

Investor Meeting on FY2017 Results and FY2018 Forecasts



Akira Kurokawa

Chairman & Chief Executive Officer (CEO)

Shigeo Taniuchi

President & Chief Operating Officer (COO)

Santen's 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.

FY2017 Financial Results ended March 31, 2018

FY2017 Financial Highlights

Revenue and profit both achieve double-digit year-on-year growth

Revenue

Double-digit revenue growth with strong increases in all businesses in Japan and overseas

224.9 bil yen YoY: **+13.0%** vs Forecast: 100.4%

Operating profit

Double-digit operating profit growth on SGA and R&D expense control within revenue growth rate

Core basis **45.4 bil yen**

YoY: **+14.3%**

vs Forecast: 103.1%

IFRS basis **38.7 bil yen**

YoY: **+19.1%**

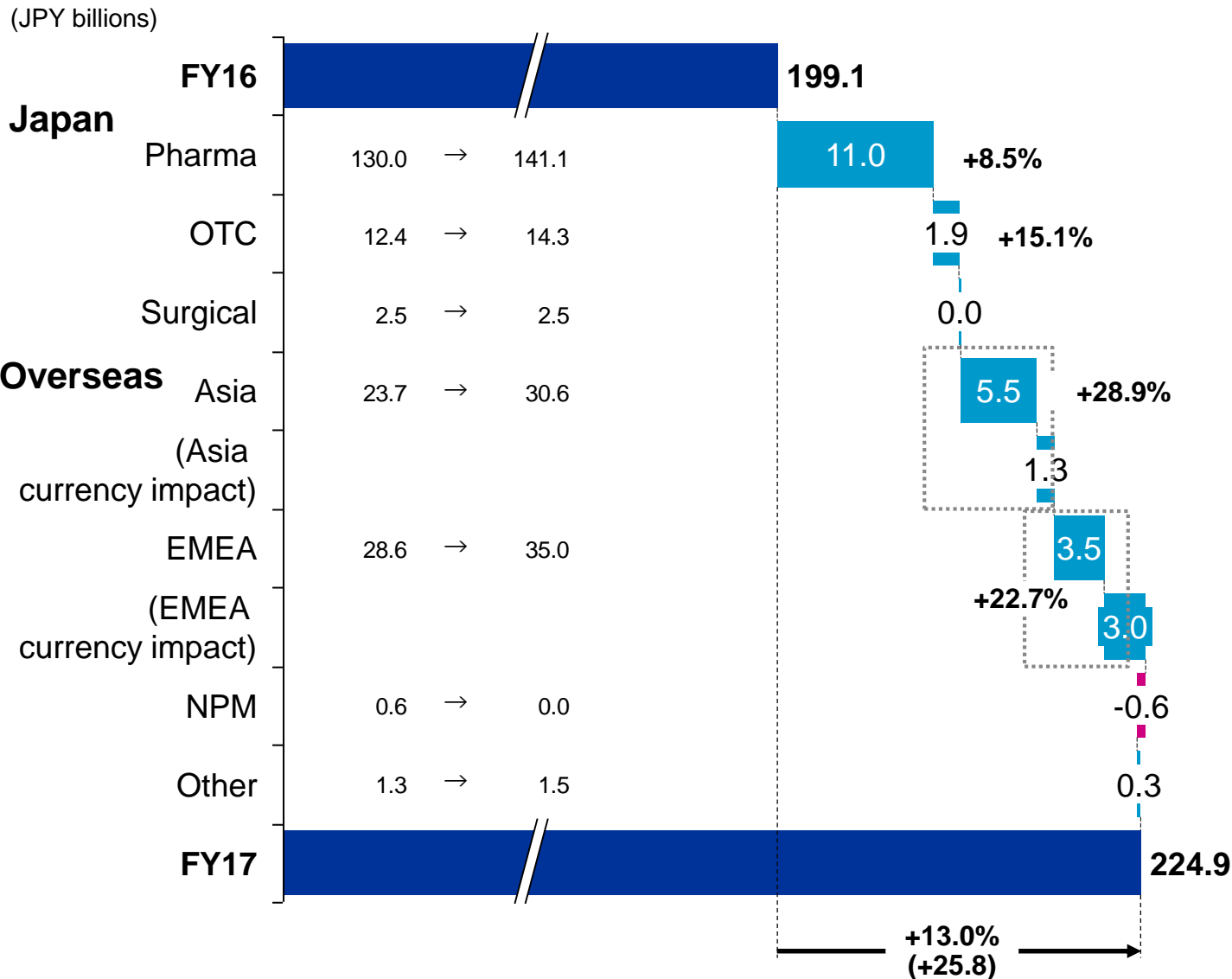
vs Forecast: 103.5%

SGA 68.8 bil yen FY16 actual: 61.7 bil yen FY17 forecast: 69.0

R&D 24.4 bil yen FY16 actual: 22.8 bil yen FY17 forecast: 25.0

FY2017 Revenue

Strong growth in all businesses in Japan and overseas



Japan business

Japan pharma	Revenue growth of new products, such as <i>Eylea</i> *1 (+14.1%), <i>Alesion</i> (+37.7%) and <i>Diquas</i> (+16.4%), helped boost overall revenue +8.5%
OTC	In addition to inbound sales, good results from new products and sales promotions for domestic consumers added to +15.1% revenue growth
Surgical	Promoting sales activities in cooperation with Japan pharma business

Overseas business

Asia	Strong growth in each market (China +32.2%, Korea +24.0%, ASEAN +27.9%) resulted in overall growth in +28.9% (JPY)
EMEA	Continued strong growth in major countries (Italy +31.9%, Germany +10.4%, France +9.7%, Russia +22.8%) contributed to overall revenue +22.7% (JPY)
NPM*2	Negligible NPM receipts after the completion of MA transfers from MSD

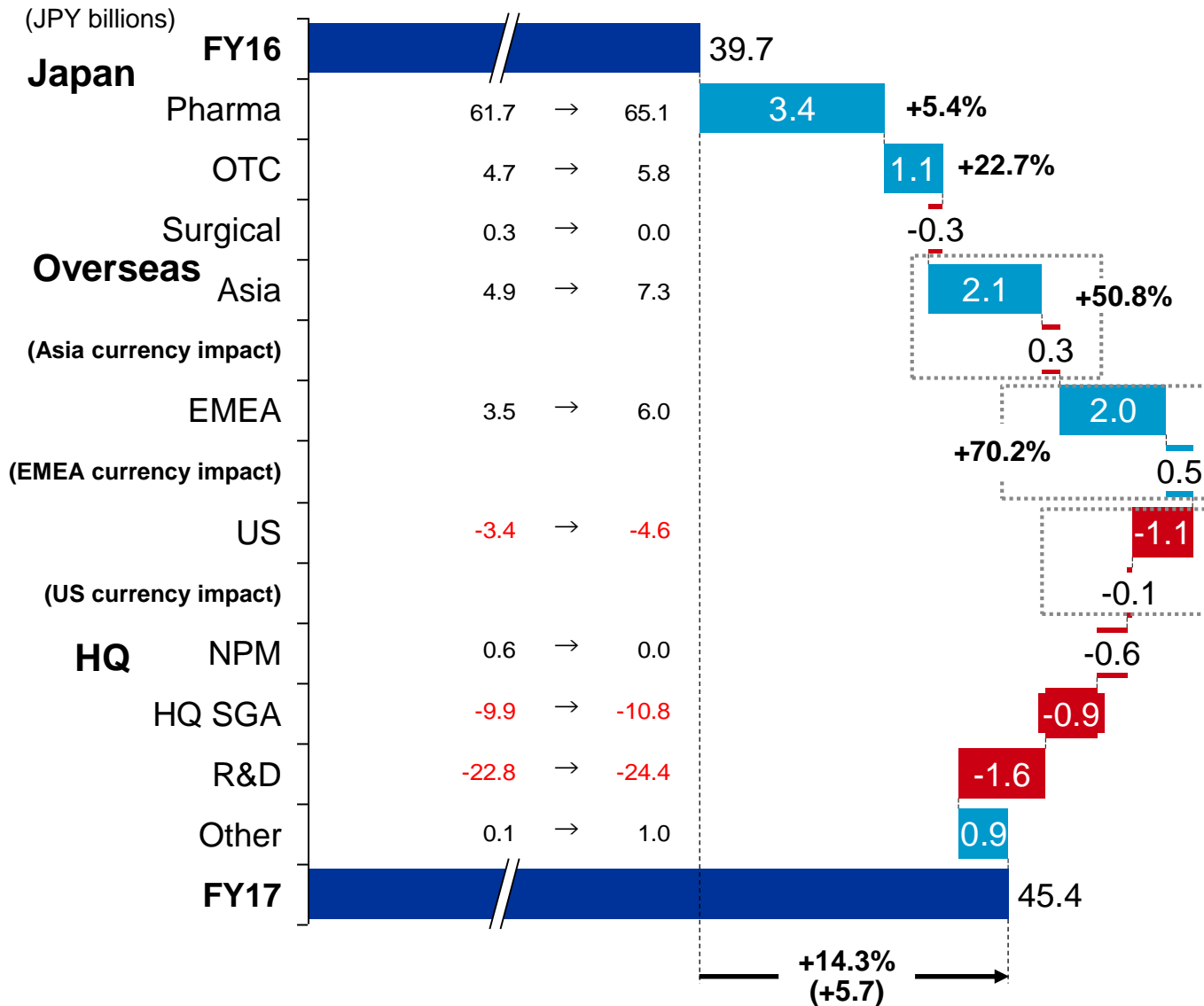
	FY16	FY17
USD	JPY 108.64	JPY 110.94
EUR	JPY 118.96	JPY 129.92
CNY	JPY 16.14	JPY 16.84

