care and the current situation. 2. Santen estimate Asia: South Korea, Taiwan, Singapore, Thailand, Philippines, Hong Kong, Indonesia, Vietnam, Malaysia. EMEA: the UK, France, Germany, Spain, Italy, Switzerland, Austria, Netherlands, Denmark, Norway, Sweden, Finland, Ireland, Portugal. 3. Figures are based on Japan, China, South Korea, Taiwan, Singapore and EU5 survey results.

Promote consultation and treatment continuation by tapping ex- ophthalmology practice and digital tools based on appropriate medical infrastructure

Leverage point



Santen's action (Example)

- Awareness building activities for patients and medical institutions
- Introduction of self-check tools for ptosis
- Development and dissemination of treatment guidelines with academic societies
- In-hospital trial of drugs
- Provide expertise for medical care not covered by health insurance and reduce burden of introduction
- Collaboration with external partners
- Compliance management using medication app
- Online prescriptions and subscriptions

Steadily develop highly competitive pipelines that are expected to become First/Best-in-Class

Development code	Therapeutic area	# of patients WW ¹	Competitiveness ²	Current status	Next milestone	Target launch timing
STN1013600	Presbyopia	Approx. 2.0 billion	First-in-Class Fundamental treatment	P2a/POC study Ongoing	POC results (FY2023)	~FY30 → FY31~
STN1014100	Dry eye	Approx. 1.0 billion	Best-in-Class Higher efficacy and quicker effect vs existing products	P1/POC study Ongoing	POC results (FY2023)	~FY30 → FY31~
STN1010904 ³	Fuchs endothelial corneal dystrophy	Approx. 0.1 billion	First-in-Class Mitigate or suspend progression	P2a/POC study Ongoing	POC results (FY2025)	~FY30 → FY31~
STN1013400	Myopia	Approx. 2.0 billion	Best-in-Class Compared to existing products, higher efficacy and lower side effects	P2a/POC study Under preparation	POC results (FY2025)	~FY30 → FY31~

1. Number of patients worldwide based on currently available data and estimates

2. First-in-Class: Refers to innovative medicines and is the first drug in the market among drugs of the same class. Best-in-Class: Among drugs of the same class, the best drugs from the viewpoint of clinical importance such as efficacy and safety

3. Santen holds the exclusive implementation rights exercise option for this program. This project code is a planned code number that will be assigned after Santen obtains exclusive implementation rights upon completion of Phase II clinical trials.

■ Agenda

1. Medium- to Long-term growth policy and Medium-term objectives
2. **Growth Strategy**
 - Until FY2025: Improve profitability and maximize sales across regions
 - FY2026 onward: Value contribution through large-scale pipelines
 - **Structures and systems to support growth strategies**
3. Capital Allocation
4. ESG Initiatives

Thorough MTP execution by strengthened leadership team and revamped operation model

Strengthened leadership team



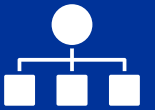
- Appointment of "Chief Operating Officer" responsible for strategy planning and execution
- Reassessment and renewal of global leadership team and roles & responsibilities

Revamped operational model



- Review of "Executive Committee" which is tasked with thoroughly discussing and deciding management issues
- Establish "Cross-functional Project Team" for implementation of Commercial Excellence
- Optimize supply chain for stable supply
- Strengthen organizational capabilities to ensure pipeline launches

Optimized business admin. and human resources management

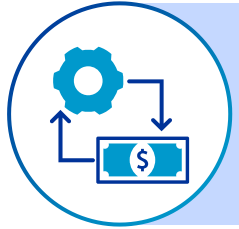


- Introduction of "Management Dashboard" capturing progress of KPI and key initiatives
- Introduction of "Zero-Base Budget" initiatives in the budgeting process
- Foster organizational culture devoted to generating impacts for patients and medical institutions (Evaluation system, career path review etc.)

■ Agenda

1. Medium- to Long-term growth policy and Medium-term objectives
2. Growth Strategy
 - Until FY2025: Improve profitability and maximize sales across regions
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 - Framework to support growth strategies
3. **Capital Allocation**
4. ESG Initiatives

Maximize shareholder value by delivering profits, securing growth investments, maintaining/increasing dividends, and opportunistic share buybacks



1 Build a highly profitable structure and increase cash generation



2 Allocate generated cash to investments for future growth, prioritizing R&D and business development



3 Simultaneously, lock in downside resilience to volatility in the business environment by setting the current JPY 32 as the floor for annual dividend per share



4 In the absence of promising opportunities for growth investments, flexibly return profits through opportunistic share buybacks, subject to share price levels

Actively invest in growth opportunities by profitability improvement & cash generation. Continue progressive dividend policy coupled with opportunistic share buybacks

Inflow¹

Debt

Operating cash flow
(Excluding R&D expenses)
Approx.
JPY 190.0bil.




Surplus
Approx.
JPY 20.0bil.

