



**Santen Pharmaceutical Co., Ltd.
Investor Meeting**

**Financial Results for the 1st Half of FY2013;
Financial Forecast for the FY2013;**

November 7, 2013

Akira Kurokawa

President & CEO



Financial Results for the 1st Half of FY2013

Med-term Policies FY2011-2013

To become a specialized pharmaceutical company with a 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 1H FY2013

(JPY billions)	1H FY2012 Actual	1H FY2013 Actual	Var. %
Net Sales	56.71	69.26	+22.1%
Cost of Sales (% of net sales)	18.82 33.2%	27.16 39.2%	+44.3% +6.0pt
SGA excluding R&D (% of net sales)	16.87 29.7%	19.56 28.2%	+16.0% -1.5pt
R&D Cost (% of net sales)	7.94 14.0%	8.07 11.7%	+1.7% -2.3pt
Operating Profit (% of net sales)	13.08 23.1%	14.45 20.9%	+10.5% -2.2pt
Ordinary Income	13.46	14.86	+10.4%
Net Income	8.97	8.99	+0.2%

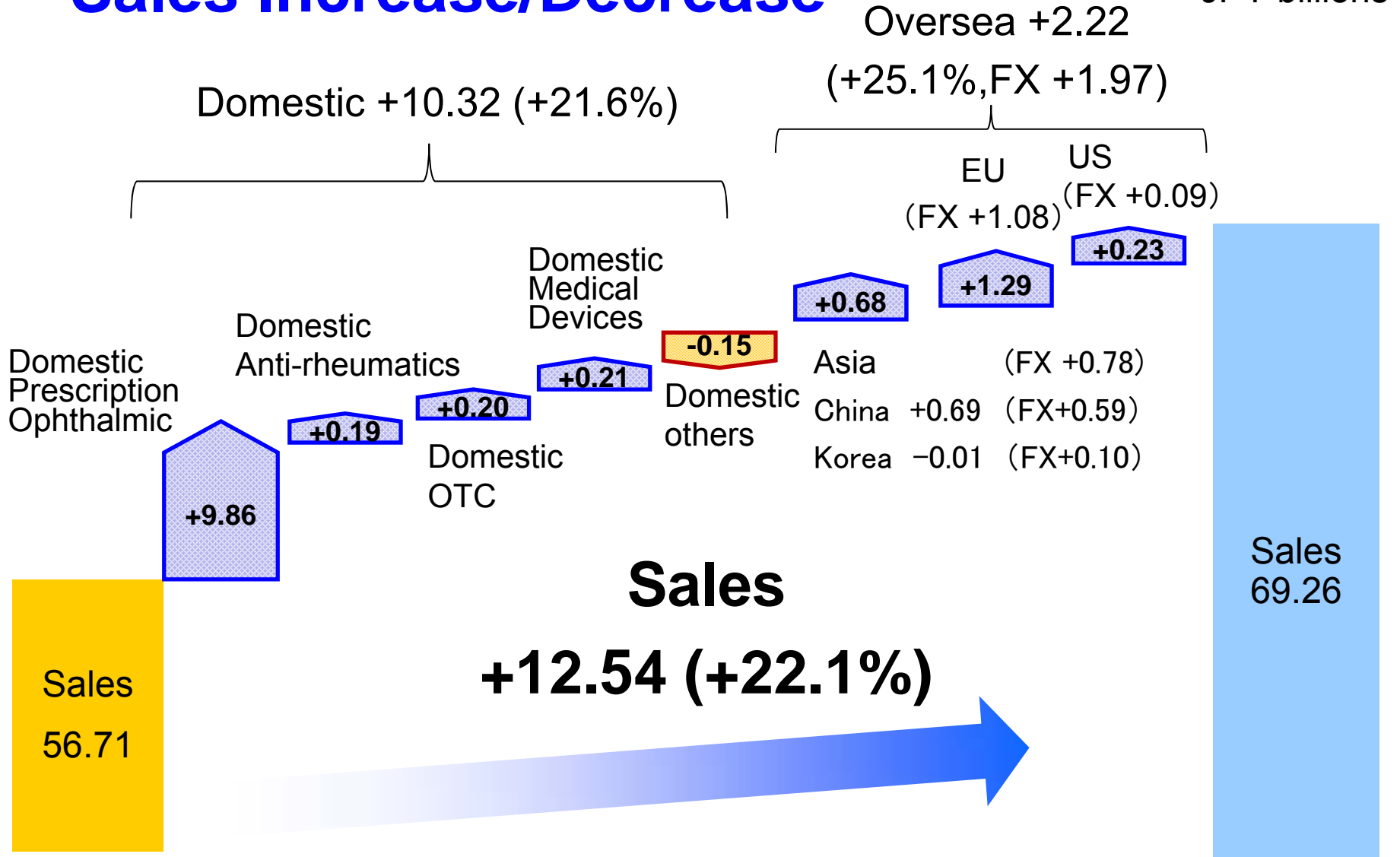
Foreign Exchange	<u>1H FY12 actual</u>	<u>1H FY13 actual</u>
US \$	JPY 79.30	JPY 98.31
Euro	JPY 102.20	JPY 127.47
RMB	JPY 12.61	JPY 15.25

