



FY 2012 Third Quarter Results

February 5, 2013

Santen Pharmaceutical Co., Ltd



Consolidated Results FY2012 Third Quarter

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Head of Finance & Administration Division

Medium-term Policies FY2011-2013

To become a specialized pharmaceutical company with global presence;

1. Promote global oriented research and development operation.
2. Boost domestic business by maximizing new product value and implementation of sales/marketing strategies.
3. Accelerate growth in both Asia and Europe by reinforcing marketing platform.
4. Establish global product supply system with existing 4 plants which enables to meet the emerging market needs.
5. Develop talents and organizational capabilities to promote “Creation and Innovation” on a globally level.

Financial Highlights for Q3 FY2012

	Q3.FY2011 Actual	Q3 FY2012 Actual	Var. %
Net Sales	86.43	88.42	+2.3%
Operating Income	22.22	20.57	-7.4%
Ordinary Income	23.03	21.26	-7.7%
Net Income	14.76	14.13	-4.3%

Highlights for Q3 FY2012 Results (1)

■ Domestic business :

- In the prescription pharmaceutical segment, growth in sales of new products offset the impact of the NHI price revision.
 - The sales of *Diquas* and *Cosopt* showed 2digit growth.
 - Glaucoma Market share increased due to the sales growth of Tapros and Cosopt.
 - The treatment of wet-AMD “Eylea” launched on November 27th.
 - The campaign drove the sales growth of OTC pharmaceutical segment.

■ Overseas business:

- Europe: The sale was slightly down due to the fluctuation of foreign exchange, while the sales based on a local currency maintained steady growth.
- Asia: Steady growth of China increased the sales of Asian business.

Highlights for Q3 FY2012 Results (2)

■ Cost of sales:

- Cost of sales increased mainly due to the NHI price cut and the change of product mix.

■ SG&A and R&D cost

- Focusing on the cost management
- Increase the R&D cost due to the progress of late stage of clinical development.

Net Sales: Variances (vs. Q3 FY2011)

In billions of Yen

**FY2011Q3
Net Sales
(Actual)
¥86.43billion**

**+¥1.98
billion**



**FY2012Q3
Net Sales
(Actual)
¥88.42billion**

Japan: 74.74bil (+1.59bil)

+ Prescription Ophthalmics	+0.04bil
+ Anti-rheumatics	-0.12bil
+ OTC Drugs	+1.60bil
+ Medical Devices	+0.16bil
+ Others	-0.09bil

Overseas: 13.68bil (+0.39bil)

+ U.S. (Forex impact)	-0.65bil -0.00bil
+ Europe (Forex impact)	-0.28bil -0.67bil
+ Asia	+1.32bil
- China	+1.39bil
(Forex impact)	+0.05bil
- Korea	-0.29bil
(Forex impact)	-0.01bil

Prescription Ophthalmics (Japan)

+ Anti-infective	-2.21bil	-20.7%
+ Cornea (Dry Eye)	+0.55bil	+3.1%
Diquas	+2.10bil	+109.2%
+ Glaucoma	+1.68bil	+9.8%
Tapros	+0.43bil	+7.9%
Cosopt	+2.16bil	+46.8%
+ Anti-allergy	-0.03bil	-1.6%
+ Others	-0.61bil	-5.3%

Europe

+ Prescription Ophthalmics	-0.28bil	-4.2%
- Western Europe	+0.01bil	+0.9%
- Eastern Europe	+0.03bil	+2.9%
- Northern Europe	-0.05bil	-2.1%
- Russia	-0.28bil	-22.3%

<Currency Rates>

	FY11.Q3 actual	FY12.Q3 actual
USD	JPY 79.09	JPY 80.01
EUR	JPY 112.94	JPY 102.12
CNY	JPY 12.38	JPY 12.53

