

Q2 FY2020 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 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 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.

CORE PRINCIPLE and WORLD VISION

CORE PRINCIPLE

天機に参与する

Tenki ni sanyo suru

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

WORLD VISION

Happiness with Vision

The Happiest Life for every individual, through the Best Vision Experience

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

H1 FY2020 Highlights

- **Execute medium-to long-term measures to achieve Santen 2030**
 - Ophthalmology & Wellness: jCyte Alliance, Osmotica Alliance, Orbis International (NGO) Alliance and Hyalein S Launch (1), In-licensing ROCK Inhibitors (2), Eyevance Acquisition (3)
 - Inclusion: Long-term partnership with JBFA and IBF Foundation
- **Progress in the final year of Vision 2020**
 - Strong revenue recovery from COVID-19 impact, but potential for uncertainty remains
 - China continues to have high market potential, although there are short-term risk factors. Established a new holding company and proactively pursuing business (4)
- **Revenue : JPY 118.9billions, Core OP : JPY 25.7billions**
 - Matched previous year's levels. No change to full-year forecast

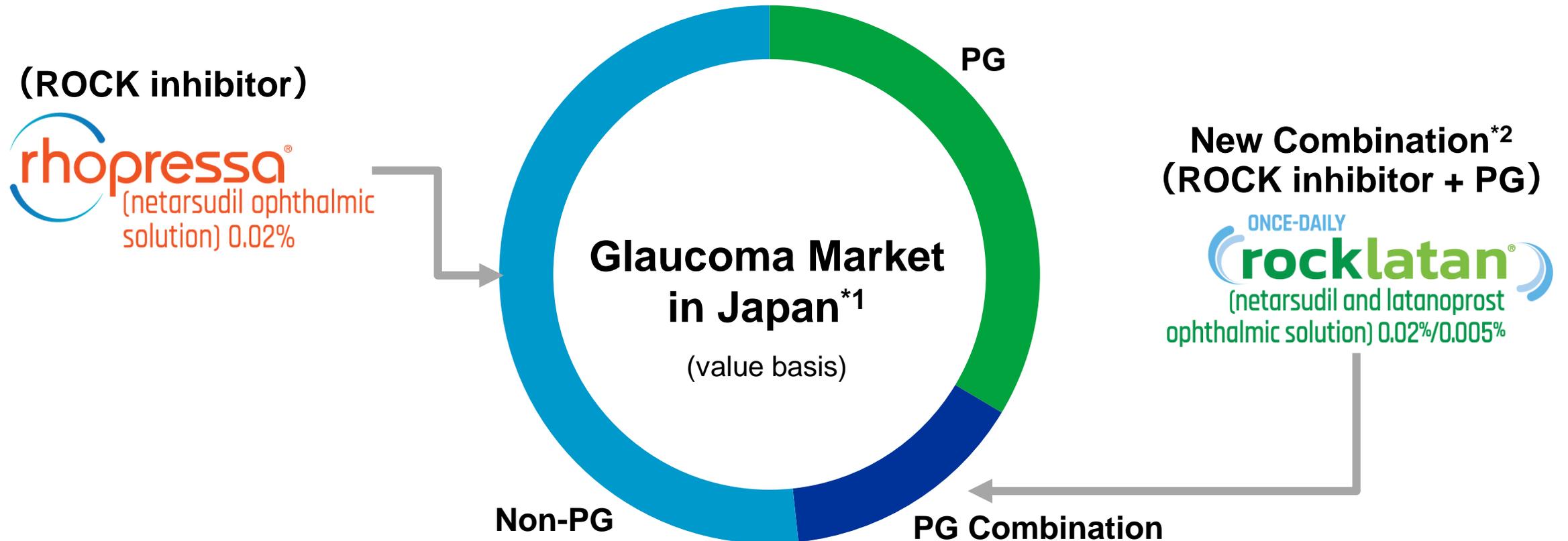
1. Launched “*Hyalein S*” in OTC Segment in Japan

The only eye drops in Japan*¹ containing the same concentration of sodium hyaluronate as the prescription drug as the prescription drug



“For tiredness of eyes, drying of eyes, and blurring of eyes“. Medicines requiring guidance. Please use this drug after receiving an explanation from a pharmacist and carefully reading the "Usage Notes."

2. In-licensing ROCK Inhibitors for Japan and Asia to Maintain and Improve Our Presence in Glaucoma Treatment to Support Next Growth