1H FY2013

YoY %

Sales Increase/Decrease

JPY billions



12FY1H actual

13FY1H actual



FX=Currency impact

1H FY2013

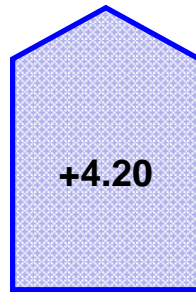
Operating Profit Change

YoY %

JPY billions

SG&A (excl. R&D cost) +2.69 (+16.0%)

Gross profit



Domestic

+0.64

Asia

(FX+0.23)
+0.48

US/EU

(FX+0.85)
+0.91

Other

+0.66

R&D cost
(FX+0.63)

+0.13

Operating Profit +1.37 (+10.5%)

OP
13.08

OP
14.45

12FY1H actual

13FY1H actual

R&D cost breakdown

• Domestic	-0.45
• US/EU	+0.52

FX=Currency impact



Revised Consolidated Forecast of FY2013

Revised Financial Forecast for FY2013

(JPY billions)	FY2012 Actual	FY2013 Forecast	Var. %	Previous Forecast
Net Sales	119.06	141.50	+18.8%	134.5
Cost of Sales (% of net sales)	41.50 34.9%	55.00 38.9%	+32.5% +4.0pt	48.00 35.7%
SGA excluding R&D (% of net sales)	36.16 30.4%	42.00 29.7%	+16.1% -0.7pt	42.00 31.2%
R&D cost (% of net sales)	16.71 14.0%	18.20 12.9%	+8.9% -1.2pt	18.20 13.5%
Operating Profit (% of net sales)	24.68 20.7%	26.30 18.6%	+6.6% -2.1pt	26.30 19.6%
Ordinary Income	25.60	26.80	+4.7%	26.80
Net Income	16.52	18.20	+10.2%	18.20
ROE	10.0%	10.7%	+0.7pt	10.7%

