

Investor Meeting on Q2 FY2016 Results



Akira Kurokawa

President & CEO

November 2016

SANTEN PHARMACEUTICAL CO., LTD.

Santen's Corporate Values

天機に参与する

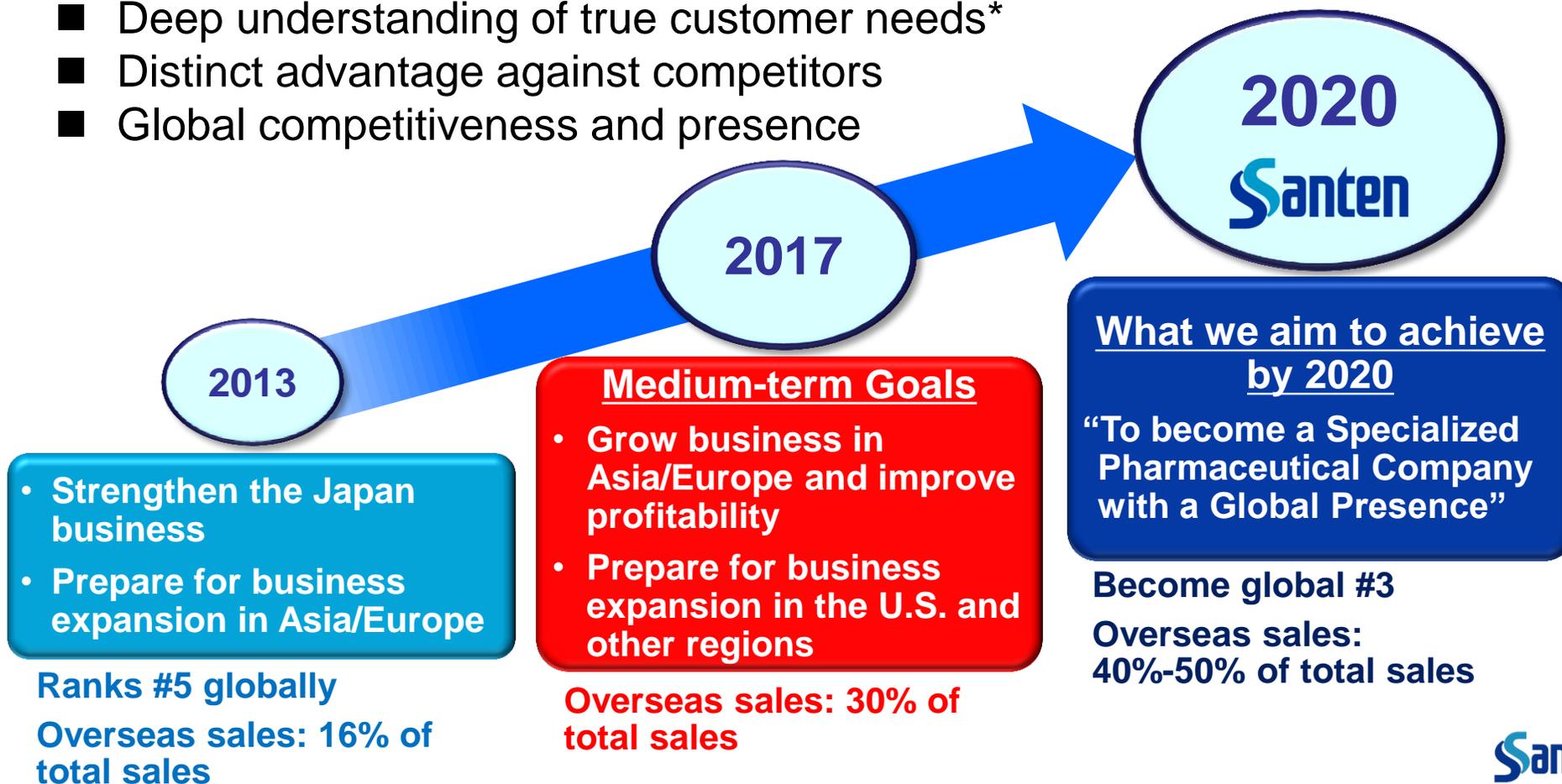
Tenki ni sanyo suru

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

Long-term Strategic Vision and Growth Targets

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

Q2 FY2016 Financial Results ended September 30, 2016

Q2 FY2016⁽¹⁾ Financial Highlights

Core basis

(JPY billions)	Q2 FY15 Actual	Q2 FY16	
		Actual	Var. (YoY)
Revenue	97.9 ⁽³⁾	97.8	-0.0%
<i>Excluding anti-RA business and forex impacts</i>	91.0		+7.6%
Core operating profit ⁽²⁾	24.5 ⁽³⁾	22.5	-8.5%
<i>Excluding anti-RA business and forex impacts</i>	22.7		-0.9%
Core net profit for the period	16.4	16.7	+2.0%

IFRS basis⁽⁴⁾

Operating profit	65.4	18.8	-71.3%
Net profit for the period	43.7	12.6	-71.1%

(1) Santen results herein describe Q2 results cumulatively as the six month period ended September 30, 2016

(2) Core operating profit = operating profit + amortization associated with products – other revenue + other expenses (see slide 18)

(3) Including revenue of anti-RA business, 3.5 bil and core operating profit, 2.0 bil yen

(4) Including gain on transfer of anti-RA business of 45.0 bil yen

Q2 FY2016⁽¹⁾ Consolidated Highlights

Excluding impacts of anti-rheumatoid (RA) business transfer and yen appreciation, Q2 core basis results showed strength

- **Revenue:** No change year-on-year (+8% revenue growth excl. RA and foreign exchange impacts)
- **Japan business:** Revenue +2% YoY (revenue grew +8% excl. RA impact)
 - Growth of new products overcomes NHI price cuts and RA business transfer
 - New product ratio increased to 69%; Market share to 45% (from 43% in Q2 FY2015)
- **Overseas business:** Revenue -5% YoY (revenue grew +7% excl. forex impact)
 - Asia: Revenue lower in Japanese yen terms, but China +15% in CNY terms
 - EMEA⁽²⁾: Acquired MSD products contributed to +27% growth in Euro terms
- **Core operating profit:** -8% YoY (-1% excl. RA and forex impact)
 - With increased R&D investment, core OP was lower YoY and in-line with prior year Q2 excl. RA and forex impacts
- **Core net profit:** +2% YoY
 - Increased on factors including lower tax rates for Japan operations
- **Q2 results above internal plans, FY16 forecasts maintained**
- **Completed acquisition of InnFocus strengthening position in glaucoma**
- **Announced a repurchase of own shares program**