2. Further Enhancing Glaucoma Portfolio with the Licensing-in of ROCK Inhibitors

Diagnosis, Treatment and Follow-up



Medication

Surgery

PG



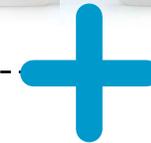
PG Combination



Non-PG

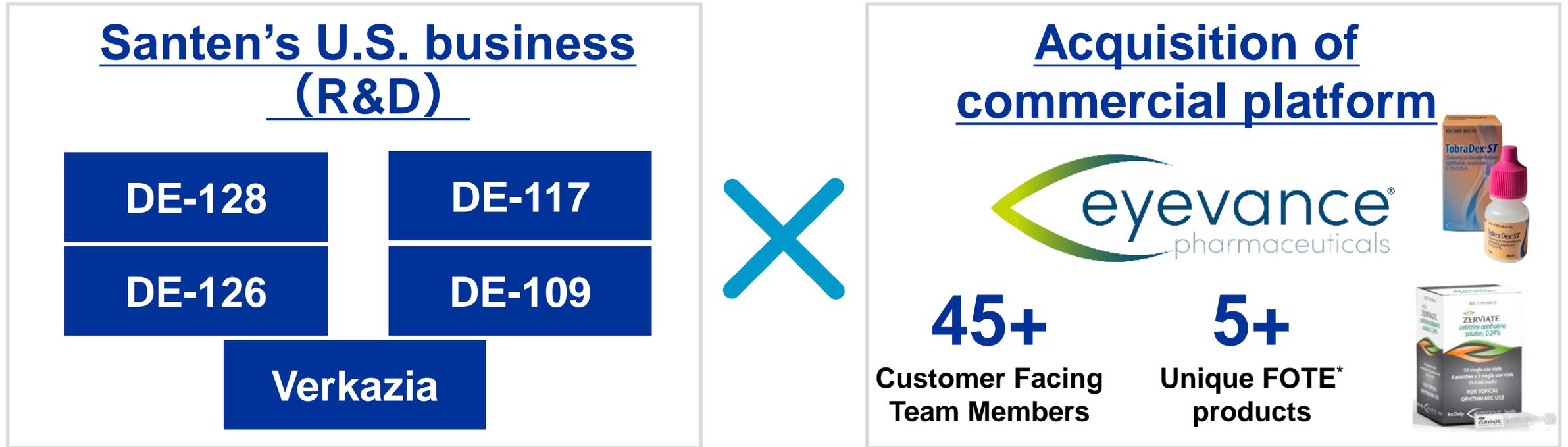


ONCE-DAILY
rocklatan[®]
 (netarsudil and latanoprost
 ophthalmic solution) 0.02%/0.005%



rhopressa[®]
 (netarsudil ophthalmic
 solution) 0.02%

3. Full-scale Entry into the U.S. Market with the Acquisition of Eyevance



Establishing a business platform and a presence in the U.S.

4. Sustainable Growth of China Business: Expansion of Market Coverage

Achieve medium-to-long term growth by incorporating the diversification of healthcare behavior

Conventional major
medical facilities

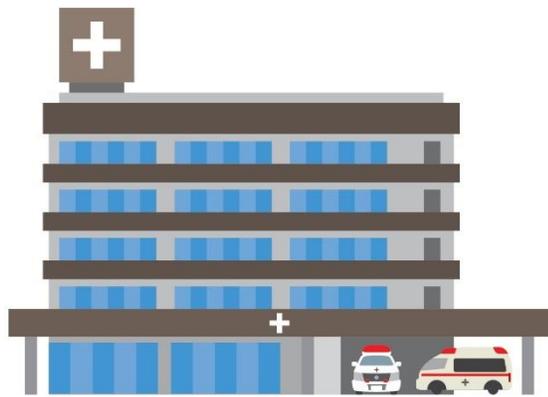


Coverage expansion



Consumer reach

Public Hospital



Affected by VBP* for
levofloxacin 0.5% (*Cravit*)