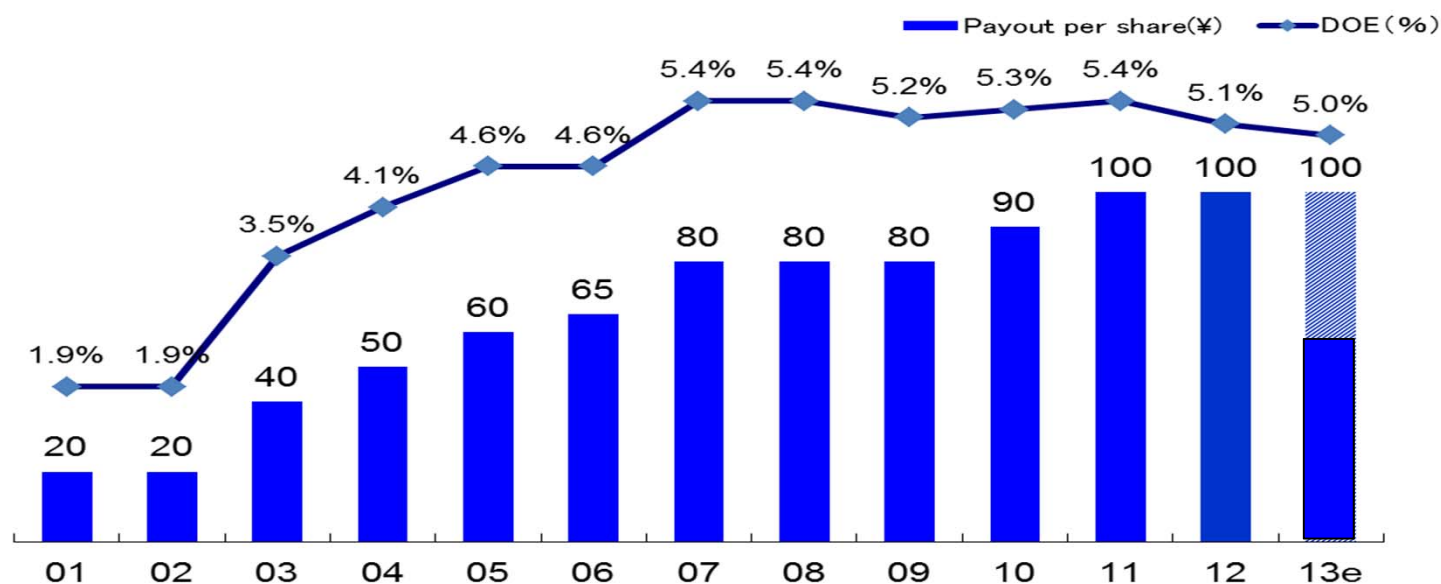
Foreign Exchange	FY12 actual	FY13 forecast
US \$	JPY 82.91	JPY 94.00
Euro	JPY 106.01	JPY 124.00
RMB	JPY 12.64	JPY 15.10



**Dividend for 1H FY2013 Actual
and FY2013 Forecast**

Dividend for 1H FY2013 Actual and FY2013 Forecast

- **FY2013**
 - FY2013 First Half Dividend : JPY 50 per share
- **FY2013**
 - FY2013 Annual Dividend : JPY 100 per share
 - Target DOE: around 5.0%



(¥ billion)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013e
Payout-ratio (%)	34.9	21.4	55.8	39.7	39.9	42.9	54.7	67.2	36.3	36.0	50.8	51.1	46.4
Share Buy-back	3.2	3.2	0	2.6	0	0	4.8	0	0	0	0	13.7	--
Total Return (%)	96.4	59.5	55.8	63.3	39.9	42.9	85.8	67.2	36.4	36.7	50.8	137.0%	--



**Reference:
Consolidated Results
1st Half of FY2013**

Net Sales by Business Segment

(JPY billions)	1 st Half FY2013 Actual					
	Japan		Overseas		Total	
	Sales	Var.	Sales	Var.	Sales	Var.
Pharmaceuticals	56.80	+21.3%	11.07	+25.5%	67.87	+22.0%
Prescription Pharmaceuticals	53.42	+22.4%	11.05	+25.3%	64.47	+22.9%
Ophthalmic	47.91	+25.9%	10.72	+24.3%	58.63	+25.6%
Anti-RA	5.20	+3.9%	0.04	+54.5%	5.25	+4.2%
Others	0.30	-48.0%	0.27	+77.3%	0.58	-21.3%
OTC Pharmaceuticals	3.38	+6.5%	0.01	--	3.40	+6.9%
Others	1.36	+32.6%	0.02	-53.6%	1.38	+28.9%
Medical Devices	1.24	+21.1%	0.02	-53.6%	1.26	+17.9%
Others	0.12	--	--	--	0.12	--
Total	58.17	+21.6%	11.09	+25.1%	69.26	+22.1%