*Eylea**1: co-promoted product of Bayer Yakuhin, Ltd. (MAH)

Net Profit Margin (NPM)*2: Profit generated from products which Santen acquired from and consigned to MSD until completion marketing right transfers

FY2017 Core Operating Profit

Both Japan and Overseas businesses drive high growth



Japan business

Japan pharma: Despite transitory factor that lowered COGS in the prior year and less favorable product mix in FY17, operating profit increased by +5.4% mainly due to revenue growth of new products

OTC: Overall higher with revenue growth, +22.7%

Overseas business

Asia: Higher with revenue growth and expense management (Asia +50.8%, EMEA +70.2%)

EMEA: Higher with revenue growth and expense management (Asia +50.8%, EMEA +70.2%)

US: While expenses increased mainly due to U.S. market entry preparation and administration expenses of InnFocus, a suspension of DE-109 expenses limited actual spending to 75% vs. total expense budget

R&D expenses

Despite higher expenses due to pipeline progress (DE-114A, 126, 128), succeeded to keep within the budget by optimization of the expenditure

	FY16	FY17
USD	JPY 108.64	JPY 110.94
EUR	JPY 118.96	JPY 129.92
CNY	JPY 16.14	JPY 16.84

Completion of Mid-Term Plan 2014-2017

~2013

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

- Strengthen Japan business
- Completed preparation for business expansion in Asia/EMEA

2014~2017

Overseas sales:
30% of total sales
(FY17 actual: 29.5%)

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

Mid-Term Plan (MTP) 2014-2017

2020

Become Global Top 3
Overseas sales:
40~50% of total sales

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

Results

Product development

Approval, launch: *Tapcom, Ikervis*
Development: DE-109 / DE-117 filings, DE-122 progress
Licensing / acquisition: DE-126, DE-128

Business expansion

- Sped up growth with acquired MSD products
- Focused on ophthalmology with anti-RA divestiture
- Strengthened product mix with new products
- Grew OTC business with boost from inbound demand
- Initiated full-scale US market entry preparations

- Asia, EMEA strengthened with original and MSD acquired products: Asia ¥11.5b (FY13) to ¥30.6b (FY17), 2.7x; EMEA: ¥12.0b (FY13) to ¥35.0b (FY17), 2.9x
- Japan new product ratio 44% (FY13)→75% (FY17)
- New products and inbound demand grew Japan OTC business ¥5.1b (FY13) →¥14.3b (FY17), 2.8x

Organization and talent

- Introduced new HR appraisal system
- Held training aimed at nurturing the next generation of employees / managers

FY2018 Forecast

FY2018 Forecast Overview

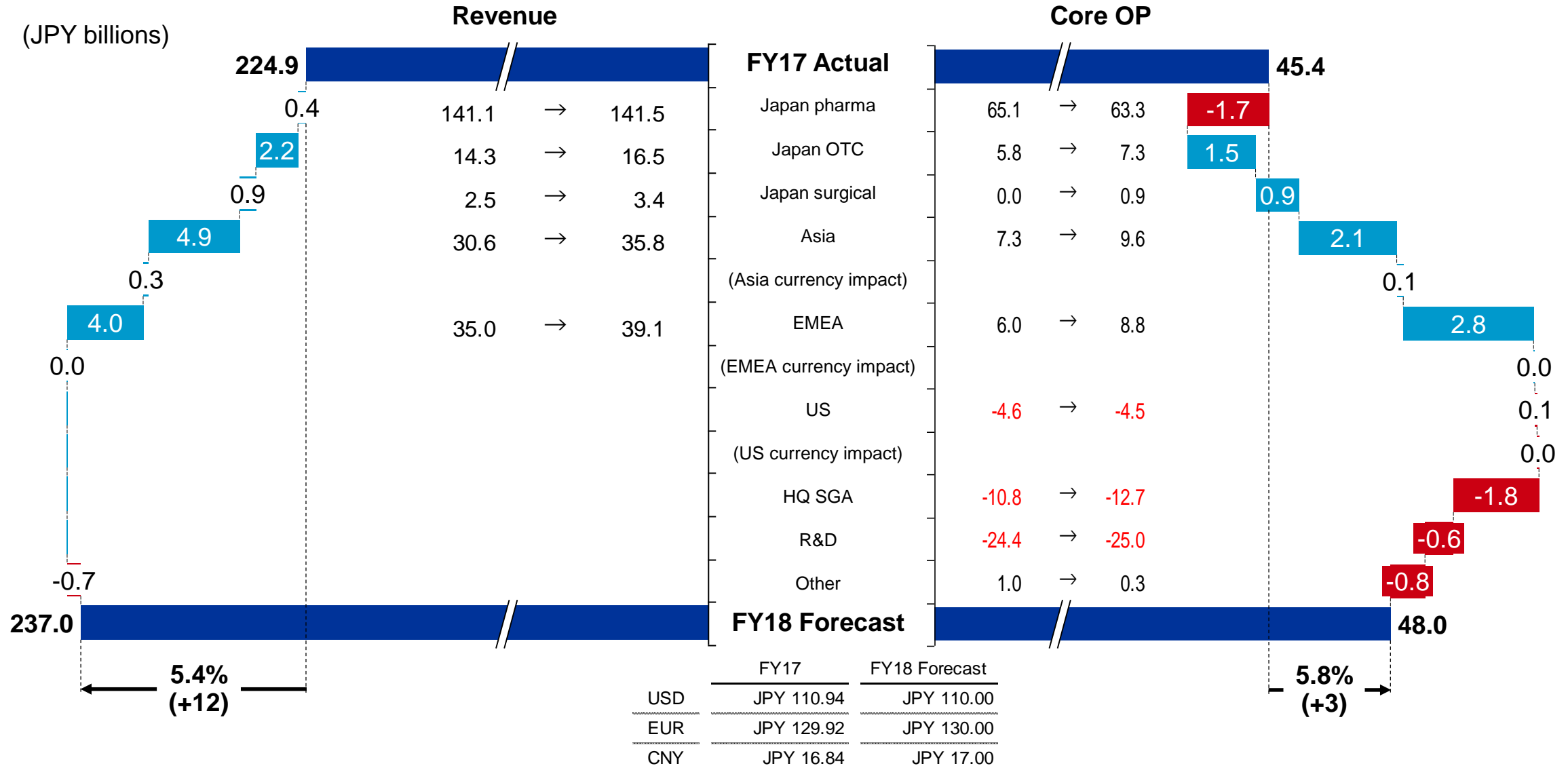
First year of new MTP striving toward Vision 2020 with growth and efficiency

Revenue	Growth achieved with overseas business expansion more than offsetting the negative impact from NHI price cuts in Japan pharma	
	<u>237.0 bil yen</u> YoY: +5.4%	
Operating profit	SGA expenses: Enhancement of organization to support global growth R&D expenses: Strategic investment to lead growth, 2020 and beyond	
	Core basis <u>48.0 bil yen</u> YoY: +5.8%	IFRS basis <u>40.7 bil yen</u> YoY: +5.2%
	SGA 73.0 bil yen	FY17 actual: 68.8 bil yen
	R&D 25.0 bil yen	FY17 actual: 24.4 bil yen

FY2018 Forecast

Japan business to maintain growth with overseas businesses to further drive growth of the group