Private Hospital



Strengthen

Online practice



Capture

Enter

Pharmacies



e-commerce

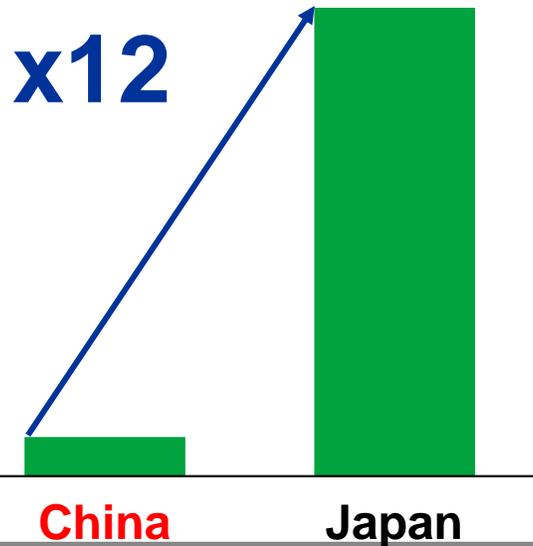


4. Sustainable Growth of China Business: Examples from the Glaucoma Market

Capture market potential through involvement in development of ecosystem

Current

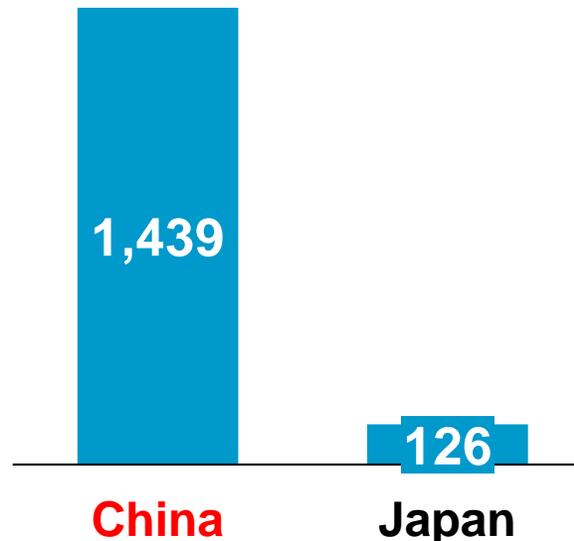
Glaucoma Market Size
(value basis) *1



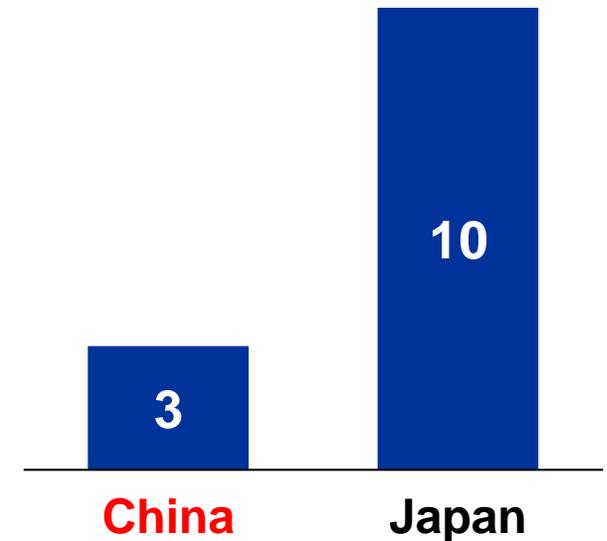
Growth Opportunities through Development of the Eye Care Ecosystem



Population (millions) *2



Ophthalmologist (per 100,000) *3



Q2 FY2020 Financial Results Ended September 30, 2020

Q2 FY2020 Results

Sales and net profit increased year-on-year despite impact of COVID-19

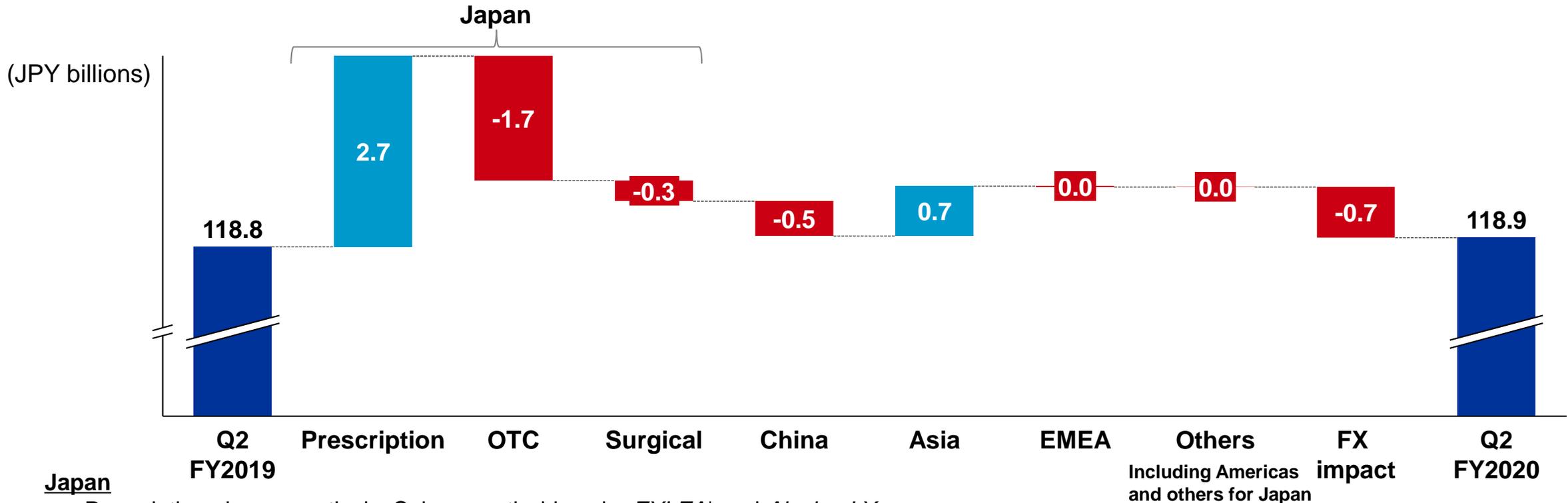
(JPY billions)	FY2019		FY2020		YoY
	Q2 Actual	vs Revenue	Q2 Actual	vs Revenue	
Revenue	118.8		118.9		+0.1%
Cost of sales	48.3	41%	49.7	42%	+2.9%
Gross margin	70.5	59%	69.2	58%	-1.8%
SG&A expenses	33.4	28%	32.4	27%	-3.1%
R&D expenses	11.4	10%	11.1	9%	-2.5%
Core operating profit	25.6	22%	25.7	22%	+0.2%
Non core SG&A expense	--	--	0.9	1%	--
Amortization on intangible assets associated with products	4.9	4%	4.9	4%	-1.2%
Other income	0.2	0%	0.3	0%	+118.1%
Other expenses	1.9	2%	1.6	1%	-12.5%
Operating profit (IFRS)	19.0	16%	18.7	16%	-1.7%
Finance income	0.5	0%	0.6	0%	+9.4%
Finance expenses	1.1	1%	0.9	1%	-21.2%
Profit before tax	18.4	15%	18.4	15%	-0.3%
Income tax expenses	5.3	4%	4.7	4%	-11.8%
<i>Actual tax ratio</i>	28.7%		25.4%		
Net profit (IFRS)	13.1	11%	13.7	12%	+4.3%
Core net profit	18.8	16%	19.7	17%	+4.7%
USD (JPY)	108.82		106.72		
EUR (JPY)	121.28		121.54		
CNY (JPY)	15.77		15.21		