Overseas Sales

(JPY billions)	1H FY2012 Actual	1H FY2013		
		Actual	Var.	Var. %
U.S.	0.23	0.47	+0.23	+101.3%
Europe	4.24	5.53	+1.29	+30.5%
Asia	4.38	5.07	+0.68	+15.6%
Others	0.00	0.01	+0.00	+75.9%
Total	8.86	11.09	+2.22	+25.1%

Overseas sale/total sales	15.6%	16.0%	+0.4pt	--
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Summary of Balance Sheet

(JPY billions)	As of March 31, 2013		As of September 30, 2013		
	Actual	% of Total	Actual	% of Total	Var.
Current Asset	132.58	66.4%	139.34	65.8%	+6.75
Fixed Asset	67.05	33.6%	72.34	34.2%	+5.29
Total Asset	199.64	100.0%	211.69	100.0%	+12.04
Current Liabilities	27.01	13.5%	29.21	13.8%	+2.20
Non-current Liabilities	7.49	3.8%	10.94	5.2%	+3.44
Total Liabilities	34.50	17.3%	40.16	19.0%	+5.65
Total Net Asset	165.13	82.7%*	171.52	81.0%*	+6.39
Total Liabilities Net Assets	199.64	100.0%	211.69	100.0%	+12.04

Major Changes

- **Current Asset:** Cash and deposits +¥1.90bil, Notes and account receivable +¥3.65bil, Securities +¥1.30bil, Goods and products -¥0.95bil,
- **Fixed Asset :** Buildings and structures +¥0.91bil, Machinery equipment and transportation cost +¥0.81bil, Construction in progress -¥1.48bil, Goodwill +¥0.34bil, In-Process R&D product +¥0.81bil, Investment securities +¥1.91bil, Other tangible fixed asset +¥0.52bil
- **Current Liabilities:** Accounts payable +¥0.93bil, Other account payable -¥1.55bil, Income tax payable +¥2.54bil, Reserve for bonus -¥0.17bil,
- **Fixed Liabilities:** Liabilities relating to retirement benefits +¥2.56bil, Retirement benefits for directors -¥0.24bil, Restructuring fee allowance +¥0.73bil
- **Net asset :** Capital +¥0.11bil, Additional paid in capital +¥0.11bil, Retained earnings +¥5.09bil, Foreign currency translation adjustments +¥2.67bil, Cumulative adjustment to retirement benefits - ¥1.61bil



*Capital adequacy ratio: End of March, 2013: 82.6% → End of September, 2013: 80.8%

*Issued shares: End of March, 2013: 82,469 thousand → End of September, 2013: 82,537 thousand

Summary of Income Statement

(JPY billions)	1H FY2012	1H FY2013		Major Changes												
	Actual	Actual	YoY %													
Net Sales	56.71	69.26	+22.1%													
Cost of Sales (% of net sales)	18.82 33.2%	27.16 39.2%	+44.3% +6.0pt	<ul style="list-style-type: none"> • Impact of product mix change +6.8pt • Decrease the fixed manufacturing cost -0.3pt • Decrease the sales cost rate -0.5pt 												
SGA excluding R&D (% of net sales)	16.87 29.7%	19.56 28.2%	+16.0% -1.5pt	<ul style="list-style-type: none"> • Domestic +0.64 • Asia +0.48 • US/EU +0.91 												
R&D Expenses (% of net sales)	7.94 14.0%	8.07 11.7%	+1.7% -2.3pt	<ul style="list-style-type: none"> • Domestic -0.45 • US/EU +0.52 												
Operating Profit (% of net sales)	13.08 23.1%	14.45 20.9%	+10.5% -2.2pt	<div style="border: 1px solid black; padding: 5px;"> <p><Currency Rates></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">1H FY12 actual</th> <th style="text-align: center;">1H FY13 actual</th> </tr> </thead> <tbody> <tr> <td>US\$</td> <td style="text-align: center;">JPY 79.30</td> <td style="text-align: center;">JPY 98.31</td> </tr> <tr> <td>Euro</td> <td style="text-align: center;">JPY 102.20</td> <td style="text-align: center;">JPY 127.47</td> </tr> <tr> <td>CNY</td> <td style="text-align: center;">JPY 12.61</td> <td style="text-align: center;">JPY 15.25</td> </tr> </tbody> </table> </div>		1H FY12 actual	1H FY13 actual	US\$	JPY 79.30	JPY 98.31	Euro	JPY 102.20	JPY 127.47	CNY	JPY 12.61	JPY 15.25
	1H FY12 actual	1H FY13 actual														
US\$	JPY 79.30	JPY 98.31														
Euro	JPY 102.20	JPY 127.47														
CNY	JPY 12.61	JPY 15.25														
Non-operating Income	0.49	0.56	+12.9%													
Non-operating Expense	0.11	0.15	+41.2%													
Ordinary Income	13.46	14.86	+10.4%													
Extraordinary Gain	0.01	-	-													
Extraordinary Loss	0.00	0.87	-	• Restructuring fee regarding Santen Oy +0.81												
Net Income before Tax	13.47	13.98	+3.8%													
Corporate Tax	4.49	4.98	+10.9%													
Net Profit	8.97	8.99	+0.2%													

