

Santen Pharmaceutical Co., Ltd.

Investor Meeting on FY2014 Results and FY2015 Forecasts

A Clear Vision For Life™ 

Akira Kurokawa

President & CEO

May 13, 2015

Santen's Corporate Values

天機に参与する

Tenki ni sanyo suru

By focusing our efforts on ophthalmology and related areas, Santen develops scientific knowledge and organizational capabilities which are unique and original to Santen. We use our unique capabilities to contribute to patients and their loved ones, and consequently to society.

Long-term Strategic Vision, Medium-term Management Plan for FY2014-2017

Long-term Strategic Vision

To Become a Specialized Pharmaceutical Company with a Global Presence

- Deep Understanding of True Customer Needs*
- Distinct Advantage Against Competitors
- Global Competitiveness and Presence

*True customer needs: Unmet medical needs of patients, consumers, doctors and healthcare professionals.

Long-term Growth Targets

FY
2013

- Strengthen the Japan business
- Prepare for business expansion in Asia/Europe

Ranks #5 globally
Overseas sales: 16%
of total sales

FY
2017

Medium-term Goal

- Grow business in Asia/Europe and improve profitability
- Prepare for business expansion in the U.S. and other regions

Overseas sales: 30%
of total sales

2020

Santen

What we aim to achieve by 2020

“To become a Specialized Pharmaceutical Company with a Global Presence”

Become global #3

Overseas sales:
40%-50% of total
sales

Basic Policy of Medium-term Management Plan for FY2014-2017

Product development

Transform product development to realize enhanced productivity and achieve sustained growth
Active investment in sustainable growth

Business expansion

Grow business in Asia/Europe and strengthen market presence by entering into new markets

Organization and talent

Develop talent and organization to realize sustained growth and strengthen the global management system

Financial Results for FY2014

ended March 31, 2015

Financial Highlights for FY2014 (IFRS / Core)

(JPY billions) <i>IFRS basis</i>	FY2013	FY2014	
		Actual	Var. (YoY)
Revenue	146.3	161.8	+10.6%
Operating profit	29.9	35.4	+18.4%
Profit before tax	30.4	35.9	+18.1%
Profit for the year	19.7	24.0	+21.9%
ROE	11.1%	12.0%	+0.9 pt

Core basis

Revenue	146.3	161.8	+10.6%
Core operating profit	30.4	39.1	+28.6%
Core profit for the year	19.8	25.9	+31.0%
Core ROE	11.2%	13.0%	+1.9 pt

FY2014 Financial Highlights (IFRS/Core)

(JPY billions)	FY2013 (IFRS)	FY2014 (IFRS)		FY2014 Actual (J-GAAP)
		Actual	Var. %	
Revenue	146.3	161.8	+10.6%	161.9
Cost of sales	-57.4	-56.4	-1.7%	-56.4
SG&A	-41.6	-48.9	+17.4%	** -53.9
Amortization associated with products	-0.2	-4.0	-	-
R&D expense	-16.9	-17.5	+3.7%	-18.1
Operating profit*	29.9	35.4	+18.4%	33.5
Profit before tax	30.4	35.9	+18.1%	34.3
Profit for the period	19.7	24.0	+21.9%	22.6
Core operating profit	30.4	39.1	+28.6%	
Core profit for the period	19.8	25.9	+31.0%	
Core ROE	11.2%	13.0%	+1.9pt	

*Calculation includes other revenue and other expenses

**Excludes R&D expense

Foreign exchange	FY13 Actual	FY14 Actual
US \$	JPY 100.04	JPY 110.14
Euro	JPY 133.98	JPY 139.01
CNY	JPY 16.26	JPY 17.84

Financial Highlights for FY2014

Achieved sales, profit and ROE growth

- From FY2014 financial results, Santen adopts IFRS accounting standards and Core basis performance measurement
- In Japan, despite NHI price revisions and policies aimed at promoting generic drugs, sales growth was achieved on the strong performance of new products
- Overseas, business was robust in Asian markets continuing to show marked growth, while business in Europe benefited from the Merck agreement* and an expanding operational footprint
- Strong progress made in the integration of assets under the Merck agreement* with contribution to results above expectations
- In Europe, severe keratitis with dry eye disease treatment, Ikervis® (generic name: Ciclosporin) received marketing approval

*Merck agreement: Asset purchase agreement signed in May 2014 whereby Santen acquired ophthalmic products from Merck of the United States.

“Ikervis indication: Treatment of severe keratitis in adult patients with dry eye disease which has not improved despite treatment with tear substitutes

FY14 Revenue Change

JPY billions

Japan +2.8
(YoY +2.3%)

Overseas +12.8
(currency +2.7)
(YoY +53.0%)

FY13: 122.1
FY14: 124.8

FY13: 24.2
FY14: 37.0

Japan prescription ophthalmic
+3.6

Japan anti-rheumatics
-0.6

Japan OTC
+0.2

Japan medical devices
-0.3

Asia
+5.0

EU
+2.7
Currency +0.5

US
-0
Currency +0

Merck NPM[®]
+5.2
Currency +0.8

Asia (FX+1.3)
China +2.1 (FX+0.9)

Revenue 161.8

Revenue 146.3

Revenue +15.6
(+10.6%)

FY13 actual

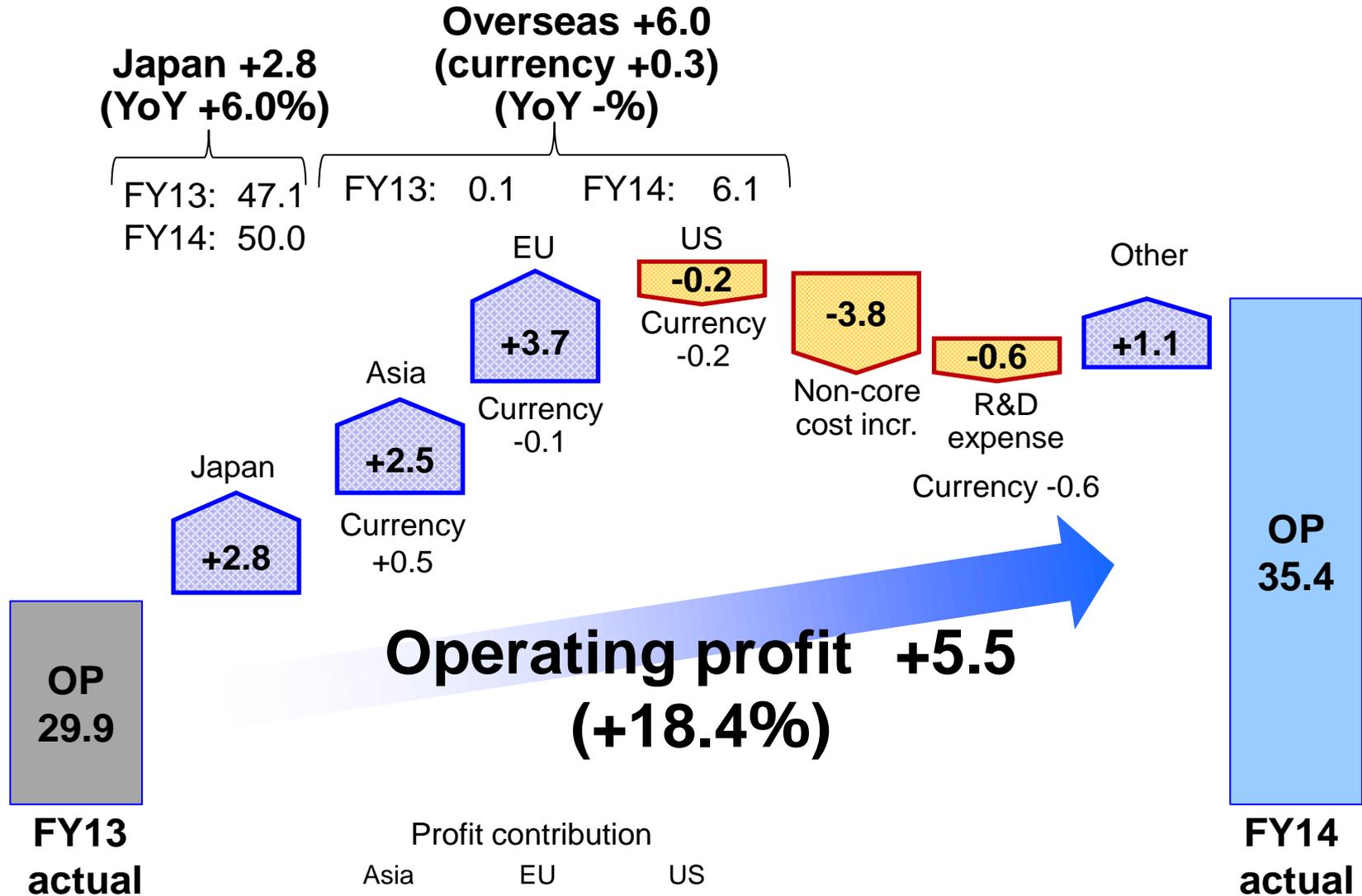
FY14 actual

	Japan prescription ophthalmic	Japan anti-rheumatics	Japan OTC	Japan medical devices	Domestic others	Asia	EU	US	Merck NPM*	Other overseas
FY13	101.8	10.2	6.4	2.6	1.1	11.7	11.5	1.0	0	0
FY14	105.4	9.6	6.6	2.3	1.0	16.7	14.2	1.0	5.2	0

*Net Profit Margin(NPM): Profit generated from US Merck ophthalmic products which Santen has acquired and has consigned them to Merck until the completion of transfer of the underlying marketing rights.

