

## The 39th Annual J.P. Morgan Healthcare Conference

# Toward the Next Growth Phase

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**Shigeo Taniuchi:** Hi. Hello, everyone. Thank you very much for joining the session with us, Santen. I'm Shigeo Taniuchi, CEO of Santen. I'm very happy to make a presentation today to you, to update our strategy, and also talk about our future outlook.

We are on slide 1, so last year, 2020 was, of course, one of the most memorable and pivotal year for global community. Indeed, the world has changed a lot while accelerating drastic and destructive changes everywhere, even within bio science community.

Last year, 2020, was also pivotal year for us, Santen, not only because it was company's 130th anniversary, but also because Santen announced its new long-term vision, Santen 2030, which is a roadmap or a compass carrying us to next decade.

For 130 years, Santen has a forecast in ophthalmology, and we will continue our singular forecast in ophthalmology, while expanding and diversifying our business. In that not only three chapter, growth, opportunity, but also gain more regions by creating a multiple pillars.

Today, let me walk through why and how Santen is going to make a steady and effective growth game, with its unique approach in ophthalmology.



Please go to slide 3. First and foremost, we all must recognize the fact that the world is built on the ability to see, and hence, vision is playing a key role in every aspect of our life.

That means, based on continuous growth of the world population, rapid urbanization, Asian society, and the massive utilization of digital tools, vision related to problems will continue to grow perpetually around the world. This is why Santen agrees that ophthalmology is the significant business area and that focus on ophthalmology is one of the best ways to contribute people's happiness.

**CORE PRINCIPLE and WORLD VISION**

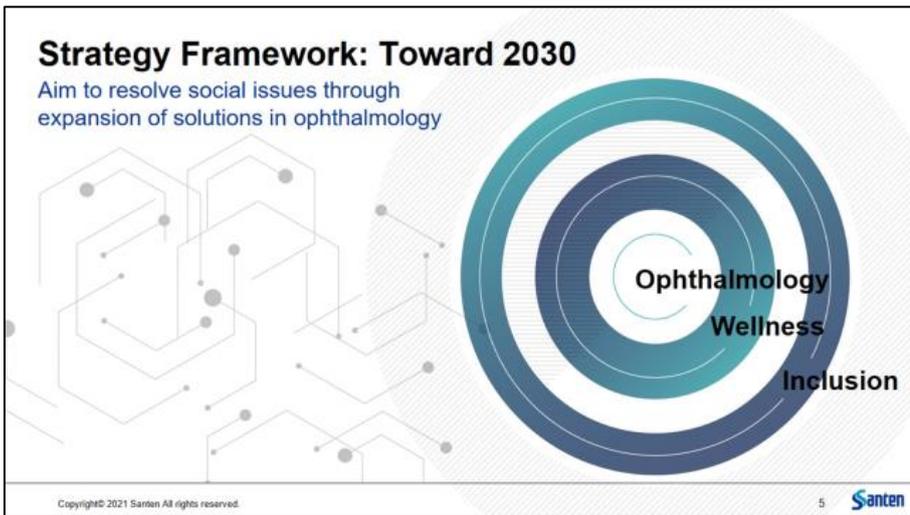
<b>CORE PRINCIPLE</b>	<p><b>天機に参与する</b>  <i>Tenki ni sanyo suru</i>          "Exploring the secrets and mechanisms of nature in order to contribute to people's health" *</p>
<b>WORLD VISION</b>	<p><b>Happiness with Vision</b>          The Happiest Life for every individual, through the Best Vision Experience</p>

\* Santen's original interpretation of a passage from the Zhongyong (The Doctrine of the Mean) by Confucius.

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Please go to slide 4. For 130 years, Santen's committed to contribute to people and society with its core value, thinking if I'm true in Japanese, or in English, exploring the secrets and mechanical of nature in order to contribute to people's health.

