Japan and Asia Business Update

Akira Kurokawa
President & CEO

February 26, 2018
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.
Progress of Santen under Vision 2020

Acquisition of MSD products
Transfer of Anti-Rheumatic Business
Purchase of InnFocus

- Growth in Japan, Asia and EMEA
- Further specialization in ophthalmology
- To provide innovative, new treatment solution

Based on Santen’s Values, Achieved Sustained Growth to Become a Specialized Pharmaceutical Company with a Global Presence

FY13: 146.3 bil, FY14: 161.8 bil, FY15: 195.3 bil, FY16: 199.1 bil, FY17 FCT: 224.0 bil
We Strive to Increase Contributions to Ophthalmic Treatments With Sustainable Growth

- To achieve Vision 2020:
  - **Japan pharma business**: Expanding and creating new markets with the strength as #1 company
  - **OTC business**: Growth from inbound demand and high value-added / premium products without impact from NHI pricing cuts
  - **Surgical business**: Growth with new product
  - Accelerating profit growth in overseas business, especially in Asia and China

Overcome negative impacts on business environment and development with our strength as specialized company

- #1 share in Japan and Asia
- Raise overseas sales ratio
- To the next growth stage
- Further devotion to the treatment in ophthalmology
Japan Business

Takeshi Ito
Member of the Board,
Executive Corporate Officer, Japan Business,
Head of Japan Sales and Marketing, Prescription Pharmaceuticals

February 26, 2018
Impact from the pricing system reforms and generic promotion policy
1. Our Direction Forward in the Prescription Pharmaceutical Business

<table>
<thead>
<tr>
<th>1) Raise market share in prescription pharmaceuticals</th>
<th>2) Expand markets with strength of high market share</th>
<th>3) Through new value creation, expand markets / maximize sales</th>
</tr>
</thead>
</table>

- **Current** to **Future**
  - **1) Raise market share in prescription pharmaceuticals**
  - **2) Expand markets with strength of high market share**
  - **3) Through new value creation, expand markets / maximize sales**

**Creation and development of new markets**
1) Raise market share

Revenue transition in Prescription pharmaceutical (Ophthalmic)

(bil JPY)

Market share transition in Prescription pharmaceutical (Ophthalmic)

Main products*: Tapros, Tappom, Cosopot, Diquas, Allesion, Eylea

1. Our Direction Forward in the Prescription Pharmaceutical Business

1) Raise market share

*Eylea* Revenue & Market share

(Anti-VEGF market)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (JPY bil)</th>
<th>Market Share</th>
</tr>
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<tbody>
<tr>
<td>FY12</td>
<td>3.2</td>
<td>10.9%</td>
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<tr>
<td>FY13</td>
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<td>FY16</td>
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<td>FY17</td>
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<td>72.4%</td>
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<tr>
<td>Fcast</td>
<td>45.2</td>
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</table>

*Alesion* Revenue & Market share

(Anti-Allergy market)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (JPY bil)</th>
<th>Market Share</th>
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<tr>
<td>FY13</td>
<td>2.1</td>
<td>12.2%</td>
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<tr>
<td>FY14</td>
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<td>FY15</td>
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<td>FY16</td>
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<td>FY17</td>
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<td>39.1%</td>
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<td>Fcast</td>
<td>12.2</td>
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</table>

1. Our Direction Forward in the Prescription Pharmaceutical Business

2) Expand markets with strength of high market share

- Early detection and treatment
- Reduce blindness and improvement of QOV
- Improvement of treatment quality
- Improvement of Customer Satisfaction
- Realization of Santen’s values
- Devotion to medical treatment contribution

To realize 3 “wins” for patients, medical personnel and Santen through market expansion by raising treatment compliance rates and increasing examinations through awareness activities.
1. Our Direction Forward in the Prescription Pharmaceutical Business

2) Expand markets with strength of high market share

- Example of our activities to increase treatment continuation:
  Introduction of a support package that encourages patients with glaucoma patients to visit medical institutions

- Now holding discussing with other companies to search new ways to improve treatment and visit continuation rates

![Continuation ratio graph](image)
1. Our Direction Forward in the Prescription Pharmaceutical Business