⁽¹⁾ Santen results herein describe Q2 results cumulatively as the six month period ended September 30, 2016

⁽²⁾ EMEA: Europe, the Middle East and Africa

Changes in P&L Statement

(JPY billions)	Q2 FY15	Q2 FY16		Major Changes
	Actual	Actual	Var. (YoY)	
Revenue	97.9	97.8	-0.0%	
Cost of sales (% of revenue)	-36.5 37.3%	-36.8 37.7%	+0.9% +0.4pt	Product mix change •Japan -0.7pt •Overseas +1.1pt (Incl. NPM** +0.9pt)
SG&A expenses (% of revenue)	-27.6 28.2%	-28.2 28.9%	+2.3% +0.7pt	•Japan -0.7 •Asia -0.3 •US/EMEA +0.4
R&D expenses (% of revenue)	-9.2 9.4%	-10.3 10.5%	+11.5% +1.1pt	•Japan -0.5 •Overseas -0.6
Core operating profit (% of revenue)	24.5 25.1%	22.5 23.0%	-8.5% -2.1pt	
Non-recurring SG&A expenses*	-	-0.5	-	
Amortization on intangible assets associated with products (% of revenue)	-3.0 3.1%	-3.2 3.2%	+5.6% +0.2pt	
Other revenue	44.7	0.2	-	
Other expenses	-0.9	-0.2	-75.5%	
Operating profit (% of revenue)	65.4 66.8%	18.8 19.2%	-71.3% -47.6pt	
Core net profit for the period	16.4	16.7	+2.0%	
Net profit for the period	43.7	12.6	-71.1%	

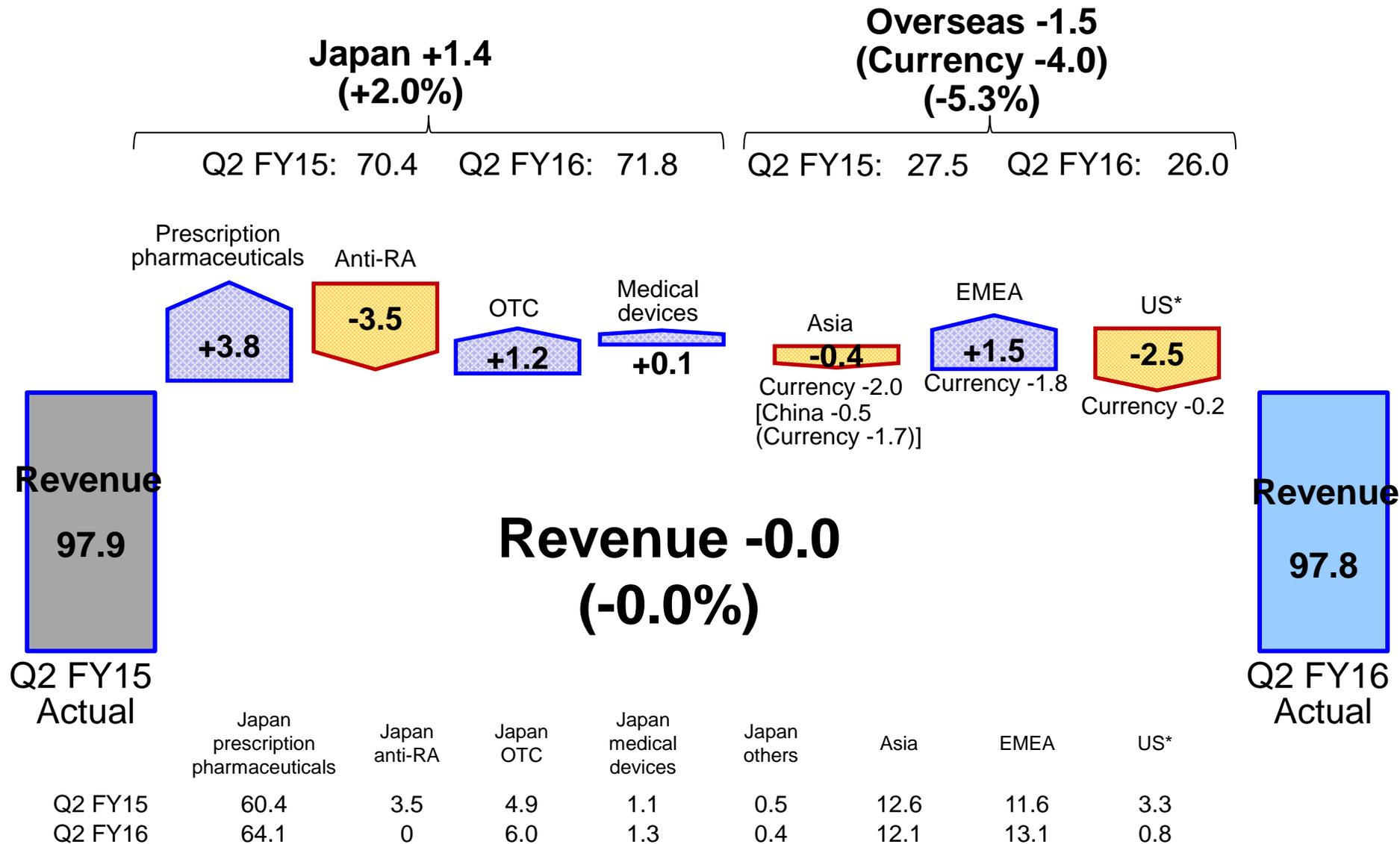
Currency rates	Q2 FY15 Actual	Q2 FY16 Actual
US \$	JPY 121.82	JPY 105.86
Euro	JPY 134.95	JPY 118.59
CNY	JPY 19.67	JPY 16.04