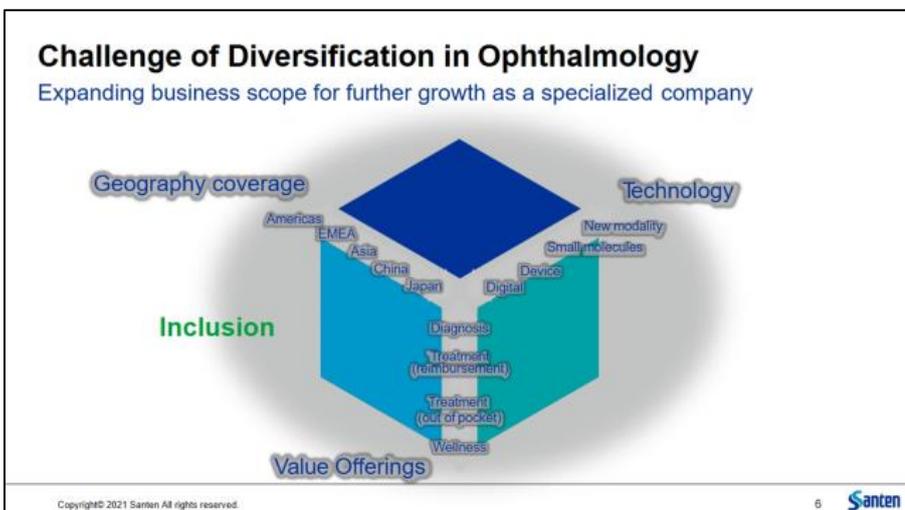
We also set what the vision or purpose of our company, which is happiness with vision. Because the vision is associated with every aspect of our life, our goal is to create happiness around the world through the best vision experience. I will explain more granular how we are going to approach throughout this purpose in following slides.



Next slide, please. Slide 5. Santen 2030 our long-term vision for next decade, have three strategic pillars. Ophthalmology is our continuing effort on bringing about innovation. In ophthalmology treatment, wellness is a strategy to create and provide a solution that meets growing demands on well-being.

Because vision or function is associated with every activity of the people, there is growing demand around the vision regardless medical treatment or medication, particularly, under current work-at-home environment, vision-related issue is one of growing concerns. Inclusion is our activity to create a society where people are having happy life together regardless vision problem.

At present, 2.2 billion people around the world have a vision impairment. Hence, it is our mission to promote inclusive society regardless vision impairment. In summary, next decade is our 10-year journey of transformation from conventional eye-drop company to a social innovator in ophthalmology by expanding and diversifying business and solution.



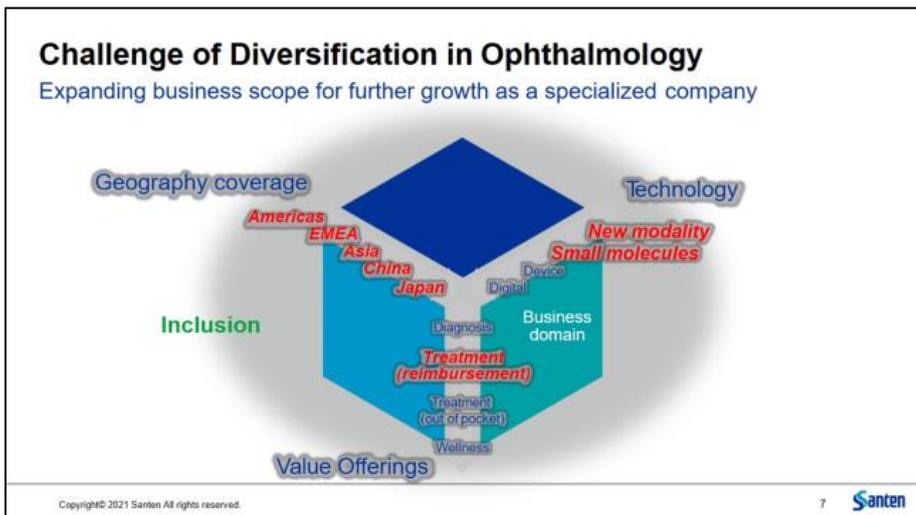
The question is how to do so. Please, go to slide six. Let me talk about how from three axes, technology, value offerings, and geography. Originally, Santen has its strengths in small molecular medicine for the investment market or basically Rx eye-drop for ophthalmologist and patient.