FY14 Operating Profit Change

JPY billions



Profit contribution

	Asia	EU	US
FY13	1.3	-0.1	-1.1
FY14	3.8	3.6	-1.3

Merck Project Current Status

Merck Project Financial Results (IFRS)

(JPY billions)	FY14 Actual		
	Existing Business	Merck*	Total
Revenue	152.9	8.9	161.8
NPM	—	5.2	5.2
Other	—	3.8	3.8
Cost of sales	-61.0	4.6	-56.4
SGA excluding R&D	-46.3	-2.6	-48.9
R&D expense	-17.3	-0.2	-17.5
Operating profit	28.4	7.0	35.4

*Merck: US Merck ophthalmic products which Santen has purchased in May 8, 2014.

Merck Project Update

- **FY14** (*ended Mar '15*)

 - Began distribution of acquired Merck products in 11 countries

- **FY15** (*ending Mar '16*)

 - Implementing transition plan for 17 countries including major markets such as Italy, Spain, United Kingdom, Portugal, Switzerland, Turkey, Russia and Korea

- **FY16** (*ending Mar '17*)

 - Transition the remaining 14 countries

Consolidated Forecasts of FY2015

ending March 31, 2016

Financial Forecasts for FY2015 (IFRS / Core)

(JPY billions) <i>IFRS basis</i>	FY2014 Actual	FY2015	
		Forecast	Var. (YoY)
Revenue	161.8	186.5	+15.2%
Operating profit	35.4	78.0	+120.5%
Profit before tax	35.9	78.5	+118.9%
Profit for the year	24.0	52.5	+118.5%
ROE	12.0%	22.5%	+10.5 pt

Core basis

Revenue	161.8	186.5	+15.2%
Core operating profit	39.1	40.3	+3.1%
Core profit for the year	25.9	26.9	+3.7%
Core ROE	13.0%	11.5%	-1.5 pt

Financial Forecasts for FY2015 (IFRS / Core)

(JPY billions)	FY2014 (IFRS)	FY2015 (IFRS)	
		Forecast	Var. %
Revenue	161.8	186.5	+15.2%
Cost of sales	-56.4	-66.4	+17.8%
SG&A	-48.9	-56.9	+16.4%
Amortization associated with products	-4.0	-6.1	+53.3%
R&D cost	-17.5	-22.9	+31.0%
Operating profit*	35.4	78.0	+120.5%
Profit before tax	35.9	78.5	+118.9%
Profit for the period	24.0	52.5	+118.5%
Core operating profit	39.1	40.3	+3.1%
Core profit for the period	25.9	26.9	+3.7%
Core ROE	13.0%	11.5%	-1.5 pt

*Calculation includes other revenue and other expenses

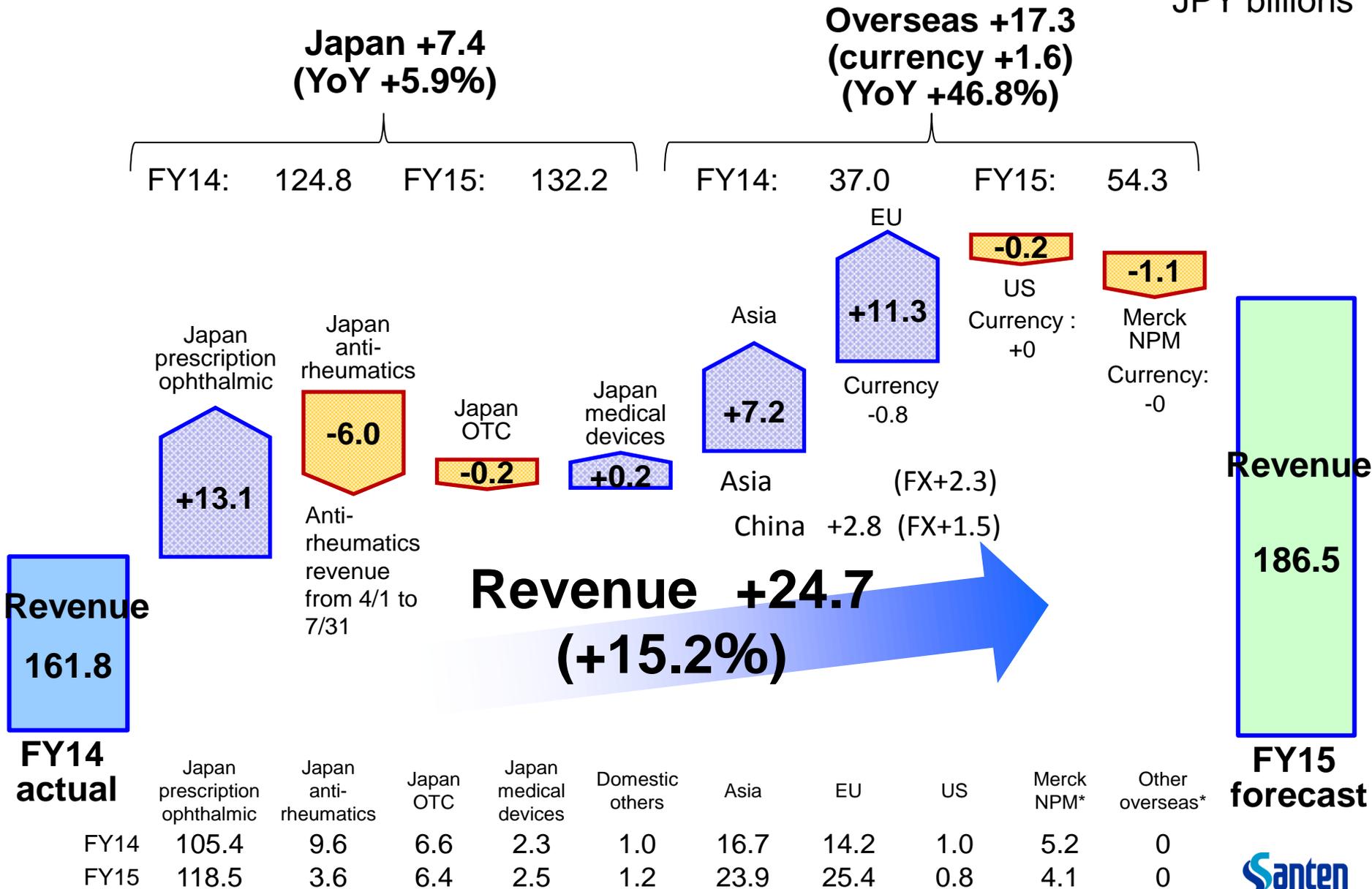
Foreign exchange	FY14 Actual	FY15 Forecast
US \$	JPY 110.14	JPY 125.00
Euro	JPY 139.01	JPY 135.00
CNY	JPY 17.84	JPY 20.00

Consolidated Forecast of FY2015 (IFRS)

- Consolidated revenue and operating profit to grow by 15.2% and 120.5%, respectively
 - Core operating profit expected to increase by 3.1%
- Operating profit includes a gain related to the succession of the company's anti-rheumatic pharmaceutical business; Core operating profit is expected to increase slightly
- In Japan, increased market penetration of new products in growing areas to offset the impact of generics
- In overseas markets, continued business growth expected in expanding Asian markets while Europe to benefit from the Merck agreement and an expanding operational footprint
- Gain expected by the end of July relating to the planned anti-rheumatic pharmaceutical business transaction
- 11.5% Core ROE targeted for FY15