3) Through new value creation, expand markets / maximize sales

Example: Enlargement of supplement business for medical institutions

Following the “Sante Lutax” series supporting the improvement of QOV (Quality of Vision), we launched “Sante Glagenox”. As a result, we are expanding the supplement business for doctors and offering new solutions in ophthalmology.
2. Over-the-Counter Business (OTC)

- Working to increase revenue from inbound demand
  - Product development and promotions to increase inbound demand

- Expansion of high value-added / premium products
  - Development and promotion for high value-added / premium products

- Leveraging technology and knowledge gained from the experience in prescription pharmaceutical
  - Leveraging our strong technology and knowledge gained from our prescription pharmaceutical business in the development and promotion of OTC products

![Chart showing revenue growth from FY11 to FY17Fct]
Expansion of line-up through active development and launch of new products

Strengthen sales force through cooperation with our prescription pharmaceutical business

- Strengthen of sales force by deepening the cooperation with prescription pharmaceutical which covers all ophthalmologists in Japan

Planning to launch new products which are highly competitive in 2019.

Trying to quickly develop the business in the market backed-up by the prescription pharmaceutical business.
In Conclusion

Santen will provide solutions that meet ophthalmology needs and will always continue to be a company that contributes to people’s quality of vision.
Asia business

Akira Kurokawa
President & CEO

February 26, 2018
Sustained Business Growth toward FY2020

Position in Prescription Ophthalmic Business

#1 in Japan and Asia
Top 3 position globally

Overseas sales in 2020

Up to 40 - 50% of Total Sales

Maximize New Product Value Globally

Establish & Reinforce Overseas Business Platform

Strengthen Domestic Business Platform and Competitiveness

2011

2020

16
5 Steps Toward the Achievement of Long-term Strategic Vision

1. Develop products that meet true customer needs swiftly

2. Transform domestic business for further growth

3. Accelerate business expansion in Asia and promote market entry in Western Europe/U.S.

4. Establish competitive global product supply and quality assurance systems

5. Strengthen talent and organizational capabilities to promote “Creation and Innovation”
Our Achievements 2014~2017

**Sales Growth**
- Increased sales higher than market growth

**Change Business Model**
- Started Santen own sales model in Asian countries (Singapore, Philippines, Thailand, Malaysia, Hong Kong, Taiwan)

**Enter BOP Market**
- Established new company in China partnering with Chongqing Kerui

**Expand Product Portfolio**
- Expanded glaucoma portfolio with MSD products
- Upgraded Infection portfolio with CRV1.5
- Provided new Dry Eye medication with Diquas and Ikervis
- Started collaboration with SERI (Singapore)

**Enter New Market**
- Entered new markets (India, Pakistan, Sri Lanka, Myanmar)

**Strengthen Business Capability**
- Upgraded functions in Suzhou factory in China (Obtained EU GMP and Hialid manufacturing license)
- Started Santen own activities in Taiwan OTC market
- Obtained authorization for Santen Asia (Singapore) as a RHQ
Aggressively Expanding Business
Subsidiaries or Representative Offices in 10 Countries / Areas

Subsidiaries & Representative Offices  ( ): foundation

- Santen Pharmaceutical (China) Co., Ltd. (2005)
- Santen Pharmaceutical Sales & Marketing (Suzhou) Co., LTD. (2013) *1
- Chongqing Santen Kerui Pharmaceutical Co., Ltd. (2016) *1
- Taiwan Santen Pharmaceutical Co., Ltd (1992)
- Santen Pharmaceutical Asia Pte. Ltd. (2013) (Singapore/RHQ)
- Santen (Thailand) Co., Ltd. (2014) *2
- Santen Pharma Malaysia SDN. BHD. (2014) *2
- Santen Philippines Inc. (2014) *2
- Santen Pharmaceutical (Hong Kong) Limited (2016) *2
- Santen India Private Limited (2011)
- Ho Chi Minh City Representative Office (2013)

*1 Subsidiary of Santen Pharmaceutical (China) Co., Ltd.  *2 Subsidiary of Santen Pharmaceutical Asia Pte. Ltd.