While Rx eye-drop will continue to play key role in ophthalmology treatment, new technology is being developed and introduced. Thus, technology will expand ophthalmology treatment boundary.

There are several new emerging-technologies outside of conventional medicines, such as cell therapy, gene therapy, or digital health, which are supposed to play key role in treatment in ophthalmology tomorrow. How to deal with this technology transformation is one of the key challenges for Santen.

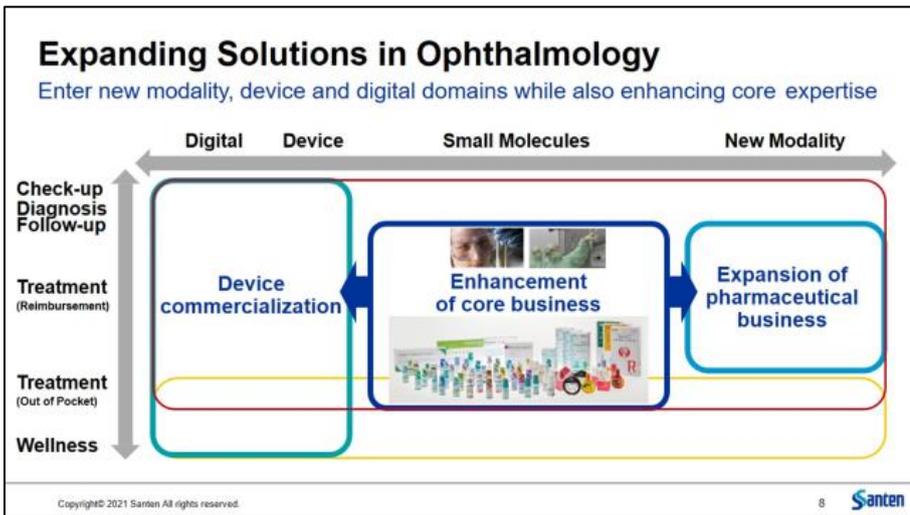
At the same time, value offerings are diversified thanks to change of individual behavior and digitalization of our life. Even COVID-19 has accelerated this trend massively. In the past, many people were just visiting hospital to see a doctor. Now, Zoom interviews with doctor and digital diagnosis using AI technology or App are already part of our life.

Therefore, we are anticipating various business opportunity will be emerged outside of conventional investment-based personal healthcare system. In addition, geographical coverage is critical for a company to deploy strategy. We have expanded business foothold in China, Asia, and Europe in last decade.

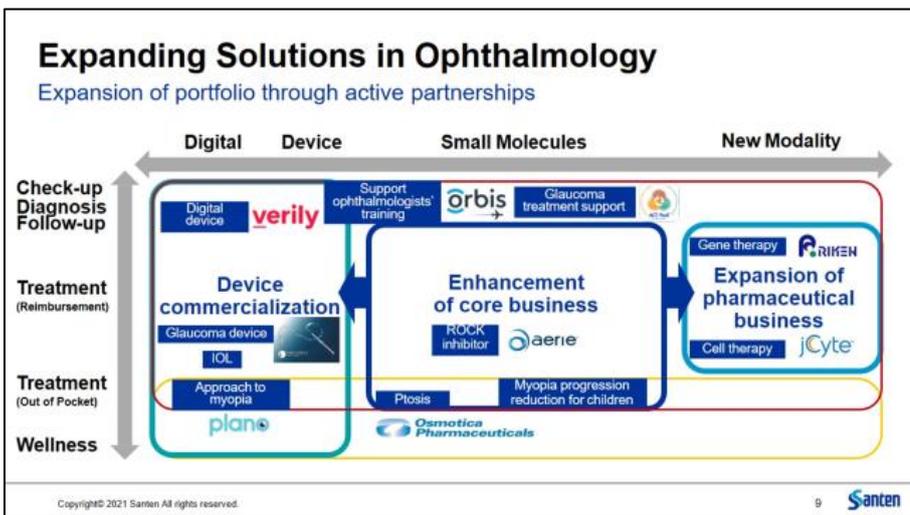


Now, Santen is entering into North America market in order to complete our geographical coverage, which I will talk later. Please, go to next slide, slide 7. In fact, last 10 years, growth driver of Santen was geographical expansion in Asia and Europe while business kept remaining mainly in Rx eye-drop.

