

Conference Call on Q3 FY2019 Results



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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.

Values

天機に参与する

*Tenki ni sanyo suru*¹

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

Santen’s original interpretation of a passage from chapter 22 of *Zhongyong (The Doctrine of the Mean)* by Confucius.

We think carefully about what is essential, decide clearly what we should do, and act quickly.

Mission
Statement

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.

Partnership with ITU

To support ITU and WHO for “Be He@lthy, Be Mobile”

Raise awareness of the prevention and management of non-communicable diseases



**BE
HE@LTHY
BE
MOBILE**

MOBILE TECHNOLOGY FOR A HEALTHY LIFE

ITU: International Telecommunication Union (a specialized agency of the United Nations)

WHO: World Health Organization

New Contributions to Ophthalmic Therapy through Advanced Digital Technology

Establish joint venture with Verily; aim to develop and commercialize UNIQUE devices for ophthalmic therapy

Leverage for Ophthalmic Therapy



Connectivity



Automation



Big data



Joint Venture with Verily



■ Q1-Q3 revenue up 5%, profit (core basis) up 8% YoY

- Steady growth mainly from growth in China
- Sales in overseas business increase despite negative FX impact

■ Continue to contribute to improving the quality of life of patients with retinal diseases

- Extend co-promotion agreement with Bayer Yakuhin for *Eylea**

■ Launch new product to provide further value for the patients

- Launch “*Alesion LX*” with longer-lasting efficacy: twice daily applications



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

FY2019 Forecast (No Change from May 9)

Aiming for further growth and efficiency improvements

	FY2018	FY2019	
(JPY billions)			
Core basis	Actual	Forecast	YoY
Revenue	234.0	248.0	+6.0%
COGS	90.8	95.0	+4.7%
Gross margin	143.3	153.0	+6.8%
SG&A	71.3	74.0	+3.8%
R&D expenses	23.8	28.0	+17.9%
OP	48.2	51.0	+5.7%
Net profit	36.1	37.7	+4.5%
Actual tax ratio	25.2%	26.1%	
ROE	12.5%	12.8%	+0.3pt

Q3 FY2019 Financial Results ended December 31, 2019

Q1-Q3 FY2019 Results

Strong overseas sales led revenue and profit growth (core basis)

(JPY billions)	FY2018		FY2019	
	Q3 Actual	Q3 Actual	YoY	
Core basis				
Revenue	173.2	182.3	+5.3%	
COGS	69.8	74.4	+6.5%	
Gross margin	103.4	108.0	+4.4%	
SG&A	51.2	52.8	+3.1%	
R&D expenses	17.1	17.2	+0.4%	
OP	35.1	38.0	+8.3%	
Net profit	25.7	27.2	+6.0%	
IFRS				
OP	33.7	28.9	-14.0%	
Net profit	23.4	20.3	-13.2%	
USD	111.2	108.9		
EUR	129.5	121.1		
CNY	16.6	15.7		

Revenue

- *Japan*: Steady growth of key products
- *Overseas*: Despite FX impact, China and Asia continue strong growth

⇒ Increase by JPY9.1 billion (+5.3%)

Core operating profit

- Steady growth of overseas business
- Cost optimization

⇒ Increase by JPY2.9 billion (+8.3%)

IFRS operating profit and net profit

- DE-128 amortization
- Profit decline in the absence of the sale of former head office and Osaka factory recorded in the previous fiscal year

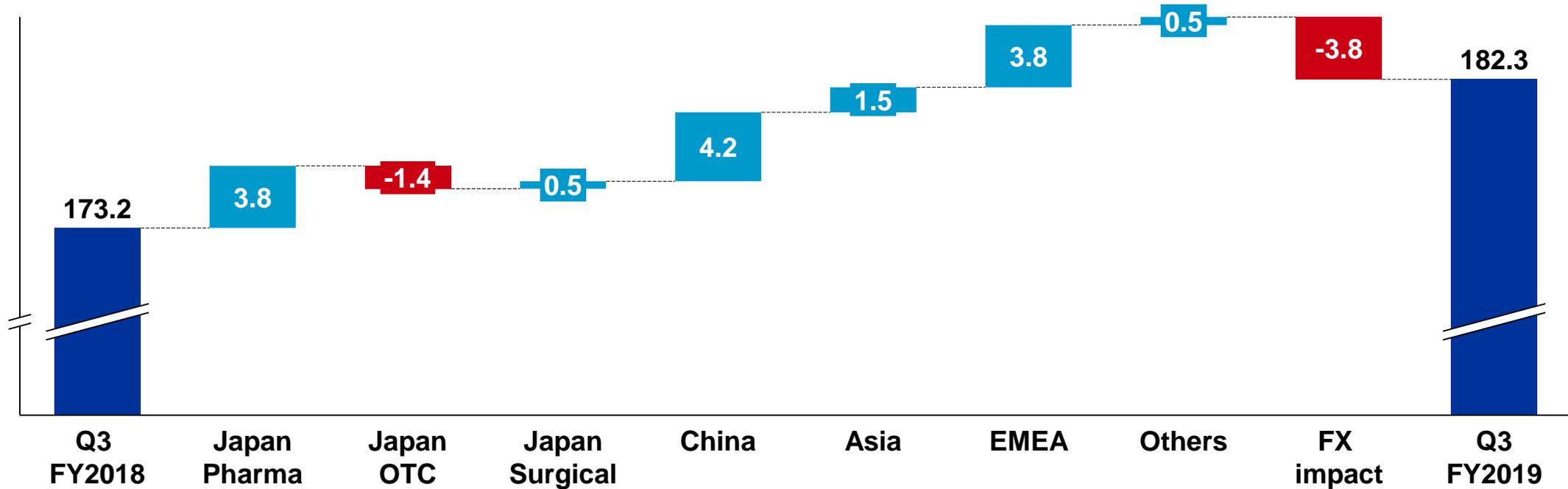
Operating profit ⇒ Decreased by JPY4.7 billion (-14.0%)

Net profit ⇒ Decreased by JPY3.1 billion (-13.2%)

Q1-Q3 FY2019 Revenue

Steady growth in overseas drove group sales

(JPY billions)



Japan

- Prescription Pharmaceuticals: Steady growth driven by *Eylea** and *Alesion*. The prescription limits of *Eybelis* was lifted on December 1st.
- OTC: Despite steady sales of premium products for the Japanese market, revenue decreased due to sluggish overseas tourists' demands
- Surgical: Steady growth driven by new product *LENTIS Comfort*.