(as of February 2018)
Started Santen Own Sales Model and Entered New Countries / Areas Partnering with Distributors

**Sales Area**

**By Santen**

*Conduct activities by Santen*

- China, Korea, Vietnam (3 countries / areas)

- Taiwan, Malaysia, Philippines, Thailand, Hong Kong, Singapore, Indonesia (7 countries / areas)

**By Distributor**

- China, Korea, Vietnam
- Malaysia, Philippines, Thailand, Taiwan, Singapore, Hong Kong (9 countries / areas)
- Indonesia, Pakistan, Sri Lanka, Brunei, Myanmar (5 countries / areas)

**FY14 April**

(10 countries/areas)

**FY17 March**

(14 countries/areas)
## Sell More Than 15 Products around Glaucoma and Dry Eye in More Than 10 Countries / Regions


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<th>KR</th>
<th>TW</th>
<th>SG</th>
<th>TH</th>
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Main products and countries only. Indonesia: distributor model. (●): will launch soon. ●: sales of more than 500 million yen.
Achieve a Stable Business Platform and Increase Sales Consistently with Active Investments

Asian Market (USD Base)
- Sales
- OP before R&D

CAGR +10%

Sales
FY13: 11.5
FY14: 16.5
FY15: 22.5
FY16: 23.5
FY17 (FCT): 30.5

Profit before R&D
FY13: 1.1
FY14: 3.2
FY15: 4.8
FY16: 4.9
FY17 (FCT): 7.2

Asia division market forecast August 2017 based on IMS MIDAS 2013-2016 excluding S01S, L, Korea OTC and China retail / 10 countries + India

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Increased Business Contribution in Santen with Higher-than-Market Sales Growth

Asia business contribution in Santen

FY13 | FY17 (FCT)
--- | ---
146.0 | 224.0

CAGR: +11.3%

FY13 | FY17 (FCT)
--- | ---
11.2 | 30.5

CAGR: 28%

Other overseas | Asia | Japan
--- | --- | ---
8% | 14% | 100%
Asia Business Strategy
Population in Asia will Grow and Over 40 Age Ratio is High

Population in Asia

*Asia 18 countries/areas (excluding Japan)

Population over 40 will double in 30 yrs to reach 1.8 bil in 2030

Population and over 40 ratio

(2015)

*Over 40 ratio

United Nations, Department of Economic and Social Affairs, Population Division (2017).
Asia Ophthalmology Market will Continue to Expand (Asia division forecast / 11 countries)

Asia division market forecast August 2017/ Based on IMS MIDAS 2014-2016 excluding S01S, L, Korea OTC and China retail/ 10 countries + India

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Strategy in Asia

FY17

FY20

Medical needs Santen can cover

Expand product offering

Entering New Markets: Chongqing, India, etc.

Improve CS

Patient Segments Santen Can Cover
Country/Region and Therapeutic Area Strategy

Startup
- Singapore
- Taiwan
- Philippines
- Vietnam
- India
  - Make a full-scale entry

Growth
- Hong Kong
- Malaysia
- Thailand
- Korea
  - Expand sales with organic growth and new product launches
  - Enter OTC/Pharmacy channel
  - Meet medical needs
- China
  - Conduct customer-oriented promotion
  - Expand sales coverage
  - Launch new products and enter national reimbursement drug list
  - Start production (filling to packaging) for main products in Suzhou plant
  - Proceed Chongqing (Kerui) PJ
- Indonesia
  - Achieve organic growth to maximize product value
  - Expand product portfolio for long-team growth

Established
- Retain #1 position in Anti-infective segment
- Achieve #1 position in Dry Eye segment
- Strengthen Anti-glaucoma portfolio with DE-117 and DE-128

Increase presence and CS
Target Higher-than-Market Growth

- **CAGR + over 15%**
- **CAGR +22%**

FY14
- ASEAN+Others
- Korea
- China

FY17 (Forecast)
- ASEAN+Others
- Korea
- China

FY20 (Estimation)
- ASEAN+Others
- Korea
- China

(JPY bil)

0.0

25.0
Santen Business in China

---Challenge, Opportunity and Strategy

Ye Liu
Corporate Officer
General Manager
Santen Pharmaceutical (China) Co., Ltd.