Revenue and net profit

- Revenue:
Exceeded expectations
- Net profit (IFRS):
Increased 4% year-on-year

Q2 FY2020 Revenue (YoY)

Matched previous year's sales level despite the impact of COVID-19 and foreign exchange



Japan

- Prescription pharmaceuticals: Sales growth driven by *EYLEA** and *Alesion LX*.
- OTC: Decreased due to the impact of COVID-19, including sluggish demand from overseas tourists.

Overseas

- China: Sales exceeded expectations, despite sales decline due to the negative impact of COVID-19 (-4% excluding FX impact).
- Asia: Steady growth despite COVID-19 impact (8% excluding FX impact).
- EMEA: Solid sales led by *Cosopt* and *Tapros*. (0% excluding FX impact).

Classified into countries or regions based on customer location.

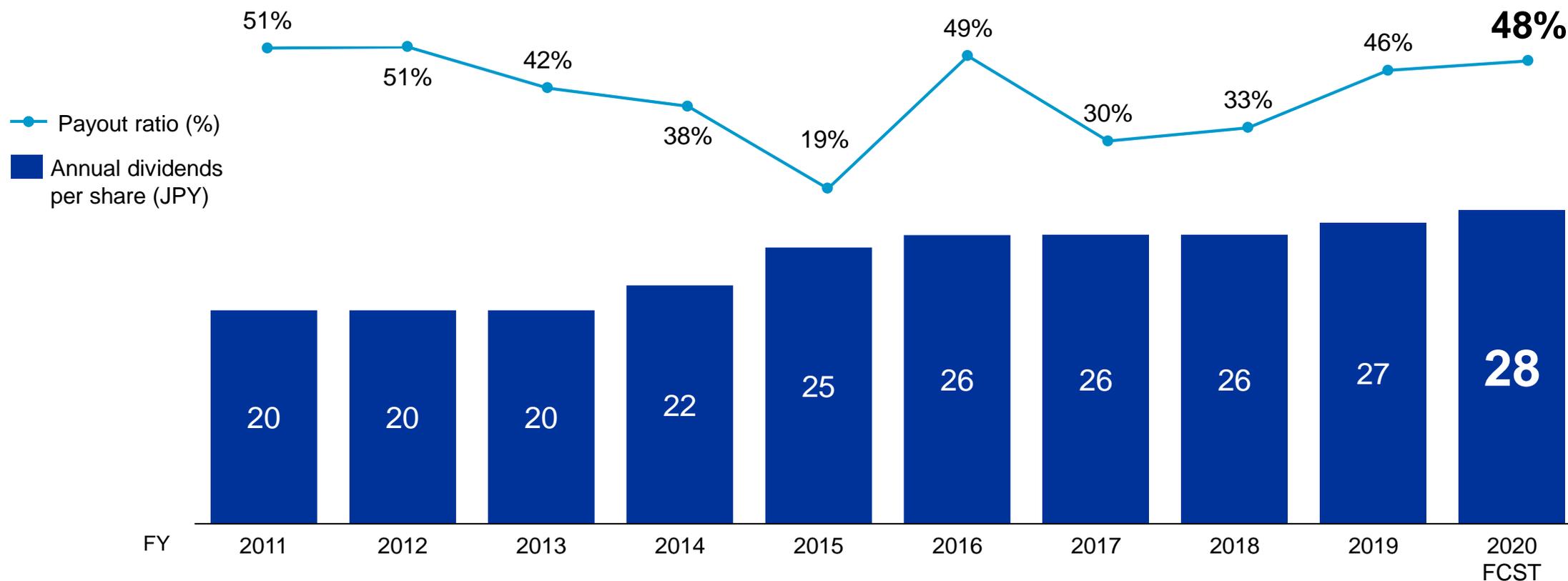
FY2020 Forecast (Unchanged from May 8th)

Aiming to achieve earnings forecast despite uncertain factors

(JPY billions)	FY2019		FY2020		YoY
	Actual	vs Revenue	Forecast	vs Revenue	
Revenue	241.6		235.0		-3%
Cost of sales	94.8	39%	90.0	38%	-5%
Gross margin	146.7	61%	145.0	62%	-1%
SG&A expenses	73.4	30%	70.0	30%	-5%
R&D expenses	23.3	10%	23.0	10%	-1%
Core operating profit	50.0	21%	52.0	22%	+4%
Amortization on intangible assets associated with products	9.9	4%	9.7	4%	-2%
Other income	0.4	0%	0.9	0%	+131%
Other expenses	7.0	3%	8.2	3%	+17%
Operating profit (IFRS)	33.5	14%	35.0	15%	+4%
Finance income	1.0	0%	0.8	0%	-16%
Finance expenses	2.4	1%	1.0	0%	-58%
Investment loss by equity method	--	--	0.8	0%	--
Profit before tax	32.1	13%	34.0	14%	+6%
Income tax expenses	10.4	4%	11.0	5%	+6%
<i>Actual tax ratio</i>	32.3%		32.4%		
Net profit (IFRS)	21.7	9%	23.0	10%	+6%
Core net profit	35.9	15%	38.7	16%	+8%
Core ROE	12.1%	--	12.6%	--	--
ROE	8.0%	--	7.5%	--	--
USD (JPY)	108.81		110.00		
EUR (JPY)	120.80		120.00		
CNY (JPY)	15.64		15.00		

