Greetings, Santen’s Values, Long Term Strategic Vision and MTP

I’m Akira Kurokawa of Santen. I’d like to start with FY2016 results overview and forecast for FY2017.

Slide1: Santen’s Values

You may know our values already. By focusing on the field of ophthalmology, we continue to contribute to patients through advanced therapies.

Slide2: To Become a Specialized Pharmaceutical Company with a Global Presence

And we are striving to become a specialty pharma company with a global presence. Toward this, we created our “Vision 2020” as well as the 2014-2017 mid-term management plan in which we are now in the final year.

As you can see, the mid-term plan calls for us to achieve 30% of our revenue from overseas sales, profitable growth in Asia / EMEA, and preparation for market entry into US and other markets. This is what we are focusing on now, in particular product development, business expansion and the strengthening of our organization and talent.
Regarding product development, as you know, Tapcom and Ikervis were launched. Furthermore, important glaucoma and retina area development has been making progress including DE-109, 117 and 122. Of course, we want to further strengthen our new products and pipeline. We have strengthened our pipeline with DE-126, a glaucoma pipeline licensed from Ono, and MicroShunt (DE-128), a device in development acquired last year.

Regarding business expansion, we strengthened our Japan business. The Japanese market experienced NHI revisions and generic promotion, so the environment is rather challenging. However, based on our strengths, we worked very hard and increased our market share in line with our plan. Currently, our market share is 45.5%, which I’ll come back later. It is true that our market share as well as customer satisfaction have been increasing among ophthalmology specialists.

In the OTC business, our market share is also expanding and now stands at 25.6%. We are second in share in OTC, but catching up swiftly with number one player. In Asia, our presence has been strengthened and we are confident to have the number one share in Asia in 2020. In EMEA, the number of countries were our products are sold is increasing steadily.

And in order to achieve true globalization, we need to strengthen our organization and talent. We are working very hard to strengthen our management structure necessary to develop the next generation of talent. We have already made solid progress in this respect.

**FY2016 Financial Results**

**Slide4: FY2016 Financial Highlights**

This gives an overview of 2016 fiscal year, we achieved revenue of 199.1 billion, an increase of 1.9%, slightly below our plan.

The year included negative factors such as the NHI revision, the stronger yen and the lack of the anti-rheumatoid business due to the sale of the business. Still, we were able to overcome these factors and achieve a 1.9% increase in revenue. Removing these negative factors, the increase in revenue would have been 12%.

Core operating profit shows earnings power. And through the third quarter, we made solid progress, but in the fourth quarter, in order to strengthen our platform in Asia, we needed additional spending in sales and
promotion. Also, in order to strengthen our marketing capability in Europe, we had more spending including expenses to promote Ikervis and thus higher SG&A costs as we strengthened our business platform in each region. Finally, our pipeline progress led to R&D spending above our forecast. This resulted in core operating profit that was down year-on-year by 7.8% to JPY39.7 billion. IFRS results included a special JPY44.5 billion gain on the anti-RA business sale, caused a decrease in operating and net profit. ROE was 11.2% on a core base while IFRS ROE was 9.0.

Slide 5: FY2016 Revenue Change; All Businesses Contributing to Higher Growth

This slide shows factors impacting revenues in FY2016 by business. In all segments we were able to achieve higher revenue. While we exited the anti-RA business, we were still able to overcame and grow our Japan business during the year. As for our overseas business, we were negatively impacted by FX, but as you can see, we increased sales in all areas.

Slide 6: FY2016 Core Operating Profit; Active Investments in Future Growth

This shows core operating profit. We increased spending for future growth, and as I have explained, for each business, there has been an increase in profit; however there were also negative impacts such as the R&D cost increase and FX.
This shows P&L for FY2016. This has been explained already, so I skip this.

Slide 8: Increase in Japan Ophthalmic Pharmaceutical Market Share to 45.5%, #1 in All Therapeutic Areas

Our biggest strength is in the domestic ophthalmic pharmaceutical market. As you can see, our share is now 45.5%. In the allergy area, we had traditionally been ranked second place, but have increased our promotions beyond ophthalmologists to otolaryngologists (ear, nose and throat doctors) since, as you know, allergy from pollen is not limited to ophthalmologists, sometimes patients go to otolaryngology specialists so we have newly focused on those. And we had good promotion that now includes ophthalmologists, we have gained the number one market share at 42.9%. That means in all major segments, we have number one market share.
FY2017 Forecast

Slide 10: FY2017: Vital Step in Santen Group’s Journey

Next is our forecast for FY2017. In FY2017, as a leading company in ophthalmology, we will continue our contributions to therapies in this area. Santen has a strong presence in Japan and Asia in ophthalmology and in glaucoma, specifically, where incidents and risks of becoming blind are rather high and we have a rich pipeline of products. We want to make further contributions to ophthalmologic therapies while leveraging and boosting our strengths. Our top priority is further raising our presence and productivity in Japan, while also capturing growth in Asia and raising our presence in EMEA.

Through R&D and M&A in the past few years, we now have a pipeline that includes DE-109, 117 and 128. Our pipeline products are differentiated and many are late-stage and first-in-class products. We must make the successful development of these products as our top priority, preparing ourselves so that we can contribute to more patients.