Changes in Income Statement

(JPY billions)	FY2011	Q3 FY2012		Major Changes												
	Q3 Actual	Actual	Variance													
Net Sales	86.43	88.42	+1.98													
Cost of Sales (% of net sales)	26.95 31.2%	29.75 33.7%	+2.80 +2.5pt	<ul style="list-style-type: none"> • Effect from NHI price revision: +1.5pt • Change of product mix +0.6pt • Reduction of income from license contracts: +0.2pt 												
SGA excluding R&D (% of net sales)	25.02 28.9%	25.99 29.4%	+0.97 +0.5pt	<ul style="list-style-type: none"> • Japan: -0.18bil • EU/US excluding Novagali: +0.28bil • Novagali: +0.73bil • Asia: +0.45bil • Head Quarter: -0.29bil 												
R&D Expenses (% of net sales)	12.24 14.2%	12.09 13.7%	-0.14 -0.5pt	<ul style="list-style-type: none"> • Japan: -0.96bil • EU/US excluding Novagali: +0.19bil • Novagali: +0.61bil 												
Operating Profit (% of net sales)	22.22 25.7%	20.57 23.3%	-1.64 -2.4pt													
Non-operating Income	0.86	0.85	-0.01													
Non-operating Expense	0.05	0.15	+0.09													
Ordinary Income	23.03	21.26	-1.76													
Extraordinary Gain	0.06	0.01	-0.04	<div style="border: 1px solid black; padding: 5px;"> <p><Currency Rates></p> <table> <thead> <tr> <th></th> <th>FY11.Q3 actual</th> <th>FY12.Q3 actual</th> </tr> </thead> <tbody> <tr> <td>USD</td> <td>JPY 79.09</td> <td>JPY 80.01</td> </tr> <tr> <td>EUR</td> <td>JPY 112.94</td> <td>JPY 102.12</td> </tr> <tr> <td>CNY</td> <td>JPY 12.38</td> <td>JPY 12.53</td> </tr> </tbody> </table> </div>		FY11.Q3 actual	FY12.Q3 actual	USD	JPY 79.09	JPY 80.01	EUR	JPY 112.94	JPY 102.12	CNY	JPY 12.38	JPY 12.53
	FY11.Q3 actual	FY12.Q3 actual														
USD	JPY 79.09	JPY 80.01														
EUR	JPY 112.94	JPY 102.12														
CNY	JPY 12.38	JPY 12.53														
Extraordinary Loss	0.02	0.00	-0.01													
Net Income before Tax	23.06	21.27	-1.78													
Corporate Tax	8.29	7.14	-1.15													
Net Profit	14.76	14.13	-0.63													



**Reference:
Consolidated Results
FY2012 Third Quarter**

Net Sales by Business Segment(3QYTD)

(JPY billions)	Q3 FY2012 Actual					
	Japan		Overseas		Total	
	Sales	Var.	Sales	Var.	Sales	Var.
Pharmaceuticals	73.18	+2.0%	13.62	+7.7%	86.81	+2.9%
Prescription Pharmaceuticals	67.99	-0.3%	13.61	+7.7%	81.61	+1.0%
Ophthalmic	59.53	+0.1%	13.31	+7.4%	72.85	+1.3%
Anti-RA	7.66	-1.6%	0.06	-24.6%	7.72	-1.9%
Others	0.80	-10.4%	0.23	+47.9%	1.03	-1.7%
OTC Pharmaceuticals	5.18	+44.6%	0.00	-4.3%	5.19	+44.5%
Others	1.55	+11.6%	0.05	-91.4%	1.61	-20.7%
Medical Devices	1.55	+11.7%	0.05	-91.4%	1.60	-20.7%
Others	0.00	-9.2%	-	-	0.00	-9.2%
Total	74.74	+2.2%	13.68	+3.0%	88.42	+2.3%

Overseas Sales

(JPY billions)	FY2011 Q3 Actual	FY2012		
		Q3 Actual	Var.	Var. %
U.S.	1.01	0.36	-0.65	-64.1%
Europe	6.75	6.46	-0.28	-4.3%
Asia	5.51	6.84	+1.32	+24.1%
Others	0.00	0.00	+0.00	+130.7%
Total	13.28	13.68	+0.39	+3.0%