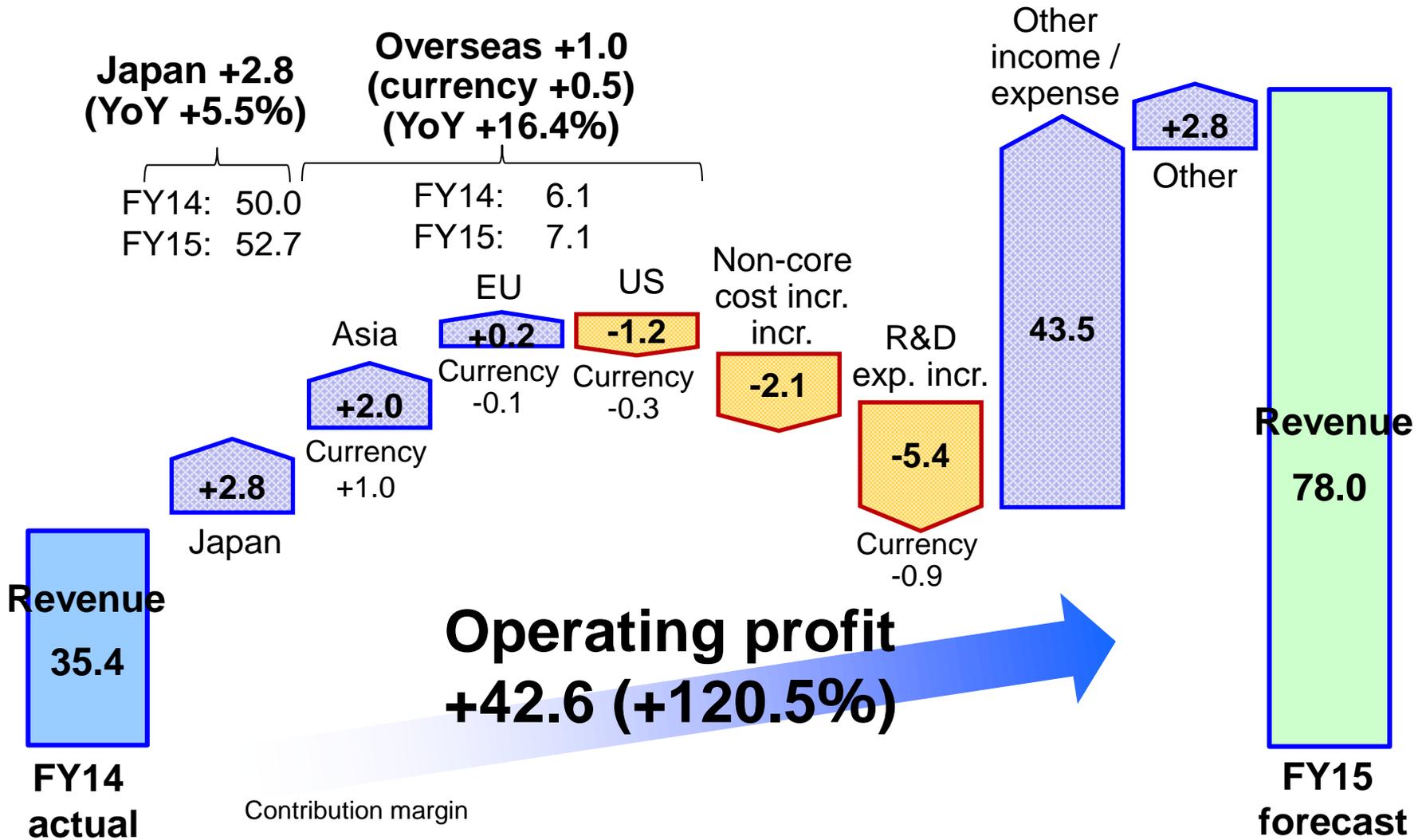
FY15 Revenue Change Forecast

JPY billions



FY15 Operating Profit Change Forecast

JPY billions



Japan +2.8 (YoY +5.5%)		Overseas +1.0 (currency +0.5) (YoY +16.4%)	
FY14:	50.0	FY14:	6.1
FY15:	52.7	FY15:	7.1

Region	Change	Currency
Asia	+2.0	+1.0
EU	+0.2	-0.1
US	-1.2	-0.3

Non-core cost incr.	-2.1
R&D exp. incr.	-5.4
Currency	-0.9

	Asia	EU	US
FY14	3.8	3.6	-1.3
FY15	5.8	3.8	-2.5

Dividend for FY2015 Forecast

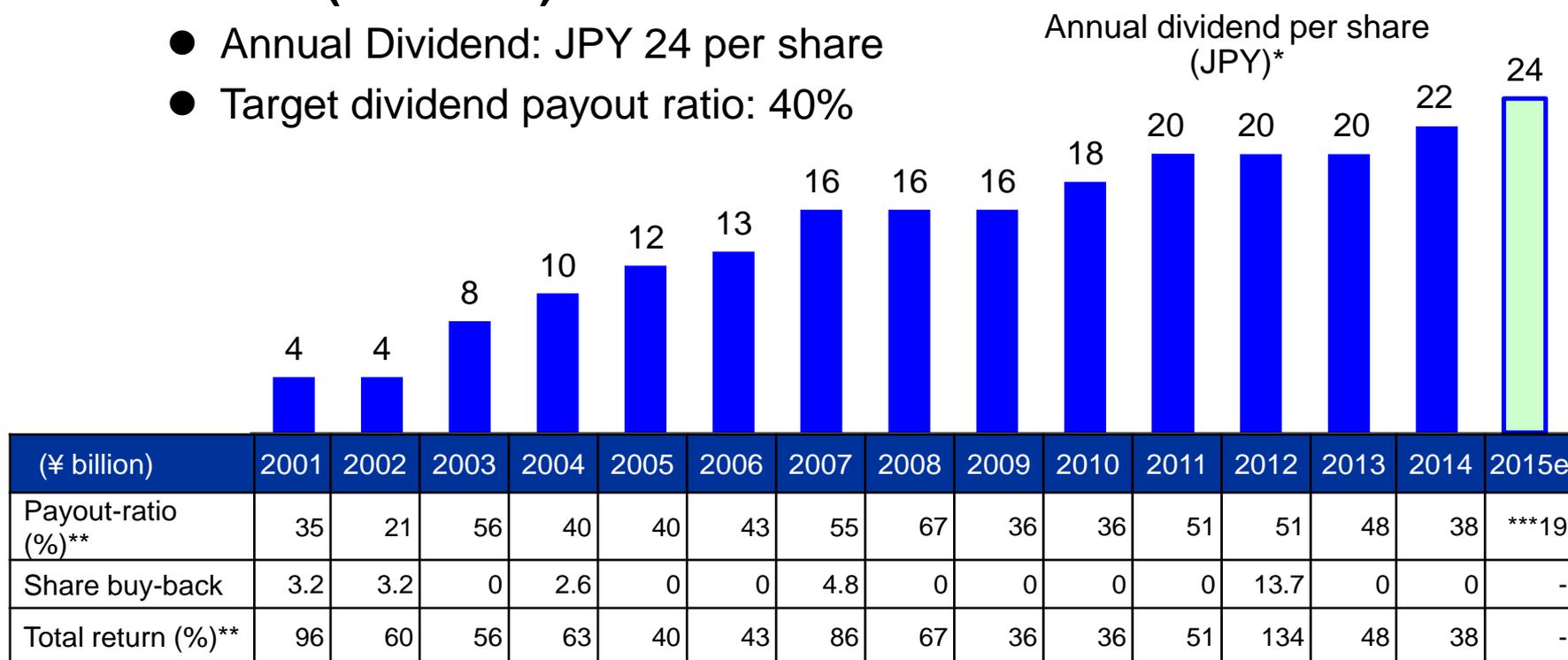
Dividends for FY2014 Actual and FY2015 Forecast

■ FY2014

- Annual Dividend: JPY 22 per share
(pre-stock split equivalent: JPY 110 per share)

■ FY2015 (Forecast)

- Annual Dividend: JPY 24 per share
- Target dividend payout ratio: 40%



*The company implemented a 5-for-1 stock split on April 1, 2015. Accordingly, the calculations of annual dividends per share have been adjusted in all periods for comparison purposes.

**J-GAAP standards used until 2013, IFRS applied from 2014.

***Removing the expected impact of a gain related to the succession of the company's anti-rheumatic pharmaceutical business in FY15, payout ratio is expected to be 39%.

Reference: Adoption of IFRS and Core Earnings Measure

Adoption of IFRS (International Accounting Standard) and Core Basis Indicators

■ IFRS Adoption

- Aiming to raise comparability of financial reporting, the company utilizes IFRS international accounting standards from FY2014 onward
- The main differences between Japanese accounting standards (J-GAAP) and IFRS are as follows:
 - Revenue in IFRS corresponds to net sales in J-GAAP
 - Operating profit under IFRS differs from operating income under J-GAAP by also including non-operating income and expenses and extraordinary gains and losses (except financial revenue and expenses)

■ Use of Core Basis Indicators

- Core results are now used as financial indicators to better express underlying business performance by removing certain gains and expenses from IFRS results
- Items excluded from IFRS to calculate core results:
 - Amortization associated with products, other revenue and expenses, and financial revenue and expenses

J-GAAP, IFRS and Core Comparisons

J-GAAP (until FY13)	IFRS	Core
Net sales	Revenue	Revenue
Cost of sales	Cost of sales	Cost of sales
Gross profit	Gross profit	Gross profit
SG&A (excluding R&D)	SG&A	SG&A
Selling and general expenses	Amortization associated with products	→ Excluded from core
Depreciation and amortization		
Depreciation of property, plant and equipment		
Amortization of intangible assets		
Amortization of patents, trademarks, domains		
Amortization of goodwill		
R&D	R&D	R&D
	Other revenue	→ Excluded from core
	Other expenses	→ Excluded from core
Operating income	Operating profit	Core operating profit
Non-operating income (interest, dividends, forex gains)	Financial revenue (interest, dividends, forex gains)	→ Excluded from core
Non-operating income (other than above)		
Non-operating expense (interest, forex losses)	Financial expense (interest, forex losses)	→ Excluded from core
Non-operating expense (other than above)		
Ordinary income		
Extraordinary gains		
Extraordinary losses		
Income before income taxes	Profit before tax	Profit before tax
Income tax expense	Income tax expense	Income tax expense
Net income	Profit for the year	Core profit for the year

Reconciliation J-GAAP to IFRS

(JPY billions)

J-GAAP		Difference		IFRS	
Net sales	161.9	(*1)	-0.1	161.8	Revenue
Cost of sales	56.4	(*1)	-0.1	56.4	Cost of sales
Gross profit	105.5		0	105.5	Gross profit
SG&A (excluding R&D)	53.9	(*2)	-1.0	48.9	SG&A
				4.0	Amortization associated with products
R&D	18.1	(*3)	-0.6	17.5	R&D
-	-	-	-	0.7	Other revenue
-	-	-	-	0.5	Other expense
Operating income	33.5		+1.9	35.4	Operating profit
Non-operating income	1.3		-	-	-
Non-operating expense	0.3		-	-	-
-	-		-	0.8	Financial revenue
-	-		-	0.3	Financial expense
Ordinary income	34.5		-	-	-
Extraordinary gain	0.2		-	-	-
Extraordinary income	0.3		-	-	-
Income before income taxes	34.3		+1.5	35.9	Profit before tax
Income tax expense	11.8		0	11.8	Income tax expense
Net income	22.6		+1.5	24.0	Profit for the year
ROE	11.7%		-	12.0%	ROE

*1 Reversal of provision for sales returns -0.1 bil yen; *2 Impact of non-depreciable goodwill, -0.9 bil yen; *3 Reported pipeline asset of license in payment -0.6 bil yen