Outflow¹

Use

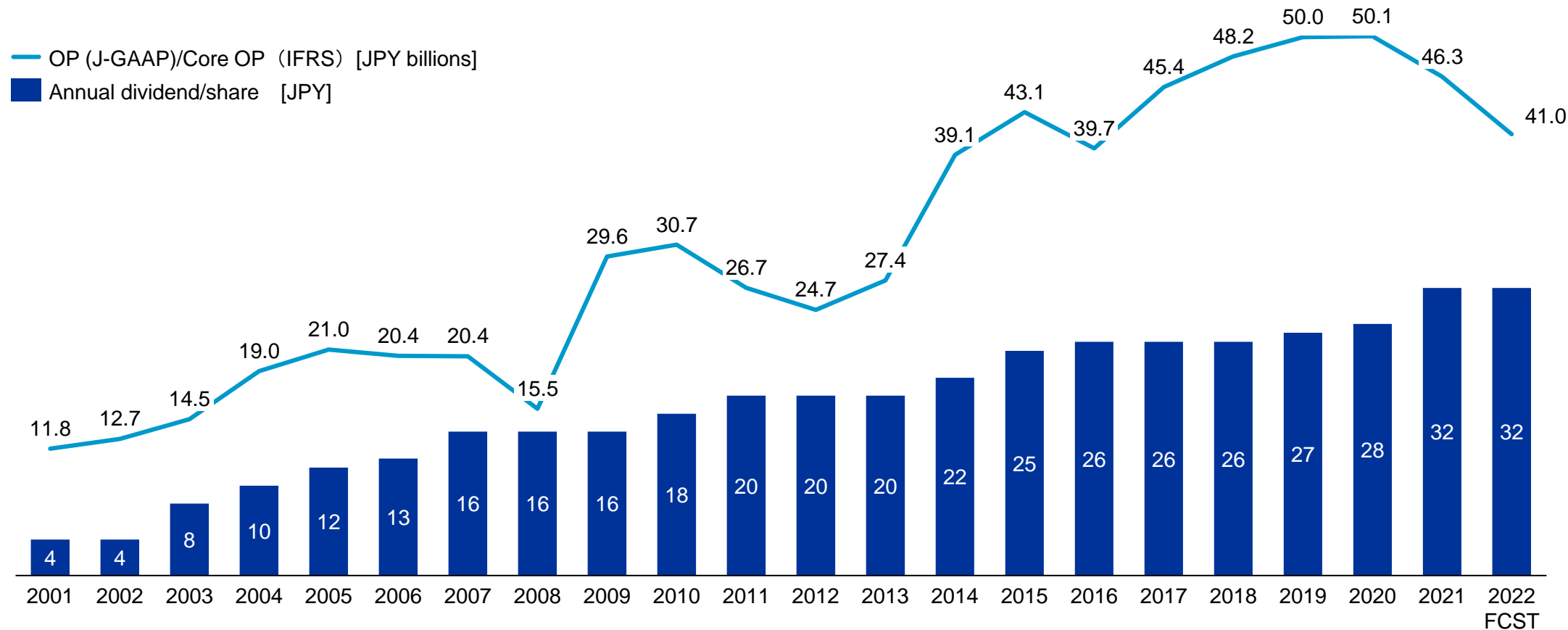
Amount

Policy

Use	Amount	Policy
 Growth investments	Capital Expenditures JPY 26.0bil.	<ul style="list-style-type: none"> Investments for stable supply and necessary systems Approx. 60% decrease vs. FY20-22 given completion of investment cycle and improved turnover rate at existing facilities
 Shareholder returns	Research and development expenses Over JPY100.0bil. Including development milestones	<ul style="list-style-type: none"> Prioritize increased allocation to R&D. Strengthen investment in seed discovery and large pipeline/LCM product development (5~10% increase vs. FY20-22)
	Business development investment JPY 40.0bil. No additional financing	<ul style="list-style-type: none"> Set higher investment hurdle rate, strengthen investment discipline Actively invest in promising opportunities with the resources obtained from improved profitability. Secure funds for future growth
 Growth investments	Share buybacks JPY 90.0bil. With financing	<ul style="list-style-type: none"> In the absence of promising business development opportunities, implement opportunistic share buybacks, factoring in share price conditions Aim to increase EPS and ROE
	Dividend JPY 37.5bil.	<ul style="list-style-type: none"> Continue progressive dividend policy in line with mid-to-long term profit growth, maintaining the current minimum annual dividend of JPY32 per share, notwithstanding volatility from business environment

1. Accumulation in FY2023 ~ 2025

Maintained progressive dividends for more than 20 years



Payout ratio (%)	35	21	56	40	40	43	55	67	36	36	51	51	42	38	19	49	30	33	46	120	47	-
Total payout ratio (%)	95	59	56	63	40	43	92	67	36	36	51	134	42	38	19	106	30	78	46	120	47	-

* Stock split was implemented at a ratio of 5 shares for each share of common stock, with the effective date April 1, 2015. The dividend amount prior to FY 2014 was calculated based on the number of shares after the stock split.

** Based on J-GAAP until FY2013, IFRS for FY2014 onward

■ Agenda

1. Medium- to Long-term growth policy and Medium-term objectives
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3. Capital Allocation
4. **ESG Initiatives**



Continue contributing to society through our business activities as a company specialized in ophthalmology

Contribution through business

Number of patients who have benefited from our treatment (FY2021) **50** mm ppl

Annual production volume **400** mm units

Approx.