Then next 10 years, we believe growth driver should be coming from business expansion in technology and value offerings while expanding to North America. Let me go further about these points in the following slides. Slide 8, please.



This is a chart with technology in horizontal axis and value offerings in vertical. Our historical focus and core business is Rx eye-drop in the middle. The question is how to manage business expansion, to right, on the left-hand side. Also, another question is how we diversify our value offerings from reimbursement business to diagnosis, out of pocket, and wellness, in vertical axis. Please, go to next slide, slide 9.



First, we need to secure, solid revenue base in our core business RX eye-drop. We are currently running multiple internal projects to manage sustainable and organic growth in all key markets. Additionally, we are actively acquiring external opportunities including recent licensing of ROCK inhibitor products from Aerie to Japan and Asia glaucoma market.

To the right-hand side, new modality. Santen has made steady growth and steady progress in cell and gene technology. For instance, Santen has made a partnership with jCyte, last year, which has later-stage cell-therapy program for retinitis pigmentosa or RP, which is one of the leading causes for blindness.

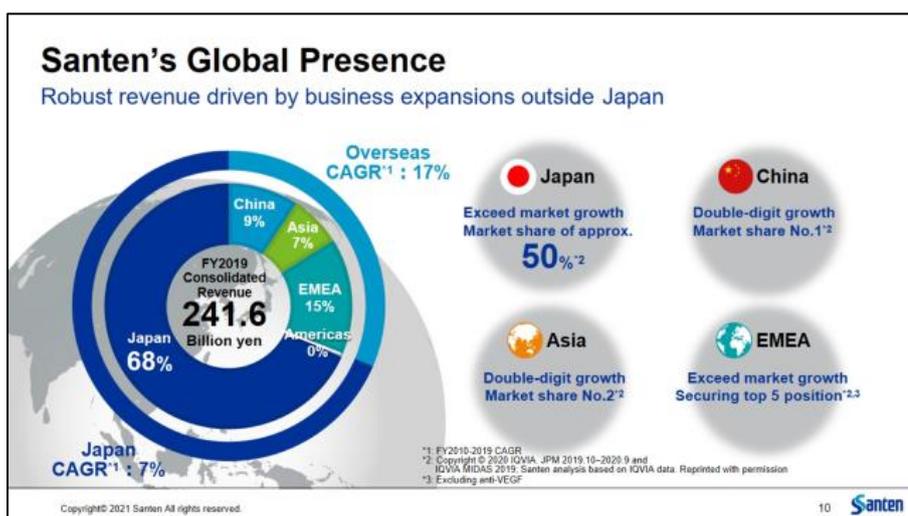
Together with jCyte, Santen is going to develop and commercialize this technology throughout the world. We are also working with Riken Innovation Firm to develop gene therapy for retinitis pigmentosa (RP). To the left-hand side, device and digital space. We have already established joint-venture with Verily.

This JV, the name is 2020 Therapeutics, is quite aggressively working on bringing about new innovation in

ophthalmology diagnosis and treatment by using technology and experiences from both Verily and Santen.

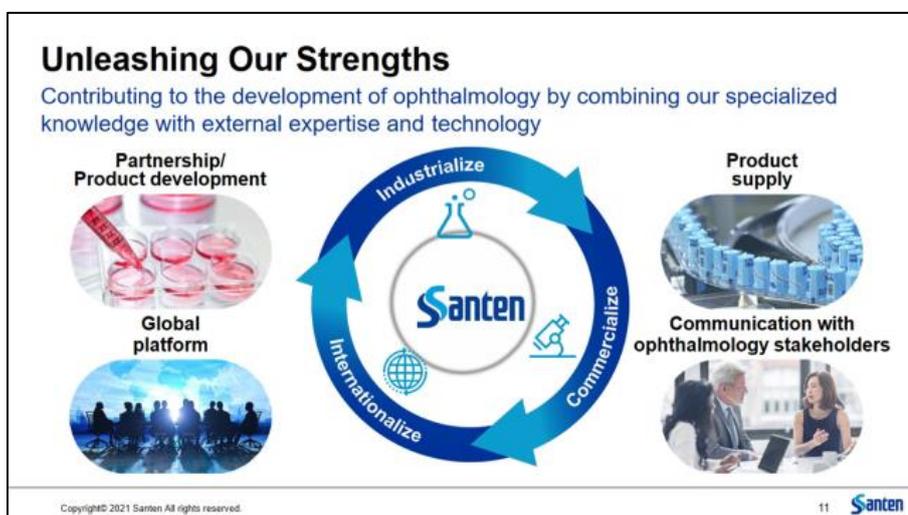
In medical device space, we are focusing on glaucoma device, Preserflo MicroShunt, which is already in commercial stage in Europe and is awaiting approval from FDA in the United States. In terms of verification of value offerings, we have several interesting projects in myopia and ptosis. Whereas market does not exist yet, we believe there is a huge potential mainly in Asian countries.