Reconciliation IFRS to Core OP

(JPY billions)	FY2014 (actual)	FY2015 (forecast)
IFRS operating profit	35.4	78.0
Non-core deduction items	-3.7	37.7
Amortization associated with products	-4.0	-6.1
Other revenue	0.7	45.0
Other expenses	-0.5	-1.2
Core operating profit	39.1	40.3

Reference: Consolidated Results of FY2014

Changes in Income Statement

(JPY billions)	FY13 Actual (IFRS)	FY14		Major Changes
		Actual (IFRS)	Var.	
Revenue	146.3	161.8	+10.6%	
Cost of sales (% of revenue)	-57.4 39.2%	-56.4 34.8%	-1.7% -4.4pt	<ul style="list-style-type: none"> •Merck -5.0 pt •Product mix change +1.1pt •NHI price revision +1.0pt
SGA excluding R&D (% of revenue)	-41.6 28.5%	-48.9 30.2%	+17.4% +1.7pt	<ul style="list-style-type: none"> •Japan -3.2 •Asia -1.1 (FX-0.6) •US/EU -1.4 (FX-0.6) •New co. -1.5 •Amortization of Merck's asset -3.7
Amortization associated with products (% of revenue)	-0.2 0.1%	-4.0 2.5%	- +2.3pt	
R&D expenses (% of revenue)	-16.9 11.5%	-17.5 10.8%	+3.7% -0.7pt	<ul style="list-style-type: none"> •Japan +0.3 •Overseas -0.8 (FX-0.6)
Other revenue	0.7	0.7	+6.3%	
Other expenses	-1.0	-0.5	-54.9%	
Operating profit (% of revenue)	29.9 20.4%	35.4 21.9%	+18.4% +1.4pt	
Financial revenue	0.9	0.8	-16.2%	
Financial expenses	-0.4	-0.3	-35.5%	
Profit before tax	30.4	35.9	+18.1%	
Income tax expense	-10.6	-11.8	+11.2%	
Profit for the year	19.7	24.0	+21.9%	
ROE	11.1%	12.0%	-	

Currency rates	FY13 actual	FY14 actual
US \$	JPY 100.04	JPY 110.14
Euro	JPY 133.98	JPY 139.01
CYN	JPY 16.26	JPY 17.84

Core operating profit	30.4	39.1	+28.6%	
Core profit for the year	19.8	25.9	+31.0%	
Core ROE	11.2%	13.0%	-	

Revenue by Business Segment

(JPY billions)	FY14 Actual					
	Japan		Overseas		Total	
	Sales	Var. %	Sales	Var. %	Sales	Var. %
Pharmaceuticals	122.3	+2.6%	37.0	+53.1%	159.3	+11.1%
Prescription Pharmaceuticals	115.7	+2.6%	36.9	+53.1%	152.6	+11.5%
Ophthalmic	105.3	+3.5%	30.7	+32.1%	136.1	+8.8%
Anti-RA	9.6	-5.9%	0.1	-31.2%	9.6	-6.1%
Others	0.8	-9.6%	6.1	+708.8%	6.9	+330.6%
OTC Pharmaceuticals	6.6	+3.6%	0.1	+85.5%	6.7	+4.1%
Others	2.5	-12.5%	0	-17.9%	2.6	-12.6%
Medical Devices	2.3	-13.0%	0	-17.9%	2.3	-13.1%
Others	0.2	-7.4%	0	-	0.2	-7.4%
Total	124.8	+2.3%	37.0	+53.0%	161.8	+10.6%

Overseas Revenue and Operating Profit

(JPY billions)	FY2013 Actual (IFRS)	FY2014 Actual (IFRS)		
	Revenue	Revenue*	Var. %	Operating profit**
U.S.	1.0	6.2	+507.4%	-1.3
Europe	11.5	14.2	+23.5%	3.6
Asia	11.7	16.7	+42.5%	3.8
<i>China</i>	8.6	10.7	+25.1%	-
Others	0	0	-63.2%	-
Total	24.2	37.0	+53.0%	6.1
Overseas sales / sales	16.5%	22.9%	+6.3pt	-

* Net profit margin (NPM) relating to the Merck product acquisition is treated as revenue in the U.S.

** In line with company policy accounting for operating profit, NPM is distributed by region after operationally transferred from Merck to Santen.

Summary of Balance Sheet

(JPY billions)	As of March 31, 2014		As of March 31, 2015		
	Actual IFRS	% of Total	Actual IFRS	% of Total	Var.
Non-current assets	84.4	35.5%	153.5	50.5%	+69.1
Current assets	153.2	64.5%	150.7	49.5%	-2.5
Total assets	237.6	100.0%	304.2	100.0%	+66.6
Total equity	187.2	78.8%	211.8	69.6%	+24.6
Non-current liabilities	11.2	4.7%	36.1	11.9%	+24.8
Current liabilities	39.2	16.5%	56.3	18.5%	+17.2
Total liabilities	50.4	21.2%	92.4	30.4%	+42.0
Total equity and liabilities	237.6	100.0%	304.2	100.0%	+66.6

Shares issued : End of March 2014: 412,915 thousand → End of March 2015: 413,266 thousand

Major Changes

- Non-current assets : Right of approval for manufacture and sale +¥59.6bil, Investment securities +¥11.4bil
- Current assets: Accounts receivable +¥7.5bil
- Equity: Retained earnings +¥16.1bil, Valuation difference on available for sale securities +¥7.8bil
- Non-current liabilities: Long term borrowing +¥25.3bil
- Current liabilities: Short term borrowing +¥11.8bil

*The company implemented a 5-for-1 stock split on April 1, 2015. Accordingly, the calculations of the number of shares issued have been adjusted in all periods for comparison purposes.

Summary of Cash Flows

(JPY billions)		FY13 IFRS	FY14 IFRS	Var.
	Cash flows from operating activities	26.7	25.4	-1.3
	Cash flows from investing activities	-7.8	-61.7	-53.9
	Cash flows from financial activities	-8.0	29.0	+36.9
	Net increase (decrease) in cash and cash equivalents	10.9	-7.4	-18.2
	Cash and cash equivalents at beginning of year	60.2	72.4	+12.2
	Effect of exchange rate changes on cash and cash equivalents	1.3	0.9	-0.4
	Cash and cash equivalents at end of year	72.4	65.9	-6.5

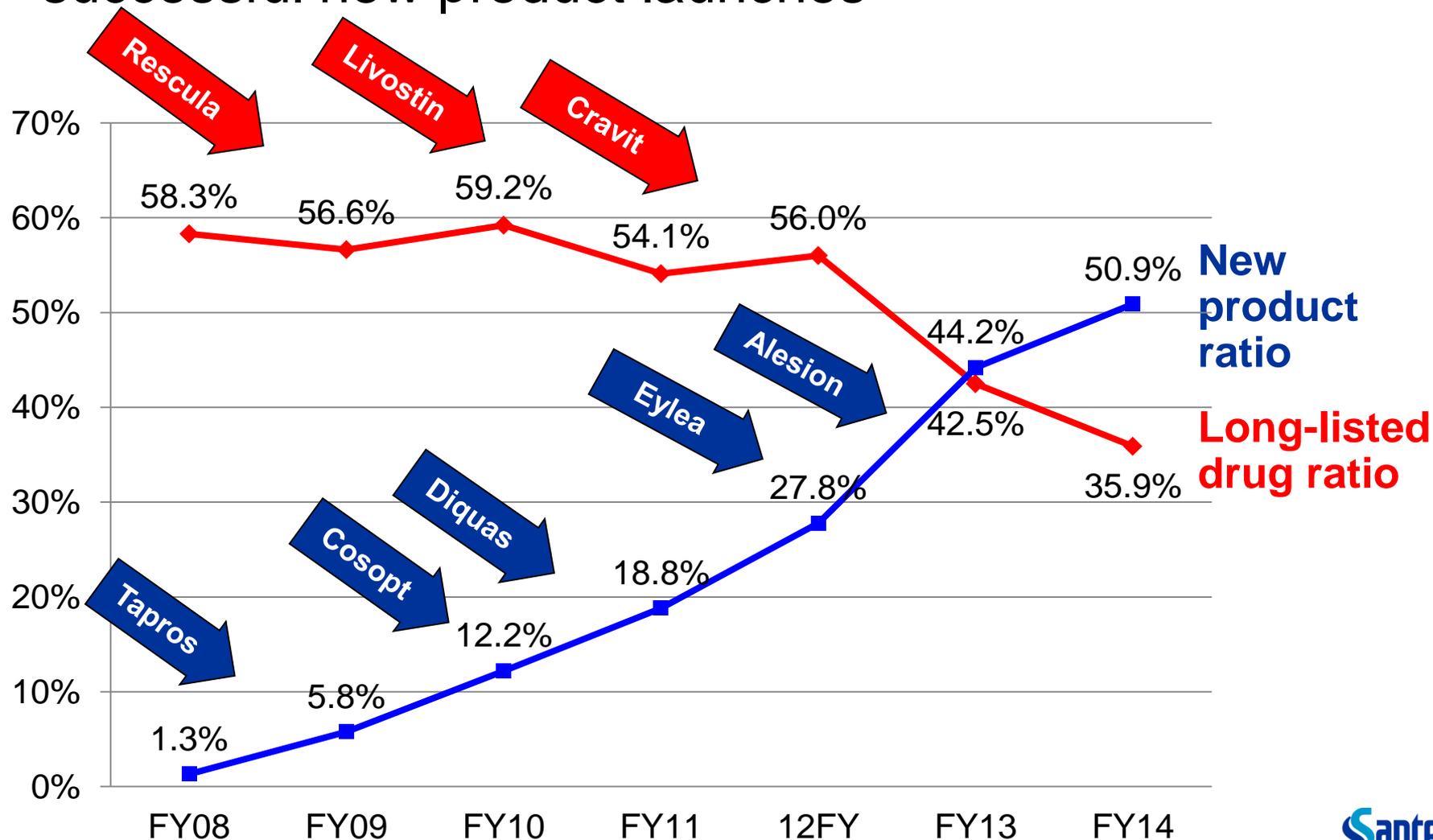
Capital Expenditures / Depreciation & Amortization

