

## Santen Announces Medium-Term Plan (MTP2020)

June 4, 2018 - Santen Pharmaceutical Co., Ltd. (Head office: Osaka, Japan; Chairman and CEO: Akira Kurokawa) today announced “MTP2020,” the company’s medium-term management plan for the three-year period through 2020.

With the aging of the world’s populations and the emergence of new diagnostic and therapeutic technologies, the global ophthalmic market is expected to grow with an increased number of patients worldwide, particularly in the areas of glaucoma, retinal disease and dry eye. Santen is committed to fulfilling its responsibilities as a global company specialized in ophthalmology by contributing to the improvement of patients’ Quality of Life (QOL) worldwide through the provision of the highest quality products and services to best meet the actual ophthalmology needs in the field.

### Plan Details

#### 1. Fundamental policy

By contributing to the ophthalmic QOL of patients worldwide, Santen will realize its long-term strategic vision through 2020 to become a “Specialized Pharmaceutical Company with a Global Presence” while also constructing a path for sustainable growth beyond 2020.

#### 2. Strategic goals

- Increase customer satisfaction
- Increase profitability
- Increase organizational strength

#### 3. Key strategies

- (1) Grow faster than the market through progress in global business strategy
- (2) Enhance the product pipeline and develop new treatment options
- (3) Raise the strength and efficiency of business framework as well as boost human resource and organizational capabilities

#### 4. MTP2020 financial targets

Revenue growth	≥6% (compound annual growth rate)
Core operating profit / revenue ratio	≥21% (average for the period)
Return on equity (ROE)	≥11% (average for the period)

#### 5. Capital policy

- Conduct active and effective investments in future growth
- Optimize profit and capital ratios
- Continue stable and sustainable shareholder return

More information about MTP2020 can be found in investor relations presentation available as an appendix to this document or directly on Santen’s

website: <http://www.santen.com/en/ir/document/pdf/mtg2018to2020.pdf>

### About Santen

As a specialized company dedicated to ophthalmology, Santen carries out research, development, marketing, and sales of pharmaceuticals, over-the-counter products, and medical devices. Santen is the market leader for prescription ophthalmic pharmaceuticals in Japan and its products now reach patients in over 60 countries. With scientific knowledge and organizational capabilities nurtured over a nearly 130-year history, Santen provides products and services to contribute to the well-being of patients, their loved ones and consequently to society. For more information, please visit Santen’s website ([www.santen.com](http://www.santen.com)).

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# Medium-Term Plan (MTP2020)

*Aiming for Continuous Contribution to Ophthalmic Treatment*



## **Akira Kurokawa**

Chairman & Chief Executive Officer (CEO)

## **Shigeo Taniuchi**

President & Chief Operating Officer (COO)

June 5, 2018

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**Santen's Vision**



**Review of MTP fiscal 2014-2017**



**MTP2020**

## 1 Santen's Vision

## Santen's Values and Mission Statement

Values

天機に参与する  
*Tenki ni sanyo suru*<sup>1</sup>

<sup>1</sup> “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.**

## Vision 2020: Long-Term Vision Based on Santen's Values



**To Become a Specialized Pharmaceutical Company with a Global Presence**

- Deep understanding of true customer needs
- Distinct advantage against competitors
- Global competitiveness and presence