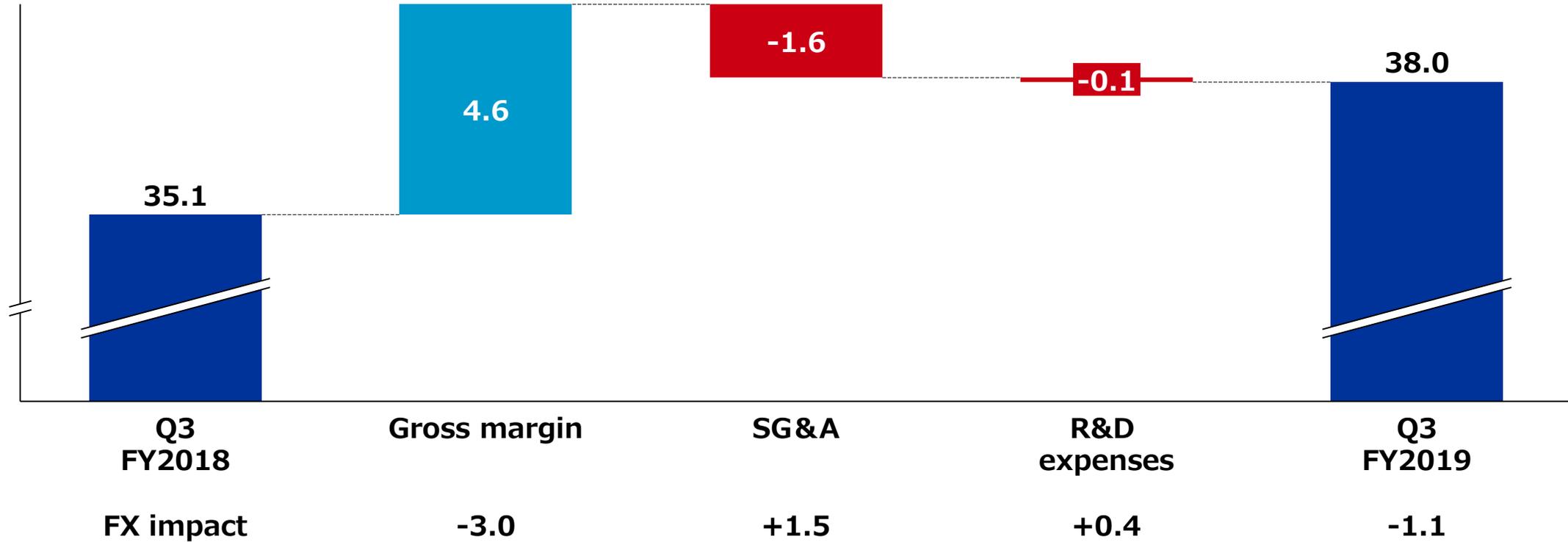
Overseas

- China: Local currency sales increased 26% YoY led by *Cravit* and *Hyalein*, which recorded double-digit growth. (JPY basis +19%)
- Asia: Strong growth in each country/region. (JPY basis +7%) (Korea: JPY basis +10%, Local currency basis +20%)
- EMEA: Revenue increased +14% in € basis, but rose +7% in JPY due to the appreciation of JPY against €. Major countries such as Italy and Germany drove sales growth. One-time UK sales is included.

Q1-Q3 FY2019 Operating Profit (Core Basis)

Sales growth and SG&A control led profit growth

(JPY billions)



Change factors

- Gross profit: Increased due to sales growth
- SG & A: Controlled SGA growth, particularly reducing advertising expenses
- R&D expenses: Largely unchanged year-on-year owing to development schedule delays and cost optimization
- FX impact: Negative 1.1billion JPY impact on core operating profit as a result of yen appreciation

Q1-Q3 FY2019 Income Statement

Revenue and profits (core basis) increased, however profits (IFRS) declined mainly due to DE-128 amortization.

(JPY billions)	Q3 FY18		Q3 FY19		YoY
	Actual	vs Revenue	Actual	vs Revenue	
Revenue	173.2		182.3		+5.3%
COGS	69.8	40.3%	74.4	40.8%	+6.5%
Gross margin	103.4	59.7%	108.0	59.2%	+4.4%
SG&A expenses	51.2	29.6%	52.8	29.0%	+3.1%
R&D expenses	17.1	9.9%	17.2	9.4%	+0.4%
<i>Core operating profit</i>	<i>35.1</i>	<i>20.3%</i>	<i>38.0</i>	<i>20.8%</i>	<i>+8.3%</i>
Amortization on intangible assets associated with products	5.2	3.0%	7.4	4.1%	+41.7%
Other income	3.9	2.3%	0.3	0.2%	-92.6%
Other expenses	0.1	0.1%	1.9	1.1%	--
Operating profit (IFRS)	33.7	19.4%	28.9	15.9%	-14.0%
Finance income	0.9	0.5%	0.9	0.5%	+1.3%
Finance expenses	2.1	1.2%	0.9	0.5%	-59.7%
Profit before tax	32.4	18.7%	29.0	15.9%	-10.6%
Income tax expenses	9.0	5.2%	8.7	4.8%	-3.9%
<i>Actual tax ratio</i>	<i>27.9%</i>		<i>30.0%</i>		
Net profit (IFRS)	23.4	13.5%	20.3	11.1%	-13.2%
Core net profit	25.7	14.8%	27.2	14.9%	+6.0%

Impact of the start of amortization for DE-128

Revaluation of InnFocus contingent payment

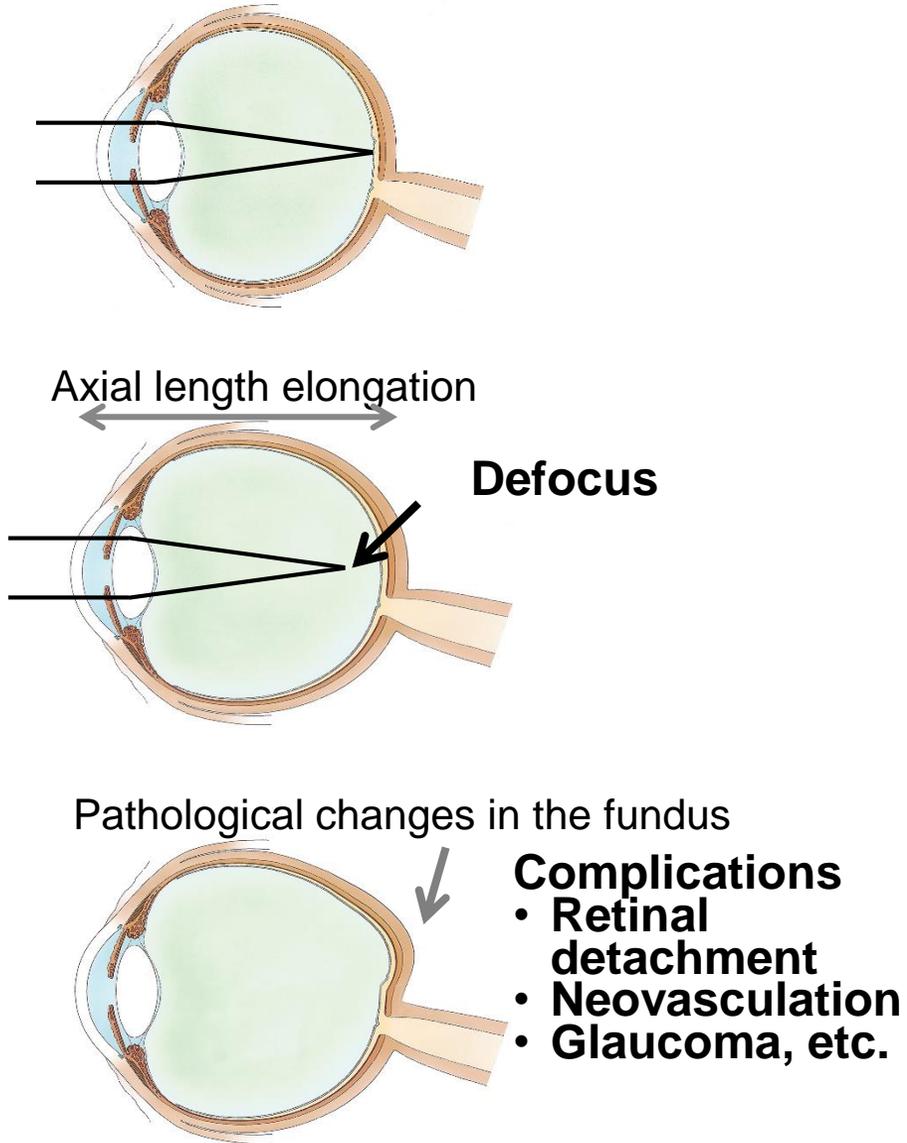
The tax effect from the change in the fair value of the InnFocus contingent payment (described above) on expenses was not recognized, hence income tax expense was not reduced, resulting in an increase in actual tax rate.