Summary of Change in Balance Sheet

(JPY billions)	As of March 31, 2012		As of December 31, 2012		
	Actual	% of Total	Actual	% of Total	Var.
Current Asset	140.28	70.6%	124.22	67.3%	-16.06
Fixed Asset	58.51	29.4%	60.39	32.7%	+1.87
Total Asset	198.80	100.0%	184.61	100.0%	-14.19
Current Liabilities	27.42	13.8%	21.14	11.5%	-6.27
Non-current Liabilities	6.51	3.3%	6.55	3.6%	+0.04
Total Liabilities	33.94	17.1%	27.70	15.0%	-6.23
Total Net Asset	164.86	82.9%	156.90	85.0%	-7.95
Total Liabilities Net Assets	198.80	100.0%	184.61	100.0%	-14.19

Major Changes

- **Current Asset:** Cash and deposits -¥18.92bil, Notes and accounts receivable-trade +¥4.18bil, Merchandise and finished products -¥0.90bil, Raw materials and supplies +¥0.84bil, ST deferred tax assets -¥0.80bil
- **Fixed Asset :** Buildings and structures -¥0.60bil, Construction in progress +¥1.17bil, Goodwill -¥0.49bil, Investment securities +¥0.86bil, LT deferred tax assets -¥0.40bil, Other investments +¥1.2bil
- **Current Liabilities:** Accounts payable -¥0.54bil, Income tax payable -¥4.35bil, Reserve for bonus -¥1.27bil
- **Fixed Liabilities:** Employee retirement benefits +¥0.11bil
- **Net asset :** Capital surplus -¥0.50bil, Retained earnings -¥7.41bil
- **Issued shares:** End of September 87,168,000 → end of December 82,322,000
(Cancellation of treasury shares as of November 16, 2012)

Summary of Cash Flows

(JPY billions)	FY2012 Q3 Actual
Cash and cash equivalents at the beginning of the year	75.03
Net increase/decrease in cash and cash equivalents	-18.80
Cash flows from operating activities	6.20
Cash flows from investing activities	-3.32
Cash flows from financial activities	-21.86
Effect of exchange rate changes on cash and cash equivalents	0.17
Cash and cash equivalents at the end of the year	56.23

Note: "Cash and cash equivalents" include cash equivalents thus differ from "cash and deposits" in the Balance Sheets.

Capital Expenditures / Depreciation & Amortization / Lease Expenses

(JPY billions)	FY2011	FY2012		
	Q3 Actual	Q3 Actual	Var.	Full Year Forecast*
Capital Expenditures	2.70	2.59	-0.10	5.00
Depreciation and Amortization	2.02	1.83	-0.18	2.84
Lease Payments	0.02	0.00	-0.01	0.01

Income statement in Novagali

(EUR millions)	FY2012 Q3 Actual
Sales	0.4
COGS	0.3
SGA (excl.R&D)	7.1
(in SGA) Amortization of Goodwill	4.6
R&D	6.0
Operating Profit	-13.1



**Reference:
FY2012 Financial Forecasts**

Financial Forecast for FY2012

(JPY billions)	FY2011 Actual	FY2012 Forecast	Var. %
Net Sales	114.41	114.50	+0.1%
Operating Income	26.73	23.50	-12.1%
Ordinary Income	27.78	24.00	-13.6%
Net Income	17.16	16.00	-6.8%
ROE	10.7%	10.0%	-0.7pt



*Forecast as of: May 8, 2012. ROE reflects the cancellation of treasury shares.