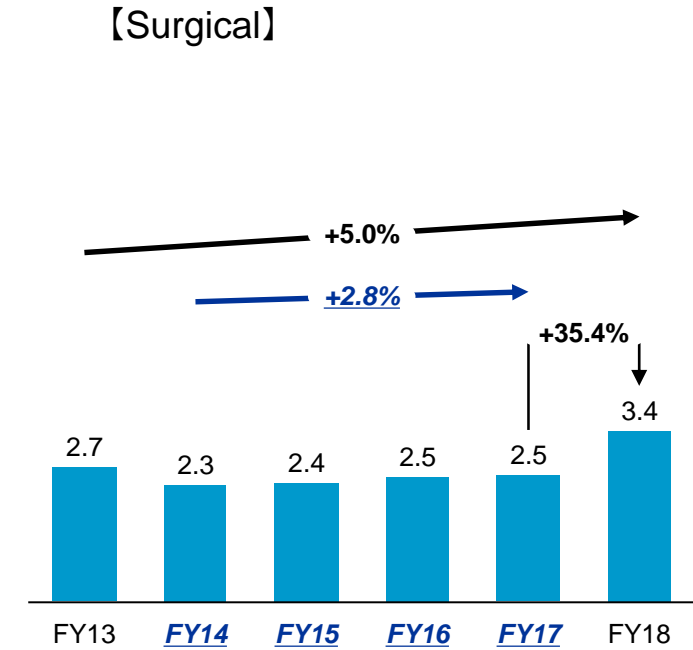
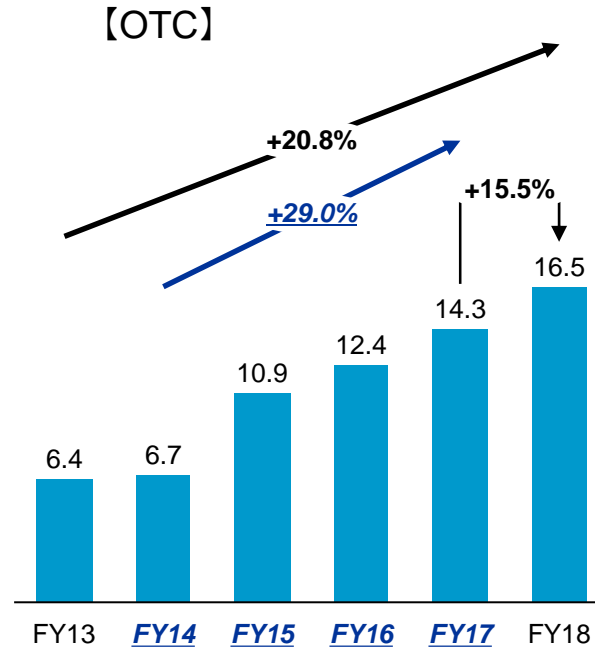
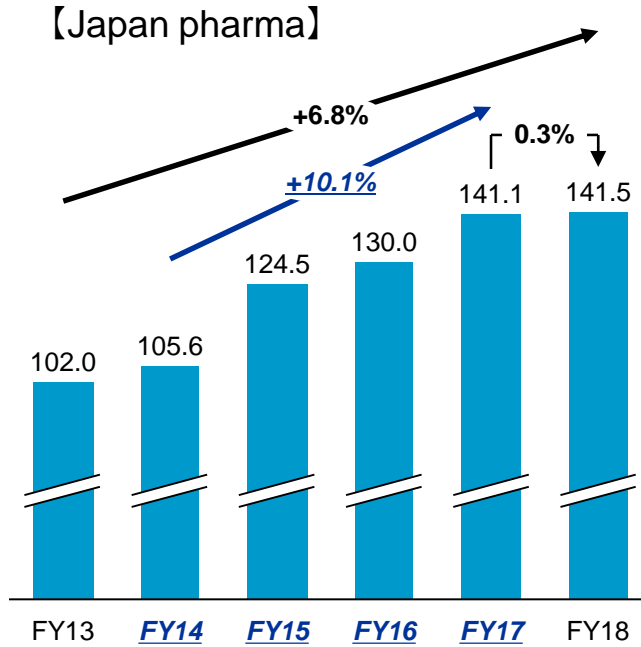
(JPY billions)



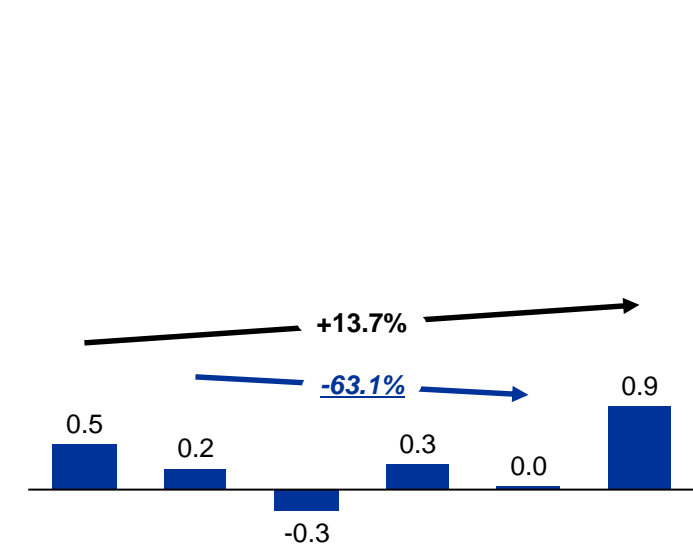
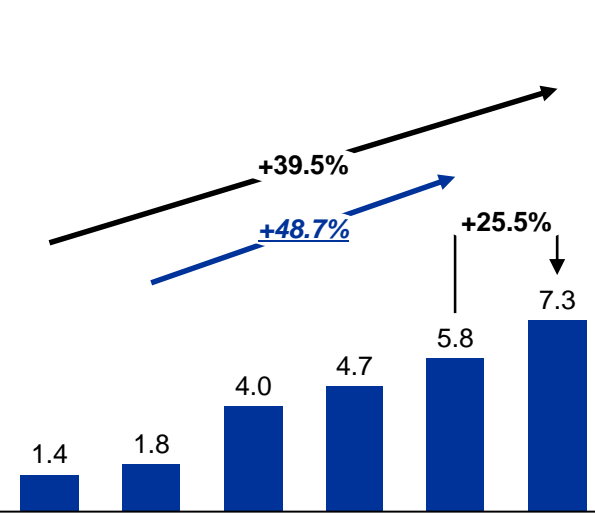
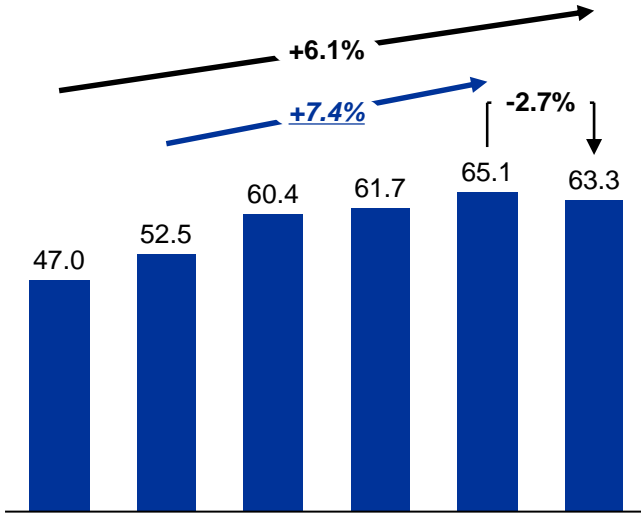
Performance by Business (Japan)

(JPY billions, CAGR%)