Slide 11: FY2017 P&L Forecast Overview

In our FY2017 P&L forecast overview, revenue is expected to increase on a year-on-year basis by 9.5% to JPY218 billion. Core operating profit is forecast to increase by 10.9% to JPY44 billion. In FY2017, the final year of the current MTP, compared to our assumptions in 2014, there are three points I would like to...
make. First, the Japanese ophthalmic pharmaceutical industry has been able to grow, overcoming price revisions and generic promotion plans by the government. Next, our OTC business has grown to become an over JPY10 billion business, and our overseas business growth has grown well. As a result, our revenue is expected to be about 6% higher compared to our MTP.

Also, as I explained in the previous slide, we will enhance our presence. As part of this, we’ve been preparing for U.S. market entry as a new growth opportunity. R&D and other preparation activities to secure the realization of our long-term vision require investment. As a result, our core operating profit is expected to be 14% below our original MTP. But we would like you to look at these actions from a long-term growth perspective.

Slide 12: FY2017 Revenue Forecast to Grow 9.5%

This shows revenue growth by business. From FY2016, each business showed growth and overall we aim at 9.5% growth.

Slide 13: FY2017 Core Operating Profit Forecast to Grow 11%

Regarding core operating profit: while R&D and US market entry preparation expenditures will increase, we will control other expenditures and aim at 10.9% profit growth.
This is our performance by business in Japan. As you can see, in all businesses we will achieve the increase.

This shows growth in our Asia business. We see steady high growth rates achieved both in yen and local currency basis.
Slide 16: Performance by Business (EMEA)

This shows our EMEA business growth. We acquired ophthalmology products from Merck. Takeover of the products required costs at the initial stage that resulted in an operating loss. However, we have been steadily penetrating the markets and we now have a good base and are realizing high growth.

Slides 17/18: U.S. Market Entry – Background and Strategy, Strategic Approach
Now I'd like to explain about our US market entry background and strategy. As we have repeated many times, the US ophthalmology market is the largest market in the world, accounting for 36% of the total global market. Further, growing at 7%, the US is an attractive growth engine and the biggest driver of world market growth.

The establishment of the presence of Santen in the US market is very important from the viewpoint of how to commercialize products such as DE-109 and MicroShunt. How we can we build this presence is very critical. While we felt it would be difficult to enter into the US market with only a single product, having these two highly differentiated products, I believe that it is possible to establish a certain presence by offering unprecedented treatment methods.

Making use of these two business opportunities retina, specifically non-infectious uveitis, and glaucoma surgery, both areas where the target doctors are relatively limited, we believe that we'll be able to provide therapies which are not available elsewhere. And we have explored how to market our products in this market and we decided to use our own sales organization for these products.

Having said that, the US market is highly competitive. The next slide shows the competitive status in the US. The chart on the left shows the target market on the horizontal axis against the target physicians on the vertical axis in allergy, glaucoma, retina and uveitis therapy areas. As you can see, the uveitis market is a niche market segment having less competition. There are about 57,000 patients with uveitis. In terms of non-infectious uveitis treatment, there are about 33,000 patients we have determined as our primary target patients. In this target area, we believe that rather than an alliance or partnership, promoting on our own allows us to maximize profit soonest. This is why we decided to market using our own organization.

DE-109 will be launched in the beginning of 2018 and it will be followed by MicroShunt. Both will compete in limited market segments where we'll be able to grow by offering important novel therapies. We have conducted various market surveys and price sensitivity analysis. With this most appropriate approach, we believe that we will be able to successfully enter into the US market. In 2020, we plan to achieve profitability from our US business.

Slide19: Dividend for FY2016 and FY2017 Forecast

Here is our FY2016 dividend and 2017 forecasted dividend. Also, we maintain our shareholder return
policy in which we maintain a dividend payout ratio of about 40%.
That concludes my remarks.
Thank you very much.

Status of Research & Development FY2016
Slide 27: Future Development and Regulatory Milestones

I'll give you in the next five minutes a very quick update on our innovative pipeline products and their progress.

If you see on the slide, there are two major buckets of products, one in the glaucoma space and the other in the retina space. Let's start with DE-117. DE-117, as you know, is an EP2 receptor agonist. It's a new chemical entity and we believe that it will be very helpful to patients who are not getting full response with the regular FP agonist as well as give an IOP lowering effect that's as good as the standard of care. We also believe that this product will not have issues with pigmentation or hair growth cosmetic effects. We are, as planned and as indicated in the past, on track to make a filing in Japan in Q2 / Q3 timeframe which should be the case unless something very unexpected takes place. The Asia studies for DE-117 are running and we are looking forward to data from those studies as well this next year.

DE-126, as planned, we look forward to starting the Phase II study this year fiscal '17 and DE-128, described by Kurokawa, the MicroShunt is in a pivotal study in the US and in Europe, though mostly in the US. The recruitment for this trial is going really well at this point and we look forward to completing the study in the 2018-2019 timeframe and then launch around 2020 or so timeline. This, as you know, is a very well differentiated product to be used in lieu of the trabeculectomy surgery, which is used to treat glaucoma. Key differentiation points are the material that is used to make this product and the surgical procedure.

DE-122 is another retina product designed to enhance the effect of anti-VEGFs in patients with wet AMD. The Phase I/II study is finishing in the US and we plan to start the Phase II study in Asia in the summer of this year. So we look forward to data from this study. The target for inhibition is quite novel.

So that is a very brief summary and I'll be happy to answer any questions during the Q&A session. Thank you.