Sales/Income Outlook for the FY2012

(JPY billions)	FY2011 Actual	FY2012	
		Forecast	Var.
Net Sales	114.41	114.50	+0.08
Cost of Sales	35.38	38.00	+2.61
(% of net sales)	30.9%	33.2%	+2.3pt
SG&A excluding R&D	35.07	35.50	+0.42
(% of net sales)	30.7%	31.0%	+0.4pt
R&D Expense	17.22	17.50	+0.27
(% of net sales)	15.1%	15.3%	+0.2pt
Operating Income	26.73	23.50	-3.23
(% of net sales)	23.4%	20.5%	-2.8pt
Non-operating Income/Loss	1.04	0.50	-0.54
Ordinary Income	27.78	24.00	-3.78
Extraordinary Income/Loss	0.01	0.00	-0.01
Net Income before Tax	27.79	24.00	-3.79
Income Taxes	10.63	8.00	-2.63
Net Income	17.16	16.00	-1.16

<Currency rate>	
	<u>FY2011 actual</u>
USD	JPY 79.03
EUR	JPY 110.27
CNY	JPY 12.34
<u>FY2012 forecast</u>	
USD	JPY 79.00
EUR	JPY 104.00
CNY	JPY 12.50

Net Sales by Business Segment(12FY)

(JPY billion)	FY2012 Forecast*					
	Japan		Overseas		Total	
	Sales	Var.	Sales	Var.	Sales	Var.
Pharmaceuticals	93.28	-0.2%	18.31	-0.5%	111.59	-0.2%
Prescription Pharmaceuticals	87.17	-1.9%	18.26	-0.7%	105.43	-1.7%
Ophthalmic	76.71	-1.3%	17.57	+10.8%	94.28	+0.7%
Anti-RA	9.45	-4.3%	0.09	-13.1%	9.54	-4.4%
Others	1.00	-17.8%	0.59	-75.2%	1.60	-55.9%
OTC Pharmaceuticals	6.11	+33.3%	0.04	+377%	6.16	+34.1%
Others	2.89	+50.2%	0.01	-98.4%	2.90	+12.9%
Medical devices	2.88	+50.6%	0.01	-98.4%	2.89	+13.0%
Others	0.01	-11.9%	—	—	0.01	-11.9%
Total	96.17	+0.8%	18.32	-3.8%	114.50	+0.1%



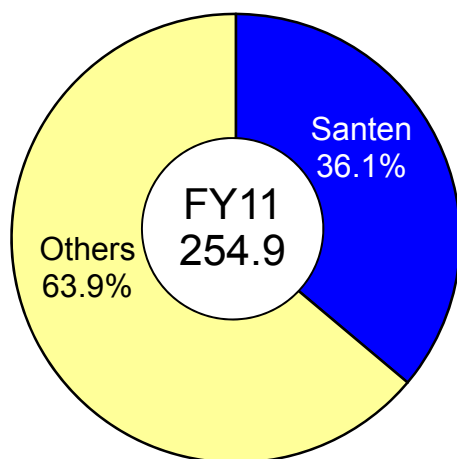
**Reference:
Market Overview of
Prescription Ophthalmics in Japan**

Japan: Market Trends in Ophthalmics (1)

- **Market Total:** Grew by 4.9% Y to Y in 3QFY12(YTD). The growth of retinal and corneal segment continued. Santen's market share was 35.6%.
- **Glaucoma:** Grew by 2.4% Y to Y in 3Q FY12. Santen's sales expanded by 10.6% due the increase of Tapros and Cosopt. Santen held 30.4%.
- **Corneal:** Grew by 11.6% Y to Y in 3Q FY12. Santen's sales increased by 8.0% with the market share at 75.2%, driven by Diquas and Hyalein.