Also, we have established various partnerships with government, academia, or an NGO -- such as Orbis, ITU, WHO -- in order to improve quality of care and services. Go to the next slide, slide 10.



From geographical expansion point of view, we have successfully diversified our revenue stream in our business outside of Japan, which currently occupies one-third of total sales, with 17 percent annual growth.

Not only China but also rest of Asian countries, as well as Europe, have equally contributed to this remarkable growth by launching new products and by gaining market share everywhere. In the meantime, Japan business is also gaining market share reaching up to 50 percent. Next slide, please. Slide 11.



Now the question is how to realize such a transformation. The answer to this question is to fully leverage our core

competencies or concentrate as a singular focused company, which is industrialization, commercialization, and internationalization of any possible technology related to ophthalmology.

By fully leverage our existing assets and network, Santen can contribute to industrialize, commercialize, internationalized those new innovations better than any other global and local players.

Yes, cell therapy or digital health is totally a different space from conventional medicine, but our vast experiences and network in ophthalmology such as product development and supply, clinical trials, regulatory affairs, market access, and the network with ophthalmologists in the world and the people...

4,000 Santen people around the world, in 50 countries, who are trained, dedicated, motivated, and specialized in ophthalmology are quite useful and deliver assets to those new technologies. Now Santen has a true global presence covering ophthalmology community in up to 70 countries around the world, so that we can lead internationalization of innovation in all the key markets including United States, China, Asian countries, Europe, and Japan.

Therefore we are quite confident that Santen is in the best place to capture new technology in ophthalmology. The more we gain experiences, the more value we can generate through a mutual running process around core competencies. Next slide, slide 12, please.

**Our Plan to Enter the United States**  
Eyeavance acquisition and DE-128 aimed at developing a future revenue pillar

Pipeline in the US <small>As of October 2020</small>	
Glaucoma	DE-128 (Application filed)
Glaucoma	DE-117 (P3)
Glaucoma	DE-126 (P2b)
Vernal keratoconjunctivitis	Verkazia (Application filed)
Uveitis	DE-109 (P3)

**Acquisition of commercial platform**

**eyeavance**  
pharmaceuticals

**45+** Field forces      **5+** Unique FOTE products

**GLAUKOS**  
Exclusive US sales partner for MicroShunt

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In order to upgrade our geographical coverage to the next level, Santen is finally entering into United States market. We have multiple late-stage internal pipelines such as DE-128, Preserflo MicroShunt, or DE-117 for glaucoma.

The question was how to quickly establish sound commercial platform in the United States, the biggest market in the world. To answer that question, Santen has acquired Eyeavance, an independent ophthalmology company with complementary commercial presence so that we can accelerate market penetration.

Additionally, Santen has already established a distributor partnership with Glaukos, a leading glaucoma device company, so as to leverage their experiences, coverage, on glaucoma surgical specialist when we launch MicroShunt in the US market. Historically, we have literally no sales and profit from US market.

In coming years, let's say three to five years, we are anticipating remarkable sales growth and profit coming from this key market. Next, slide 13, please.



Going forward, Santen is continuing our steady and solid growth in our core business in Japan, China, Asia, and Europe. In addition, we are anticipating rapid growth and profit contribution from US market in nearer term.