(JPY billions)	FY13 Actual (IFRS)	FY2014	
		Actual (IFRS)	Var.
Capital expenditures	3.5	5.4	+1.9
Depreciation and amortization	2.9	*7.0	+4.1

*Includes JPY3.7 billion amortization of intangible assets related to Santen's acquisition of US-based Merck ophthalmic products

Long-Listed, New Product Ratios to Sales

New product ratio* increasing with consecutive successful new product launches



Reference: Consolidated Forecast of FY2015

FY2015 Consolidated Forecasts

(JPY billions)	FY2015 Forecast (IFRS)					
	1 st half	Var.%	2 nd half	Var.%	Full year	Var.%
Revenue	92.5	+28.6%	94.0	+4.5%	186.5	+15.2%
Cost of sales (% of revenue)	32.0 34.6%	+20.4%	34.4 36.6%	+15.5%	66.4 35.6%	+17.8% +0.8pt
SGA excluding R&D (% of revenue)	28.5 30.8%	+30.3%	28.4 30.2%	+5.1%	56.9 30.5%	+16.4% +0.3pt
Amortization associated with products (% of revenue)	3.0 3.2%	+131.2%	3.1 3.3%	+15.6%	6.1 3.3%	+53.3% +0.8pt
R&D expenses (% of revenue)	11.0 11.9%	+34.6%	11.9 12.7%	+27.9%	22.9 12.3%	+31.0% +1.5pt
Other revenue	45.0	-	-	-100.0%	45.0	-
Other expenses	1.0	-	0.2	-50.5%	1.2	+162.0%
Operating profit (% of revenue)	62.0 67.0%	+338.7%	16.0 17.0%	-24.7%	78.0 41.8%	+120.5% +20.0pt
Core operating profit (% of revenue)	21.0 22.7%	37.3%	19.3 20.5%	-18.9%	40.3 21.6%	+3.1%

Foreign exchange	FY14 actual	FY15 forecast
US \$	JPY 110.14	JPY 125.00
Euro	JPY 139.01	JPY 135.00
CNY	JPY 17.84	JPY 20.00

Revenue Forecast by Business Segment / Overseas Revenue

(JPY billions)	FY2015 Forecast					
	Japan		Overseas		Total	
	Sales	Var.	Sales	Var. %	Sales	Var. %
Pharmaceuticals	129.4	5.8%	53.9	45.8%	183.3	+13.3%
Prescription Pharmaceuticals	123.0	6.3%	53.8	45.9%	176.8	+11.0%
Ophthalmic	118.5	+12.5%	49.1	+59.9%	167.6	+23.2%
Anti-RA	3.6	-62.2%	0	-	3.6	-62.4%
Others	0.9	+14.4%	4.7	-23.0%	5.6	-18.9%
OTC Pharmaceuticals	6.4	-3.2%	0.1	-0.6%	6.5	-3.2%
Others	2.8	+11.3%	0.4	+831.0%	3.2	+25.2%
Medical devices	2.5	+9.5%	0.1	+19.1%	2.6	+9.7%
Others	0.3	+28.5%	0.4	-	0.7	+174.3%
Total	132.2	5.9%	54.3	46.8%	186.5	15.2%

Overseas Revenue and Operating Profit Forecast

(JPY billions)	FY2014 Actual (IFRS)	FY2015 Forecast (IFRS)		
	Revenue	Revenue*	Var. %	Operating profit**
U.S.	6.2	4.9	-20.0%	-2.5
Europe	14.2	25.4	+79.5%	3.8
Asia	16.7	23.9	+43.4%	5.4
<i>China</i>	10.7	13.5	+26.5%	-
Others	0	0	0	-
Total	37.0	54.3	+46.8%	7.1
Overseas sales / sales	22.9%	29.1%	+6.3pt	-

* Net profit margin (NPM) relating to the Merck product acquisition is treated as revenue in the U.S.

** In line with company policy accounting for operating profit, NPM is distributed by region after operationally transferred from Merck to Santen.

Forecast of Capital Expenditures / Depreciation & Amortization

(JPY billions)	FY14 Actual (IFRS)	FY2015 Forecast	
		(IFRS)	Var.
Capital expenditures	5.4	7.7	+2.3
Depreciation and amortization	7.0	9.3	+2.4

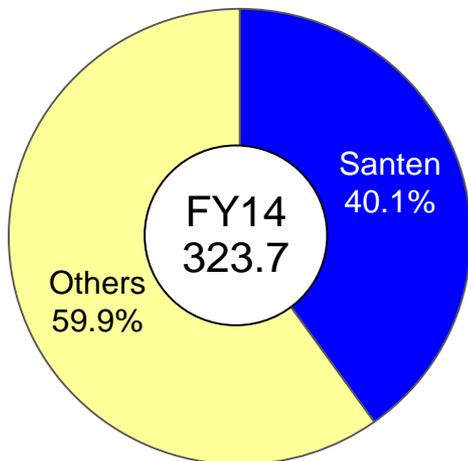
- Amortization of intangible assets related to Santen's acquisition of US-based Merck ophthalmic products was recorded of 3.7 billion yen in FY14 and forecast to be 5.1 billion yen in FY15.

Reference: Market Overview of Prescription Ophthalmic in Japan

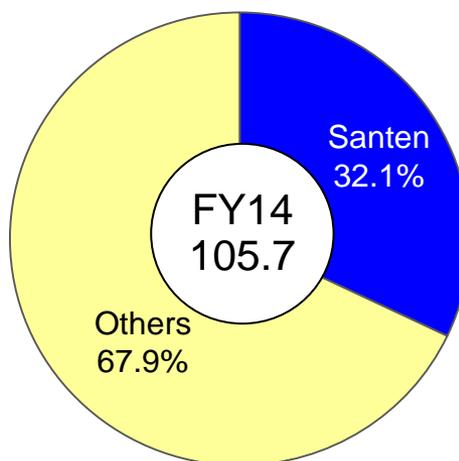
Japan: Trend & Competition in Ophthalmics (1)

Market Size:
billions of yen
%: Value Share

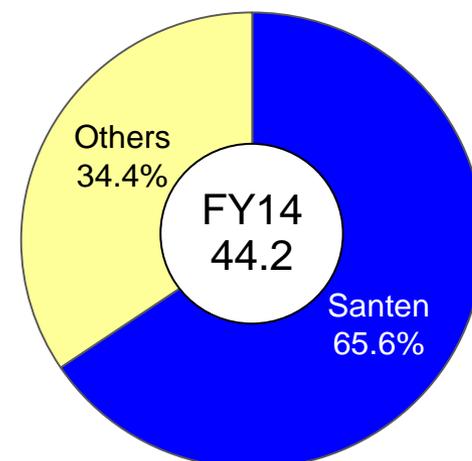
Ophthalmology Total



Anti-glaucoma



Corneal: Dry Eye



		FY13	FY14
YoY change	Market	+10.2%	+7.4%
	Santen	+23.1%	+9.3%
Santen's Share		39.4%	40.1%

		FY13	FY14
		+10.5%	+0.9%
		+10.7%	+6.1%
Santen's Share		30.5%	32.1%

		FY13	FY14
		+11.5%	-0.0%
		+5.4%	-7.0%
Santen's Share		70.5%	65.6%

-Santen:

- Anti-Glaucoma : Tapros, Cosopt, Timoptol/XE, Trusopt, Rescula, Detantol, Tapcom
- Cornea / Dry Eye : Hyalein, Diquas

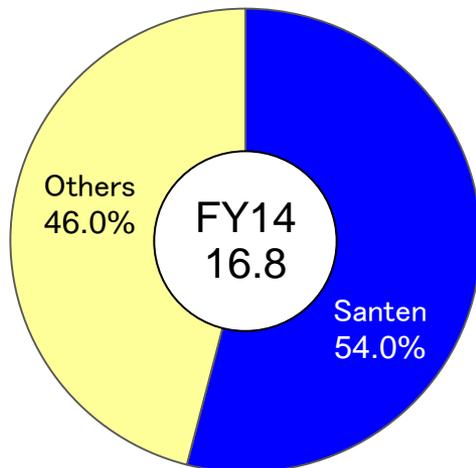
Source: ©2015 IMS Health
IMS-JPM 2012-15
Santen analysis based on IMS data
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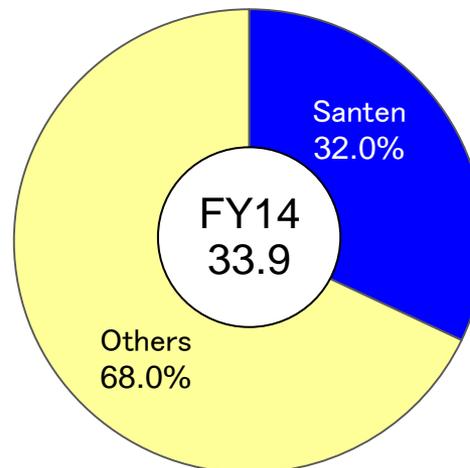
Japan: Trend & Competition in Ophthalmics (2)

Market Size:
billions of yen
%: Value Share

Anti-infection



Anti-allergy



		FY13	FY14
YoY change	Market	-3.0%	-8.2%
	Santen	-7.8%	-15.3%
Santen's Share		58.5%	54.0%