Summary of Cash Flows

(JPY billions)	1H FY2013 Actual
Cash and cash equivalents at the beginning of 1H FY13	59.79
Net increase/decrease in cash and cash equivalents	+1.89
Cash flows from operating activities	+11.29
Cash flows from investing activities	-5.95
Cash flows from financial activities	-3.91
Effect of exchange rate changes on cash and cash equivalents	+0.47
Cash and cash equivalents at the end of 1H FY13	61.69

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

Capital Expenditures / Depreciation & Amortization

(JPY billions)	1H FY2012	1H FY2013	
	Actual	Actual	Var.
Capital Expenditures	1.87	1.84	-0.02
Depreciation and Amortization	1.20	1.17	-0.02



**Reference:
FY2013 Financial Forecasts**

Sales Forecast by Business Segment / Overseas Sales

(JPY billions)	FY2013 Forecast					
	Japan		Overseas		Total	
	Sales	Var.	Sales	Var.	Sales	Var.
Pharmaceuticals	114.96	+16.7%	23.44	+28.2%	138.40	+18.5%
Prescription Pharmaceuticals	108.30	+17.6%	23.37	+27.9%	131.67	+19.3%
Ophthalmic	97.61	+20.3%	22.68	+27.1%	120.29	+21.5%
Anti-RA	9.94	+1.4%	0.08	+38.2%	10.03	+1.6%
Others	0.74	-33.7%	0.59	+68.2%	1.34	-9.4%
OTC Pharmaceuticals	6.65	+3.1%	0.07	--	6.72	+3.9%
Others	3.05	+39.5%	0.04	-32.6%	3.09	+37.4%
Medical Devices	2.80	+28.5%	0.04	-32.6%	2.84	+26.7%
Others	0.25	--	--	--	0.25	--
Total	118.01	+17.2%	23.48	+28.0%	141.5	+18.8%

Overseas Sales

(JPY billions)	FY2012 Actual	FY2013 Forecast		
		Forecast	Var.	Var. %
U.S.	0.58	0.80	+0.22	+38.6%
Europe	9.20	11.19	+1.99	+21.6%
Asia	8.55	11.44	+2.88	+33.7%
Others	0.01	0.03	+0.02	--
Total	18.35	23.48	+5.13	+28.0%
Overseas sale/sales	15.4%	16.6%	+1.2pt	--

Capital Expenditures / Depreciation & Amortization

(JPY billions)	FY2012 Actual	FY2013	
		Forecast	Var.
Capital Expenditures	4.20	4.25	+0.04
Depreciation and Amortization	2.53	2.62	+0.08



Reference:

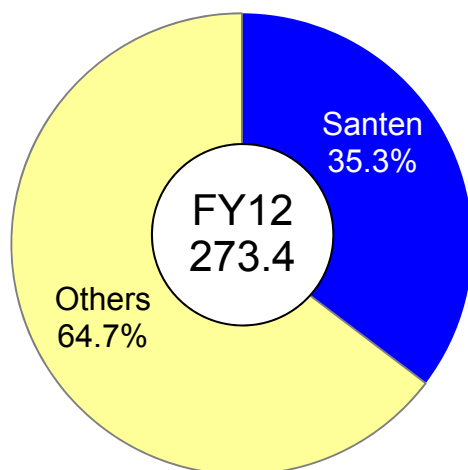
**Market Overview of
Prescription Ophthalmic in Japan**

Japan: Trend & Competition in Ophthalmics (1)

- **Ophthalmology Total:** Market grew by 8.9% Y to Y in 1H FY13. The growth of retinal, and corneal segment continued. Santen's market share was 40.3%.
- **Anti-Glaucoma:** Market grew by 8.3% Y to Y in 1H FY13. Santen's sales grew by 8.8%. Santen held 30.7% share of the anti-glaucoma market by the contribution of Tapros and Cosopt.
- **Corneal:** Market grew by 13.2% Y to Y in 1H FY13. Santen's sales grew by 7.4% led by the sales increase of Diquas and Santen's market share was 71.8%.

Market Size:
billions of yen
%: Value Share

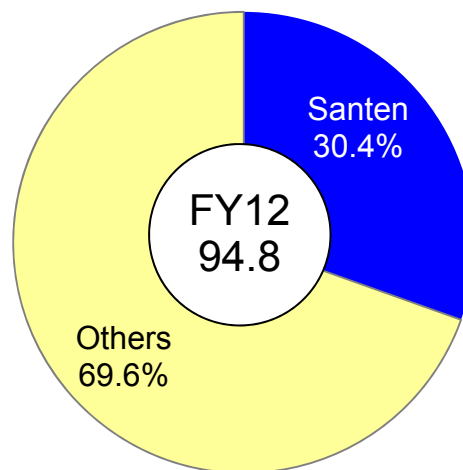
Ophthalmology Total



FY12 1H FY13

YoY change	Market	+7.3%	+8.9%
	Santen	+4.9%	+23.2%
Santen's Share		35.3%	40.3%

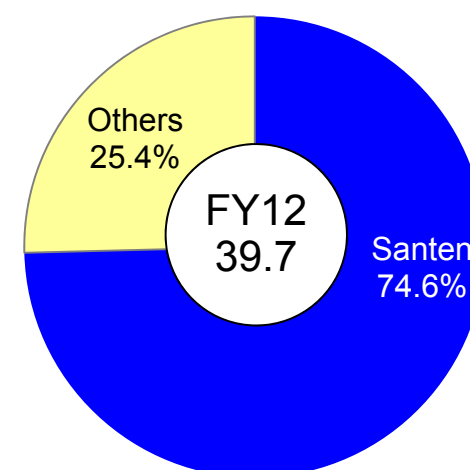
Anti-glaucoma



FY12 1H FY13

Market	+2.8%	+8.3%
Santen	+10.2%	+8.8%
Santen's Share	30.4%	30.7%

Corneal: Dry Eye



FY12 1H FY13

Market	+11.3%	+13.2%
Santen	+7.1%	+7.4%
Santen's Share	74.6%	71.8%



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

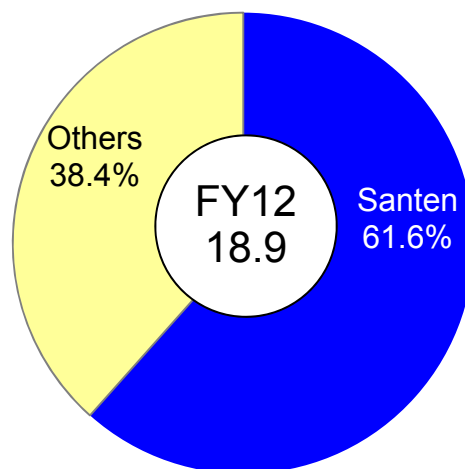
Source: ©2013 IMS Health
IMS-JPM 2011-13
Santen analysis based on IMS data
Reprinted with permission

Japan: Trend & Competition in Ophthalmics (2)

- **Anti-infection:** Market declined by 4.0% Y to Y in 1H FY13. Santen maintained 59.9% of market share with primary contribution by Cravit.
- **Anti-allergy:** Market declined by 6.2% Y to Y in 1H FY13. Santen's share was 18.3%.