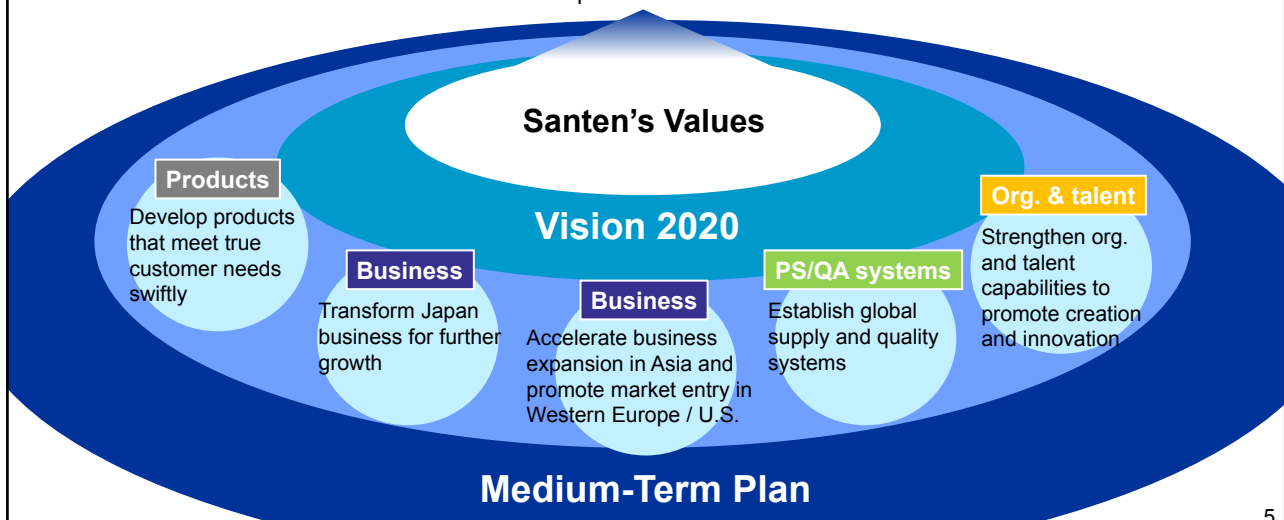


## 5 Policies to Achieve Vision 2020



### Contributing to ophthalmic treatments

Provide products and services reflecting the needs of patients and medical personnel worldwide



## 2 Review of MTP fiscal 2014-2017

## Achieved Significant Business Growth

### FY14-17 MTP priorities



Grow and improve  
profitability in Asia  
and EMEA



Prepare for business  
expansion to U.S. and  
other regions

### Important achievements



- Revenue exceeded 200 billion yen
  - Achieved 3 years ahead of plan  
(Vision 2020 revenue target: 200 billion yen in 2020)



- Increased sales regions / countries: approx 50 → 64
  - Acquisition of MSD products
  - Shift from agency model to direct

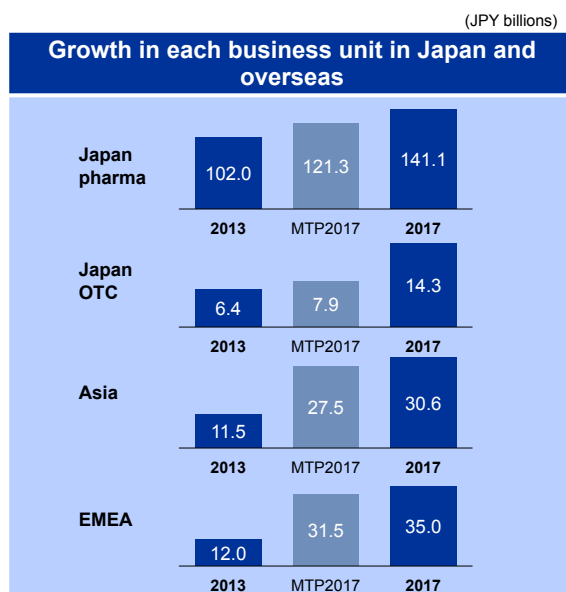
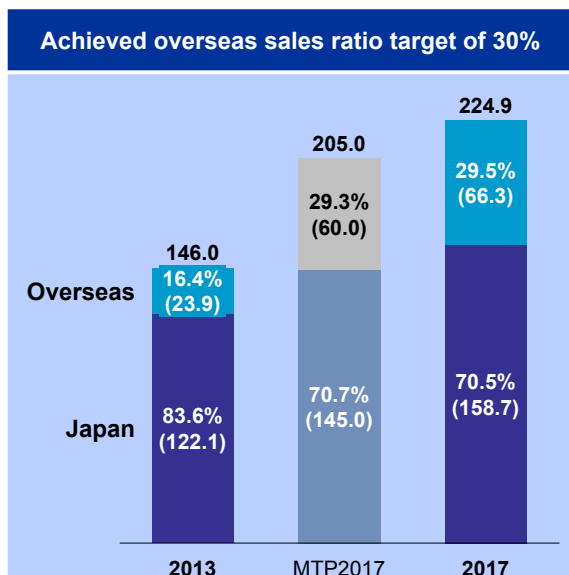


- Achieved 30% overseas revenue composition
  - Growth of overseas organic sales + MSD product acquisition
  - Growth from the launch of new products