DE & I initiatives

Blind Experience



New Work Style at Santen

Global Guideline

Work from Anywhere




Environmental initiatives

Santen Vision for the Earth 2050
Happiness with Vision, Happiness with the Earth

Measures against Climate Change


Realization of Carbon-free Society



Net Zero Greenhouse Gas Emissions

Environmental Load Reduction

Establishment of Recycling-based Society




Water resource, Resource saving, Plastic

Full use of sustainable Resources & Materials

Biomass plastic → Recycle/Incinerate → CO2

Switchover to Biomass Plastic Eye Drop Bottles



High external assessment



Santen Pharmaceutical Co., Ltd. Pharmaceuticals


Sustainability Yearbook Member
S&P Global ESG Score 2022

73 /100


As of February 7, 2023. Position and Score are industry specific and reflect exclusion screening criteria. Learn more at spglobal.com/esg/yearbook

S&P Global Sustainable1

FTSE4Good Index Series



FTSE Blossom Japan Index



MSCI Japan ESG Select Leaders Index


2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

MSCI Japan Empowering Women Index (WIN)


2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Sompo Sustainability Index

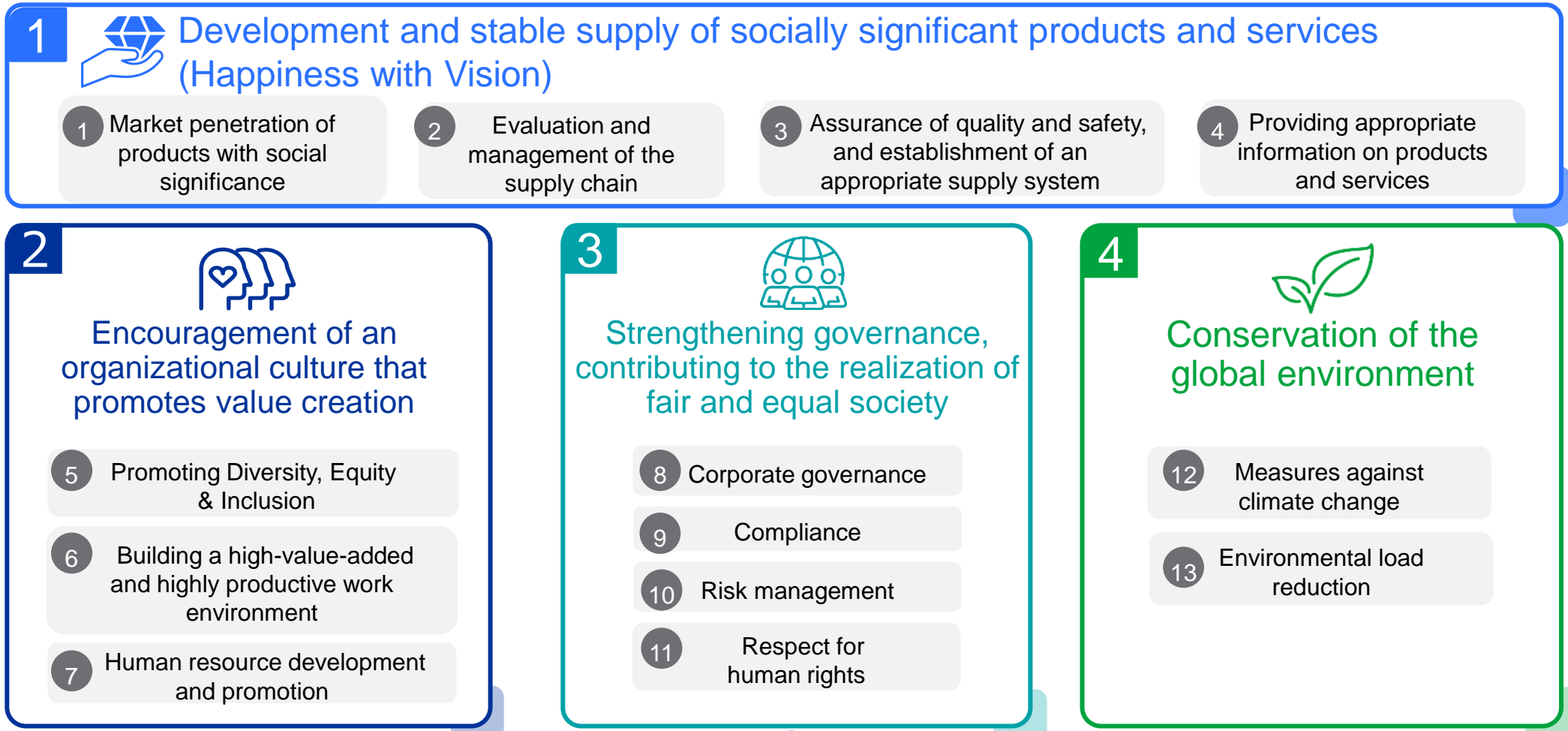
2022



S&P/JPX Carbon Efficient Index



Sustainable growth by 13 materialities



Taking into consideration Santen's growth strategy and societal demand, will address 1 and 7 as utmost priority