Sale of the former head office and Osaka factory

Status of Research & Development

Progression of Myopia

P2 in Asia met primary endpoint, P2/3 in Japan is ongoing



Normal eye



School age

Myopia (<-0.5 D*)



High myopia (<-6.0 D)



Pathologic myopia



DE-127
prevent progression

*D (diopter): unit of refractive power. $D=1/\text{focal length (m)}$

The Current Status of Research and Development

Pipeline/product development (1)

As of January, 2020
Updated information is underlined

	Indication	Region	Status
DE-111 <i>TAPCOM / TAPTIQOM</i> Combination of tafluprost and timolol maleate	Glaucoma / ocular hypertension	China	P3 <i>Plan: FY2020 P3 completion</i>
		US	P3 <i>Plan: FY2020 P3 completion</i>
DE-117 <i>EYBELIS</i> EP2 receptor agonist	Glaucoma / ocular hypertension	Japan	Launched
		Asia	<u>Approved in Dec 2019 (Korea)</u> <i>Plan: FY2020 launch</i>
DE-126 FP/EP3 receptors dual agonist	Glaucoma / ocular hypertension	US	P2b (<u>dose finding study completed</u>)
		Japan	<i>Plan: FY2020 P2 start (exploratory study)</i>
DE-128 <i>PRESERFLO MicroShunt</i>	Glaucoma	US	P2/3 <i>Plan: FY2019 PMA rolling submission completion, FY2020 launch</i>
		Europe	CE mark received
DE-130A Catioprost latanoprost	Glaucoma / ocular hypertension	Europe	P3
		Asia	<i>Plan: FY2021 P3 completion</i>

The Current Status of Research and Development

Pipeline/product development (2)

As of January, 2020
Updated information is underlined

	Indication	Region	Status
DE-109 IVT sirolimus	Uveitis	US	P3 <i>Plan: FY2022 P3 completion</i>
		Japan	P3
		Europe	P3
		Asia	Filed
DE-122 Anti-endothelin antibody	Wet age-related macular degeneration	US	P2a <i>Plan: FY2019 P2a completion</i>
DE-076C Vekacia / Verkazia ciclosporin	Vernal kerato-conjunctivitis	Europe	Launched
		Asia	Approved of expanded indication to <i>Ikervis</i>
		Others	<u>Launched in Nov 2019 (Canada)</u>
DE-114A epinastine HCl (high dose)	Allergic conjunctivitis	Japan	<u>Launched in Nov 2019</u>
DE-127 atropine sulfate	Myopia	Japan	P2/3 <i>Plan: FY2023 P2/3 completion</i>
		Asia	P2 (met primary endpoint) <i>Plan: FY2019 P2 completion</i>
MD-16 Intraocular lens	Cataract	Japan	<u>Approved in Nov 2019</u> <i>Plan: FY2020 launch</i>

