

Medium-Term Management Plan FY2014-2017

Santen Pharmaceutical Co., Ltd. (Osaka, Japan) announced today, a four-year Medium-Term Management Plan (hereinafter MTP) for FY2014- 2017, with a view toward realizing its long-term strategic vision through 2020 of becoming a “Specialized Pharmaceutical Company with a Global Presence.” A set of strategic goals have been set under the new MTP to further reinforce Santen’s competitiveness as a specialized company. Among such goals are the drastic reform of its research and development system to enable sustainable development of new products, accelerated business operations in the fast growing Asian market, business expansion and early improvement of earnings in Europe where Santen has been striving to solidify its business foundation. In addition, the company will focus on human resources development and establishment of a solid organizational structure aimed at achieving sustainable growth. By implementing such medium-term strategy, Santen aims to become one of the top three ophthalmic pharmaceutical companies in the world by 2020, a goal the company has set under its long-term strategic vision.

Under the previous MTP through fiscal 2013, the company promoted global oriented research and development, which included anchoring global clinical development and medical affairs functions in the US. It also focused on obtaining higher shares of the domestic pharmaceutical market, and endeavored to accelerate its growth in Asian and European markets. Enhanced global research and development efforts by Santen under its previous MTP were also reflected in the acquisition of a French pharmaceutical company, Novagali (subsequently renamed as Santen S.A.S.) in 2011. The deal was intended for Santen to reinforce its research and development function in Europe. During the three-year period, Santen launched the VEGF inhibitor, EYLEA ophthalmic solution for intravitreal injection, in Japan in response to unmet medical needs in the back of the eye field. By launching EYLEA, Santen expanded its share of the domestic prescription ophthalmic market. In overseas markets, Santen solidified its business foundation in Europe while expanding business operations in China where pharmaceutical demand has seen a significant growth. After implementing these measures thoroughly, Santen, in fiscal 2013, the final year of the previous MTP, recorded sales exceeding its target set under the plan.

The global prescription ophthalmic market has growth potential in light of increasing treatment needs associated with the aging of society not only in Japan but also in other industrialized countries. In addition, sustainable growth can be expected in fields where valid treatment procedures have yet to be established, such as retinal diseases and dry eye segments, while the ophthalmic pharmaceutical market in newly industrializing countries, especially those in Asia, is projected to grow significantly. Santen believes that delivering pharmaceuticals in fields where medical needs have not been met sufficiently and maintaining and expanding its business presence in such fields will provide the company with further growth opportunities.

Under the new MTP for FY 2014- 2017, Santen is committed in realizing the company's long-term strategic vision of becoming a "Specialized Pharmaceutical Company with a Global Presence" by implementing basic policies listed below.

【Outline of Mid-Term (Fiscal 2014-2017) Management Plan】

I . Basic Policies under the New MTP

To become a "Specialized Pharmaceutical Company with a Global Presence"

1. Transform product -development to realize sustainable growth and to enhance productivity
2. Business growth and higher-profile business presence in Asia and Europe
3. Development of human resources and organizational restructuring for sustainable growth

II . Numerical Earnings Targets

【Financial Targets for FY2017】

	FY2017 Targets
Sales	Over JPY 205 billion
Operating Profit before Amortization	Over JPY 54.5 billion
Operating Income	Over JPY 45 billion
Net Income	Over JPY 31 billion
R&D Expense	Approx. JPY 21 billion
ROE (Return on Equity)	Over 13%
Dividend Payout Ratio	Around 40%

【Domestic and Overseas Sales】

	FY2017 Targets	Percentage Rate
Sales from domestic business	Over JPY 145 billion	About 71%
Sales from overseas business	Over JPY 60 billion	About 29%
Sales from Asian business	Over JPY 27.5 billion	—
Sales from European business	Over JPY 31 billion	—
Total consolidated sales	Over JPY 205 billion	100%

III. Return to Shareholders Policies

- Carry out consistent and stable return to shareholders
- Secure funds for R&D investments, capital expenditures, and project development investments
- Promote flexible share buybacks
- Maintain dividend payout ratio of 40% or above

IV. Main Management Strategies

1. Research & Development

- Ensure commercialization of products under development and further strengthen product pipelines for sustainable growth
- Focus and speed up development of new drugs through “Network Product Development”, utilizing compounds and technologies available outside the company.
- Strive to maximize market value of products through lifecycle management
- Further enhance the Proof of Concept function based mainly in the United States, and strengthen global clinical development efforts.

2. Domestic Business Strategy

Santen will endeavor to enhance competitive advantages in the pharmaceutical business by maximizing values of new products. The company also aims to attain sustainable business growth and maintain a high business presence in the domestic market by further meeting customer needs and enhancing its ability to respond to unmet medical needs. It also seeks to achieve business growth by strengthening operations in the OTC and medical

equipment business categories by taking advantage of its strength as a “Specialized Pharmaceutical Company.”

3. Overseas Business Strategy

Asia Business

Santen will seek to achieve sustainable growth in the Asian market where high growth is expected to continue in the future. The company aims to capture the top share in major markets in Asia, especially the Chinese market, by fiscal 2020, by attaining growth that is higher than the market growth. It will also accelerate business expansion other ASEAN markets such as Vietnam.

European Business

Santen aims to attain sustainable growth and enhance profitability by launching new products. The company will also expand business operations in newly-tapped markets by marketing glaucoma treatment products acquired from Merck & Co. of the U.S.

4. Product-Supply Strategies

Santen will strive to enhance price competitiveness in international markets and pursue high product quality. Santen will continue to make efforts to reduce manufacturing costs significantly.

5. Organization and Talents

Santen will focus on development of human resources through which globally-significant growth is made possible. The company will integrate and strengthen global management in research and development, production and strategic marketing. It will also strive to integrate and enhance global functions in these fields.

[Notes on Forward-Looking Statements]

- Information given in this announcement and accompanying documentation 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.