* Payment of consulting fees relating to the acquisition of InnFocus

** NPM (Net Profit Margin): Profit generated from US-based Merck ophthalmic products which Santen has acquired

Q2 FY2016 Revenue Change

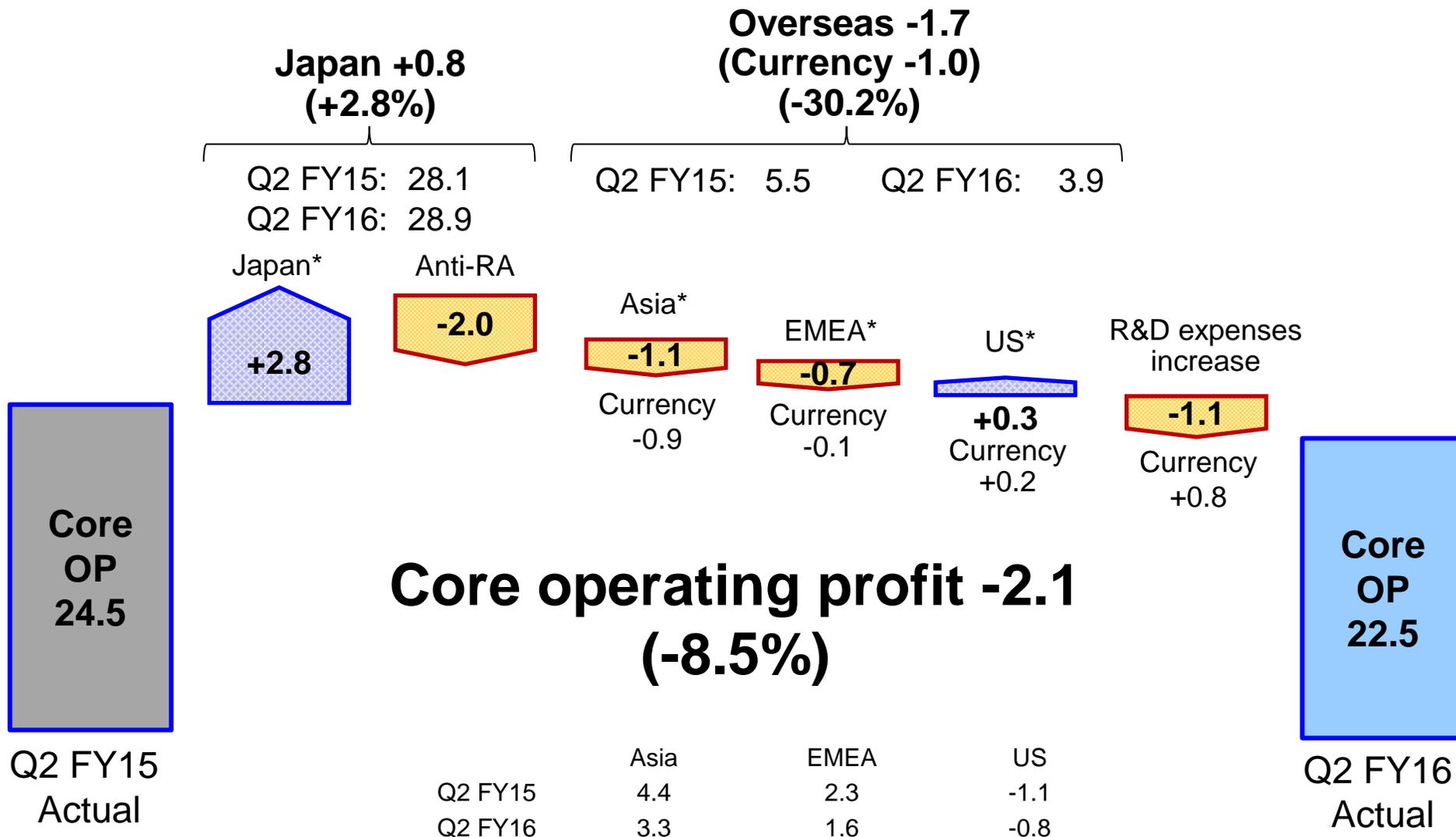
JPY billions



* US includes Net profit margin (NPM) relating to the US-based Merck product acquisition.