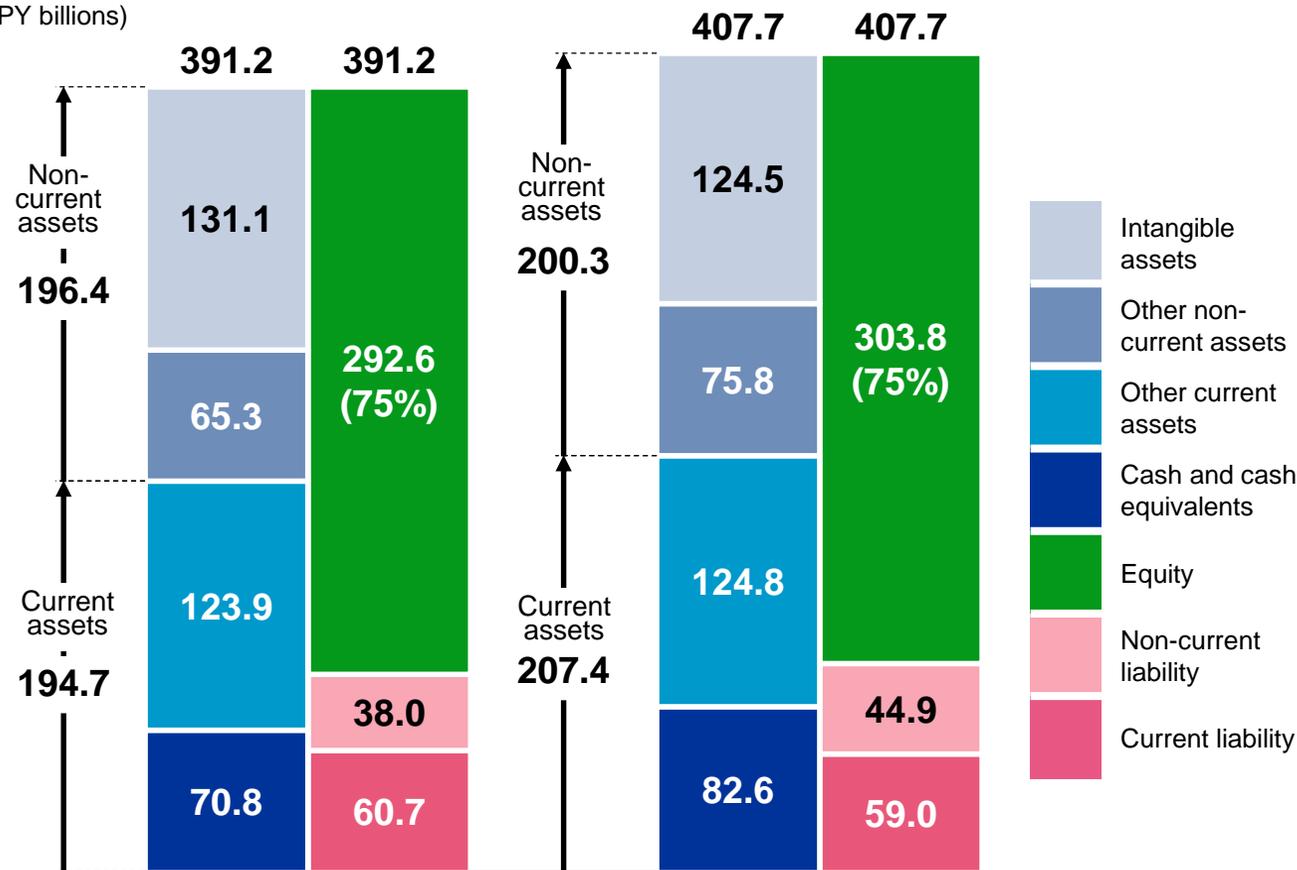
Appendix

Q3 FY2019 Financial Position

March 31, 2019

December 31, 2019

(JPY billions)



Changes

Non-current assets

- Lease assets: +6.9
(Adoption of IFRS 16)

Current assets

- Cash and cash equivalents: +11.8

Capital

- Retained earnings: +11.2

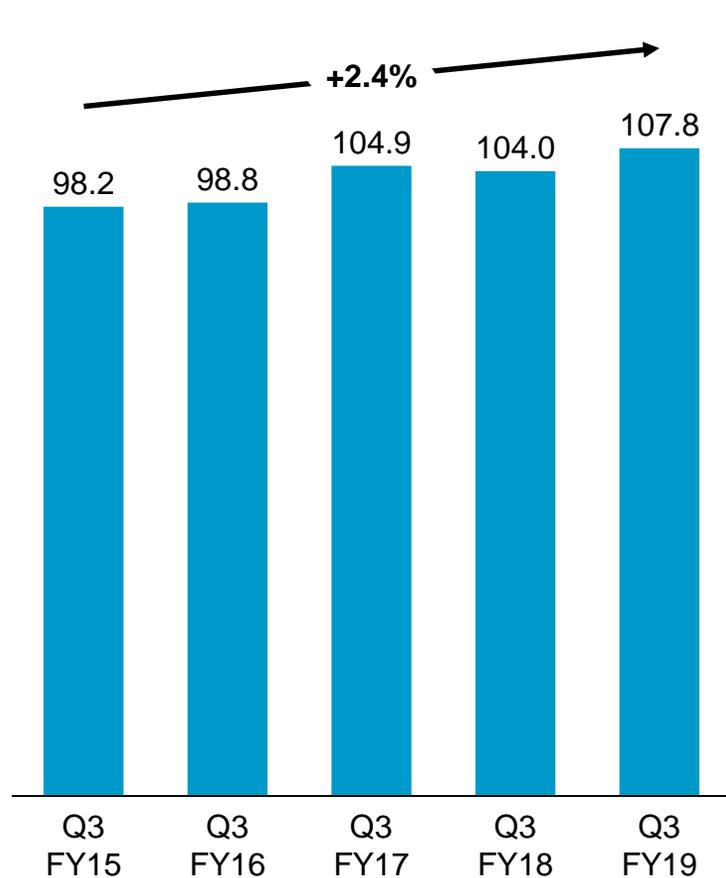
Non-current liability

- Lease obligations: +4.9 (Adoption of IFRS 16)

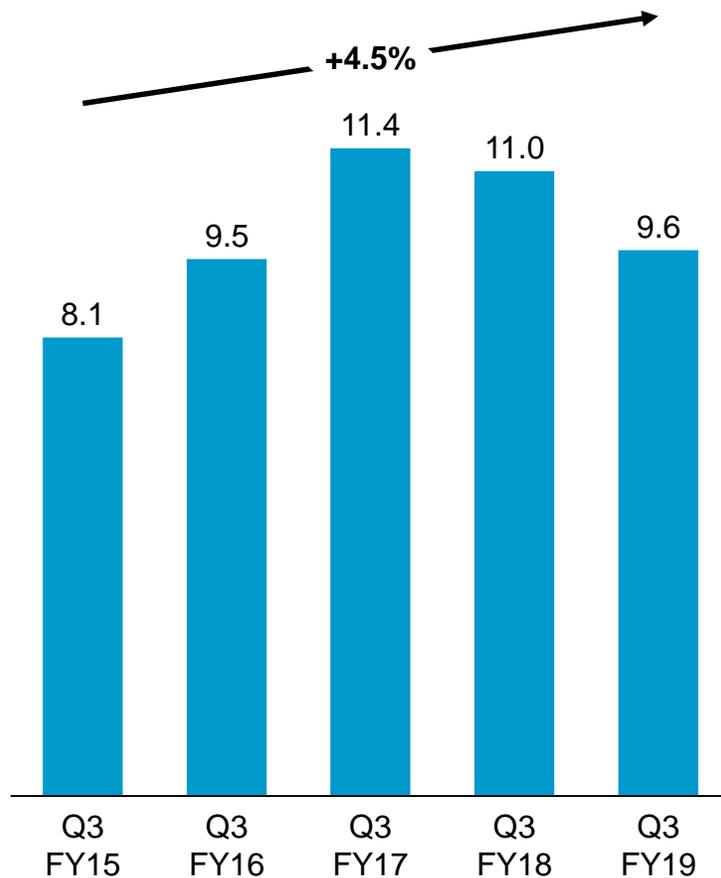
Q1-Q3 FY2019 Revenue (Japan)

【Japan Pharma】

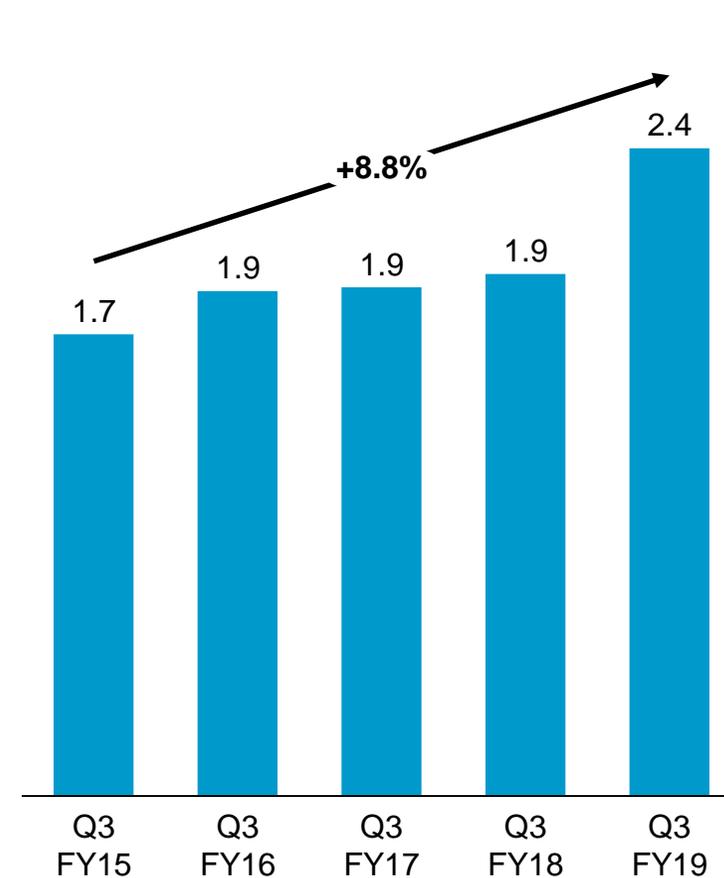
(JPY billions, CAGR)