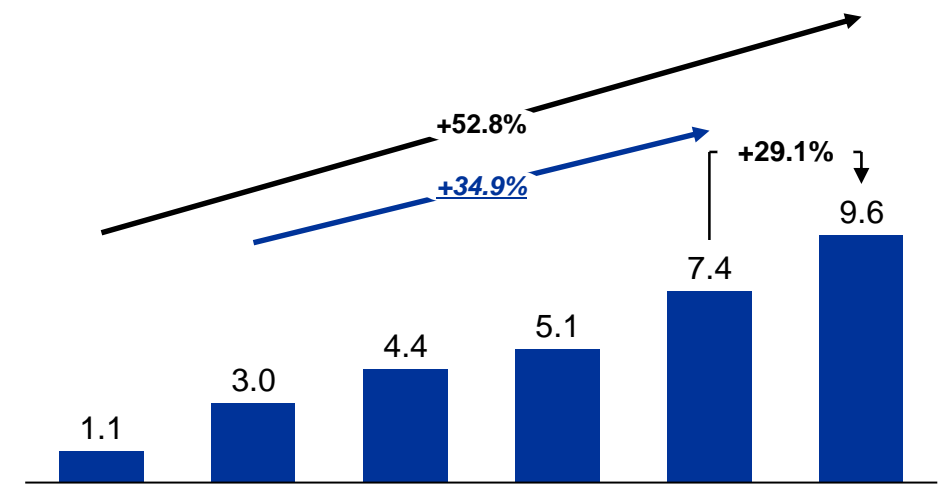
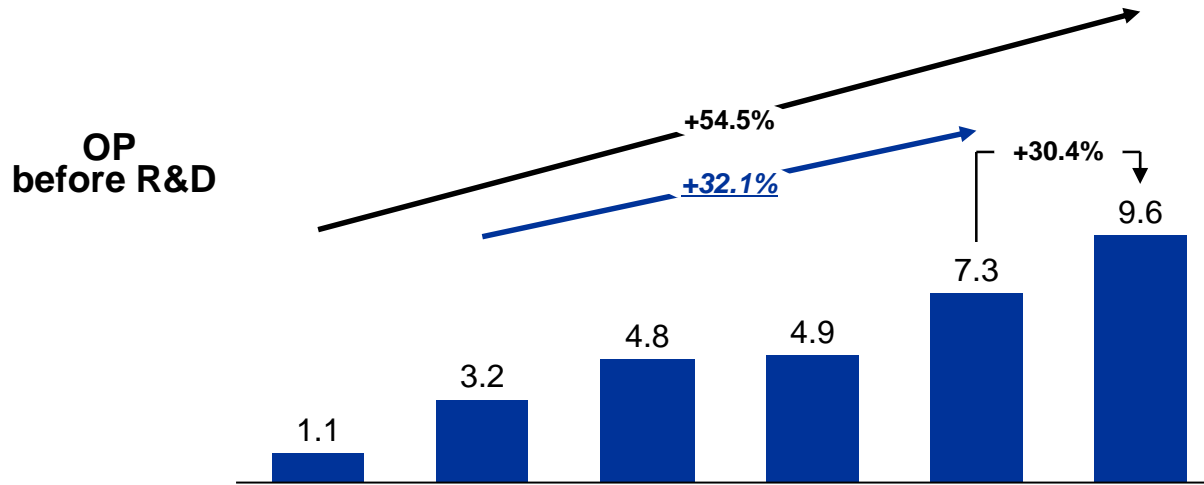
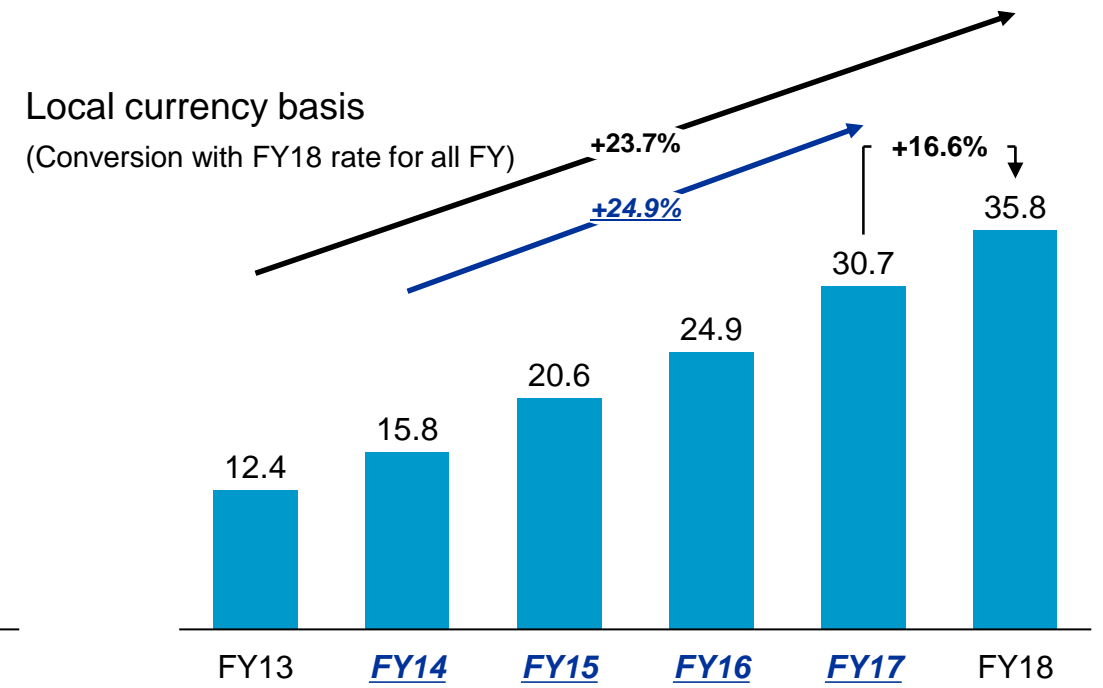
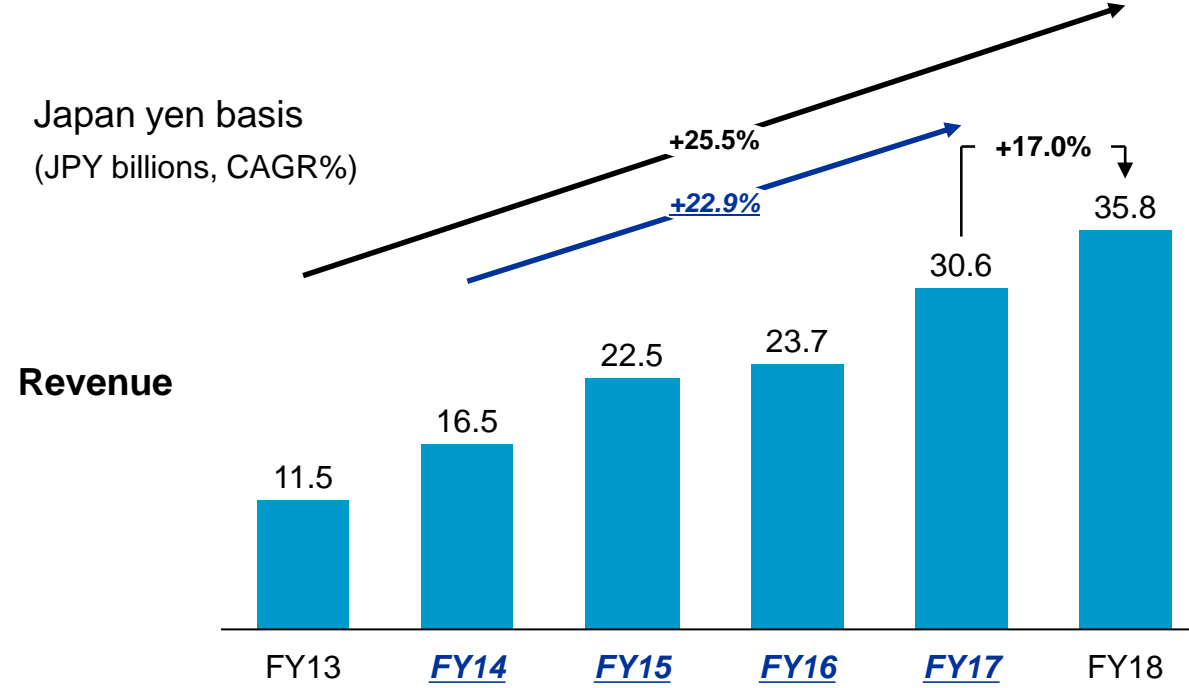
Revenue