Q2 FY2016 Core Operating Profit Change

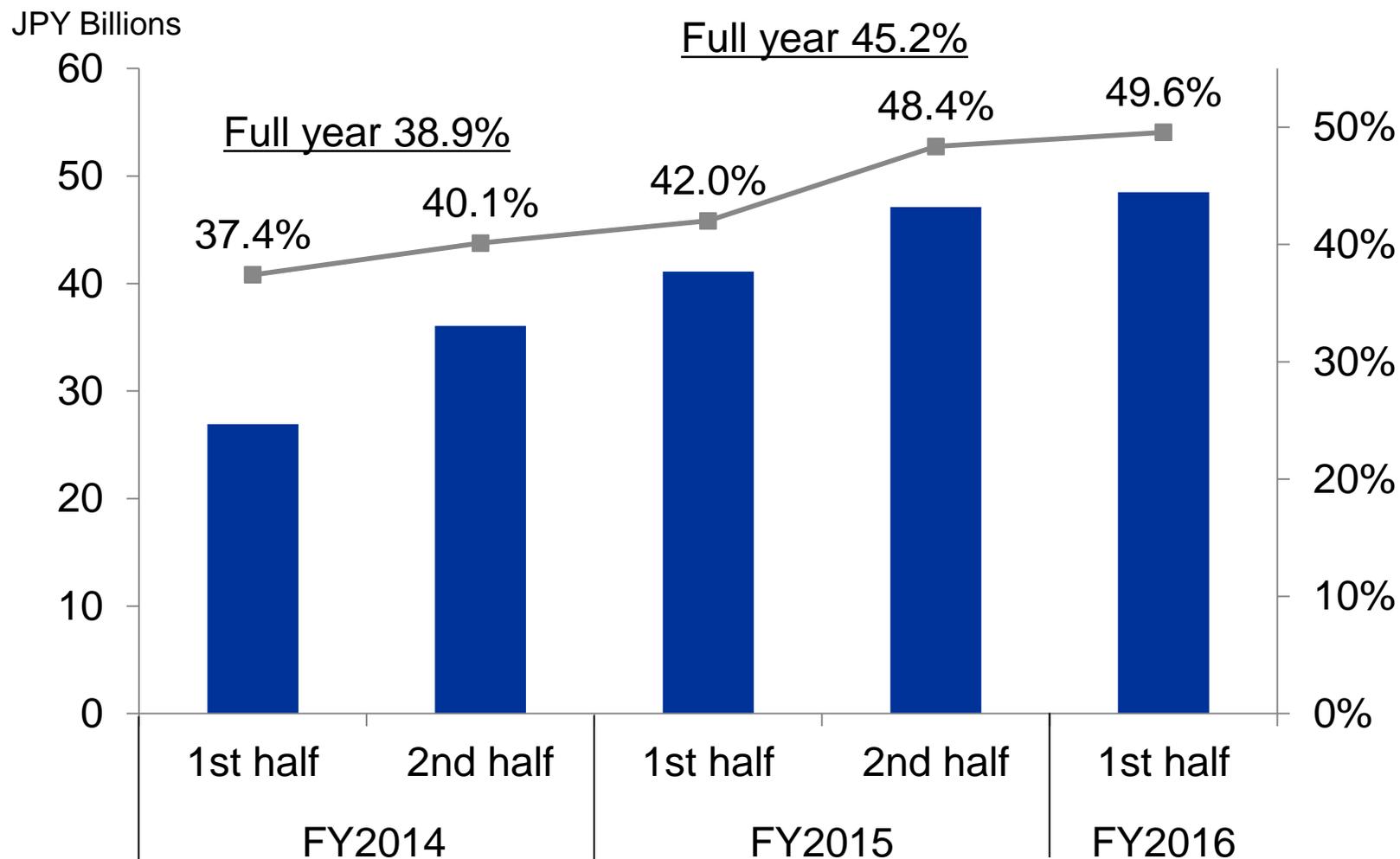
JPY billions



* Company policy on accounting for profit does not allocate certain SG&A and R&D expenses. NPM is distributed by region after operationally transferred from US-based Merck to Santen.

Steady Growth of New Products Globally

Trend of new product revenue and ratio to sales



New products: Cosopt, Tapros, Tapcom, Diquas, Ikervis, Alesion, Eylea

Overseas Revenue and Operating Profit

(JPY billions)		Q2 FY15	Q2 FY16		
		Actual	Actual		
		Revenue	Revenue	Var. (YoY)	Operating profit ⁽³⁾
U.S.		3.3 ⁽¹⁾	0.8 ⁽¹⁾	-75.8%	-0.8
EMEA		11.6	13.1	+12.9% ⁽²⁾	1.6
Asia		12.6	12.1	-3.5%	3.3
	China	7.8	7.3	-6.0% ⁽²⁾	
Total		27.5	26.0	-5.3%	3.9

Overseas revenue / Total revenue	28.1%	26.6%	-1.5pt	
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(1) Net profit margin (NPM) relating to the US-based Merck product acquisition is treated as revenue in the U.S.

(2) Year-on-year change on a local currency basis: Euro +27.2%, CNY +15.1%

(3) Company policy on accounting for profit does not allocate certain SG&A and R&D expenses. NPM is distributed by region after operationally transferred from US-based Merck to Santen.

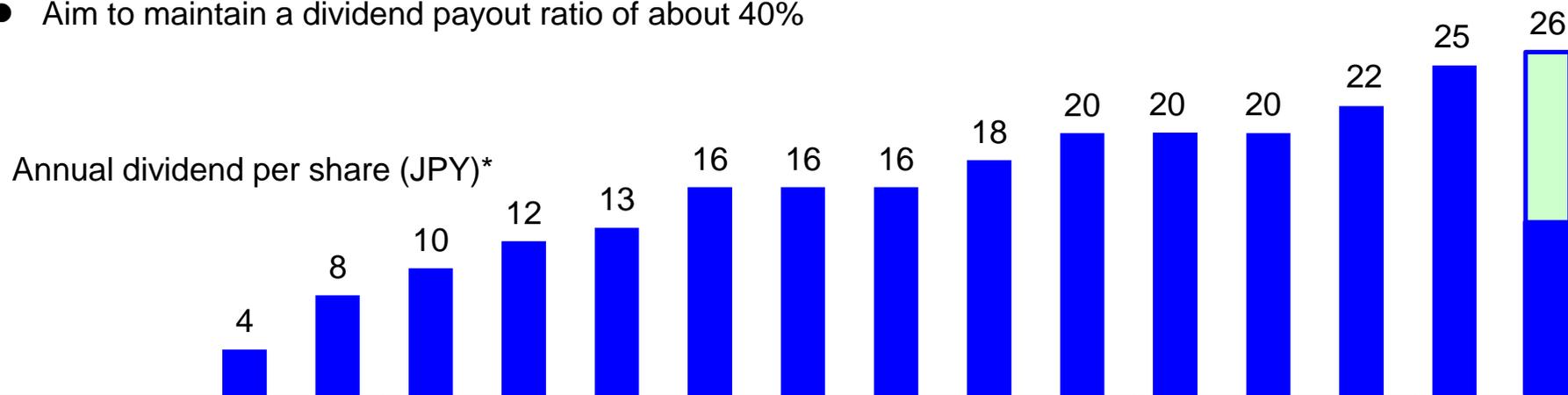
Historical Dividends and FY2016 Forecast

■ Annual dividend

- FY2015: JPY 25 per share
- FY2016 (forecast): JPY 26 per share (as of September 30, JPY 13)

■ FY2014-FY2017 Shareholder return policy

- Stable and sustained return to shareholders
- Maintain a sound and flexible financial position to enable product acquisitions and M&A for future growth
- Consider share buybacks in a flexible manner, including the share buybacks announced in Sep. 2016
- Aim to maintain a dividend payout ratio of about 40%



FY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016e
Payout-ratio (%)**	21	56	40	40	43	55	67	36	36	51	51	48	38	***19	42
Share buybacks (b yen)	3.2	0	2.6	0	0	4.8	0	0	0	0	13.7	0	0	0	13.0
Total return (%)**	60	56	63	40	43	86	67	36	36	51	134	48	38	19	94

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

** J-GAAP standards used until FY13, IFRS applied from FY14.

***Removing the related impact of the succession of the company's anti-rheumatic pharmaceutical business, the payout ratio is 35.5% in FY15.