【OTC】



【Surgical】

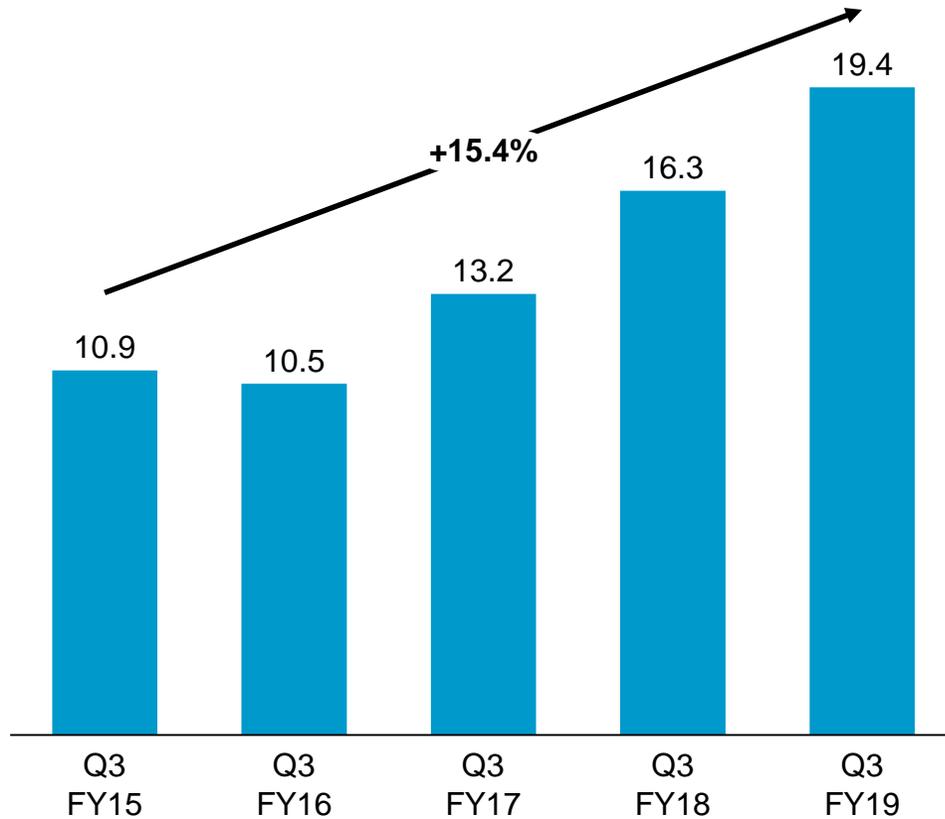


Numerical value changed due to managerial unit change

Q1-Q3 FY2019 Revenue (China)

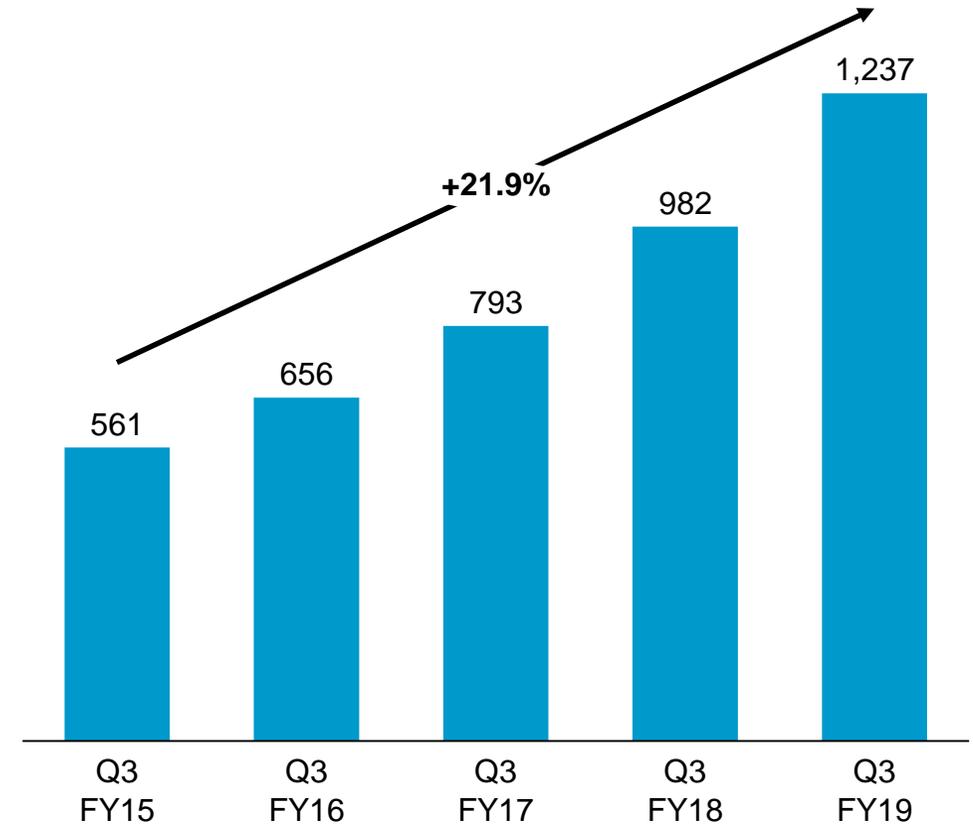
【JPY Basis】

(JPY billions, CAGR)



【Local Currency Basis】

(CNY millions, CAGR)