Market Size:
billions of yen
%: Value Share

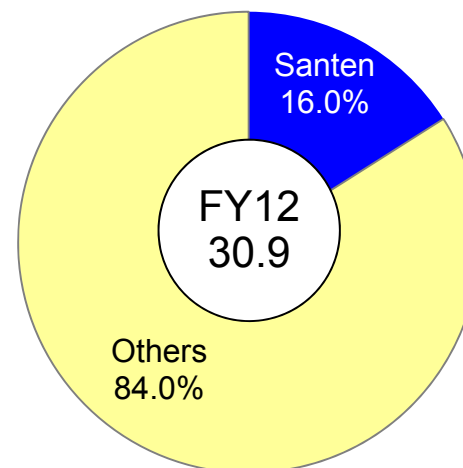
Anti-infection



FY12 1H FY13

YoY change	Market	-11.9%	-4.0%
	Santen	-19.6%	-7.3%
Santen's Share		61.6%	59.9%

Anti-allergy



FY12 1H FY13

Market		+16.8%	-6.2%
Santen		+6.4%	-7.8%
Santen's Share		16.0%	18.3%

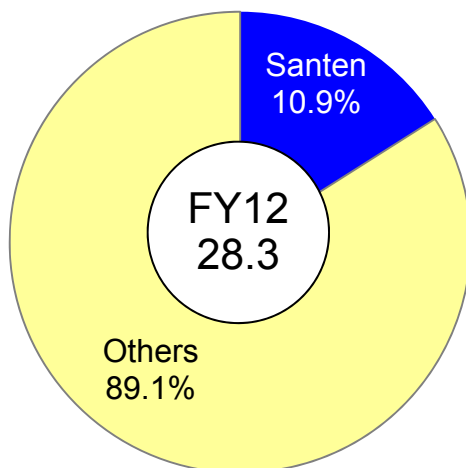
- Santen:
- Anti-infection: Cravit, Tarivid
 - Anti-allergy: Livostin, Alegysal

Japan: Trend & Competition in Ophthalmics (3)

- **Anti-VEGF:** Market increased by 36.8% Y to Y in 1H FY13. Santen maintained 51.4% of market share with strong sales growth of Eylea.
- **Anti-RA(DMARDs):** Market slightly increased by 3.9% in 1H FY13. Santen's share was 38.9%.

Market Size:
billions of yen
%: Value Share

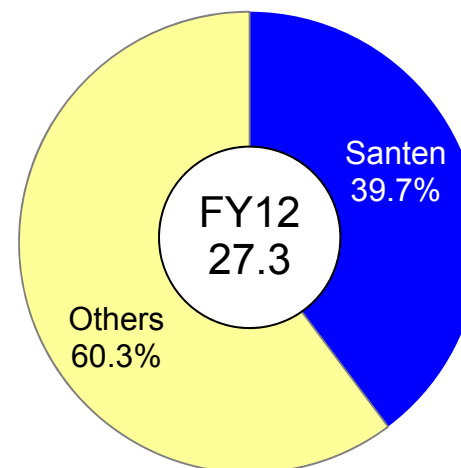
Anti-VEGF



FY12 1H FY13

YoY change	Market	+30.1%	+36.8%
	Santen	-	-
Santen's Share		10.9%	51.4%

Anti-RA(DMARDs)



FY12 1H FY13

YoY change	Market	+0.3%	+3.9%
	Santen	-2.8%	+1.5%
Santen's Share		39.7%	38.9%



1st Half of FY2013 Status of Clinical Development

Takashi Kaneko, M.D. Ph.D.
Corporate Officer,
Head of Research and Development Division