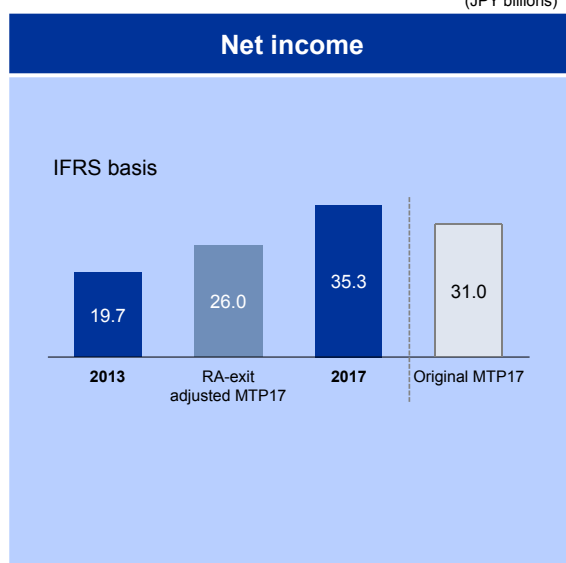
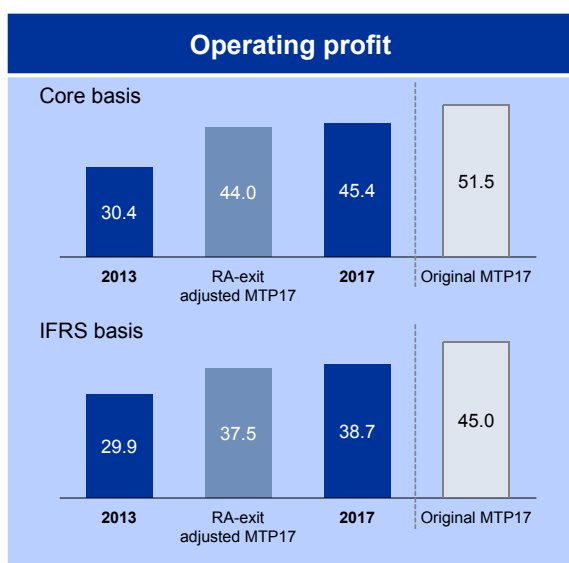


- Enhanced and advanced pipeline
  - *Ikervis* approval and launch
  - DE-117(Japan) filed
  - DE-126, 128 added to pipeline
  - *Diquas* (China) approved

# Revenue: Strong Growth from Businesses in Japan and Overseas

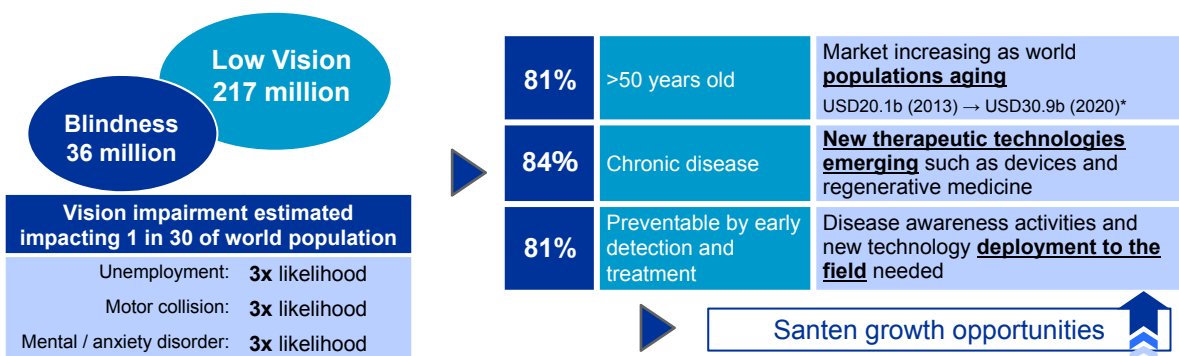


# Profit: Strong Performance on Both Core and IFRS Basis



3 MTP2020

Santen's External Environment



Allergic blepharoconjunctivitis



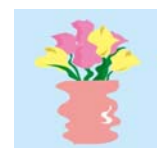
Purulent endophthalmitis secondary to infection



Cataract



Glaucoma patient view at end-stage



Age-related macular degeneration patient view

(Source: WHO World Sight Day poster, 2017) \*Santen estimates

# MTP2020 Fundamental Policy and 3 Key Strategies

**Fundamental policy**

- To become a “Specialized Pharmaceutical Company with a Global Presence”
- Construct a path for sustainable growth beyond FY2020