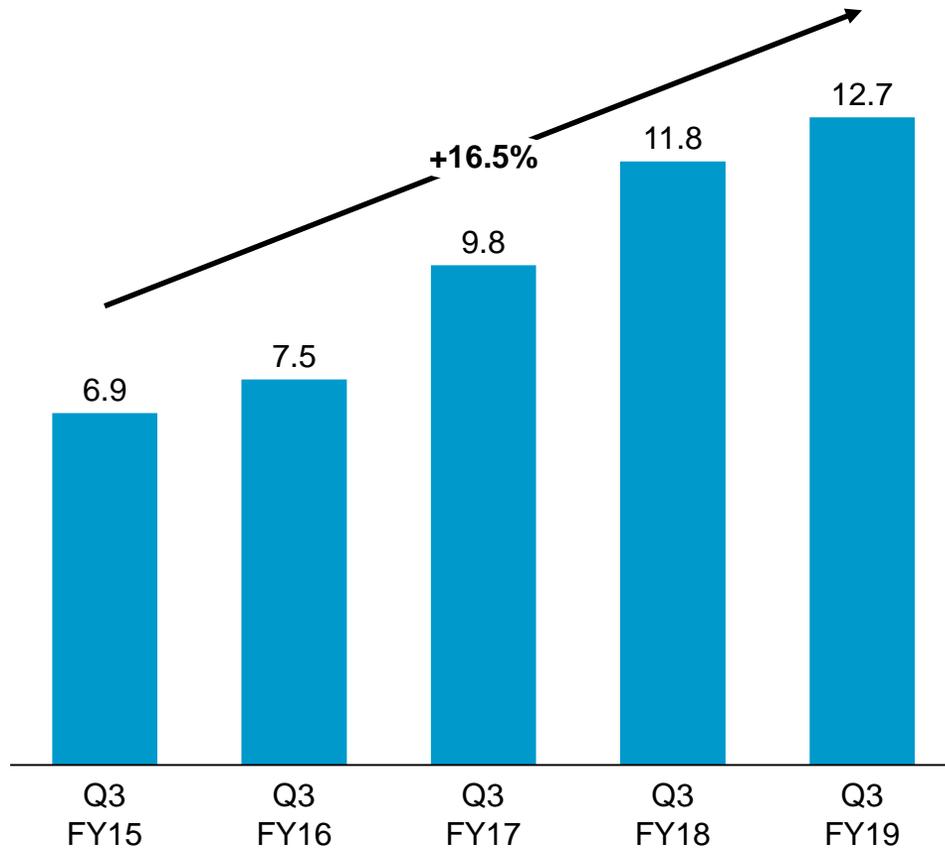


Numerical value changed due to managerial unit change

Q1-Q3 FY2019 Revenue (Asia)

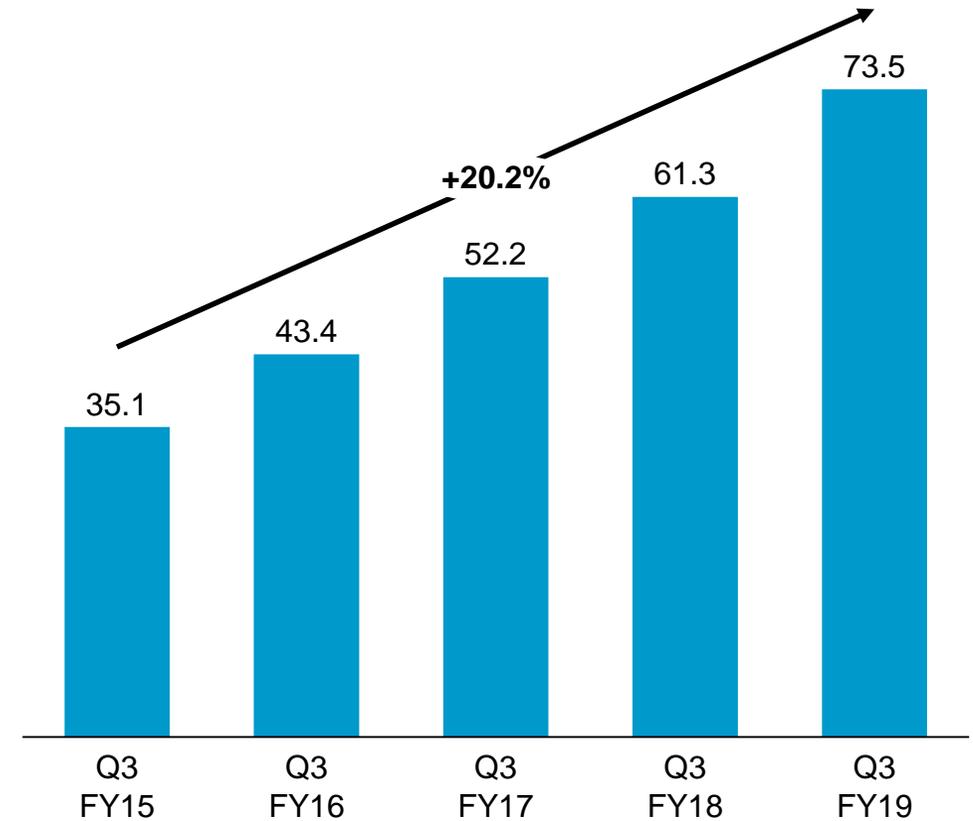
【JPY Basis】

(JPY billions, CAGR)



【 Korea:Local Currency Basis】

(KRW billions, CAGR)

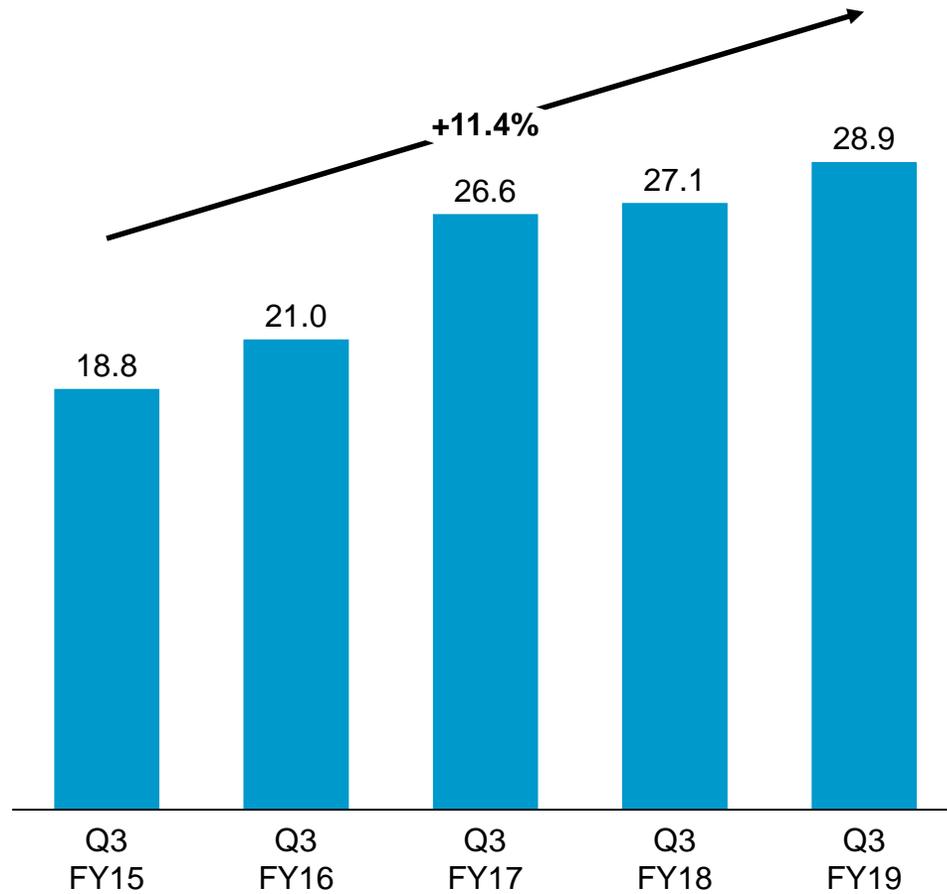


Numerical value changed due to managerial unit change

Q1-Q3 FY2019 Revenue (EMEA)