Appendix

Foreign exchange rate assumptions

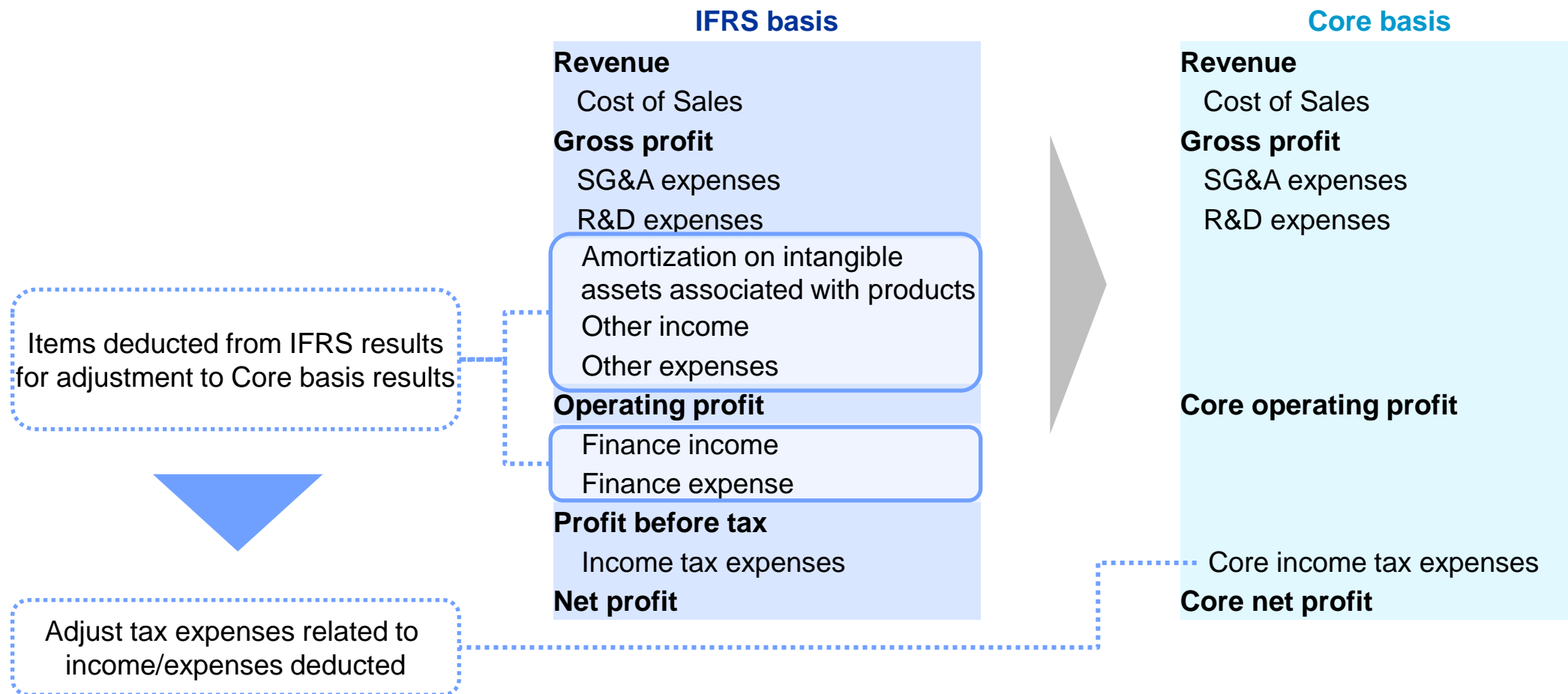
FX rate

(JPY)

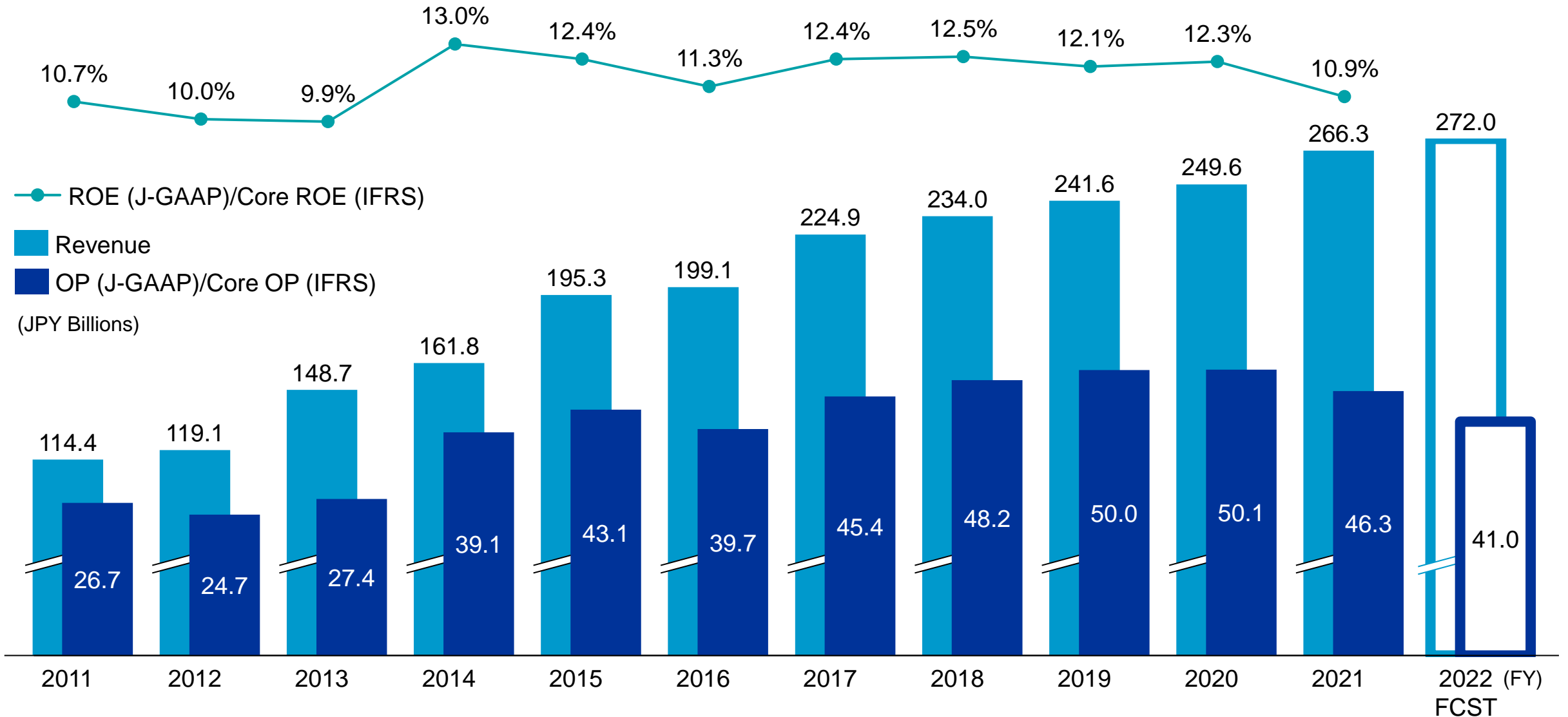
	MTP2025 (As of May 19, 2021)	FY2022 FCST (As of February 7, 2023)	New MTP FY2025
USD	105.00	140.00	130.00
EUR	120.00	140.00	140.00
CNY	15.00	20.00	19.00

