

## MTP2025 Small Meeting for Securities Analysts and Investors (May 20, 2021)

Speakers from Santen :

Shigeo Taniuchi	President & Chief Executive Officer
Kazuo Koshiji	Senior Corporate Officer, Chief Financial Officer, Head of Finance and Administration Division
Satoshi Suzuki	Senior Corporate Officer, Head of Corporate Development Division

### Q&A Summary

#### Overall (major KPI)

Q: What are the conservative KPIs in MTP2025 or what are numerical targets that are set slightly higher?

A : We forecast that *Hyalein 0.3* will be possibly listed on Value Based Purchasing (VBP). Domestic business is expected to achieve growth of more than ¥150.0 billion partly due to new *Alesion* formulations despite the impact of NHI drug price revision. In Asian and EMEA, we expect to launch more than 10 drugs and thus forecast strong sales. We factored in the approval of glaucoma and the FOTE (front of the eye) area in the target. We will control SG&A expenses and will firmly execute as management intentions.

Q : What is the image of a growth trajectory toward the goal of core operating income of ¥75 billion?

A : We expect that the US business will be on track to grow significantly from 2023 onward.

Q: Will the management compensation be linked to a goal of MTP2025, 75 billion yen as core operating profit?

A: Executive Compensation Committee has discussed this, but they are considering reflecting mid-to-long term growth and other KPIs into management compensation.

Q: Could you tell us the meaning of “Further clarification of financial discipline”?

A: Specifically speaking, it includes the hurdle rate for investment, return exceeding the capital cost. We reviewed the financial discipline, based on the idea that we should firmly control the intangible asset on the balance sheet. We will assess more conservatively the future assets moving forward.

#### Japan

Q : While there are long listed drugs or drugs which patents will be expired, I think LCM (Life Cycle Management) will be a key. What are the characteristics of LCM in ophthalmology and how confident are you?

A : We will develop LCM by assessing patient needs such as actual usage conditions. For example, we research the actual status of instruction for the number of eye drops application and the actual use of patients, then, we monitor patients do not fail to follow compliance, with the aim of providing added value to meet the actual needs of patients. We believe that this is our strength. As a consequence, this stance will lead to maximizing product value.

Q : Are there room to cut SG&A expenses?

A : Productivity is also high and share is high in Japan. We recognize that there is little waste in sales activities, but we think there is room for efficiency improvement (due to global optimization, etc.)

Q : What is behind the improvement in profit contribution margin in Japan despite the sales decrease?

A : The improvement of its product mix will be a major factor. In addition, we will control SG&A expenses under the pressure to revise NHI drug prices.

### North American

Q : How will you achieve the sales target of 14.0 billion yen?

A : We will expect the sales of JPY14.0 bn building a foundation in prescription ophthalmic pharmaceuticals. Eyevance, through its capabilities and strengths, will compensate payer management, marketing, and other areas in which Santen lacks.

Q: Please tell about Eyevance products.

A: We will expand our business mainly with products with a global presence to some extent in the market such as *Tobradex*, *Natacyn* and allergy drugs.

### China

Q: How do you factor the impact from VBP in your projection?

A: We have an impression that in terms of *Cravit* sales in public hospitals, there has been a switch to generic products by VBP. For *Hyalein 0.1*, currently most of the sales come from channels other than public hospitals so we understand we have absorbed most of the impact from VBP. With regards to *Hyalein 0.3*, half of the sales are from public hospitals, therefore, we have conservatively factored the negative impact from VBP into our Medium-Term Plan projection.

Q. The sales will increase while the profit contribution rate improvement will be only by 1pt. why is that?

A. Since the China market will expand moving forward, we will proactively invest spending SG&A to some extent, focusing on enhancing top-line growth.

### R&D

Q: How will Santen incorporate the new innovation, such as regenerative medicine for photo-receptor cell, into Santen business?

A: Santen has watched a wide range of opportunities, investing cell / gene therapy and any early stage potential opportunity, while keeping the proper financial discipline. Santen pursues "birth small and grow big".

Q: Does Santen generate its original product, while I heard before Santen does not invest in drug discovery?

A: Santen has put the resource on new innovation. There should be two categories, novel and re-purpose. Santen has more focused and should have strengths on re-purpose. STN-1013400 has started based on the earlier experience in STN-1012700 (DE-127). Santen considers that those are innovative opportunity since it is to be newly developed as ophthalmic drug. Santen will select the opportunity and the partner.

### ESG

Q: Is Santen planning to shift to bioplastic eye-drop from 60% to 100% in the future? It should cause the higher cost. How will it affect gross profit?

A: Santen will consider monitoring the use of cutomers or what is appropriate for environmental protection. It may affect the price in short term, however, we think the environmental protection will help contribute to our business.