		FY13	FY14
		-9.7%	+21.4%
		+19.7%	+83.3%
		21.2%	32.0%

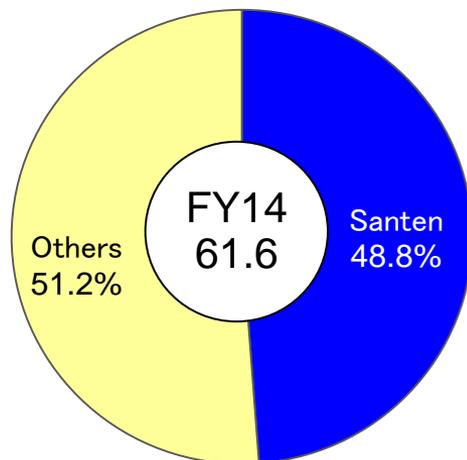
- Santen:
 - Anti-infection: Cravit, Tarivid
 - Anti-allergy: Alesion, Livostin, Alegysal

Source: ©2015 IMS Health
 IMS-JPM 2012-15
 Santen analysis based on IMS data
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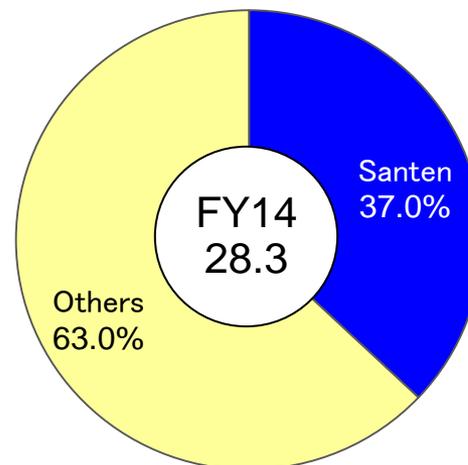
Japan: Trend & Competition in Ophthalmics (3)

Market Size:
billions of yen
%: Value Share

Anti-VEGF



Anti-RA(DMARDs)



		FY13	FY14
YoY change	Market	+52.6%	+42.6%
	Santen	-	+43.0%
Santen's Share		48.7%	48.8%

		FY13	FY14
		+5.5%	-1.5%
		+2.0%	-5.1%
		38.4%	37.0%

- Santen:
- Anti-VEGF: Eylea
- Anti-RA(DMARDs): Rimatil, Azulfidine, Metolate

Source: ©2015 IMS Health
IMS-JPM 2012-15
Santen analysis based on IMS data
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Status of Clinical Development FY2014

A Clear Vision For Life™ 

Naveed Shams, M.D., Ph.D.

Senior Corporate Officer

Chief Scientific Officer (CSO)

Head of Global Research & Development

Status of main projects in clinical development (1)

Global

JP (Asia)

Disease Area	PJ	Compound / MOA	Region	Development Stage					Changes from 3QFY14
				P1	P2	P3	Reg.	APV/ Launch	
Glaucoma/ ocular hypertension	DE-111	Tafluprost/ Timolol (FDC)	JP						
			EU						
			KR						
			Asia				★		Registration in Asia
	DE-118	Tafluprost UD	JP						
			Asia						
	DE-085	Tafluprost	CN						
	DE-117	EP2 agonist	US		★				Completed P2b study
DE-090	Lomerizine	JP							
Kerato- conjunctival disease	Cyclokot	Cyclosporine	EU					★	Approved in EU
			US						
	DE-089	Diquafosol	CN						
			Asia						

Status of main projects in clinical development (2)

Global

JP (Asia)

Disease Area	PJ	Compound/ MOA	Region	Development Stage					Changes from 3QFY14
				P1	P2	P3	Reg.	APV/ Launch	
Retinal/ Uveal disease	DE-109	Sirolimus	EU				★		MAA in EU
			JP						
			US						
	DE-120	VEGF/PDGF inhib.	US						
Allergy	Vekacia	Cyclosporine	EU						

Major Clinical Projects Update

-Glaucoma /
Ocular hypertension-

■ DE-085 (Glaucoma / Ocular hypertension)

Region	Development Stage		Remarks
	As of May 12, 2015	As of February 3, 2015 (Previous announcement)	
China	NDA Filed	NDA Filed	Generic name: Tafluprost

■ DE-090 (Glaucoma / Ocular hypertension)

Region	Development Stage		Remarks
	As of May 12, 2015	As of February 3, 2015 (Previous announcement)	
Japan	P2	P2	Generic name: Lomerizine HCl

■ DE-111 (Glaucoma / Ocular hypertension)

Region	Development Stage		Remarks
	As of May 12, 2015	As of February 3, 2015 (Previous announcement)	
Japan	Launched	Launched	Generic name: Tafluprost/ Timolol maleate (Combination drug)
Europe	Launched	Launched	
Korea	NDA Filed	NDA Filed	
Asia	NDA Filed	—	

Major Clinical Projects Update

-Glaucoma /
Ocular hypertension-
-Corneal disease-

■ DE-117 (Glaucoma / Ocular hypertension)

Region	Development Stage		Remarks
	As of May 12, 2015	As of February 3, 2015 (Previous announcement)	
U.S.	P2b completed	P2b	EP2 receptor agonist

■ DE-089 (Dry eye)

Region	Development Stage		Remarks
	As of May 12, 2015	As of February 3, 2015 (Previous announcement)	
Asia	NDA filed	NDA filed	Generic name: Diquafosol Sodium

Major Clinical Projects Update

-Retinal Disease-
-Uveitis-

■ DE-120 (Wet Age-related Macular Degeneration (w-AMD))

Region	Development Stage		Remarks
	As of May 12, 2015	As of February 3, 2015 (Previous announcement)	
U.S.	P1/2a	P1/2a	VEGF/PDGF dual inhibitor

■ DE-109 (Uveitis)

Region	Development Stage		Remarks
	As of May 12, 2015	As of February 3, 2015 (Previous announcement)	
U.S.	P3	P3	Generic name: Sirolimus
Japan	P3	P3	
EU	NDA Filed	P3	

Major Clinical Projects Update -Santen S.A.S.-

■ Cyclokat (Severe Keratitis)

Region	Development Stage		Remarks
	As of May 12, 2015	As of February 3, 2015 (Previous announcement)	
EU	Approved	NDA filed	Generic Name: Ciclosporin
U.S.	P2 completed	P2 completed	

■ Vekacia (Vernal Keratoconjunctivitis)

	Development Stage		Remarks
	As of May 12, 2015	As of February 3, 2015 (Previous announcement)	
EU	P3	P3	Generic Name: Ciclosporin

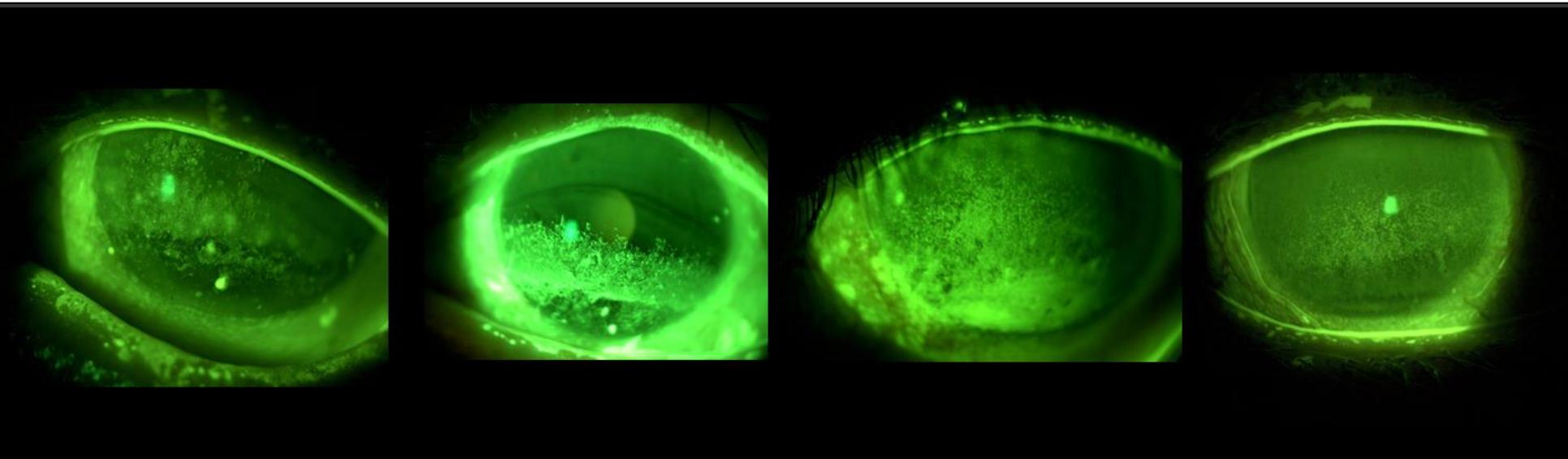
*Project evaluations are ongoing for the products below:

Development Name	Indication	Region	Stage	Remarks
Catioprost	Glaucoma/ Ocular hypertension	EU	P2	Generic Name: Latanoprost
Cortiject	Diabetic macular edema	U.S.	P1/2	Generic Name: Dexamethasone Palmitate

Ikervis®

March 25, 2015: Santen announced approval of Ikervis (Cyclokot) for EU Marketing Authorization

Indication: Treatment of **severe keratitis** in adult patients with dry eye disease which has not improved despite treatment with tear substitutes