Definition of Core Basis

With the adoption of IFRS in FY2014, Santen discloses financial information on a core basis, which is calculated by excluding certain income and expense items from the IFRS results (IFRS basis), as an indicator of profitability from business activities

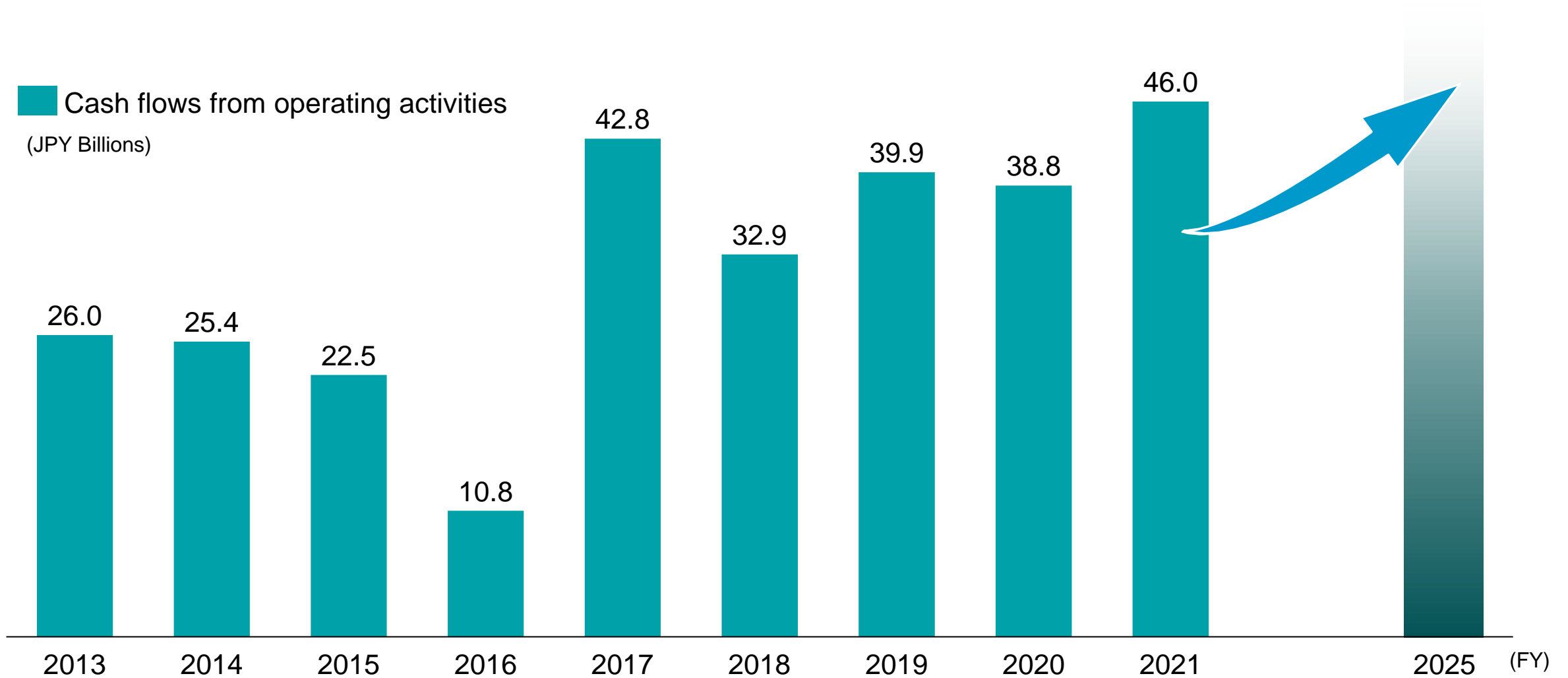


Sustainable growth performance



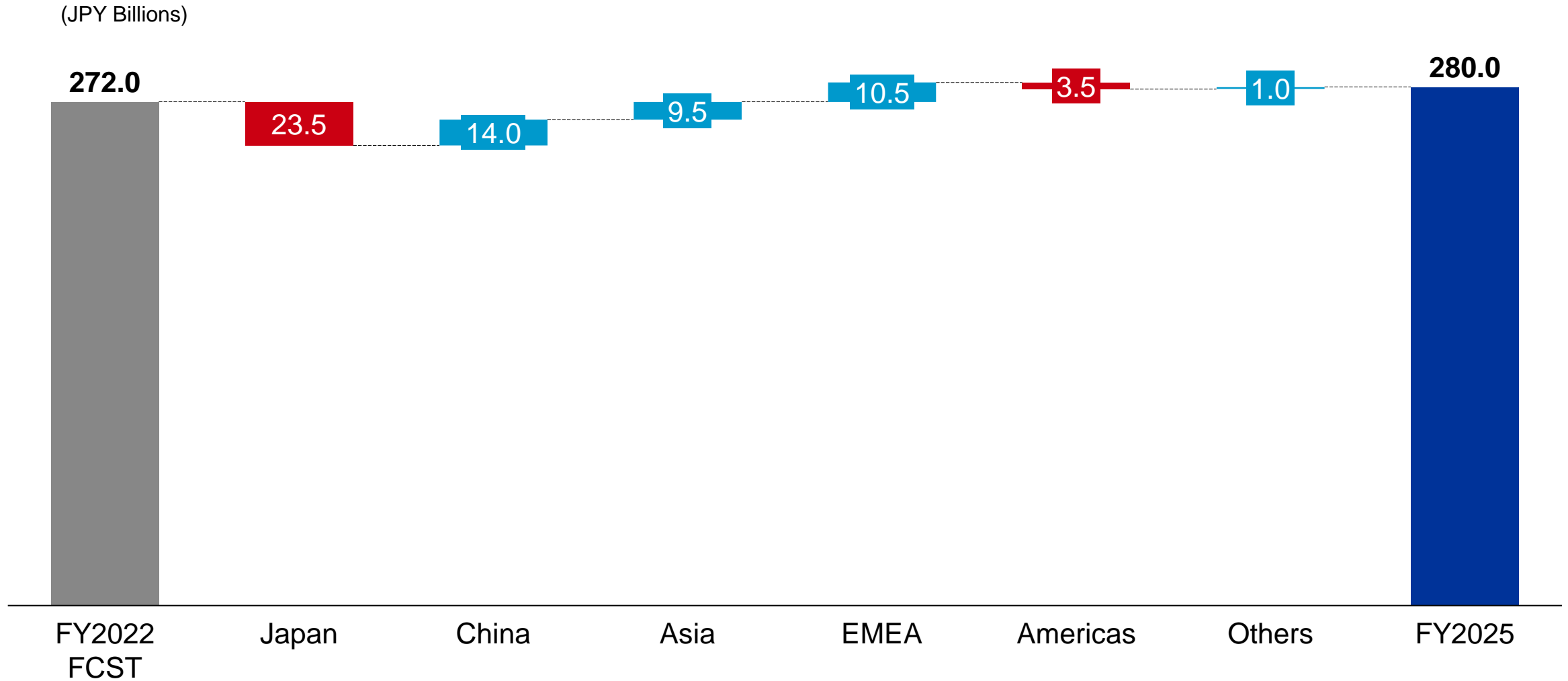
*Based on J-GAAP up to FY2013, IFRS for FY2014 onward

Stable cash flow generation



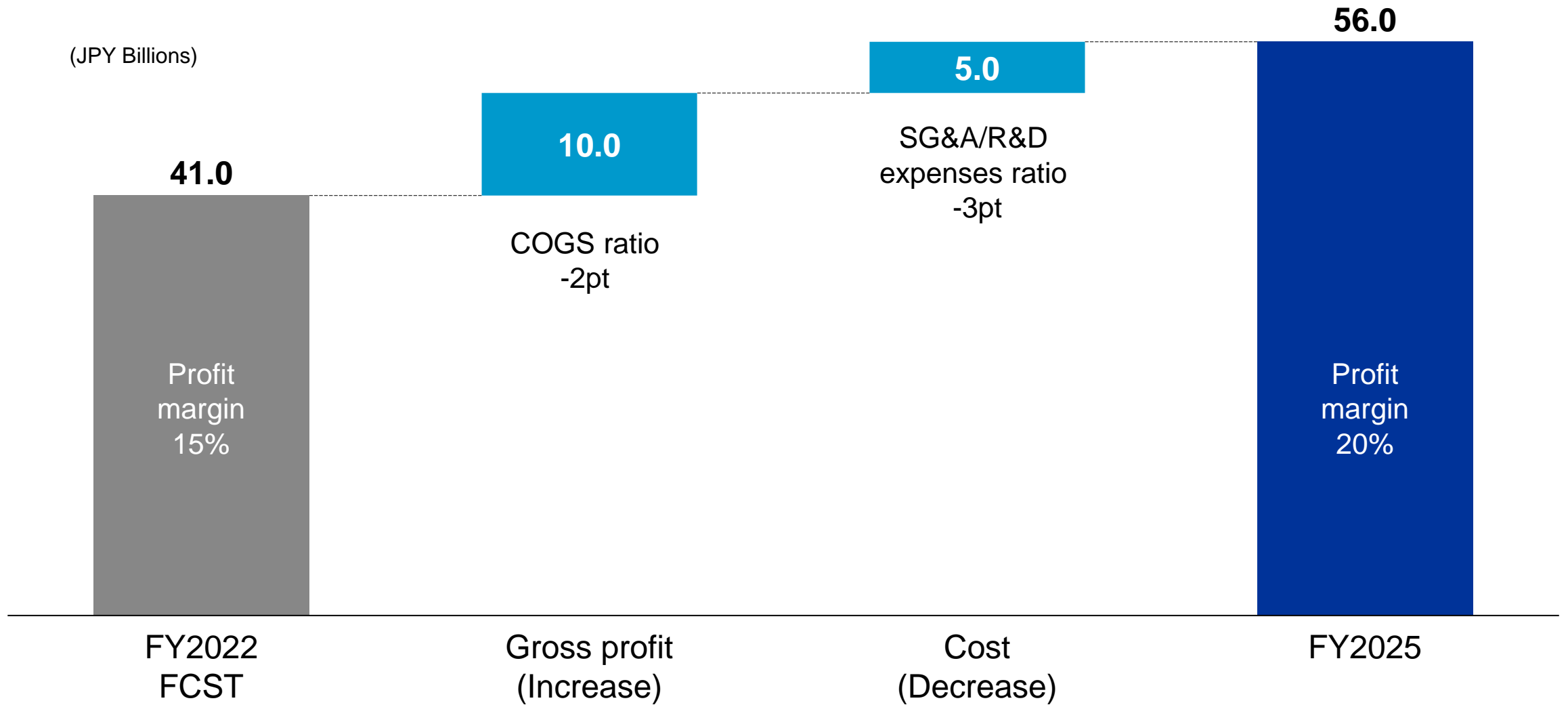
*Based on J-GAAP up to FY2013, IFRS for FY2014 onward