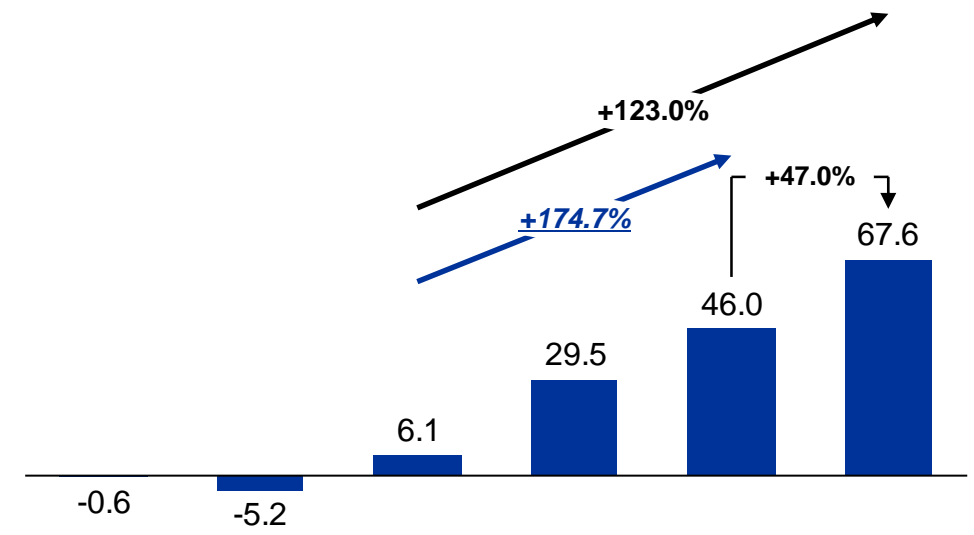
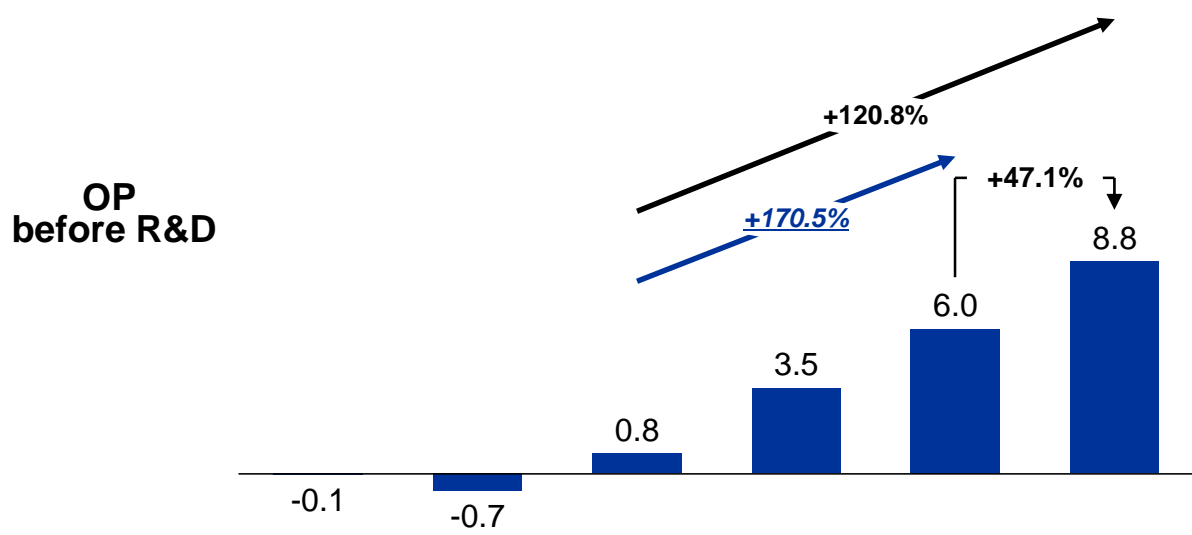
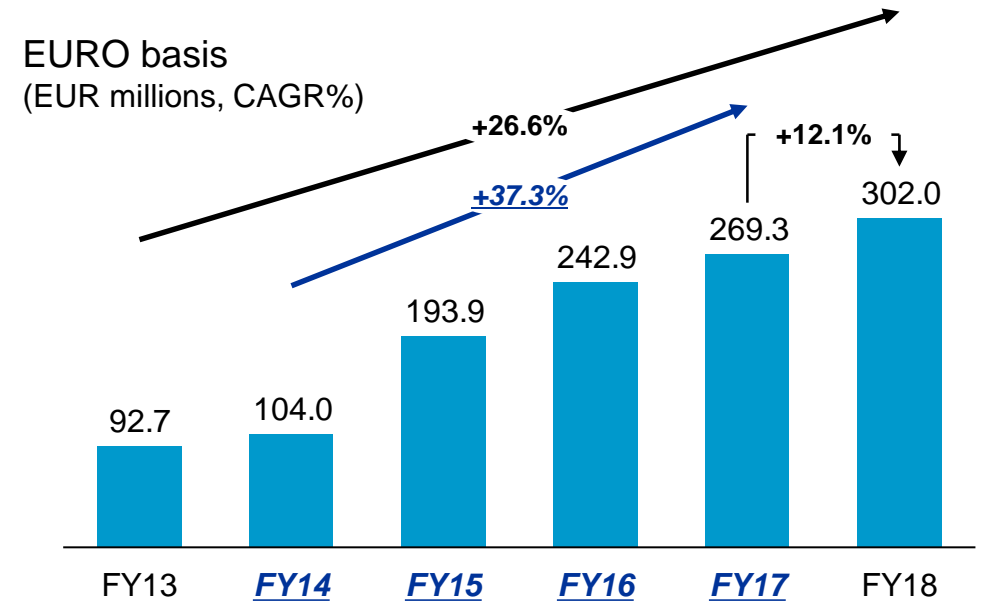
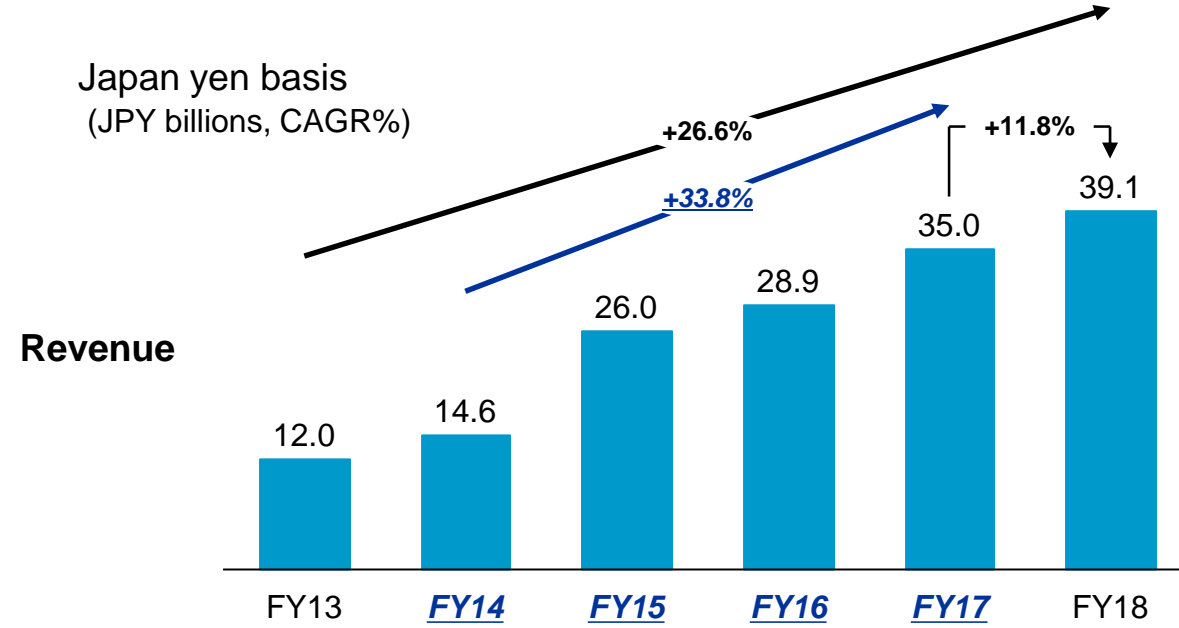
OP before R&D



Performance by Business (Asia)



Performance by Business (EMEA)

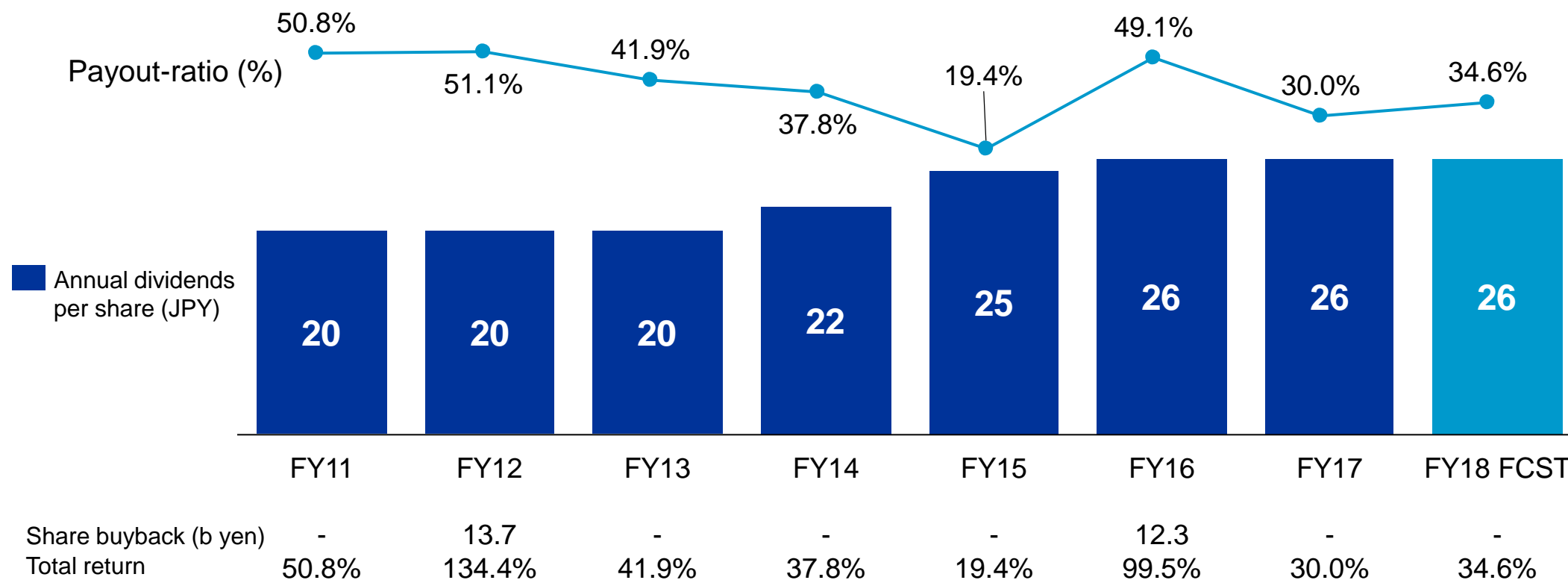


Dividend for FY2017 and FY2018 Forecast

- Annual Dividends

FY2017: JPY 26 / share
 (Q2 Sep 30: JPY 13 / share)
 FY2018 forecast: JPY 26 / share

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



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.