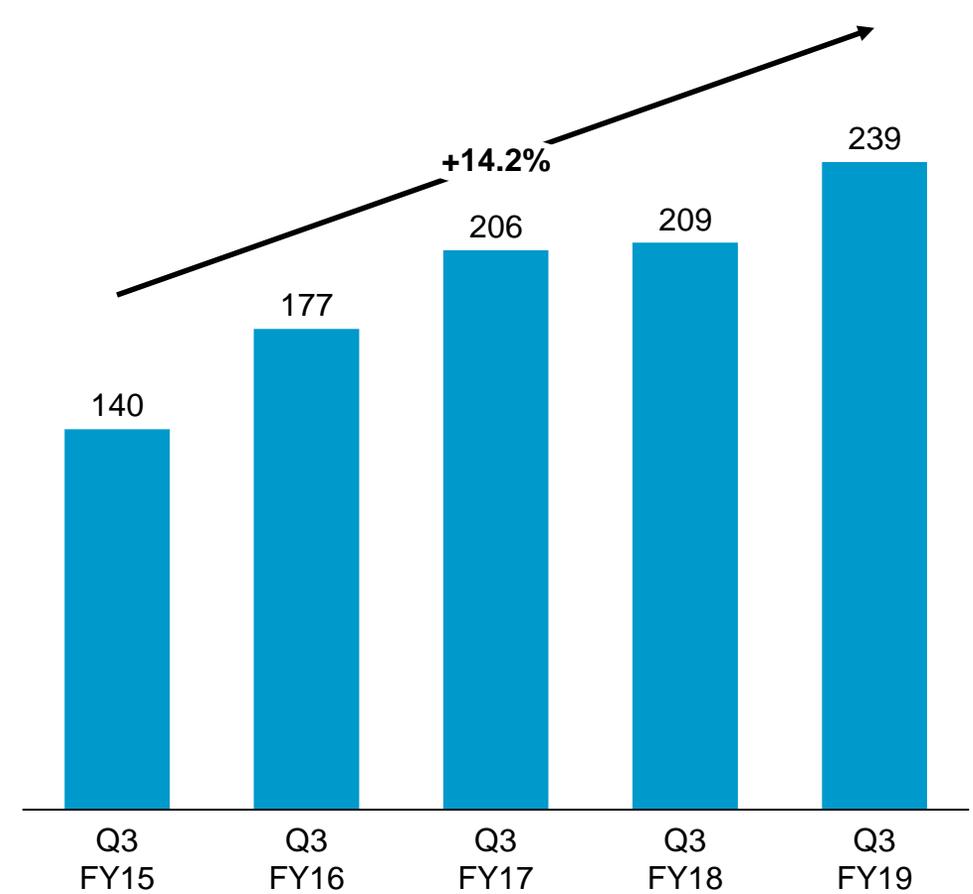
【JPY Basis】

(JPY billions, CAGR)



【EURO Basis】

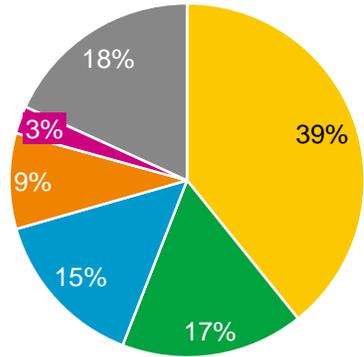
(EUR millions, CAGR)



Numerical value changed due to managerial unit change

Q1-Q3 FY2019 Revenue by Region

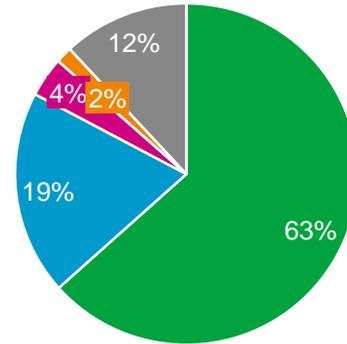
Japan



(JPY Billions)	
Eylea*	47.4
Diquas	11.4
Alesion	10.0
Others	52.0
Total	120.8

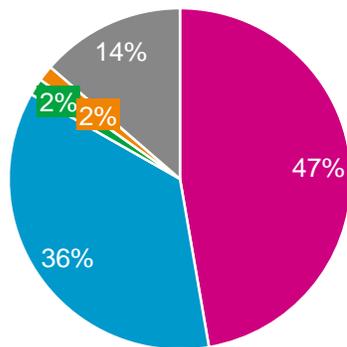
Eylea*: Co-promoted product of Bayer Yakuhin, Ltd. (MAH)

EMEA



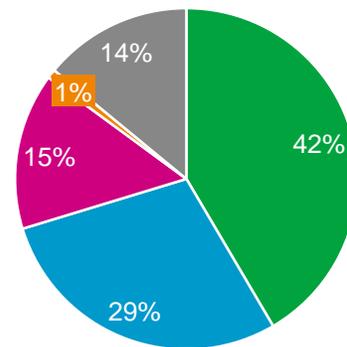
(JPY Billions)	
Cosopt	7.3
Tapros	5.0
Ikervis	2.3
Others	14.2
Total	28.9

China



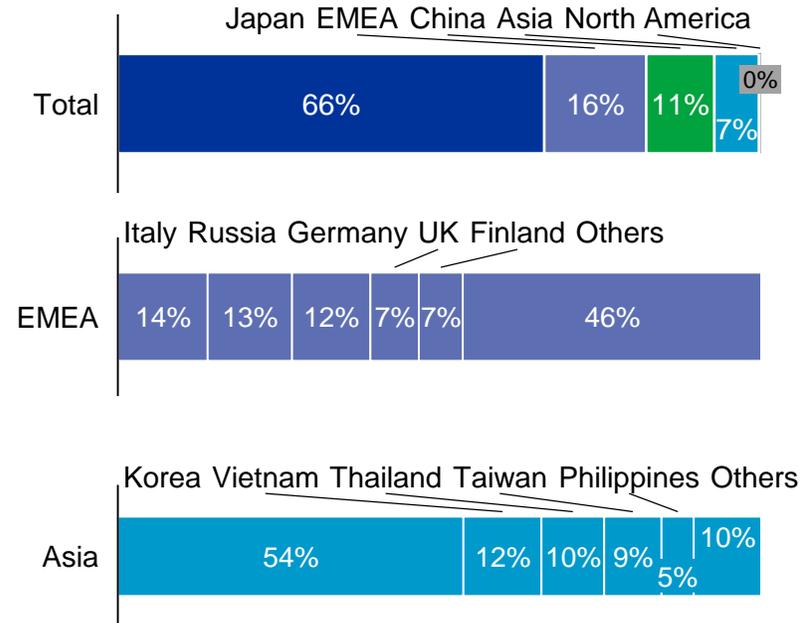
(JPY Billions)	
Cravit	8.4
Hyalein	6.8
Flumetholon	1.0
Others	3.1
Total	19.4