Reference:
Q2 FY2016 Consolidated Results
Market Overview of Prescription Ophthalmic
in Japan

Revenue by Business Segment

(JPY billions)	Q2 FY16 Actual					
	Japan		Overseas		Total	
	Revenue	Var. (YoY)	Revenue	Var. (YoY)	Revenue	Var. (YoY)
Pharmaceuticals	70.4	+1.8%	25.9	-5.4%	96.3	-0.2%
Prescription Pharmaceuticals	64.3	+0.1%	25.9	-5.5%	90.2	-1.5%
Ophthalmic	64.1	+6.2%	25.1	+4.0%	89.3	+5.6%
Others	0.2	-48.7%	0.8	-75.8%	1.0	-73.2%
OTC Pharmaceuticals	6.0	+24.0%	0.1	+32.4%	6.1	+24.1%
Others	1.5	+11.9%	0.1	+116.7%	1.5	+14.5%
Medical devices	1.3	+9.8%	0.0	-61.1%	1.3	+7.8%
Others	0.2	+27.5%	0.1	-	0.3	+66.1%
Total	71.8	+2.0%	26.0	-5.3%	97.8	-0.0%

Summary of Financial Position

(JPY billions)	As of March 31, 2016		As of September 30, 2016		
	Actual	% of Total	Actual	% of Total	Var. (YoY)
Non-current assets	160.7	45.2%	166.9	51.6%	+6.3
Current assets	194.7	54.8%	156.6	48.4%	-38.1
Cash and cash equivalent	99.8	28.1%	58.3	18.0%	-41.5
Total assets	355.4	100.0%	323.6	100.0%	-31.8
Total equity	260.0	73.2%	255.1	78.8%	-4.9
Non-current liabilities	22.2	6.2%	18.2	5.6%	-4.0
Current liabilities	73.2	20.6%	50.3	15.6%	-22.9
Total liabilities	95.4	26.8%	68.5	21.2%	-26.9
Total equity and liabilities	355.4	100.0%	323.6	100.0%	-31.8

Shares issued : End of March 2016: 414,192 thousand → End of September 2016: 414,252 thousand

Major Changes

- Non-current assets: Goodwill +20.8 bil yen, Investment securities -10.6 bil yen
- Current assets: Cash and cash equivalents -41.5 bil yen (Income tax paid, payment of InnFocus acquisition)
- Equity: Valuation difference on available for sale securities -6.5 bil yen, Foreign currency translation adjustment -4.8 bil yen, Retained earnings +8.3 bil yen
- Current liabilities: Income tax payable -17.0 bil yen

Summary of Cash Flows

(JPY billions)		Q2 FY15 Actual	Q2 FY16	
			Actual	Var. (YoY)
	Cash flows from operating activities	12.4	-5.0	-17.4
	Cash flows from investing activities	40.5	-23.7	-64.2
	Cash flows from financing activities	-10.5	-9.2	+1.3
	Net increase (decrease) in cash and cash equivalents	42.4	-38.0	-80.4
	Cash and cash equivalents at the beginning of period	65.9	99.8	+33.9
	Effect of exchange rate changes on cash and cash equivalents	-0.3	-3.5	-3.2
	Cash and cash equivalents at the end of period	108.0	58.3	-49.7

Capital Expenditures / Depreciation & Amortization

(JPY billions)	FY15 Q2 Actual	FY16 Q2 Actual
Capital expenditures	1.8	2.9
Depreciation and amortization*	1.5	1.7
Amortization on intangible assets associated with products	3.0	3.2
Amortization of intangible assets related to Santen's acquisition of US-based Merck ophthalmic products	2.6	2.6
Amortization of intangible assets related to <i>Ikervis</i>	0.3	0.3

* Excludes amortization on intangible assets associated with products and long-term advance expense

FY2016 P&L Statement Forecast

(JPY billions)	FY15 Actual	FY16	
		Forecast	Var. (YoY)
Revenue	195.3	200.0	+2.4%
Cost of sales	-72.8	-76.5	+5.0%
(% of revenue)	37.3%	38.3%	+1.0pt
SG&A expenses	-59.4	-59.0	-0.7%
(% of revenue)	30.4%	29.5%	-0.9pt
R&D expenses	-20.0	-20.4	+2.1%
(% of revenue)	10.2%	10.2%	-0.0pt
Core operating profit	43.1	44.1	+2.3%
(% of revenue)	22.1%	22.1%	-0.0pt
Non-recurring SG&A expenses	-	-0.6	-
Amortization on intangible assets associated with products	-6.2	-7.0	+12.8%
(% of revenue)	3.2%	3.5%	+0.3pt
Other revenue	45.0	-	-
Other expenses	-1.7	-0.2	-88.1%
Operating profit	80.2	36.3	-54.7%
(% of revenue)	41.1%	18.1%	-22.9pt
Core net profit for the year	29.2	30.2	+3.5%
Core ROE	12.4%	11.4%	-1.0pt
Net profit for the year	53.4	25.3	-52.6%
ROE	22.6%	9.5%	-13.1pt

Currency rates	FY15 Actual	FY16 Forecast
US \$	JPY 120.45	JPY 105.00
Euro	JPY 132.46	JPY 115.00
CNY	JPY 19.05	JPY 15.00

IFRS and Core Comparisons

IFRS		Core
Revenue		Revenue
Cost of sales		Cost of sales
Gross profit		Gross profit
SG&A		SG&A
R&D		R&D
Amortization on intangible assets associated with products	→	Excluded from core
Other income	→	Excluded from core
Other expenses	→	Excluded from core
Operating profit		Core operating profit
Finance income (interest, dividends, forex gains)	→	Excluded from core
Finance expenses (interest, forex losses)	→	Excluded from core
Profit before tax		Core profit before tax
Income tax expenses		Income tax expenses
Net profit		Core net profit

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
- Non-recurring items excluded from IFRS to calculate core results: amortization associated with products, other income and expenses, finance income and expenses, etc.