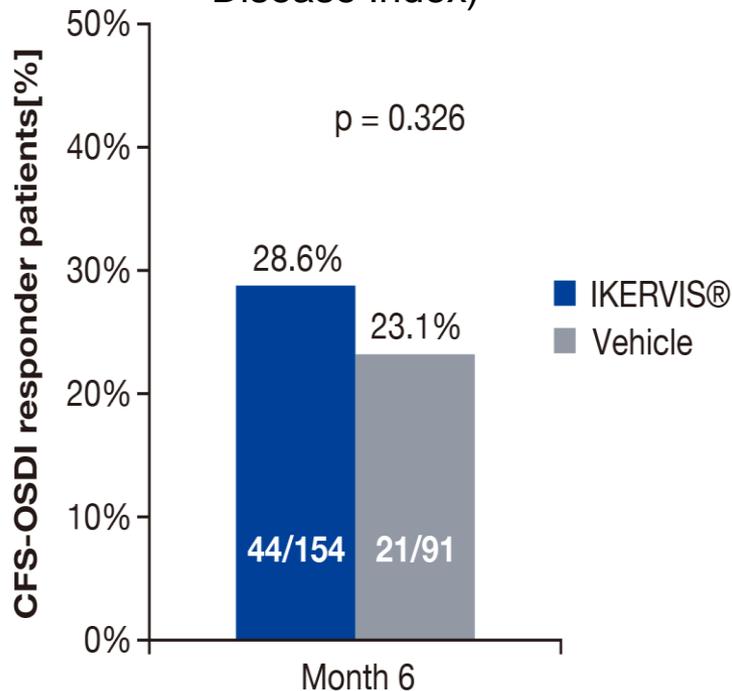


Ikervis – CHMP* conclusions

The benefit-risk balance was considered favourable

Primary efficacy endpoint

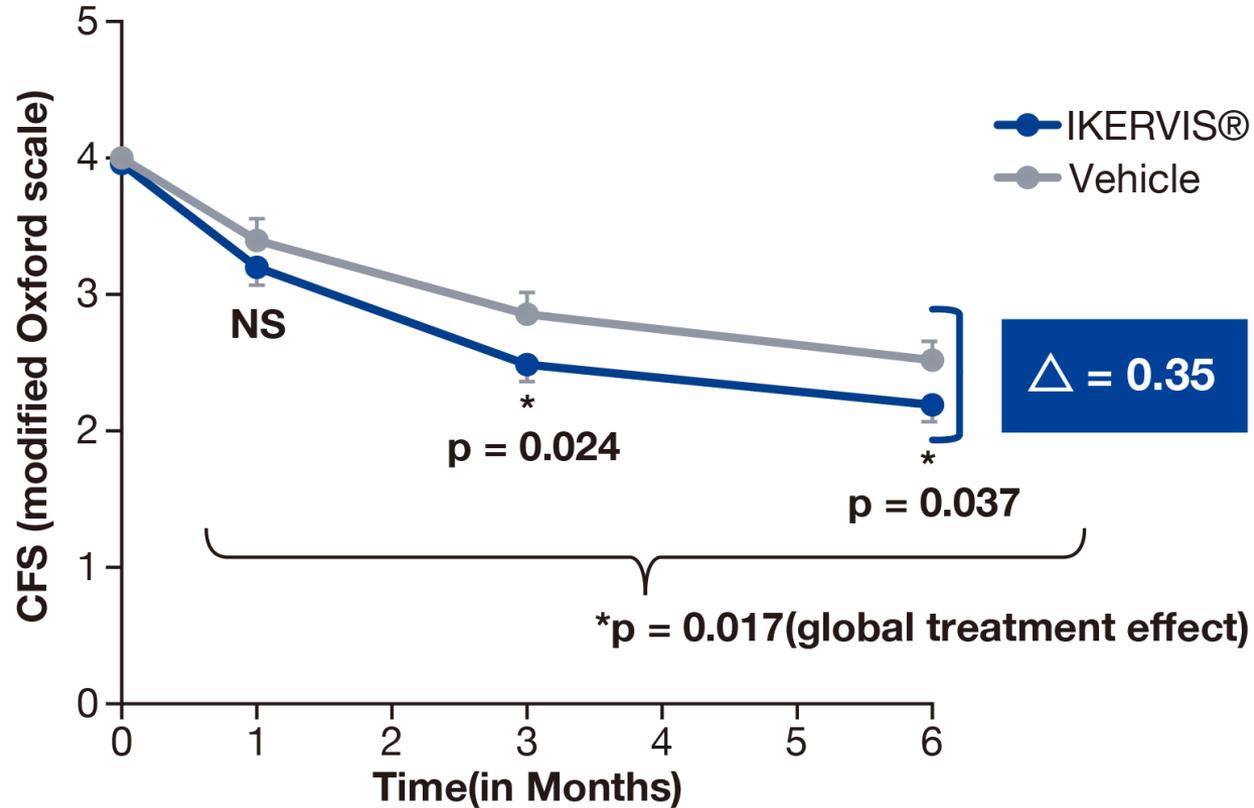
CFS-OSDI (Corneal fluorescein staining - Ocular Surface Disease Index)



- Although IKERVIS had not been shown to improve symptoms compared to the vehicle, there was evidence that it could improve the inflammation and damage to the cornea, i.e. keratitis.
- The improvement in corneal surface damage is clinically relevant since Ikervis may help prevent disease progression.
- Experts suggested that there might be a lag time - improvement in symptoms may occur only years after improvement in signs.

*The Committee for Medicinal Products for Human Use (CHMP) is the committee at the European Medicines Agency that is responsible for preparing opinions on questions concerning medicines for human use.

Ikervis - The mean difference in CFS* (1/3)



*Corneal fluorescein staining (CFS)

Ikervis - The mean difference in CFS (2/3)

Grade 0: no staining dots



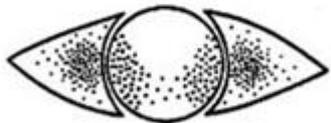
Grade 0.5



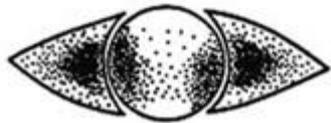
Grade 1



Grade 2



Grade 3



Grade 4

Grade 5: more than in Grade 4 picture

A difference of one grade corresponds to a multiplication of the number of dots by 3.16 (except for the difference between 0 and 1)

Grade	Nb of dots on the cornea
0	0
0.5	1
1	≤10
2	≤31
3	≤100
4	≤316
5	> 316

Switching from the mean difference to the ratio of the number of dots, the following formula was used:
 $3.16^{(\text{mean difference})} = \text{ratio in number of dots}$

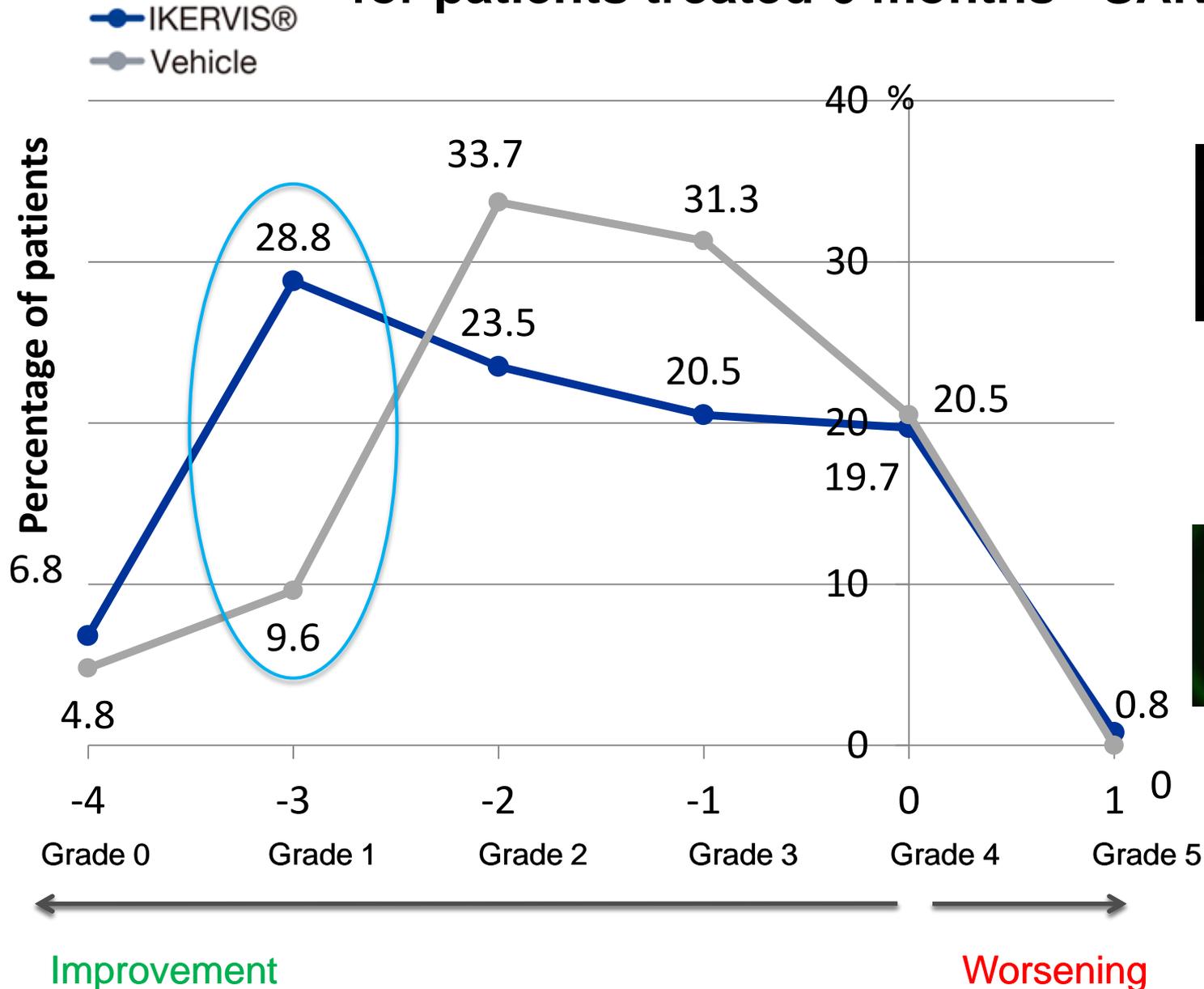
$$3.16^{0.35} = 1.5 = \frac{\text{nb of dots in Vehicle group}}{\text{nb of dots in Ikervis group}}$$