February 26, 2018
Vision 2020 of Santen China

IT Platform with human touch
Solution/marketing-based proposals
Covering all disease categories
Expansion of product line up
Wider geographic coverage

Solution Provider
Fulfill the needs of doctors/patients by providing treatment solutions

Product Promotion through MR activities

Sales-Oriented
*Local pharma model

Market-Oriented
*Mega pharma model

2014
2017
2020

*Certain advanced mega pharma

E-promotion

LONG TERM

START
Overall Environment in China
External Environment of Pharmaceutical Market in China is Not as Strong as Before

- Growth of pharmaceutical market is slowing down
- Multinational corporations are losing their advantage in bidding and pricing

China Pharmaceutical Market Growth Rate


Price Down Rate in some Provinces of China

Santen price down rate is No.3 smallest among the MNC and the No.1 smallest in ophthalmology companies.

2016 Sample Provinces: Beijing, Shanghai, Zhejiang, Shandong, Neimeng, Fujian, Liaoning, Guangxi
• Government regulations in the pharmaceutical industry are becoming more strict

• Traditional promotion practices (hospital visits and 1 to 1 detailing) are more and more limited

MR Entry at Hospitals
Not Monitored

Face ID System
(MR entry 100% monitored)
• Growth of China ophthalmology market: 9.9% (2013~2017)
• Santen market share increased every year since 2014 Q4, and now is #1 company with 17.3% share (excluding retina segment)

Data Source: IMS 2017Q4, without ANTI-NEOVASCULAR segment
• Santen China is growing higher than market rate and faster than main competitor
• From 2013 to 2017, Santen China **DOUBLED sales and will show the highest growth rate (25%) in 2017**

**Data Source:** IMS 2017Q4, without ANTI-NEOVASCULAR segment
Santen China Strategy
• Expanding hospital coverage through sales activities
• Strengthening the SANTEN brand through marketing activities

Target HP No. & MR No.

COS, COA Collaboration
Disease Oriented Promotion
E-Promotion

Target HP
MR

Hospitals

MRs

Level 3.2 HP Coverage 2013⇒2017: 38%⇒70%
**Disease Oriented Promotion** (e.g. pterygium)

- Collaborate with Ophthalmological Society to standardize diagnosis and treatment
- Proposal product packages to customers

### Medication expert consensus of Perioperative period for Pterygium

**Preoperative (3 days)**
- Anti-Infection
- Anti-Inflammation
- Dry Eye

**Postoperative (~7 days)**
- Anti-Infection
- Anti-Inflammation
- Wound-Healing

**Postoperative (~30 days)**
- Anti-Inflammation
- Dry Eye
E-Promotion (e.g. Platform for Ophthalmologist)

“Google” in Ophthalmology

Doctor  TOP  KOL

Third Party

Platform

Santen  CRM

Frontline  Headquarter

Ordering System
• **TAPROS** approved on Sep 21, 2015 and **DIQUAS** approved on Oct 20, 2017

• There were only **27** new molecules approved by CFDA in China during this period

*27 new molecules include: 19 tables, 3 capsules, 3 injections, 2 eye drops: Tapros, Diquas.*
## Product Launch Plan

<table>
<thead>
<tr>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td>Tapros</td>
<td>Azep</td>
<td>Diquas</td>
<td>Tapros-S</td>
<td>Cationorm</td>
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<td>Sancoba</td>
<td>Hypprom Ilose</td>
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- Launch at least 1 new product per year

- **Approved**
- **Under Registration**
Serve More Patients -- Chongqing Joint Venture

Target Market Image

- **Lev. 3 HP** (1,898 HP)
- **Lev. 2 HP** (6,807 HP)
- **Lev. 1 HP/Community HP** (912,620 HP)

High Quality, Reasonable Price

- **Jan. 2018**
- **Jun. 2017**
Compliance

---Do things right

Product Development

Sales & Marketing

Manufacturing

Customer Trust

Sustainable Growth

← “Santen China Compliance Guideline for Promotion Activities”
A Clear Vision For Life