Japan: Trends & Competition in Ophthalmics

		Var. (YoY)*		Santen Share*	Santen Major Products
		Market	Santen		
Ophthalmology Total	FY2015	+7.3%	+17.6%	44.0%	-
	Q2 FY2016	+0.1%	+4.6%	45.4%	
Anti-glaucoma	FY2015	+6.5%	+8.4%	32.6%	<i>Cosopt, Tapros, Timoptol/XE, Trusopt, Rescula, Tapcom, Detantol</i>
	Q2 FY2016	+2.9%	+1.4%	32.3%	
Cornea / Dry Eye	FY2015	+4.9%	+1.4%	63.4%	<i>Hyalein, Diquas</i>
	Q2 FY2016	-0.9%	-2.6%	62.8%	
Anti-infection	FY2015	-2.5%	-10.1%	49.8%	<i>Cravit, Tarivid</i>
	Q2 FY2016	-10.7%	-20.9%	44.9%	
Anti-allergy	FY2015	+5.7%	+19.5%	36.3%	<i>Alesion, Livostin, Alegysal</i>
	Q2 FY2016	+11.1%	+31.6%	42.9%	
Anti-VEGF	FY2015	+20.9%	+62.7%	65.7%	<i>Eylea</i>
	Q2 FY2016	-1.5%	+15.5%	72.3%	

*Value-based

Source: ©2016 QuintilesIMS.
IMS-JPM 2014-16
Santen analysis based on IMS data
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Status of Research & Development Q2 FY2016



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

Senior Corporate Officer

Chief Scientific Officer (CSO)

Head of Global Research & Development

Pipeline / Product Development Status (1)

As of November 2, 2016

Global

JP (Asia)

Disease area	Project	Mechanism of action	Compound /product	Region	Development stage					Changes from previous announcement
					P1	P2	P3	Filed	APV/ launch	
Glaucoma/ ocular hypertension	DE-111	Prostaglandin F _{2α} derivative/ beta-adrenergic receptor blocker	tafluprost and timolol maleate	KR						
				Asia						
	DE-118	Prostaglandin F _{2α} derivative	tafluprost (single-use type)	Asia						
	DE-085	Prostaglandin F _{2α} derivative	tafluprost	CN						
	DE-117	EP2 receptor agonist	omidenepeg isopropyl	US						Preparing P3 in Korea and Asia
				JP			P2b/3			
	DE-090	Calcium antagonist	lomerizine HCl	JP						
	DE-126	FP/EP3 receptors dual agonist	sepetaprost	US		★				Preparing P2b
	DE-128	MIGS* device	<i>InnFocus MicroShunt</i>	US						Acquired
Euro										

*MIGS: Micro-invasive glaucoma surgery

Pipeline / Product Development Status (2)

As of November 2, 2016

Global

JP (Asia)

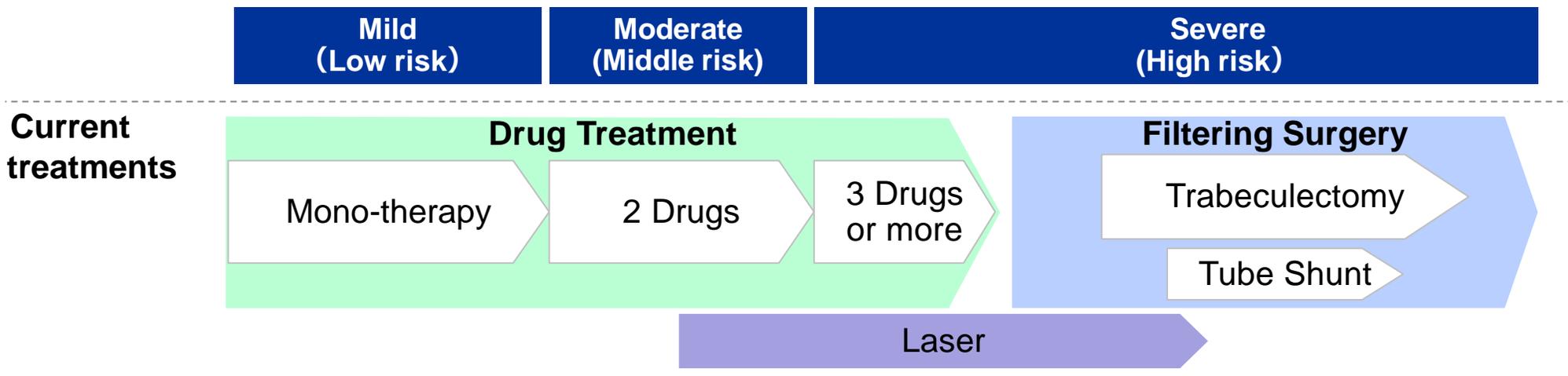
Disease area	Project	Mechanism of action	Compound /product	Region	Development stage					Changes from previous announcement
					P1	P2	P3	Filed	APV/ launch	
Kerato-conjunctival disease	Cyclokat	Immuno suppression /cationic emulsion	ciclosporin/ <i>Ikervis</i>	Euro						
				US						
				KR						
				Asia						
	DE-089	P2Y ₂ receptor agonist	diquafosol sodium	CN						
				Asia						
Retinal/ uveal disease	DE-109	mTOR inhibitor	sirolimus injection	Euro						
				JP						
				US						Last patient out
				Asia						
	DE-120	VEGF/PDGF inhibitor	TBD	US						
	DE-122	Anti-endoglin antibody	TBD	US		P1/2				
Allergy	Vekacia	Immuno suppression /cationic emulsion	ciclosporin	Euro						

Future Development and Regulatory Milestones

DE-117	Q2/Q3 FY17 Filing in Japan	
DE-126	FY16 P2b Start	
DE-109	Jan-Jun '17 Filing in US	Jan-Jun '18 Launch in US
	Calendar '17 Re-filing in EU (After filing in US)	
DE-120	FY16 P2a Completion	
DE-122	FY17 P1/2 Completion	

Reference:
Glaucoma Portfolio
Research Collaboration

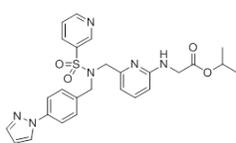
Santen's Glaucoma Portfolio is Positioning to Address All Stages of Glaucoma



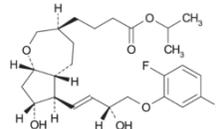
Santen's future treatment options

Single drugs based on various MOAs

- Tapros
- Timoptol
- Trusopt
- Detantol
- Rescula



DE-117



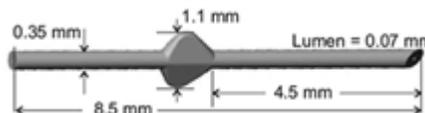
DE-126

Combination drugs based on other MOAs

- Cosopt
- Tapcom

MIGS (Micro-Invasive Glaucoma Surgery)