Market Size:
billions of yen
%: Value Share

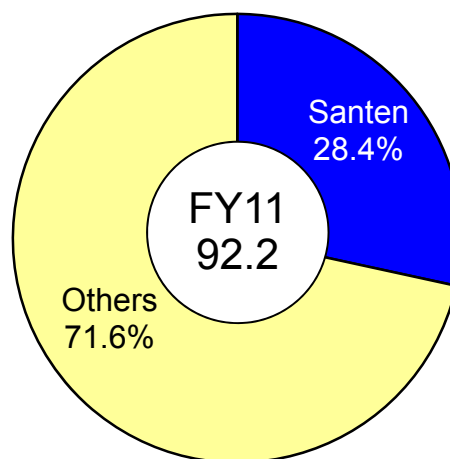
Ophthalmology Total



FY11 Q3 FY12YTD

YoY change	Market	+3.1%	+4.9%
	Santen	+4.1%	+1.5%
Santen's Share		36.1%	35.6%

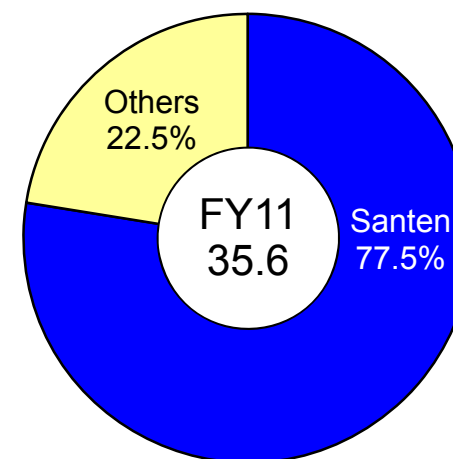
Anti-glaucoma



FY11 Q3 FY12YTD

Market	+2.3%	+2.4%
Santen	+13.1%	+10.6%
Santen's Share		28.4%
		30.4%

Corneal: Dry Eye



FY11 Q3 FY12YTD

Market	+11.3%	+11.6%
Santen	+13.7%	+8.0%
Santen's Share		77.5%
		75.2%



-Santen:
-Glaucoma : Tapros, Cosopt, Timoptol/XE, Rescula, Detantol, etc.
-Cornea / Dry Eye : Hyalein, Diquas etc.

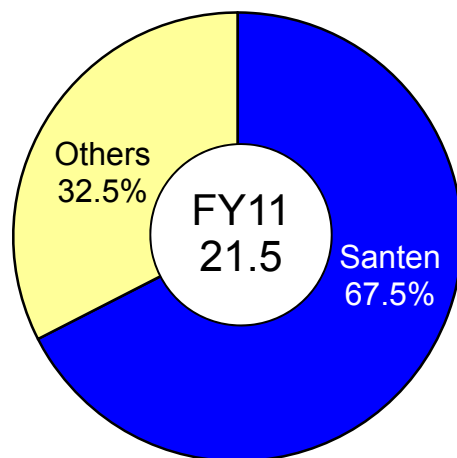
Source: ©2013 IMS Japan
IMS-JPM 2010-13
Santen analysis based on IMS data
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Japan: Market Trends in Ophthalmics (2)

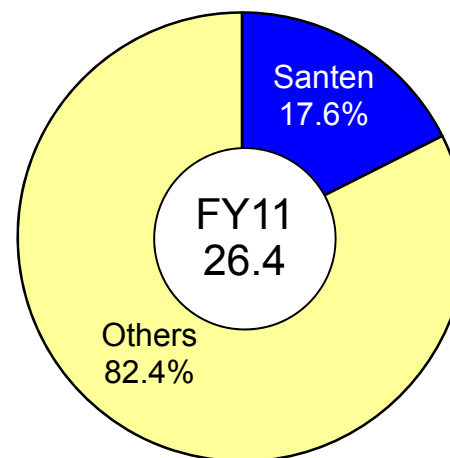
- **Anti-infection:** Declined by 12.2% Y to Y in 3QFY12(YTD). Santen's share was 61.7%, mainly the sales of Cravit.
- **Anti-allergy:** Declined by 3.5% Y to Y in 3QFY12. Santen's share was 18.8%.