Status of Research & Development

May 2018



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

Senior Corporate Officer

Chief Scientific Officer (CSO)

Head of Global Research & Development

Pipeline / Product Development Status (1)

	Indication	Region	Status
DE-117 EP2 receptor agonist	Glaucoma / ocular hypertension	US	P2
		Japan	Filed <i>Plan: 2nd half FY2018 approval</i>
		Asia	P3 <i>Plan: 2nd half FY2018 P3 completion</i>
DE-126 FP/EP3 receptors dual agonist	Glaucoma / ocular hypertension	US	P2b
		Japan	<i>Plan: Jan~Jun 2018 P2b completion</i>
DE-128 <i>InnFocus MicroShunt</i>	Glaucoma	US	P2/3 <i>Plan: Calendar 2018~2019 P2/3 completion, Calendar 2020~2021 launch</i>
		Europe	CE mark granted
DE-109 IVT sirolimus	Uveitis	US	<u>P3</u> <i>Planning an additional clinical trial</i>
		Japan	P3
		Europe	P3
		Asia	Filed
DE-122 Anti-endoglin antibody	Wet age-related macular degeneration	US	P2a <i>Plan: Jan~Jun 2019 P2a completion</i>

Pipeline / Product Development Status (2)

	Indication	Region	Status
DE-089 <i>Diquas</i>	Dry eye	China	Approved <i>Plan: FY2018 launch</i>
DE-076B <i>Cyclokat / Ikervis</i> ciclosporin	Severe keratitis in patients with dry eye	Asia	Launched
		US	P2
DE-076C <i>Vekacia / Verkazia</i> ciclosporin	Vernal kerato-conjunctivitis	Europe	Filed (received positive CHMP opinion)
DE-114A epinastine HCl (high dose)	Allergic conjunctivitis	Japan	P3 (pivotal study, CAC, met primary endpoints) <i>Plan: 1st half of FY2018 P3 completion</i>
DE-127 atropine sulfate	Myopia	Asia	P2 <i>Plan: 2nd half of FY2019 P2 completion</i>

In April 2018, Santen received a Notice of Non-Compliance (NON) from Health Canada for DE-076B (Cyclokat / Ikervis).

Appendix

Summary Profit / Loss Statements FY16, FY17, FY18 (FCT)

(JPY billions)	FY2016	FY2017	FY2018
	Full Year actual	Full Year actual	Forecast
Core basis			
Revenue	199.1	224.9	237.0
COGS	-75.0	-86.4	-91.0
SGA	-61.7	-68.8	-73.0
R&D expenses	-22.8	-24.4	-25.0
OP	39.7	45.4	48.0
Net profit	29.1	33.5	35.3
ROE	11.3%	12.4%	12.0%
IFRS			
OP	32.5	38.7	40.7
Net profit	21.7	35.3	30.4
ROE	8.4%	13.0%	10.3%
USD	JPY 108.64	JPY 110.94	JPY 110.00
EUR	JPY 118.96	JPY 129.92	JPY 130.00
CNY	JPY 16.14	JPY 16.84	JPY 17.00

+: JPY appreciation, -: JPY depreciation

FY2017 Profit / Loss

(JPY billions)	FY2016			FY2017		
	prior*	Actual	vs Revenue	Actual	vs Revenue	YoY
Revenue	199.1	199.1		224.9		13.0%
COGS	-75.0	-75.0	-37.7%	-86.4	-38.4%	15.2%
Gross margin						
SGA expenses	-62.2	-62.2	-31.2%	-68.8	-30.6%	10.6%
R&D expenses	-22.8	-22.8	-11.4%	-24.4	-10.8%	7.1%
Amortization on intangible assets associated with products	-6.4	-6.4	-3.2%	-6.7	-3.0%	5.1%
Other income	0.5	0.5	0.2%	0.4	0.2%	-10.9%
Other expenses	-0.7	-0.7	-0.4%	-0.4	-0.2%	-50.0%
Operating profit (IFRS)	32.5	32.5	16.3%	38.7	17.2%	19.1%
Finance income	0.9	1.1	0.6%	1.0	0.4%	-9.2%
Finance expenses	-1.6	-3.5	-1.8%	-0.4	-0.2%	-87.7%
Profit before tax	31.8	30.1	15.1%	39.3	17.5%	30.6%
Income tax expenses	-8.8	-8.3	-4.2%	-4.0	-1.8%	-52.0%
<i>Actual tax ratio</i>	<i>27.6%</i>	<i>27.7%</i>		<i>10.2%</i>		<i>-17.5pt</i>
Net profit (IFRS)	23.1	21.7	10.9%	35.3	15.7%	62.3%
Core operating profit	39.7	39.7	19.9%	45.4	20.2%	14.3%
Core net profit	28.7	29.1	14.6%	33.5	14.9%	14.9%

Increase from transitory impact in FY2016 and change in product mix in FY2017

SGA increases:

- Japan pharma 0.7 bil yen
- Asia 3.2 bil yen, EMEA 1.7 bil yen, US 1.1 bil yen
- HQ 0.9 bil yen

Mainly due to US corporate tax rate reduction

	Q4 FY16	Q4 FY17
USD	JPY 108.64	JPY 110.94
EUR	JPY 118.96	JPY 129.92
CNY	JPY 16.14	JPY 16.84

Notes:

Santen results describe FY17 results as the year ended March 31, 2018.

Prior*: FY16 results announced on May 10, 2017. These FY16 results are corrected retroactively from prior announced results upon the finalization of the purchase price allocation relating to the acquisition of InnFocus.

Summary Profit/Loss statement for FY2017 (vs MTP 2014-2017)

(JPY billions)	FY2017		
	MTP	Full Year actual	vs MTP Diff.
Core basis			
Revenue	205.0	224.9	19.9 109.7%
<i>Domestic</i>	145.0	158.7	13.7 109.4%
<i>Overseas</i>	60.0	66.3	6.3 110.5%
<i>Asia</i>	27.5	30.6	3.1 111.2%
<i>EMEA</i>	31.0	35.0	4.0 112.9%
R&D expenses	-21.0	-24.4	-3.4 116.2%
OP	51.5	45.4	-6.1 88.1%
Net profit	35.0	33.5	-1.5 95.6%
IFRS			
OP	45.0	38.7	-6.3 86.0%
Net profit	31.0	35.3	4.3 113.7%
	13.0%	13.0%	0.0pt
USD	JPY 103.00	JPY 110.94	-7.7%
EUR	JPY 141.00	JPY 129.92	7.9%
CNY	JPY 16.90	JPY 16.84	0.4%

+: JPY appreciation, -: JPY depreciation

FY2017 vs MTP 2014-2017 Difference

(JPY billions)

Revenue

Core OP

Mid Term Plan

Impact from the transfer of Anti-Rheumatoid business
MTP excl. the impact from the transfer of Anti-Rheumatoid business

Domestic business

Overseas business

HQ SGA

R&D

Other

FY2017 Actual

205.0

-12.2

192.8

25.8

132.8→158.7

Japan pharma +19.8
OTC +6.4

6.3

60.0→66.3

Asia +3.1
EMEA +4.0

224.9

+32.1

51.5

-7.5

44.0

55.1→65.1

Japan pharma +7.3
OTC +3.7

10.0

10.7→8.7

Asia +0.3
EMEA -0.2
US -2.0

-2.0

9.3→10.8

-1.5

21.0→24.4

-3.5

-1.6

45.4

+1.4

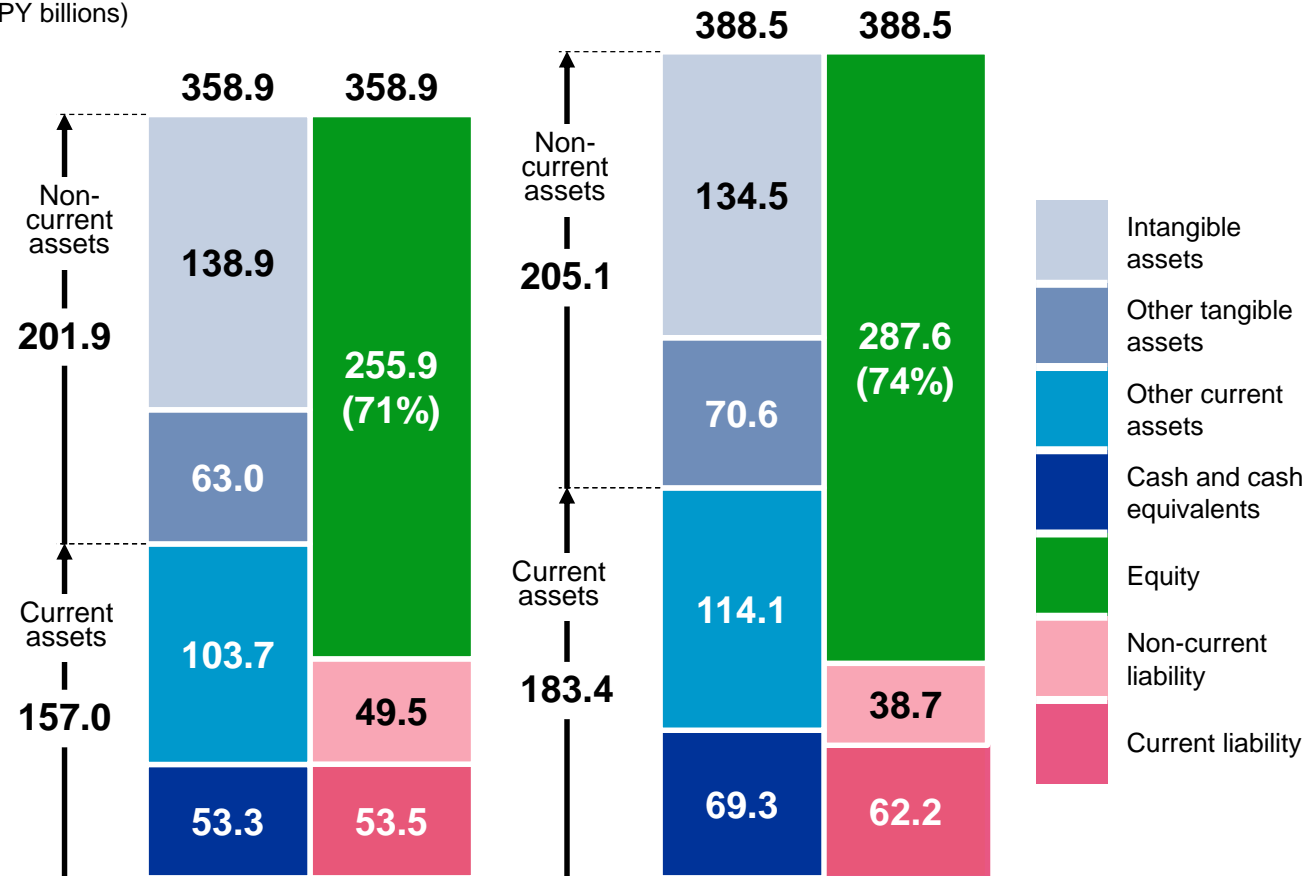
FY2017 Financial Position

March 31, 2017
(After PPA)