On top of that, new technology and services, such as cell therapy or digital health will be coming into the market and start making contribution in mid- to long-term.

Santen was Japan-centric ideal company in previous century. Santen then became big serious semi-global players in the last decade. Santen is going to become a true global player in ophthalmology within three to five years with successful entry into US market.

Then, Santen will become a social innovator in ophthalmology -- beyond pharmaceutical, beyond eye drop -- in next decade, with diversified business pillars in pharmaceutical, cell and gene, device, digital, with in-house global resilience . Next slide, please, 14.



Last but not least, based on our world vision Happiness with vision, we are working on diversity and inclusion quite seriously as a part of strategy pillar. Particularly, we are working very hard on inclusion activity for blindness, where still social and technology hurdle do exist.

We are promoting several initiatives in this area, including company-wide participation on blind awareness program, along with our partnership with Blind Football Association, as well as recent participation to the Valuable 500.

Every Santen employees in more than 50 countries, including several visually-impaired people, is fully committed to realize happiness with vision and actively engaged into various initiatives for diversity and inclusion.

Toward the future, Santen is conducting multiple efforts, including utilization of digital technology, partnership with tech startup or NGO in order to bring social innovation to the society where people can live together, regardless vision problem. Next slide, please.



Today, I walk through how we are going to realize company growth through strategy transformation and a long-term vision Santen 2030. We are so grateful to already start several new initiatives to accelerate transformation and to realize happiness with vision, again which is our world vision and purpose.

On behalf of Santen global team, I really appreciate your support and participation onto our journey in order to jointly create happiness with vision in all around the world. Thank you very much.

**Seiji:** Thank you, Taniuchi-san. I'm going to start our Q&A session. If audience have questions, please submit your questions online by Ask a Question there.

Maybe I'll kick off with my question. You showed a main chart of future growth. I'd like to know the revenue target, revenue size which you assume in fiscal year 2030, and also the revenue size of each division in fiscal year 2030..

**Shigeo:** At this point, we have not disclosed the sales target by 2030. Also, I'd say we are currently working on building the mid-term plan, which is going to cover next five years. At this point, it is too early to disclose about the actual sales

target, but let me share some growth image.

When we continue the current pace of growth, we are going to hit five billion in around somewhere in next decade, I'd say. Maybe five years. Maybe seven years. I don't know, but at some point in next decade.

At that time, probably I would say the existing business -- such as Japan, China, Europe, Asia -- might be around three billion out of five, whereas one for US and one for new business. That is the rough estimation for sales forecast. We will fine-tune more and process numbers in coming months.

**Seiji:** Thank you. Next, about new technology. You have [indecipherable] on the new business, so cell therapy, gene therapy, there's a device, and so on. Could you give for us some more details of each technology? Which technology do you expect the most in terms of see its potential?

**Shigeo:** The new business in terms of technology, as I explained, which is going to be a cell therapy/gene therapy as one bucket.

The entry point for us is cell technology with jCyte. Of course, we are hoping to add another cell therapy, or gene therapy, or some sort of a regenerating therapy, in this business. Currently, we are working on various partnership with many academiator startup. Our team to explore the opportunities.

This is maybe the fourth product into this business, the jCyte project, which is maybe around five or six years timeframe.

The other aspect in terms of technology is digital health. As a fast track initiative, we started this venture with Verily, to explore digital health opportunities in ophthalmologist. Because of the nature of these digital technologies, it might be very quick, but it might take more time, depending on the approval and pathway.

Anyway, in the next two to five years, we are hoping to launch some form of the product or services from these joint ventures.

New business, in terms of value offerings, it will be our product new attempt on out of pocket segment in myopia and ptosis. Whereas this product attribute developed as investment product or ordinary eye drop business, but probably go to market model might be further different from what we see in the investment market.

It will be another attempt, another kind of stream for new business. I have to say these three stream --cell and gene, digital, and out of pocket go to market, are three group.

At this point, preparative to talk about the fifth potential, I can only say everything is quite large potential. But in terms of timeline, probably the digital, or ptosis in the out of pocket, might be coming first, as a first wave, followed by myopia and cell and gene.