Dividend

Unchanged annual dividend (forecast)



Share buyback (JPY billions)	-	137	-	-	-	123	-	139	-	-
Total return	51%	134%	42%	38%	19%	106%	30%	76%	46%	48%

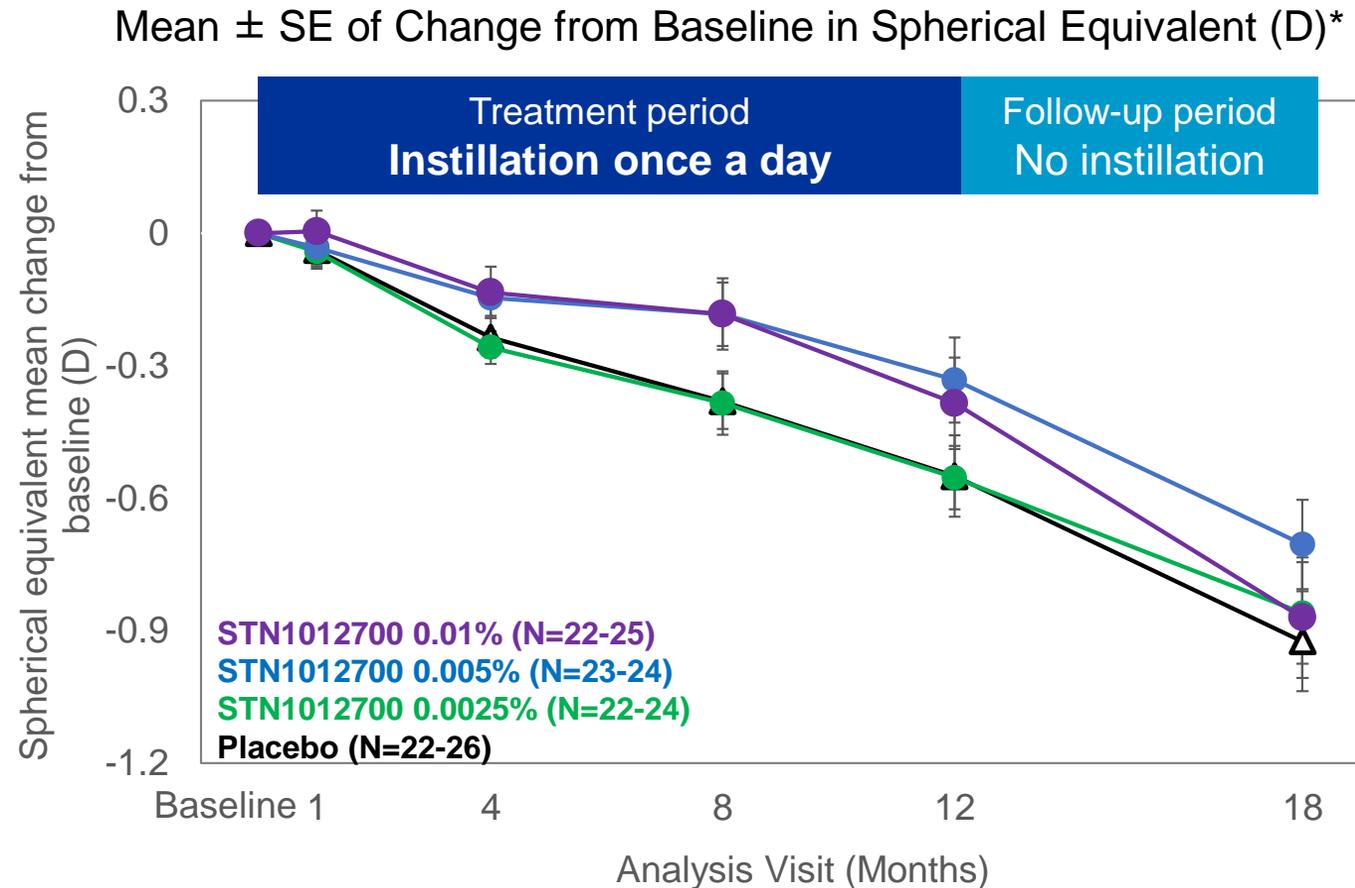
- Total return forecast for FY2020 does NOT include the potential impact from future share buybacks
- J-GAAP standards used until FY2013, IFRS applied from FY2014

Status of Research & Development

DE-127: APPLE study / P2 (NCT03329638)

Both high doses, 0.005% and 0.01%, demonstrated efficacy in controlling myopia progression