# MTP2020 (1): Global Business Strategy



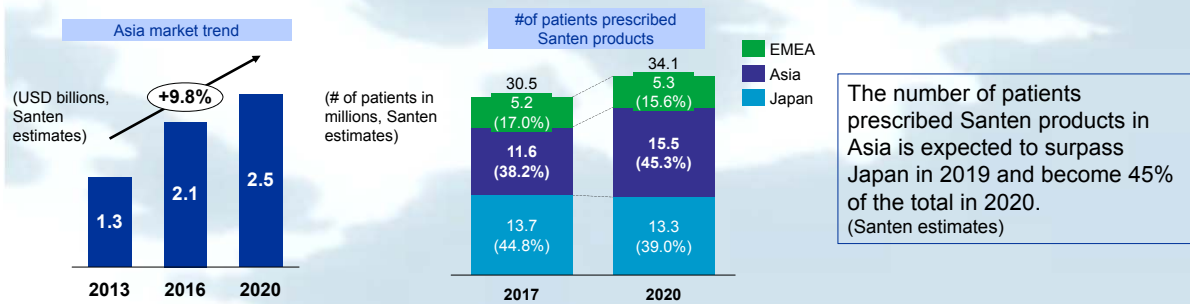


# MTP2020 (1): Global Business Strategy

Existing Regions



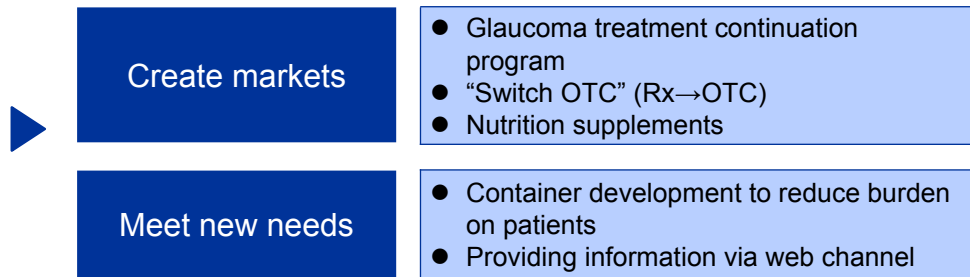
**Existing Regions**  
Accelerate growth in Asia supported by experience and knowledge gained in Japan and EMEA.  
Above contributes to growth exceeding market growth as Santen group.



# Global Business Strategy: Japan Business



**Japan**  
● Transform into an ophthalmic “total solution” provider



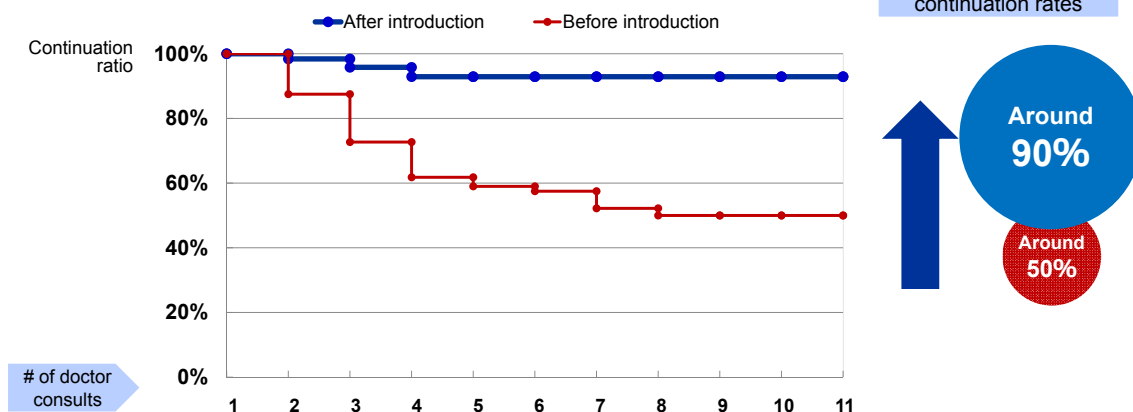
Fulfilling the needs of ophthalmic field and maintaining earnings strength

Example initiative:

## Glaucoma Treatment Continuation Program

Introduction of a support package that encourages patients with glaucoma patients to visit medical institutions

Expanded to 1,500 medical institutions as of March 2018



Results evaluated at pre-use ophthalmic hospital; Implementation period: 2016 Jul to Dec; Number of hospital: 11

## Global Business Strategy: Overseas 1



## Global Business Strategy: Overseas 2

### Other Asia markets

Continue to grow faster-than-market (“high-teen” growth rate)