In the mid-term, most likely ptosis and digital might be a sales and profit contributor, followed by myopia, which is more larger segment, and also cell and gene mid- to long-run.

**Seiji:** Thank you. Next question from investor, do you see device is complementary to your pharmaceutical portfolio as a significant driver to future revenue and earnings?

**Shigeo:** Yes. Of course yes.

If we can present slide 8 or 9, maybe 9. If we can take a look at slide 9, this horizontal axis is about technology, and vertical is on services. This horizontal axis about technology means that it requires different capabilities in terms of development and manufacturing, but the vertical means different approach in terms of go-to-market strategy. That is basically the meaning.

From device business, first of all, we believe it makes sense for Santen being not a pharmaceutical company, but ophthalmologic company to participate. We can share our go-to-market infrastructures between pharmaceutical eye drop and medical devices.

Of course, service specialist skill might be slightly different. In general, we can share many resources, such as clinical trials, such as supply chain, or medical affairs between pharmaceutical and medical device business.

Also, from the treatment strategy point of view, we are leading glaucoma treatment by having multiple portfolio in our arsenal. Adding the glaucoma medical device on top of the pharmaceutical products totally makes sense in terms of a value offering to the physician and the surgical specialist.

We can offer one-stop information and solution to those specialists, regardless medication or surgical product, whereas other competitor might be only pharmaceutical or medical devices.

There are many overlap or synergy, I would say, between the pharmaceutical and devices. Of course, we recognize difference in terms of the daily affairs, for instance. We are managing those capabilities whereas leveraging synergies.

I'd say yes, it makes sense, especially as those selected area, such as glaucoma for instance, where we believe that synergistic effect do exist.

**Seiji:** Next question for me about collaboration and partnerships. You have initiated this new business with other companies. Are you going to initiate these new businesses through partnerships and collaborations from now on?

In terms of partnership, what kind of needs do your partners want from you? What kind of value would you be able to provide?

**Shigeo:** First of all, we are quite actively and aggressively seek for partnership opportunities in order to capitalize the

core capabilities to start up the business.

In this pharmaceutical or eye drop business area, we do have everything in our hands. In new business area -- for instance digital health -- we do not have the core capabilities to develop software, develop some digital project. This is why, for instance, we built the joint venture with Verily to capitalize such a capability from the world-leading partners.

This is the basic idea for partnership. We leverage partnership to capitalize new capabilities, and also to accelerate the lead time to bring about innovation to the world. I think, based on this principle, I would just say the criteria for partnership is depending on what we can capitalize through the partnership.

Also, there is a kind of criteria I would just say is the impact on the global scale, how much this may have impact on global or local scale. So, these are criteria. We have managed to start up several initiatives, such as jCyte, such as Verily. It's a fast-track initiative, but I don't think that's the end of our partnership.

We will seek for next-wave technology or maybe another complementary partnership to improve our value offerings on the pipelines for next decade, especially in this cell and gene or digital health. I would say those two areas are probably key for us to expand and diversify our business.

The services we can offer is again our broad infrastructures in ophthalmology area about industrialized, commercialized, and internationalized business. For instance, in terms of jCyte partnership, we can offer them the services to industrialize their technology outside of United States, so we are going to develop their product in Europe or Japan.

Also, we offer the commercialized infrastructures outside of US, too, and, of course, internationalized point of view. We can translate their values into different languages.

Depending on the partnership, depending on the will of the partnering companies, we are going to tailor, depending on the mutual success of the business. This is something I think we can offer to the partnership. Also, we can leverage the growth through the partnership.

**Seiji:** Thank you. Next, I want to ask a question on US business, for instance just know more details of US business in terms of pipeline and major platform. Do you think you will be able to achieve the US growth target of one billion in current pipeline and platform, or are you going to strengthen your pipeline or platform one more?

**Shigeo:** First of all, talking about the pipeline, we do the have near-term pipeline, such as DE-128 for MicroShunt and 117, I would just say. Also, maybe there's even a smaller pipeline but quite important for the patient, which is Verkazia for VKC, which is orphan drug indication for kids. These are the main partnership pipeline, hopefully followed by other pipelines, such as DE-126.