Revenue bridge from FY2022 forecast to FY2025¹



1. Based on forecast for FY2022 as of Feb 7, 2023. Calculated based on the exchange rates for each fiscal year.

Core OP bridge from FY2022 forecast to FY2025¹



1. Based on forecast for FY2022 as of Feb 7, 2023. Calculated based on the exchange rates for each fiscal year.

STN1013400

Basic information			
Indication	Suppression of myopia progression	MOA	Selective muscarinic M2 receptor antagonist
Administration Route/Frequency	Ocular instillation, Once daily dose	Generic name	AFDX0250BS
Unmet medical needs	<ul style="list-style-type: none"> Several low-dose atropine product candidates are in P3, but they at low-dose that do not cause mydriasis have limited inhibitory effects on myopia progression. <p>▶</p> <ul style="list-style-type: none"> More effective than low-dose atropine No effect on pupil diameter / No photophobia No effect on near vision 		
Impacts for Patients and Society	<ul style="list-style-type: none"> Relief from inconvenient life and correction by glasses etc. Reduce the risk of complications that can lead to visual impairment, such as pathological myopia and glaucoma. <ul style="list-style-type: none"> For patients : Reduce anxiety about the future For society: Increase in labor productivity 		
Differentiation from other products	<ul style="list-style-type: none"> Safer and easier to use, since it does not cause mydriasis compared to atropine. <ul style="list-style-type: none"> Higher efficacy expected compared to atropine due to the ability to develop at higher doses. Can be administered at the patient's convenience (atropine is limited to bedtime drops due to concerns about mydriasis and photophobia). 		

Data

【Non-clinical】

- At estimated clinical doses, AFDX0250BS showed myopia suppression in animal models of myopia (guinea pigs).
- AFDX0250BS has been reported to have divergent affinity for muscarinic M2 and M3 receptors.

Ratio of Ki value for M3 receptor when Ki value (affinity) for M2 receptor is 1 (one)

AFDX0250BS ¹		Atropine ²	
M2 (anti-myopia)	M3 (Mydriasis)	M2 (anti-myopia)	M3 (Mydriasis)
1	13	1	0.3

13 times divergence

Response vs Concentration

No divergence

Response vs Concentration

【Phase1 study】

- No mydriasis was observed at doses (3%) more than 10 times higher of the estimated clinical dose.
- Tolerability was observed.

STN1013600

Basic Information

Indication	Presbyopia	MOA	Increase lens elasticity by reducing S-S bonds in lens proteins
Administration Route/Frequency	Ocular instillation, Once or twice daily	Generic name	Ursodeoxycholic acid (UDCA)

Unmet Medical Needs	<ul style="list-style-type: none"> Provide a new treatment option different from refractive correction by glasses, contact lenses, surgical procedures, etc. Focus-adjusting agents (pinhole effect) show only a temporary improvement in near vision. <ul style="list-style-type: none"> ▶ Fundamental treatment by restoring lens elasticity ▶ Continuous focusing between near and far
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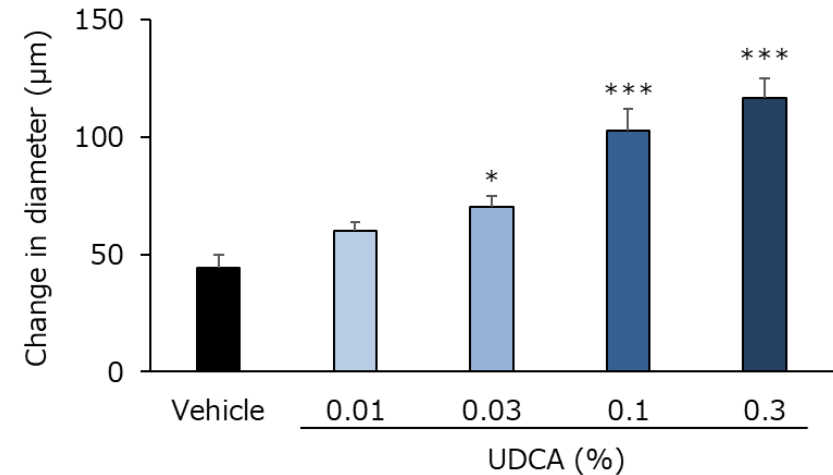
Impacts for Patients and Society	<ul style="list-style-type: none"> Improved Labor Productivity Improved QOL and QOV¹ by restoring near vision <ul style="list-style-type: none"> - Free from the hassle of carrying and wearing glasses - Reduce stress and the risk of accidents and injuries caused by poor vision
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Differentiation from other products	<ul style="list-style-type: none"> Fundamental treatment, and superior safety compared to competitors. <table border="1"> <thead> <tr> <th>Focus-adjusting agent</th> <th></th> <th>STN1013600</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> Quick but temporary. Miosis may darken vision. </td> <td>Efficacy</td> <td> <ul style="list-style-type: none"> Sustained and fundamental. Improved natural near vision. </td> </tr> <tr> <td> <ul style="list-style-type: none"> Serious side effects such as retinal detachment have been reported. </td> <td>Safety</td> <td> <ul style="list-style-type: none"> Better </td> </tr> </tbody> </table>	Focus-adjusting agent		STN1013600	<ul style="list-style-type: none"> Quick but temporary. Miosis may darken vision. 	Efficacy	<ul style="list-style-type: none"> Sustained and fundamental. Improved natural near vision. 	<ul style="list-style-type: none"> Serious side effects such as retinal detachment have been reported. 	Safety	<ul style="list-style-type: none"> Better
Focus-adjusting agent		STN1013600								
<ul style="list-style-type: none"> Quick but temporary. Miosis may darken vision. 	Efficacy	<ul style="list-style-type: none"> Sustained and fundamental. Improved natural near vision. 								
<ul style="list-style-type: none"> Serious side effects such as retinal detachment have been reported. 	Safety	<ul style="list-style-type: none"> Better 								