Market Size:
billions of yen
%: Value Share

Anti-infection



Anti-allergy



		FY11	Q3 FY12YTD
YoY change	Market	-4.2%	-12.2%
	Santen	-5.5%	-20.2%
Santen's Share		67.5%	61.7%

		FY11	Q3 FY12YTD
YoY change		-9.9%	-3.5%
Market		-4.9%	-6.0%
Santen's Share		17.6%	18.8%

-Santen:
- Anti-infection: Cravit, Tarivid, etc.
- Anti-allergy: Livostin, Alegysal



Source: ©2013 IMS Japan
IMS-JPM 2010-13
Santen analysis based on IMS data
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FY2012 Third Quarter Status of Clinical Development

February 5, 2013

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Director,

Executive Corporate Officer, U.S. and Europe Business,
Head of Research and Development Division

Major Clinical Pipeline List (1) [by Disease]

(Red underlined: Change from 12FY2Q Presentation)

Global Product

Japan (Asia)Product

Disease	Phase 1	Phase 2	Phase 3	NDA	Approved - Launched
Glaucoma	DE-117 EP2 Agonist			China	DE-085 Tafluprost JP·Asia·EU·Latin America Australia·US
		DE-090 Lomerizine HCl	EU	DE-111 Tafluprost/Timolol JP	<u>DE-118</u> Tafluprost
Corneal/ Conjunctival Disease		DE-101 Rivoglitazone		China	DE-089 Diquafosol Sodium Korea JP
	US	DE-105 Peptide Combination JP			
		US	Cyclokot Ciclosporin EU		
Retina Uveal Disease			DE-109 Sirolimus		
			DE-102 Betamethasone		
Other Infection, Allergy, RA		DE-098 Anti APO-1 Antibody		<u>DE-114</u> Epinastine HCl	
			Vekacia Ciclosporin		

Major Clinical Pipeline List (2) [by Region]

(**Red underlined**: Change from 12FY2Q Presentation)

Global Product

Japan (Asia)Product

Region	Phase 1	Phase 2	Phase 3	NDA	Approved - Launched
Japan			DE-102 Betamethasone		DE-085 Tafluprost
		DE-090 Lomerizine HCl		DE-111 Tafluprost/Timolol	DE-089 Diquafosol Sodium
		DE-105 Peptide Combination		<u>DE-114</u> Epinastine HC	<u>DE-118</u> Tafluprost
		DE-098 Anti APO-1 Antibody	DE-109 Sirolimus		
North America (Including Latin America)	DE-117 EP2 Agonist		DE-109 Sirolimus		DE-085 Tafluprost
	DE-105 Peptide Combination	DE-101 Rivoglitazone			
		Cyclokot Ciclosporin			
Asia (including Oceania)				China DE-085 Tafluprost Korea Australia	
				China DE-089 Diquafosol Sodium Korea	
EU			DE-111 Tafluprost/Timolol		DE-085 Tafluprost
			DE-109 Sirolimus		
			Cyclokot Ciclosporin		
			Vekacia Ciclosporin		



*Project evaluations are ongoing for other Novagali products

Major Clinical Projects Update (DE-085)

■ DE-085 (Glaucoma, Ocular hypertension) TAPROS, TAFLOTAN, SAFLUTAN, ZIOPTAN

Region	Development Stage	Remarks
	As of February 5, 2013	
Japan	Launched	Generic name: Tafulprost [Launched] Japan (Dec. 2008) Europe (Jun. 2008) Asia (Mar. 2010) United States (Mar. 2012) Latin America (Aug. 2010) [Out-licensed] Merck & Co. (Apr. 2009)
Europe**	Launched: 38 countries Partly out-licensed to Merck*	
Asia**	Launched: 5 countries NDA filed: China Partly out-licensed to Merck*	
Americas**	Out-licensed to Merck* Launched: 17 countries (Launched : Including US)	

[Launched] Total: 60 countries worldwide


- Santen: Japan, 4 countries in Asia, and 20 countries in EU
- Merck*: 15 countries in EU, US, and 16 countries in Latin America, Australia

[Approved] Total: More than 60 countries worldwide

*Merck areas (since April 2009): Western Europe excluding Germany, North America, South America, Africa, Oceania

**EU: Including CIS, Asia: Including Oceania, Americas: Including US, Latin America

'We correct the number of launched countries in EU from previous materials. [erratum] launched: 50 countries → [correct]

 launched: 38 countries.