- **Achieved primary endpoint**
Spherical equivalent at 12 months
- Demonstrated **similar axial length** to spherical equivalent
- **Safe and well tolerated**
- Plan to present detailed report at **Annual Meeting of Japan Myopia Society** (May 22-23, 2021, Tokyo)



Current Status of Research and Development

Pipeline / product development (1)

As of October, 2020

Updated information is underlined

	Indication	Region	Status
DE-111 STN10111 <i>TAPCOM / TAPTIQOM</i> Combination of tafluprost and timolol maleate	Glaucoma / ocular hypertension	China	P3 <i>Plan: FY2022 P3 completion</i>
DE-117 STN10117 <i>EYBELIS</i> EP2 receptor agonist		US	P3 <i>Plan: FY2020 filing</i>
	Glaucoma / ocular hypertension	Japan	Launched
		Asia	Approved <i>Plan: FY2020 launch</i>
DE-126 STN10126 FP / EP3 receptors dual agonist	Glaucoma / ocular hypertension	US	P2b (dose finding study completed) <i>Plan: FY2020 additional P2 start</i>
		Japan	
DE-128 STN20001 <i>PRESEFLO MicroShunt</i>	Glaucoma	US	Completed PMA rolling submission <i>Plan: FY2020 approval, FY2020 launch</i>
		Europe	Launched
		Asia	Filed <i>Plan: FY2020 approval</i>
		Others	<i>Plan: <u>FY2020 filing in Canada</u></i>

Current Status of Research and Development

Pipeline / product development (2)

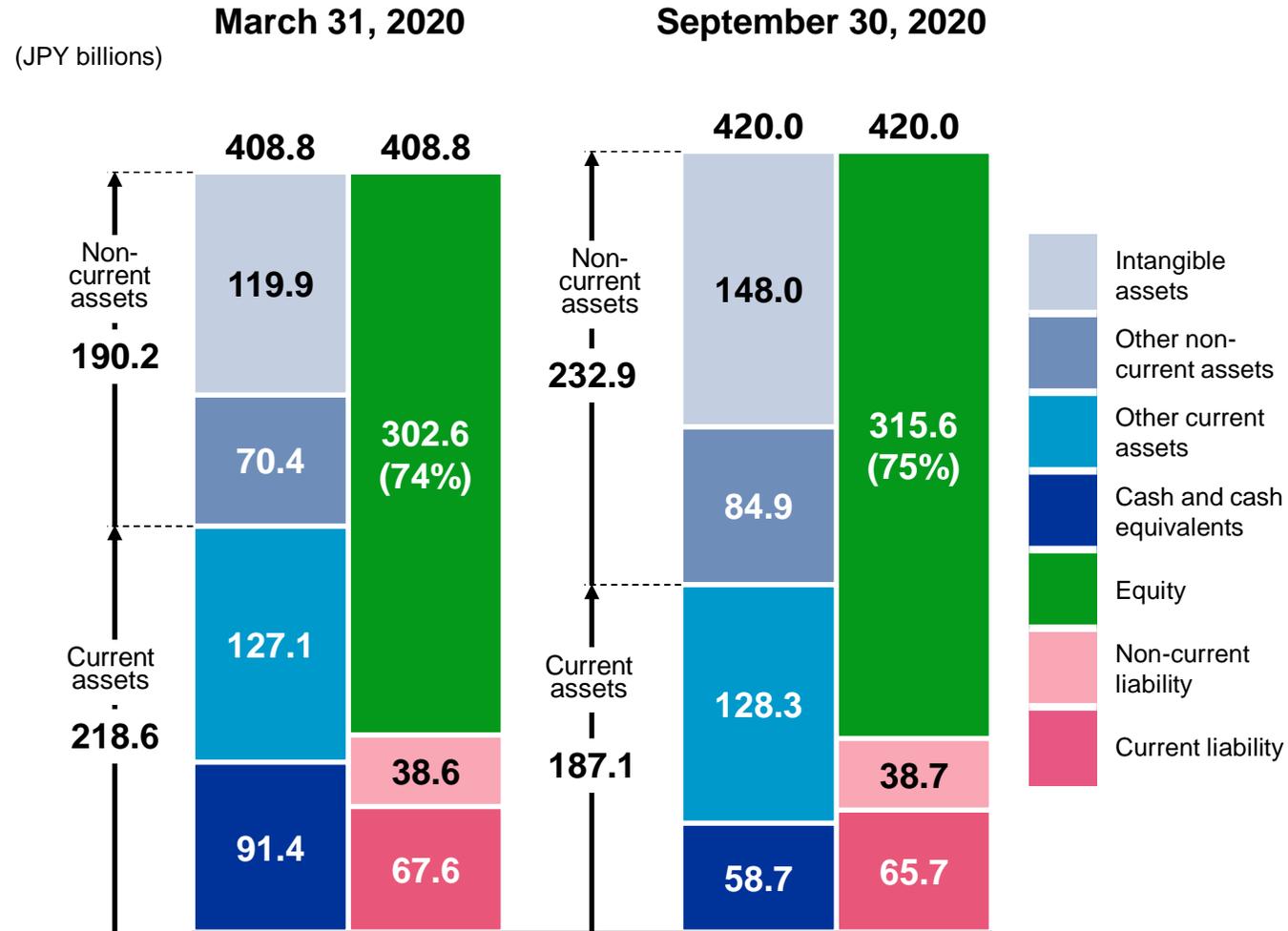
As of October, 2020
Updated information is underlined