Mar 31, 2018

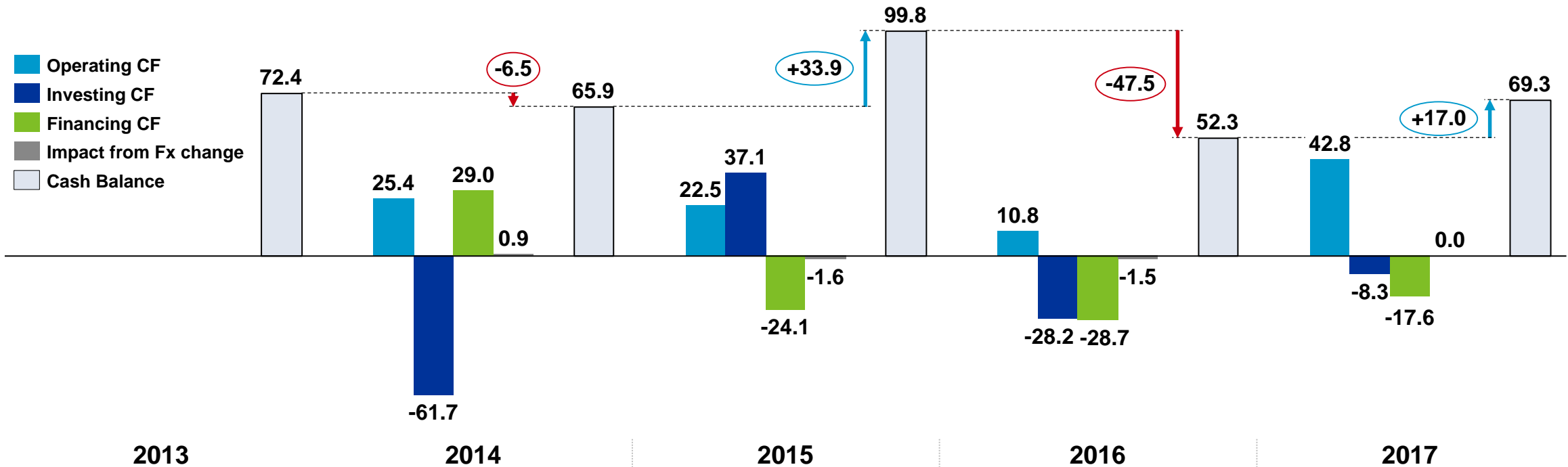
Increased trade receivables,
cash and cash equivalents
mainly due to sales growth

(JPY billions)



	March 31, 2017			Mar 31, 2018	Change
	Before PPA	After PPA			
Total assets	322.8	358.9	36.1	388.5	29.6
Non-current assets	165.8	201.9	36.1	205.1	3.2
Property, plant and equipment	28.6	28.6	-	29.7	1.2
Intangible assets	102.8	138.9	36.1	134.5	-4.4
Financial assets	29.9	29.9	-	35.8	5.9
Other	4.5	4.5	-	5.1	0.6
Current assets	157.0	157.0	-	183.4	26.4
Inventories	28.5	28.5	-	30.6	2.1
Trade and other receivables	71.0	71.0	-	78.7	7.7
Cash and cash equivalents	53.3	53.3	-	69.3	16.0
Other	4.2	4.2	-	4.8	0.6
Equity	253.9	255.9	2.0	287.6	31.6
Non-current liabilities	15.5	49.5	34.0	38.7	-10.8
Financial liabilities	7.6	7.6	-	3.5	-4.1
Accrued payable	-	18.7	18.7	17.7	-1.0
Deferred tax liabilities	2.6	18.0	15.4	12.9	-5.1
Other	5.3	5.3	-	4.6	-0.6
Current liabilities	53.4	53.5	0.0	62.2	8.7
Trade and other liabilities	23.9	23.9	-	29.7	5.8
Other financial liabilities	17.6	17.6	0.0	14.4	-3.2
Income tax payable	3.3	3.3	-	7.7	4.4
Other	8.6	8.6	-	10.4	1.8

Cash Flow Changes



2013

2014

2015

2016

2017

- Increase of investing activity cash-out due to the acquisition of Merck products
- Increase of financing activity cash-in due to long term debt for the MSD product acquisition

- Operating cash expenses increased on pension contributions reducing retirement benefit liabilities (cash flow from operating activities lower YoY)
- Revenue from investment activities increased due to the transfer of anti-RA business
- Expenditure on financing activities increased due to partial repayment of long-term borrowings

- Expenditures on operating activities increased due to income tax payments on gains on the transfer of anti-RA business in fiscal 2015 (Decrease in operating cash flow YoY)
- Investing activities cash outflow increased on InnFocus acquisition
- Expenditure on financing activities increased due to share repurchase and repayment of long-term borrowings

- Operating CF increased due to the increase of net profit after tax
- Each CF increased since there were no items in FY2017 such as income tax payments on gains on the business transfer, Acquisition, share repurchase in FY2016.

FY2017 Segment Revenue

Segment Revenue

(JPY billions)	Japan			Overseas			Total		
	FY17	YoY	FY18	FY17	YoY	FY18	FY17	YoY	FY18
	Actual		Forecast	Actual		Forecast	Actual		Forecast
Pharmaceuticals	158.7	9.1%	161.3	66.3	23.4%	75.7	224.9	13.0%	237.0
Prescription	141.1	8.5%	139.8	65.9	23.3%	75.0	207.0	12.8%	214.7
Ophthalmic	140.4	8.3%	139.4	65.5	25.2%	74.1	205.9	13.2%	213.6
Others	0.7	59.1%	0.3	0.4	-62.3%	0.8	1.1	-31.1%	1.1
OTC	14.3	15.1%	16.1	0.3	121.8%	0.4	14.6	16.3%	16.5
Medical devices	2.5	0.5%	2.7	0.1	153.6%	0.2	2.6	1.8%	3.0
Others	0.8	87.4%	2.7	0.0	-69.8%	0.2	0.8	48.6%	2.8
Sales ratio	70.5%			29.5%		31.9%			

Capital Expenditures / Depreciation & Amortization

(JPY billions)	FY2016	FY2017		FY2018	
	Actual	Actual	YoY	Forecast	YoY
Capital expenditures	5.2	5.4	4.4%	7.5	37.4%
Depreciation and amortization*	3.5	4.2	19.7%	4.3	2.5%
Amortization on intangible assets associated with products	6.4	6.7	5.1%	6.9	2.8%
Intangible assets -Merck products	5.4	5.6	4.4%	5.8	3.9%
Intangible assets -Ikervis	0.7	0.7	9.2%	0.7	0.6%

*Excludes amortization on intangible assets associated with products and long-term prepaid expenses

Prescription Ophthalmic Market in Japan

JPY billions	FY2016						FY2017					
	Santen*		Market		Santen market share*	Santen*		Market		Santen market share*		
	Value	Change (YoY)	Value	Change (YoY)		Value	Change (YoY)	Value	Change (YoY)			
Total	157.3	3.0%	345.5	-0.6%	45.5%	#1	167.9	6.7%	363.3	5.1%	46.2%	#1
Glaucoma	36.8	0.1%	114.3	1.5%	32.2%	#1	35.9	-2.4%	114.9	0.5%	31.2%	#1
Anti-VEGF	53.9	10.2%	74.5	-0.0%	72.4%	#1	61.2	13.5%	85.3	14.5%	71.8%	#1
Corneal/dry eye	28.5	-2.9%	45.5	-1.8%	62.7%	#1	29.0	1.7%	46.6	2.5%	62.2%	#1
Allergy	16.2	24.8%	37.7	5.5%	42.9%	#1	20.5	26.7%	42.9	13.5%	47.9%	#1
Anti-infection	6.4	-21.5%	14.6	-11.2%	44.1%	#1	5.6	-13.4%	13.9	-4.7%	40.0%	#1

*Including co-promoted product of Bayer Yakuin, Ltd. (MAH) (Anti-VEGF *Eylea*)