Major Clinical Pipeline List (1) [by Disease]

(Red underlined: Change from 1Q FY13 Presentation)

Global Product

Japan (Asia)Product

Disease	Phase 1	Phase 2	Phase 3	NDA	Approved - Launched
Glaucoma	DE-117 EP2 Receptor Agonist			China DE-085 Tafluprost	<u>DE-118</u> Tafluprost UD
		DE-090 Lomerizine HCl		EU DE-111 Tafluprost/Timolol	JP
Corneal/ Conjunctival Disease	US DE-105 Peptide Combination	JP		China DE-089 Diquafosol Sodium	Korea
		US Cyclokat 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 1Q FY13 Presentation)

Global Product

Japan (Asia)Product

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

Major Clinical Projects Update - Glaucoma, Ocular hypertension -

■ DE-090

Region	Development Stage		Remarks
	As of November 6, 2013	As of August 6, 2013 (Previous announcement)	
Japan	P2	P2	Generic name: Lomerizine HCl

■ DE-111

Region	Development Stage		Remarks
	As of November 6, 2013	As of August 6, 2013 (Previous announcement)	
Japan	Approved	NDA Filed	Generic name: Tafluprost/ Timolol maleate (Combination drug)
Europe	NDA Filed	NDA Filed	

■ DE-117

Region	Development Stage		Remarks
	As of November 6, 2013	As of August 6, 2013 (Previous announcement)	
US	P1/2a	P1/2a	EP2 receptor agonist (Prostaglandin)

Major Clinical Projects Update - Glaucoma - - Corneal disease -

■ DE-118 (Glaucoma, ocular hypertension)

Region	Development Stage		Remarks
	As of November 6, 2013	As of August 6, 2013 (Previous announcement)	
Japan	Launched	Approved	Generic name: Tafluprost (preservative-free, unit dose, single use)

■ DE-089 (Dry eye)

Product Name: *DIQUAS* in Japan

Region	Development Stage		Remarks
	As of November 6, 2013	As of August 6, 2013 (Previous announcement)	
Asia	China: NDA filed Korea: Launched	China: NDA filed Korea: Approved	Generic name: Diquafosol Sodium

Major Clinical Projects Update - Corneal disease -

■ DE-105 (Persistent corneal epithelial defects)

- Infection, Allergy, RA -

Region	Development Stage		Remarks
	As of November 6, 2013	As of August 6, 2013 (Previous announcement)	
Japan	P2 Completed	P2 Completed	Combination of peptides
US	Preparing P2	Preparing P2	

■ DE-114 (Allergic conjunctivitis)

Region	Development Stage		Remarks
	As of November 6, 2013	As of August 6, 2013 (Previous announcement)	
Japan	Approved	NDA filed	Generic name: Epinastine HCl

■ DE-098 (Rheumatoid arthritis)

Region	Development Stage		Remarks
	As of November 6, 2013	As of August 6, 2013 (Previous announcement)	
Japan	P2 Completed	P2 Completed	Anti-APO-1 Antibody

Major Clinical Projects Update - Retinal Disease - - Uveitis Disease -

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

Region	Development Stage		Remarks
	As of November 6, 2013	As of August 6, 2013 (Previous announcement)	
Japan	P2/3	P2/3	Generic name: Betamethasone

■ **DE-109** (Uveitis)

Region	Development Stage		Remarks
	As of November 6, 2013	As of August 6, 2013 (Previous announcement)	
US	P3	P3	Generic name: Sirolimus
Japan	P3	P3	
EU	P3	P3	

Major Clinical Projects Update - Santen S.A.S.-

■ Cyclokat (Severe Dry Eye)

Region	Development Stage		Remarks
	As of Nov. 6, 2013	8/6 (Previous)	
EU	Preparing NDA filing	P3	Generic Name: Ciclosporin
US	P2 Complete	P2 complete	

■ Vekacia (Vernal Conjunctivitis)

Region	Development Stage		Remarks
	As of Nov. 6, 2013	8/6 (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.