	Indication	Region	Status
DE-130A STN10130 Catioprost latanoprost	Glaucoma / ocular hypertension	Europe	P3 <i>Plan: FY2021 P3 completion</i>
		Asia	
DE-109 STN10109 IVT sirolimus	Uveitis	US	P3 <i>Plan: FY2022 P3 completion</i>
		Japan	P3
		Europe	P3
		Asia	Filed
DE-127 STN10127 atropine sulfate	Myopia	Japan	P2/3 <i>Plan: FY2023 P2/3 completion</i>
		Asia	P2 (met primary endpoint)
MD-16 Intraocular lens	Cataract	Japan	Approved <i>Plan: <u>Launch in November 2020</u></i>

U.S. FDA accepted the NDA for DE-076C (STN10076, *Verkazia* / generic name: ciclosporin) for the treatment of vernal keratoconjunctivitis in October 2020.

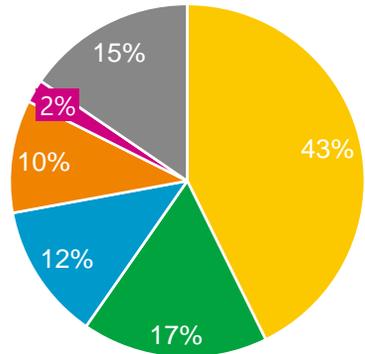
Appendix

Q2 FY2020 Financial Position



Q2 FY2020 Revenue by Region

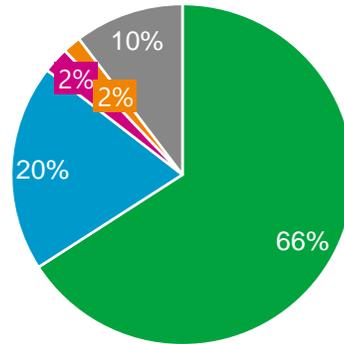
Japan



(JPY billions)	
EYLEA*	33.3
Alesion (Incl. Alesion LX)	7.7
Diquas	6.1
Others	30.9
Total	77.9

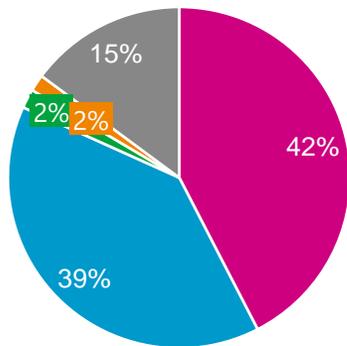
EYLEA*: Co-promoted product of Bayer Yakuhin, Ltd. (MAH)

EMEA



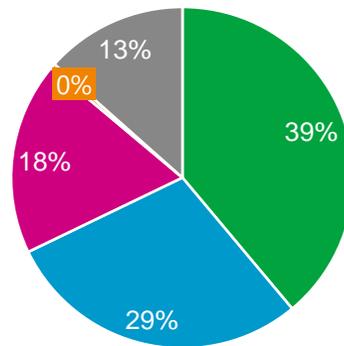
(JPY billions)	
Cosopt	4.8
Tapros	3.3
Ikervis	1.7
Others	8.6
Total	18.4

China



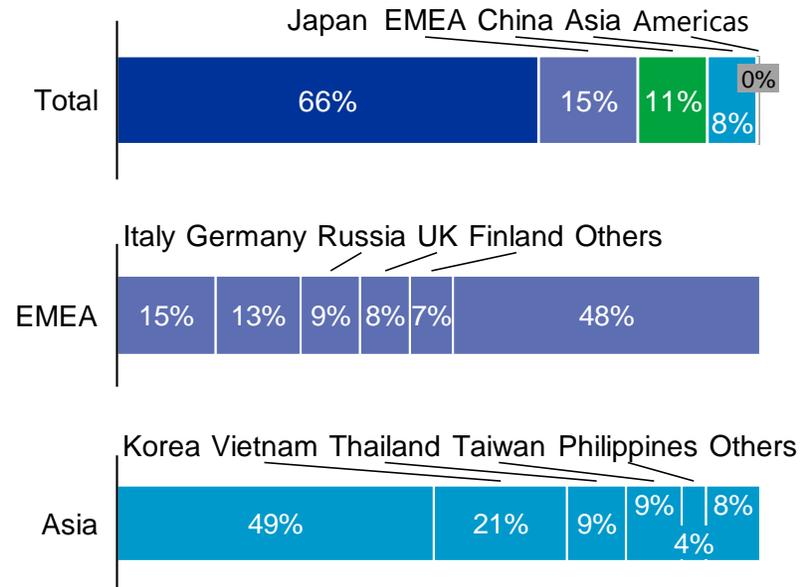
(JPY billions)	
Cravit	4.9
Hyalein	4.8
Flumetholon	0.8
Others	2.2
Total	12.8