The modified Oxford scale is a logarithmic scale (Bron 2003)

Ikervis - The mean difference in CFS (3/3)

- 0.35 represents **a ratio of 1.5 in the damaged surface area** (in the vehicle group vs. Ikervis group)
- This ratio means that at **6 months**, the **vehicle group still has 50% more dots** on average than the Ikervis group

Ikervis - Corneal staining (CFS): change from baseline for patients treated 6 months - SANSIKA study



Grade 4



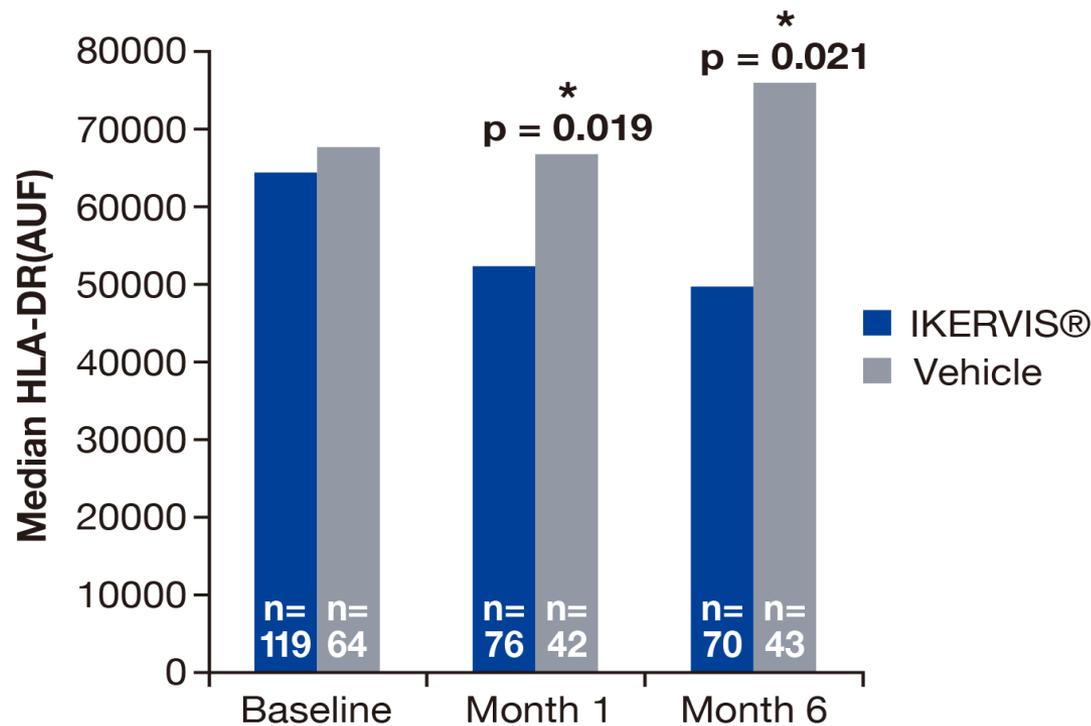
Grade 1



Ikervis - HLA-DR* – SANSIKA study

Secondary endpoint – Planned analysis

IKERVIS has a long-term (6 months), statistically significant effect on **inflammation** as assessed by the HLA-DR biomarker



*HLA-DR : human leukocyte antigen-DR, a MHC class II cell surface receptor commonly used as inflammation marker

Ikervis - Overview of adverse events

Summary of the safety profile

In clinical studies including patients who received either Ikervis or the vehicle (control), administration was conducted at least once a day in both eyes, for up to one year. The most common adverse reactions, which were usually transitory and occurred during instillation, were:

- eye pain (19%)
- eye irritation (17.8%)
- lacrimation (6.2%)
- ocular hyperaemia (5.5%)
- eyelid erythema (1.7%)

Table of undesirable effects in SmPC (Summary of Product Characteristics)

SOC	Frequency	PT
Infections and infestations	$\geq 1/1,000$ to $< 1/100$	Keratitis bacterial, herpes zoster ophthalmic
Eye disorders	$\geq 1/100$ to $< 1/10$	Erythema of eyelid, lacrimation increased, ocular hyperaemia, vision blurred, eyelid oedema, conjunctival hyperaemia, eye irritation, eye pain
	$\geq 1/1,000$ to $< 1/100$	Conjunctival oedema, lacrimal disorder, eye discharge, eye pruritus, conjunctival irritation, conjunctivitis, foreign body sensation in eyes, deposit eye, keratitis, blepharitis, corneal decompensation, chalazion, corneal infiltrates, corneal scar, eyelid pruritus, iridocyclitis
General disorders and administration site conditions	$\geq 1/10$	Instillation site pain
	$\geq 1/100$ to $< 1/10$	Instillation site irritation, instillation site erythema, instillation site lacrimation
	$\geq 1/1,000$ to $< 1/100$	Instillation site reaction, instillation site discomfort, instillation site pruritus, instillation site foreign body sensation

Ikervis - Trial Design

(for reference)

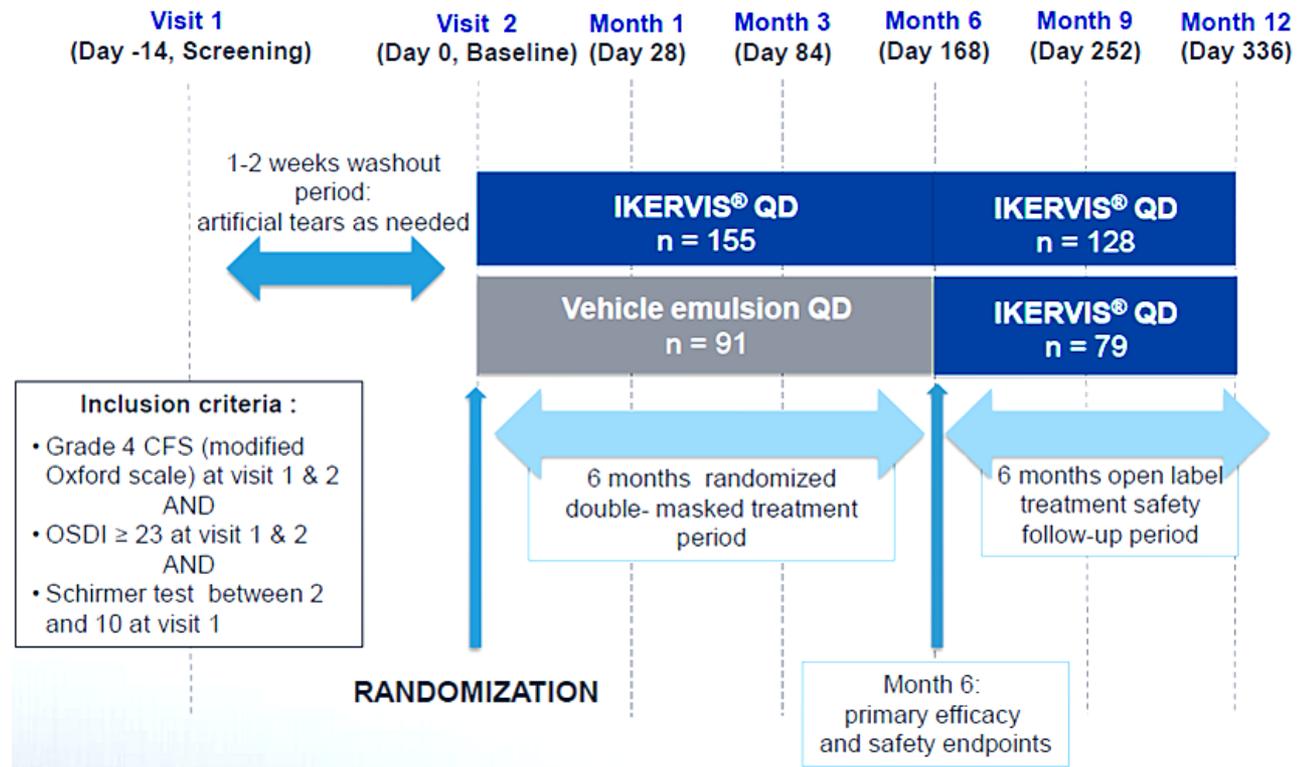
Phase 3 SANSIKA trial design

Multicentre Randomised Double-masked 2 parallel arm
Vehicle-controlled

Primary efficacy endpoint:

CFS-OSDI composite responder rate at month 6 where responder simultaneously:

- Improves ≥ 2 grades from baseline in CFS¹, and
- Improves $\geq 30\%$ from baseline in OSDI (i.e. % change $\leq -30\%$)



¹ Based on the modified Oxford scale (i.e. change in CFS ≤ -2),

Forward-Looking Statements

- Information given in this announcement and accompanying documentation 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.

A Clear Vision For Life™

Santen