On the other hand, given the size of the market and potential of the US market, I don't think 500 is right goal for us, Of

course, why we need to focus on success for launch of these pipeline 128, 117 through the partnership by building the presence.

Also at the same time, we need to, of course, aggressively expand our pipelines through the acquisition or through the vary activities to enrich our pipeline portfolio to accelerate our growth so that we are going to hit one billion at some point, hopefully nearer sooner than later.

**Seiji:** Thank you. I understand. I want to know about Eyevance. You acquired US pharmaceuticals company, Eyevance, for expanding US presence. I'd like to know the profile and strong points of this company.

**Shigeo:** First of all, I'd like to say Santen is not necessarily entirely stranger to US market. We have employed more than 100 people in the US, mainly for R&D, but we have all the expert and the know-how about US market. What's missing is real commercial capabilities and maybe the boundaries to conduct the commercial activities.

For instance, in order to conduct the direct-market activities for ophthalmologists in the US market, we need to hire 50 to 100 people at least to reach out the physicians. Because we do not have local presence in commercial business, and also we do not have such boundaries, it takes time. It takes more prolonged pre-investment period until we really make the profit.

The question was how we going to accelerate the pre-investment period by acquiring already-established platform. This is one of the key factors for success based on our experience of market expansion and entry into different countries, such as in Asia or European countries.

We were seeking such opportunities rather than building everything on scratch. We are seeking such opportunities, and then we explored the Eyevance opportunities as a best fit to the company. It is a quite sizable fit to Santen. It is not too small, not too big for the business size. Financially speaking, it makes sense for Santen to acquire that company.

Also would be, it has product complementary pipeline. We have a strong pipeline in glaucoma business, whereas their product is mainly in the front-of-eye segment. There's a good kind of complementary and synergy between two pipelines so that we can really maximize on the productivity of the service team.

Also, because it is a newly-established company, there is no unnecessary legacy for the company. It's a new, young, focused company in ophthalmology, so also good fit for us. We have everything other than commercial platform, and Eyevance is only commercial company. It's a nice fit to acquire the company.

These, I think, are the rationale for us. We are going to fully leverage and utilize the commercial platform, product, people, and heritage that Eyevance built in order to accelerate our growth in the US market.

**Seiji:** Thank you. Two minutes left. Our last question about China business. Over a short-term, there will be a narrative impact on your China business by value-based purchasing. I think there is still a growth opportunity. I would like to ask

about your growth strategy in China in mid- to long-term.

**Shigeo:** Thank you for a good question. First of all, we believe not only China, but also entire Asian business as long-term business opportunities. Of course, in the short-term, there might be some up and down, such as in China or Thailand or every country, such as hindering price cut.

In the long run, we agree we are quite optimistic about growth. We are more concerned about how we are going to secure the supply to meet the demand in those big markets.

For instance, the glaucoma market is only a piece of iceberg in the current situation because of lack of diagnosis and lack of treatment and lack of specialists. Compared to Japan and developed countries, only one percent or three percent opportunity are already realized in glaucoma segment or the other ophthalmologic disease.

By accelerating the world market development, more building existing, and also training the doctors, and also the ability on penetrating into the market, we should capture more opportunities.

Majority of the kids in China are having myopia. We need to worry about how we are going to supply the product to the hundred million of the kids in China or Asian countries, which currently we do not have such a capacity, but someone needs to supply the product to China.

In the long-term, we do see the opportunity in various disease area, such as glaucoma, such as myopia, even ptosis, and also the growth outside of the investment hospitals. There's an already-growing trend in private segment, as well as private insurance company in China.

Future in China might be something like US market, or mix between private and public market. We are, again, hopeful and optimistic about the future for China. In the meantime, we are focusing to how we are going to create and how we are going to develop the future of the market in China and Asia.

**Seiji:** Thank you. The time of closure has come. We'd like to close this Q&A session. We thank you very much for your time, Taniuchi-san and Suzuki-san. I appreciate your presentation and Q&A session. I hope to see you very soon. Thank you.

**Shigeo:** Thank you very much. Bye.

**Seiji:** Thank you.