Asia (Ex. China)



(JPY Billions)	
Cosopt	3.0
Hyalein	1.5
Tapros	1.4
Others	6.7
Total	12.7

Revenue in each region



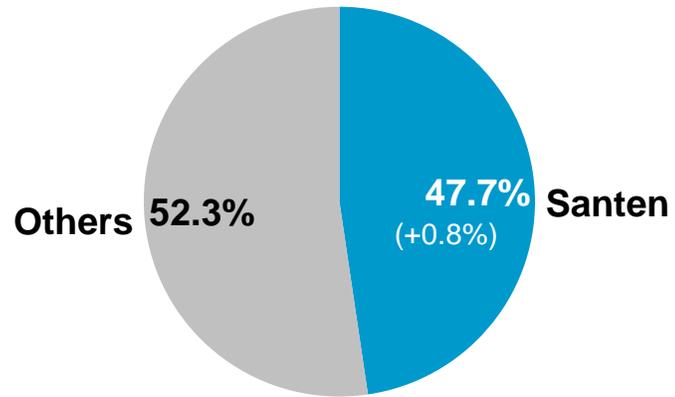
Prescription Ophthalmic Market in Japan (Jan-Dec, 2019)

Maintain No.1 position in total and all segments

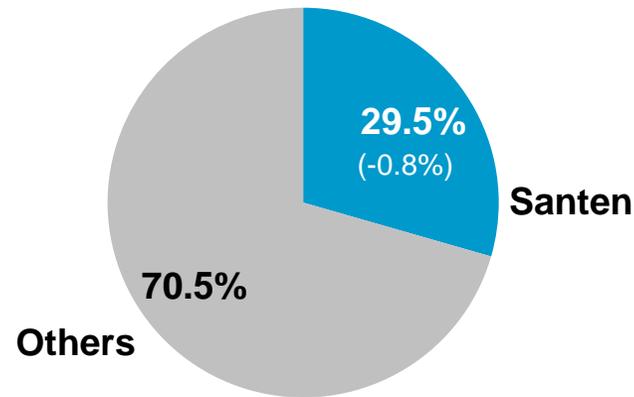
Segment: market size

Graph: market share (change from last year)

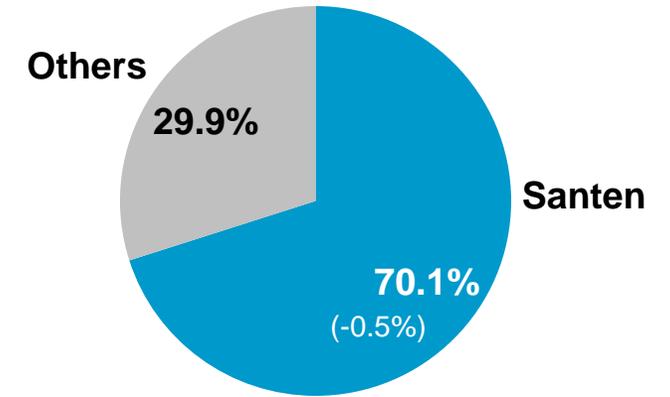
Total : JPY373.1Bil



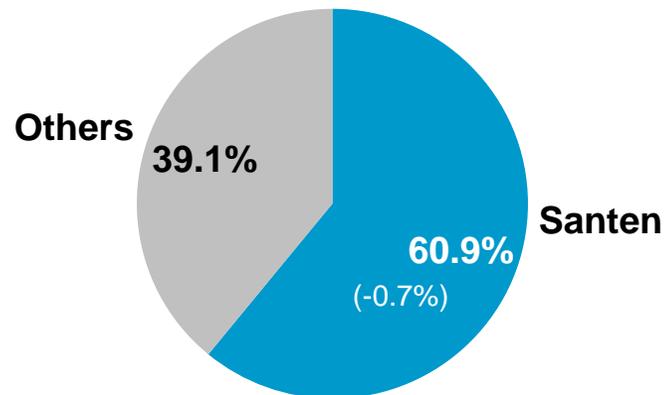
Glaucoma : JPY107.9Bil



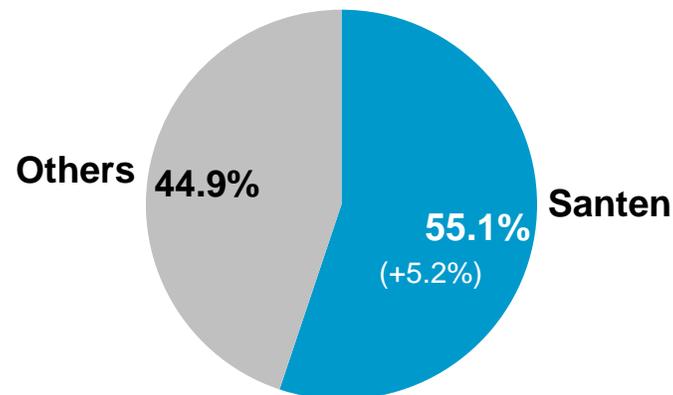
Retinal disorders* : JPY103.3Bil



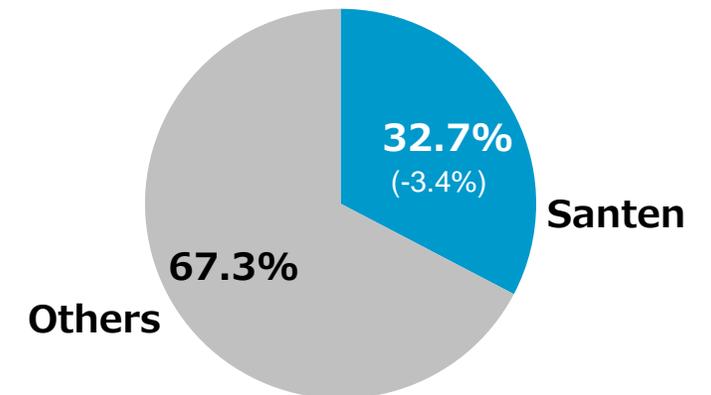
Corneal/dry eye : JPY46.3Bil



Allergy : JPY48.3Bil



Anti-Infection : JPY11.7Bil



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

A Clear Vision For Life™