Asia



(JPY billions)	
Cosopt	2.1
Hyalein	1.3
Cravit	1.1
Others	4.7
Total	9.2

Revenue in each region



■ Intravitreal VEGF inhibitor
 ■ Glaucoma/Device
 ■ Dry eye
 ■ Allergy
 ■ Bacterial conjunctivitis
 ■ Others

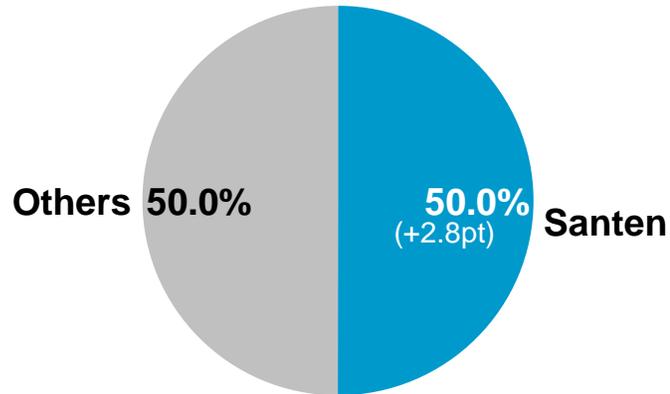
Prescription Ophthalmic Market in Japan (Oct. 2019 - Sep. 2020)

Remain No.1 for overall market and all segments

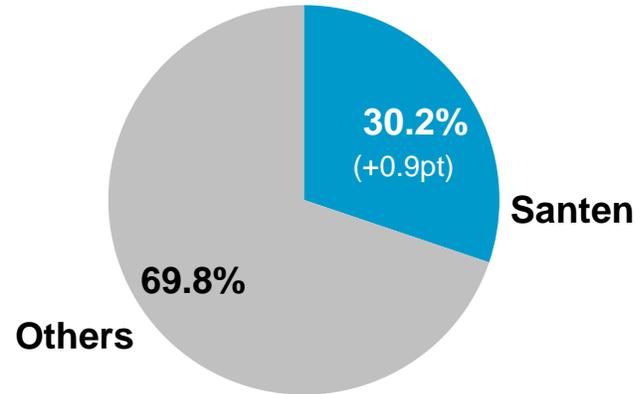
Segment: Market size

Graph: Market share (change from last year)

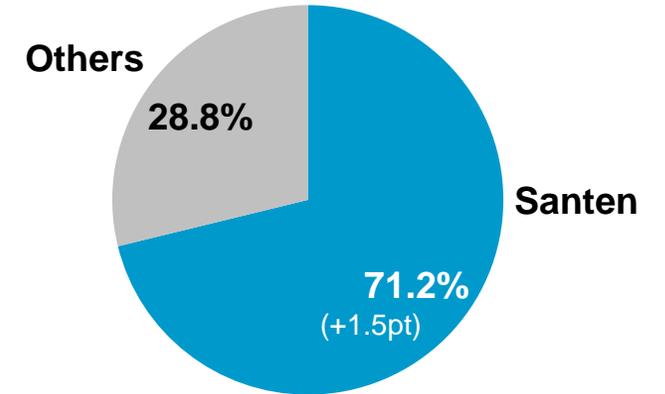
Total: JPY368.9bil



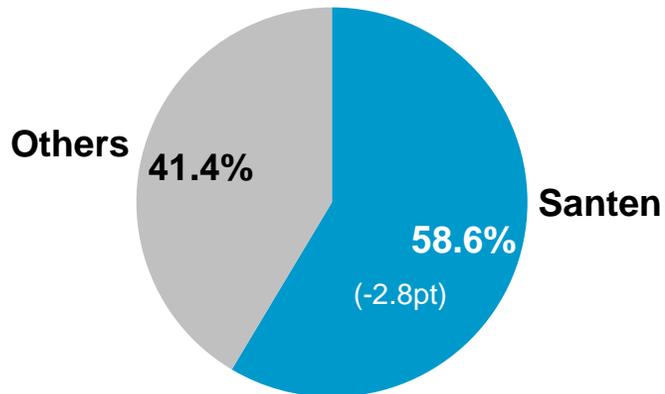
Glaucoma: JPY105.5bil



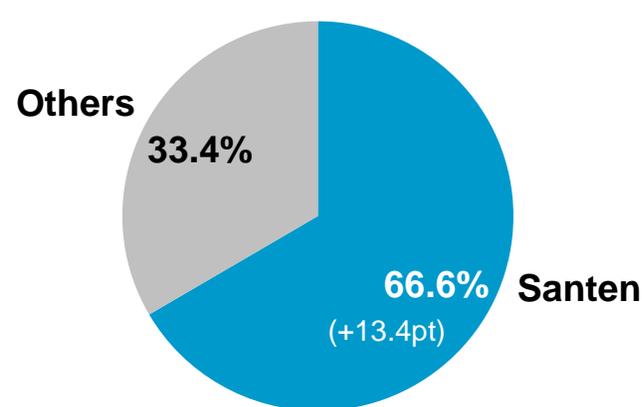
Retinal disorders*: JPY106.1bil



Corneal/dry eye: JPY43.1bil



Allergy: JPY51.4bil



Anti-Infection: JPY9.8bil