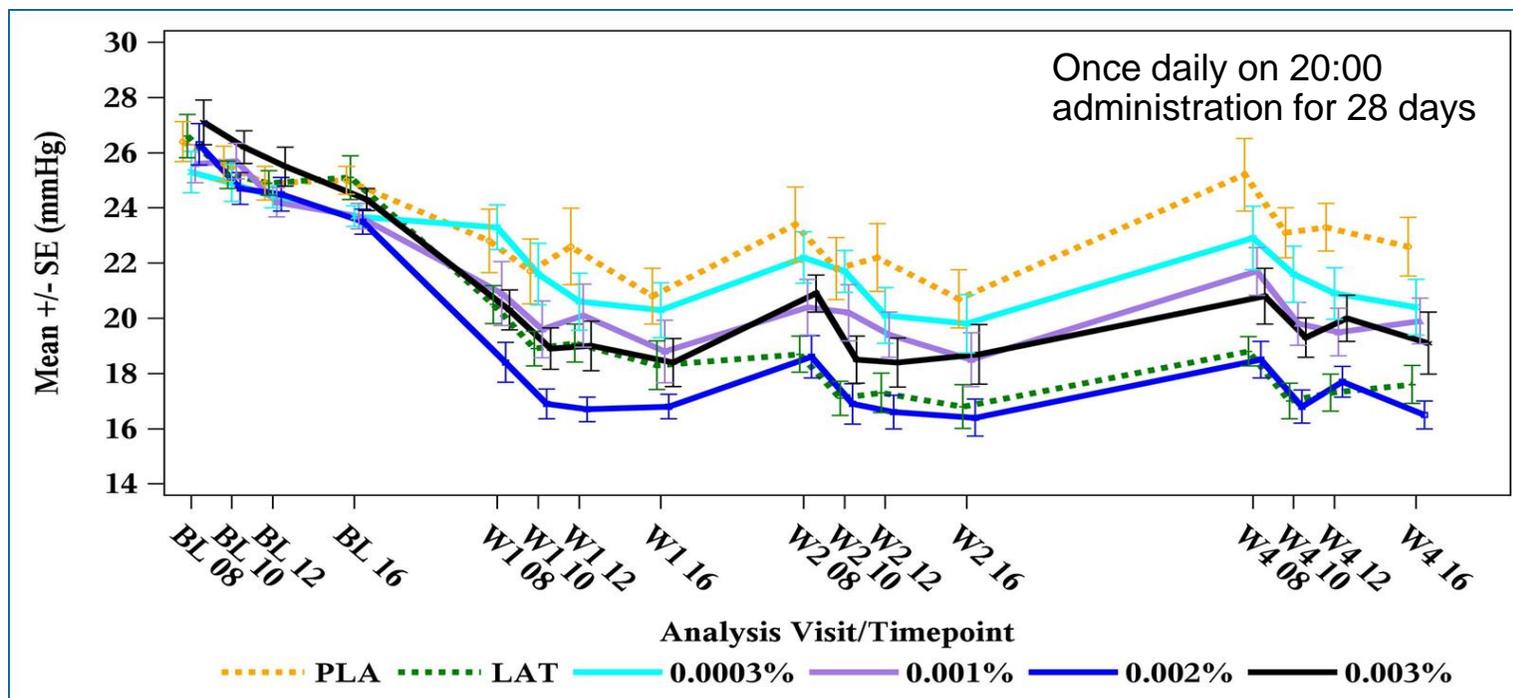
MicroShunt (DE-128)



DE-117: Novel Mechanism Unique from PGAs*

Expecting faster onset and fewer side effects than PGAs

Study ongoing for non-/low-responders of PGAs



- Efficacy**
- The 0.002% dose had numerically greater IOP reduction from baseline compared to Latanoprost at week 1, and similar efficacy to Latanoprost at weeks 2 and 4
 - Results at week 1 indicated DE-117 0.002% may have a more rapid onset of action than Latanoprost