Data

【Non-clinical】

- Once-daily instillation of UDCA increased lens elasticity at estimated clinically doses (mice).
- No toxicity findings were observed with UDCA at concentrations used for the pharmacological studies (rabbits, monkeys).



Mean + S.E. N=10. * P<0.05, *** p<0.001 vs Vehicle

Change in diameter (µm): Change in diameter when a weight is placed on the lens excised from mice after repeat administration

【Phase1 study】

- The highest dose studied, 0.3%, twice daily eye drops (1 day) was well tolerated.

STN1014100

Basic Information			
Indication	Dry eye	MOA	Long-acting β 2 receptor agonist
Administration Route/Frequency	Ocular instillation, Once or twice daily	Generic name	Olodaterol hydrochloride
Unmet Medical Needs	<ul style="list-style-type: none"> Although eye drop is the mainstay of treatment, the next option is limited when the current one is ineffective and may not provide satisfactory therapeutic effects. In addition, adherence is low due to the high frequency of dosing. <p>▶</p> <ul style="list-style-type: none"> Better symptom improvement Fewer instillation frequency (usability) More comfortable (safety) 		
Impacts for Patients and Society	<ul style="list-style-type: none"> Improved Labor Productivity Improved QOL and QOV¹ <ul style="list-style-type: none"> Relief from ocular discomfort and other symptoms Reduce the hassle of high frequency eye drops 		
Differentiation from other products	<ul style="list-style-type: none"> Highly effective and safe compared to existing treatments <ul style="list-style-type: none"> Powerful tear secretion and tear stabilization Fast-acting and long-lasting Comfortable, safe and easy to use 		

Data

【Non-clinical】

- In an animal model of dry eye (rats), Olodaterol showed powerful and sustained tear secretion and tear stabilization effects compared to Diquas.

Tear secretion

Time after single instillation (hrs)	Normal	Vehicle	0.00001% Olodaterol	0.0001% Olodaterol	0.001% Olodaterol	0.01% Olodaterol	Diquas
0.5	~4.5	~4.5	~7.2%	~10.5%	~11.8%	~11.5%	~7.5%
2	~4.5	~4.5	~5.5%	~7.8%	~8.5%	~8.5%	~3.8%
16	~4.5	~4.5	~4.5%	~5.0%	~5.5%	~6.0%	~4.5%

Mean + S.E. N=14, 16

Tear stabilization

Time after single instillation (hrs)	Normal	Vehicle	0.00001% Olodaterol	0.0001% Olodaterol	0.001% Olodaterol	0.01% Olodaterol	Diquas
0.5	~2.5	~1.4	~1.8%	~1.9%	~2.0%	~2.1%	~1.7%
2	~2.5	~1.4	~1.7%	~1.9%	~2.0%	~2.0%	~1.4%

Mean + S.E. N=12

STN1010904¹

Basic Information			
Indication	Fuchs endothelial cornea dystrophy (FECD)	MOA	mTOR inhibitor
Administration Route/Frequency	Ocular instillation, twice daily	Generic name	Sirolimus
Unmet Medical Needs	<ul style="list-style-type: none"> Current treatment options are limited to corneal transplants in late stage of FECD. <ul style="list-style-type: none"> Effective Treatment options at each stage of FECD and less burden to the patients Treatment options that are independent of the donor cornea 		
Impacts for Patients and Society	<ul style="list-style-type: none"> Prevention of morning blur, photophobia, glare, and eye pain, and reduction of anxiety about future corneal transplants. Reduce the number of patients with low vision and corneal transplants and reduce economic losses due to visual impairment. 		
Differentiation from other products	<ul style="list-style-type: none"> The world's first drug to inhibit disease progression in patients who currently have no other option but to be monitored. It is non-invasive, and it can avoid or postpone a mentally and financially stressful corneal surgery for the patient. 		

Data

【Non-clinical】

- Sirolimus inhibited the induction of apoptosis, a pathological condition, in cultured corneal endothelial cells derived from patients with FECD.

Sirolimus (nM)	Apoptotic stimuli	Luminescence (approx.)
Control	-	550,000
Vehicle	-	1,200,000
0.001	+	1,250,000
0.01	+	1,150,000
0.1	+	850,000
1	+	450,000
10	+	400,000

Mean + S.E. N=6. ### p<0.001 vs Control, *** p<0.001 vs Vehicle

【Phase1 study】

- The highest dose studied, 0.1%, twice daily eye drops (10 days) was well tolerated.