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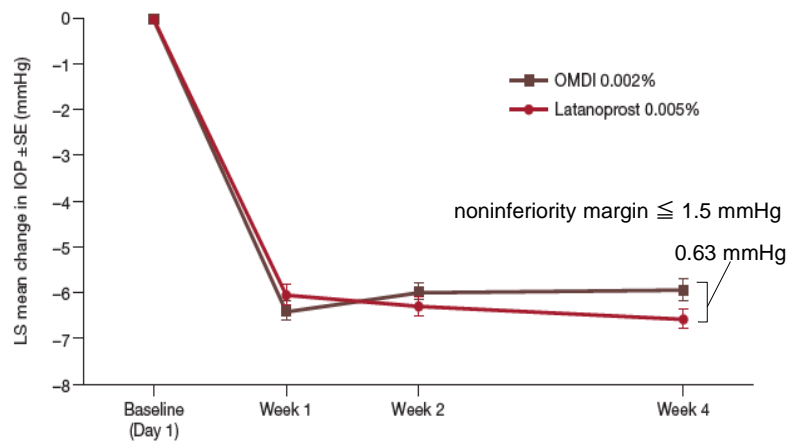
DE-117: New Mechanism of Action, EP2 Receptor Agonist

- Different target receptor from existing prostaglandin analogues
- Increasing aqueous humor outflow through both the uveoscleral and trabecular meshwork pathways

AYAME

- IOP reduction achieved with OMDI 0.002% was found to be non-inferior to that of latanoprost 0.005%

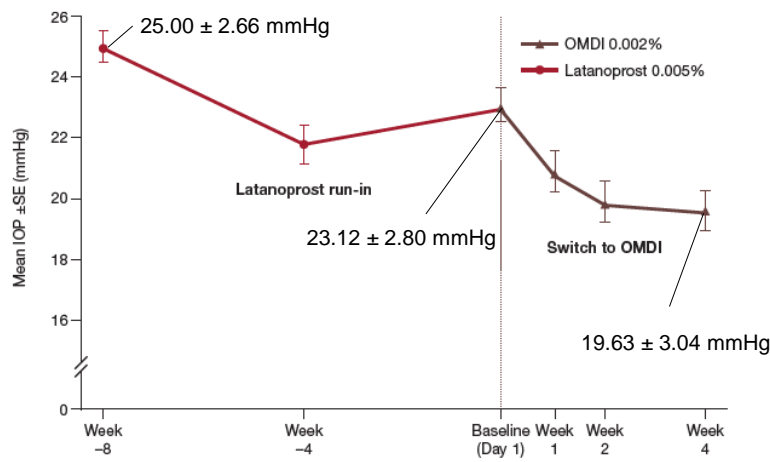
- The mean difference in the change in diurnal IOP from baseline to Week 4 for OMDI 0.002% versus latanoprost 0.005% was 0.63 mmHg (95% CI: 0.01, 1.26 mmHg) in favor of latanoprost
- The difference was statistically significant (P=0.0477), but was not considered to be clinically significant



FUJI

- Treatment with OMDI ophthalmic solution 0.002% demonstrated a clinically significant reduction in mean diurnal IOP in subjects with POAG or OHT who were non/low responders to latanoprost 0.005%

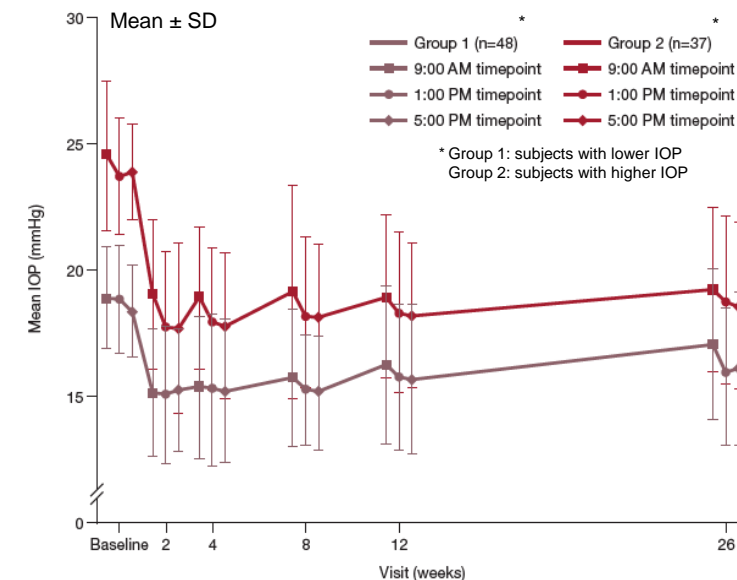
- The mean (SD) diurnal IOP at the end of the 4-week treatment period was 19.63 (3.04) mmHg, representing a mean (SD) change from baseline (Day 1) of -2.99 (2.18) mmHg (95% confidence interval -3.87, -2.11; P<0.0001)



RENGE

- Treatment with OMDI 0.002% ophthalmic solution demonstrated clinically significant IOP reduction and tolerable safety throughout the 26 weeks

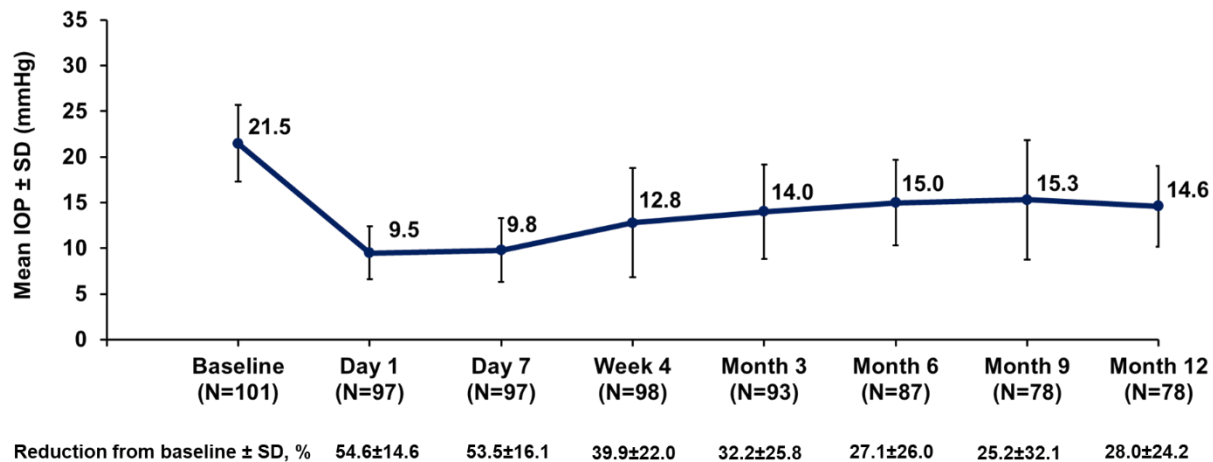
- There were no AE reports of increased pigmentation of the iris, eyelid, or eyelashes in either group



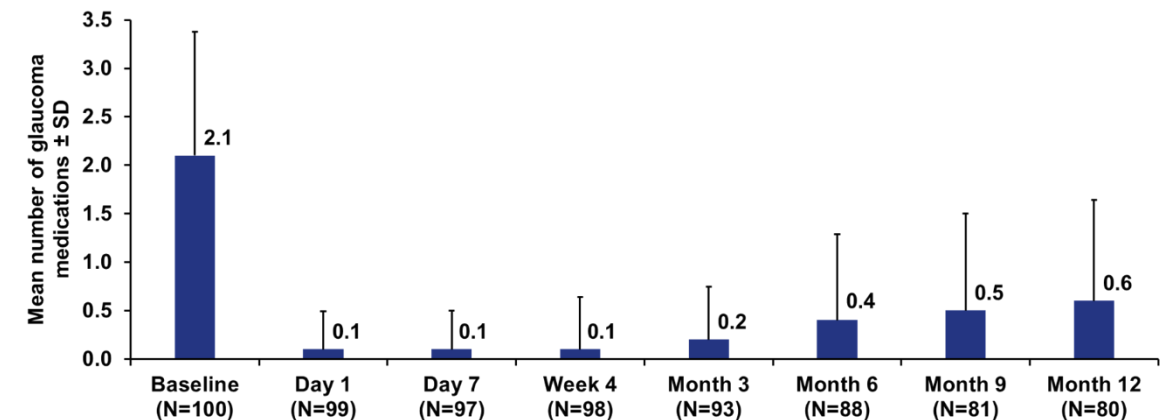
DE-128: Glaucoma Implant Device with Micro-Invasive Surgical Design and Innovative Bio-Inert Material

- Conducting pivotal study (INN-005) that compares *InnFocus MicroShunt* to Trabeculectomy
- INN-007 (NCT02177123) interim results demonstrated the *InnFocus MicroShunt* decreased IOP and the number of glaucoma medications with an acceptable safety and tolerability profile.

IOP Outcomes up to Month 12



Number of Glaucoma Medications per Patient



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' in a light blue color, followed by the word 'Santen' in a bold, dark blue sans-serif font. The 'S' is partially overlapping the first letter of 'Santen'.

A Clear Vision For Life