Maximize revenue and make effective investments

- Continuous launch of new products
- Collaboration with KOLs, academic society
- Enter into the Indian market

### EMEA

Raise profitability by maximizing use of the business platform that has been created



Fulfill customer needs and further expand use of Santen products

- *Ikervis*, preservative-free glaucoma products
- Product brand teams to maximize value through cross functional collaboration

Aiming for growth in all overseas businesses with strategies adapted according to the level of maturity of each market

## MTP2020 (1): Global Business Strategy (U.S.)

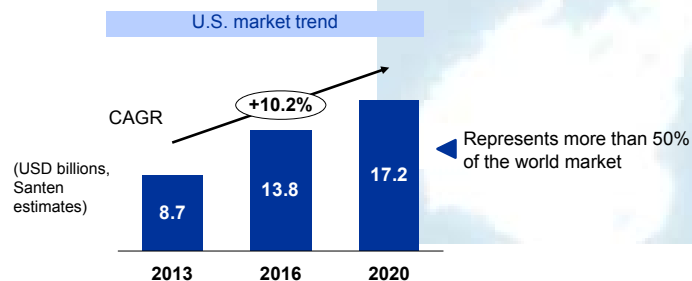
### U.S.

To make preparations for the prompt achievement of profit contribution in the next stage following MTP2020

- In the long term, earn profits with products that meet the needs and build presence through sustainable business expansion in the world's largest market

### U.S.

- Growing market, value added pricing
- Source of innovation



# Global Business Strategy: Overseas 3



**U.S.** Maximize value through an agile strategy including the development of differentiated products

▶ DE-109, 117, 128 steady development and optimal commercialization

	Status of U.S. preparation	Planned launch timing
DE-109	Aim for the start of additional clinical trial in the second half of 2018	After 2020
DE-117	Aim for Phase III start in the second half of 2018	Under review
DE-128	P2 / 3 study now in progress	2020~2021

Advancing commercialization strategy based on each project development stage

Aim to achieve profit in the earliest timing

# MTP2020 Strategy (2): Toward Offering New Treatment Options

## Developing Pipeline with New Value

**DE-117: First-in-class IOP management (glaucoma)**  
Japan; filed, Asia; conducting P3, US; preparing P3

**DE-128: New implant surgery for POAG**  
US; conducting P2/3

	DE-117	Existing prostaglandin analogues
Mechanism of action	EP2 receptor agonist	FP receptor agonist
Aqueous humor outflow pathway	<ul style="list-style-type: none"> <li>Uveoscleral outflow</li> <li>Trabecular outflow</li> </ul>	<ul style="list-style-type: none"> <li>Uveoscleral outflow</li> </ul>

**InnFocus MicroShunt**

POAG: primary open angle glaucoma

Aiming for **greater efficacy and safety** compared to existing surgical methods

- ▶ Made of SIBS, bioinert material
- ▶ Reduced challenges compared to Trabeculectomy
- ▶ Cataract surgery not required

Trabeculectomy		
50% Post-operate complication rates*	30% Surgical failure rates*	10-20h Post operative care**

- ▶ Side effects of eyelash changes, pigmentation of eyelid and deepening of upper-eyelid sulcus (common with existing prostaglandin analogues) were not observed in the study demonstrating safety and effectiveness for 12 months
- ▶ Received a temporary ATC code classified as a different mechanism from existing prostaglandin analogues

Surgical failure rates: 30% of trabeculectomies fail within 24 months of surgery\* Sources: \* Am J Ophthalmol. 2009 Nov;148(5):670-84., \*\* Market Scope

## MTP2020 Strategy (2): Toward Offering New Treatment Options Santen

(continued)

Respond to a range of unmet needs as a company specialized in ophthalmology

- Efforts to reduce the burden on patients and health care providers

- Improved bottles to prevent instillation spillage and raise at-a-glance understanding of content
- Developing bottles for easier application for older adults



- Development of PFMD (Preservative Free Multi-Dose) products

- Expanding the PFMD line-up of products and geographies

- Improvement of treatment compliance in chronic diseases

- Further development / expand use of new glaucoma treatment continuation program

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## MTP2020 Strategy (3): Stronger and More Efficient Operations Santen

Reinforcements and efficiency improvements of business foundation for global sustainable growth

- Implement thorough efforts to optimize costs globally

- Strengthen global product supply and quality assurance systems and realize cost reduction

- Establishment of organization and cultivation of human resources capabilities for strategy execution



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## Contribution to Society Through Improvement of QOL

### Focusing on practicing CSR / ESG connected to our business

#### ● CSR / ESG unique to Santen

- Contributing to the improvement of patients' QOL by providing excellent products and services related to ophthalmology
- Contributing to the improvement of medical treatment standards in ophthalmology around the world
- Supporting patients and their families, raising social awareness and creating virtuous cycle with employees providing such support

#### ● CSR / ESG as a global company

- Advancing corporate governance
- Increasing human resource diversity to support global business expansion
- Developing business activities\* with high professional ethics and following international standards

\*justice, human rights, labor / safety, environment, good corporate citizenship, stakeholder engagement, Global Compact, etc .