Safety DE-117 was safe and well tolerated in patients with POAG and OHT

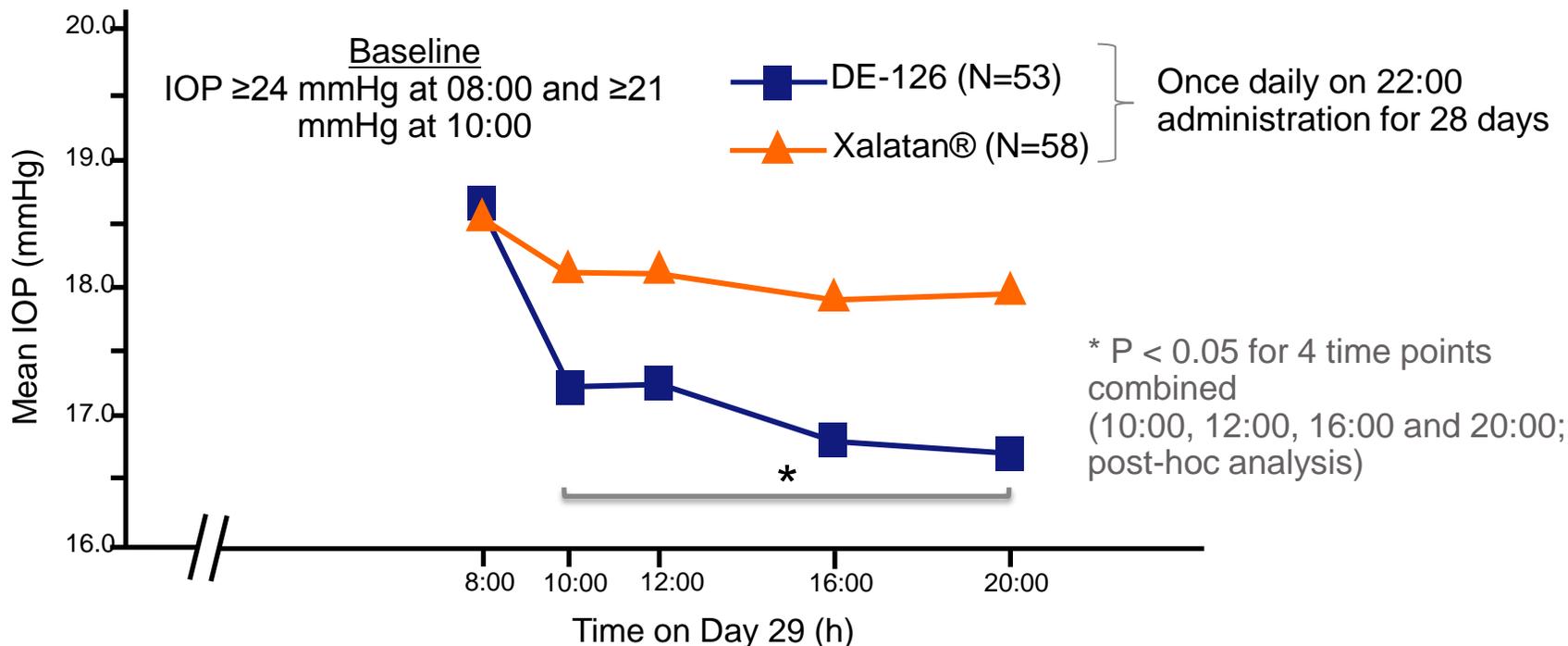
DE-117: Plan to File Q2 / Q3 FY17

Ongoing studies in Japan

Study Name	AYAME	RENGE	FUJI
Purpose	Efficacy	Long-term safety and efficacy	Efficacy for non-/low-responders of PGAs*
Phase	2b/3	3	3
Enrollment	304	120	30
Primary Endpoint	IOP reduction after 4 weeks	Safety evaluation after 52 weeks	IOP reduction after 4 weeks
Completion Date	December 2016	October 2017	April 2017

DE-126: More Potent and Durable Efficacy

FP/EP3 receptors dual agonist indication for glaucoma and ocular hypertension



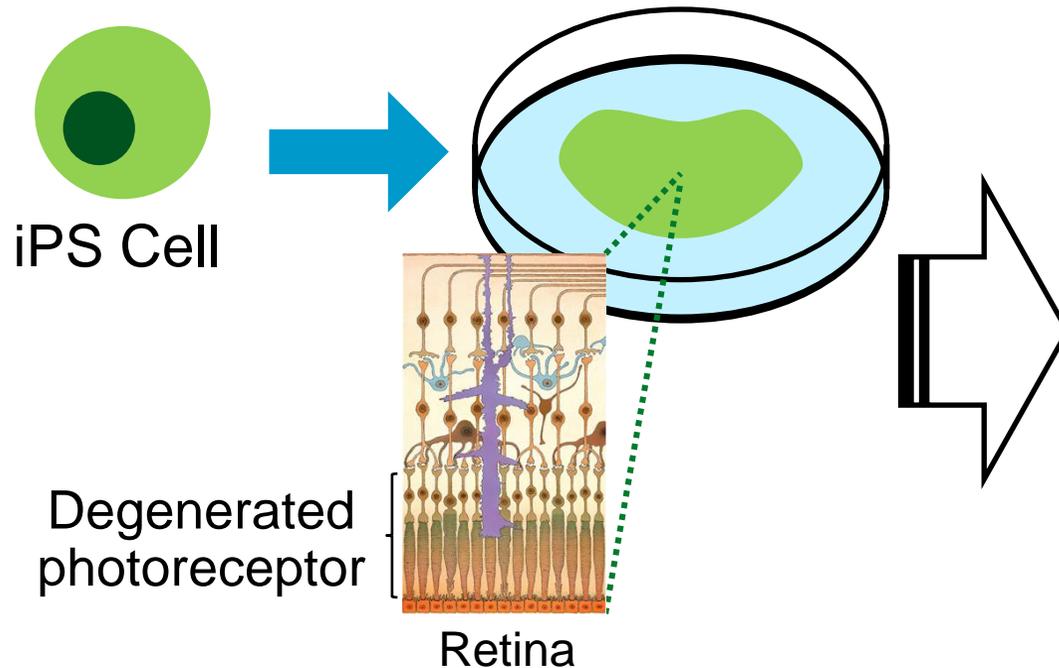
- Efficacy**
- Both treatments were similarly effective at the 08:00 assessment but there was a greater and more prolonged effect for DE-126 compared to Xalatan® throughout the day
 - DE-126 Mean IOP reduction ≤ 17.5 mmHg
 - A sustained DE-126 response at 16:00 and 20:00 hours

Safety Tolerable

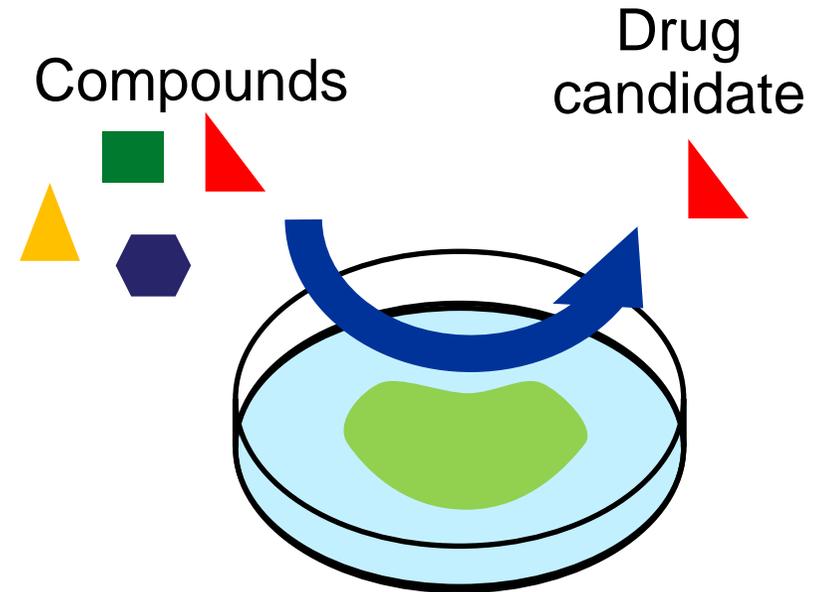
Santen / RIKEN / FBRI* Collaboration Announced Oct 2016

- Create photoreceptor degenerative disease models using iPS cells, and evaluate drug candidates
- Aim to evaluate drug candidates more effectively. New models are expected to replicate human pathological conditions more closely than existing disease models

Creating Disease Model



Evaluating Drug Candidate



Forward-Looking Statements

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

The logo for Santen features a stylized 'S' on the left, composed of two overlapping curved shapes in light blue and dark blue. To the right of the 'S' is the word 'Santen' in a bold, dark blue, sans-serif typeface.

Santen

A Clear Vision For Life