Major Clinical Projects Update

■ DE-118 (Glaucoma, ocular hypertension)

Region	Development Stage		Remarks
	As of February 5, 2013	As of November 1, 2012 (Previous announcement)	
Japan	Approved	NDA filed	Generic name: Tafluprost (preservative-free, unit dose, single use)

■ DE-089 (Dry eye)

Product Name: *DIQUAS* in Japan

Region	Development Stage		Remarks
	As of February 5, 2013	As of November 1, 2012 (Previous announcement)	
Japan	Launched	Launched	Generic name: Diquafosol Sodium
Asia	China: NDA filed Korea: Approved	China: NDA filed Korea: Approved	

Major Clinical Projects Update - Glaucoma, Ocular hypertension -

■ DE-090

Region	Development Stage		Remarks
	As of February 5, 2013	As of November 1, 2012 (Previous announcement)	
Japan	P2	P2	Generic name: Lomerizine HCl

■ DE-111

Region	Development Stage		Remarks
	As of February 5, 2013	As of November 1, 2012 (Previous announcement)	
Japan	NDA Filed	NDA Filed	Generic name: Tafluprost/ Timolol maleate (Combination drug)
Europe	P3	P3	

Major Clinical Projects Update - Glaucoma, Ocular hypertension -

■ DE-117

Region	Development Stage		Remarks
	As of February 5, 2013	As of November 1, 2012 (Previous announcement)	
US	P1/2a	P1/2a	Prostaglandin EP2 agonist

Major Clinical Projects Update - Corneal disease -

■ **DE-101** (Corneal and conjunctival epithelial disorders associated with dry eye, etc.)

Region	Development Stage		Remarks
	As of February 5, 2013	As of November 1, 2012 (Previous announcement)	
US	P2	P2	Generic Name: Rivoglitazone

■ **DE-105** (Persistent corneal epithelial defects)

Region	Development Stage		Remarks
	As of February 5, 2013	As of November 1, 2012 (Previous announcement)	
Japan	P2	P2	Combination of peptides
US	Preparing P2	Preparing P2	

Major Clinical Projects Update - Retinal / Uveitis Disease -

■ **DE-102** (Macular edema associated with diabetes or branch retinal vein occlusion (BRVO))

Region	Development Stage		Remarks
	As of February 5, 2013	As of November 1, 2012 (Previous announcement)	
Japan	P2/3	P2/3	Generic name: Betamethasone

■ **DE-109** (Uveitis)

Region	Development Stage		Remarks
	As of February 5, 2013	As of November 1, 2012 (Previous announcement)	
US	P3	P3	Generic name: Sirolimus
Japan	P3	P3	
EU	P3	P3	

Major Clinical Projects Update - Infection, Allergy, Arthritis -

■ DE-114 (Allergic conjunctivitis)

Region	Development Stage		Remarks
	As of February 5, 2013	As of November 1, 2012 (Previous announcement)	
Japan	NDA filed	Preparing for NDA	Generic name: Epinastine HCl

■ DE-098 (Rheumatoid arthritis)

Region	Development Stage		Remarks
	As of February 5, 2013	As of November 1, 2012 (Previous announcement)	
Japan	P2 Completed	P2 Completed	Anti-APO-1 Antibody

Major Clinical Projects Update - Novagali -

■ Cyclokat (Severe Dry Eye)

Region	Development Stage		Remarks
	2/5	11/1 (Previous)	
EU	P3	P3	Generic Name: Ciclosporin
US	P2 Complete	P2 complete	

■ Vekacia (Vernal Conjunctivitis)

Region	Development Stage		Remarks
	2/5	11/1 (Previous)	
EU	P3	P3	Generic Name: Ciclosporin

*Project evaluations are ongoing for the products below.

Product Name	Indication	Region	Stage	Remarks
Catioprost	Glaucoma/ ocular hypertension	EU	P2	Generic Name: Latanoprost
Cortiject	Diabetic macular edema	US	P1/2	Generic Name: Dexamethasone Palmitate

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.