## Toward Growth Beyond Fiscal 2020

### Building long term vision and strategy for next stage

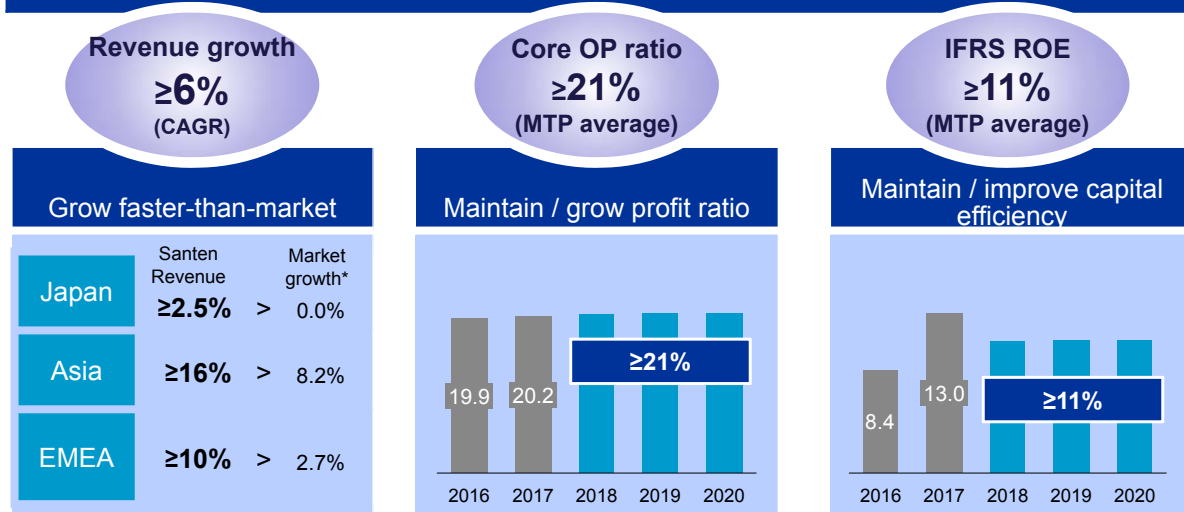
#### ● Realize a path to long-term growth through opportunities unique to a company specialized in ophthalmology

- Pursue new ophthalmic needs arising from lifestyle changes
- Pursue new technologies in ophthalmic treatment
- Establish global business strategy to capture growth markets such as Asia



# Healthy Growth and Financial Performance

## Realizing profits while also actively investing in growth



(\*Santen estimates, 2017-2020 growth)

# Capital Policy

## Maximize cash generation to implement effective investments in future growth and stable stockholder return

- Conduct active and effective investments in future growth
  - Enhance pipeline
  - Accelerate development of business globally
  - Pursue new treatment technologies / innovation
  - Make capital investment to support future growth
- Optimize profit and capital ratios
  - Strengthen global management framework
  - Optimize global tax and cash management
  - Balance investment in future growth and financial soundness
- Continue stable and sustainable shareholder return
  - Implement stable and sustainable dividends

## Toward Realization of Vision 2020

### To Become a Specialized Pharmaceutical Company with a Global Presence

	2010			2020	
<b>Region / country market access</b>	approx <b>35</b> regions/ countries	Japan: 1 Asia: 11 EMEA: 23 N.America: -	<b>x 2</b>	approx <b>70</b> regions/ countries	Japan: 1 Asia: 20 EMEA: 47 N.America: 2
<b>Overseas sales ratio</b>	approx <b>14%</b>		<b>x 2.6</b>	approx <b>36%</b>	
<b>Production (bottles)</b>	approx <b>310</b> million		<b>x 1.5</b>	approx <b>460</b> million	

- Deep understanding of true customer needs
- Distinct advantage against competitors
- Global competitiveness and presence

## 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.



