Santen is pursuing development of products to satisfy unmet medical needs in ophthalmology for patients worldwide.

Developing Products That Satisfy Unmet Medical Needs by Targeting Disease Areas That Leverage In-House Strengths

Santen is pushing ahead with R&D activities to fully harness our strengths as a specialized pharmaceutical company to contribute to ophthalmic treatment around the world. R&D resources are focused on creating differentiated drugs in those therapeutic areas with high unmet medical needs and strong growth prospects, notably glaucoma and ocular hypertension, keratoconjunctival disorders, and retinal and uveal disorders. Santen has drawn up strategies for each therapeutic area where we can leverage Santen’s strengths in conjunction with advancing product development to address the constantly changing treatment needs of patients and region-specific unmet medical needs.

Message

We Are Accelerating the Development of Pharmaceuticals Eagerly Awaited by Patients Worldwide.

Guided by the Fiscal 2014–2017 Medium-Term Management Plan, we are accelerating reforms aimed at leveraging our global R&D network to support drug and device development. Our focus is to: (1) target and address unmet medical needs, (2) reduce time to launch, and (3) improve the probability of technical success, while stressing suitable cost control. To improve the probability of success with late-stage clinical development projects and achieve early approval, we are also promoting “Network Product Development”5 while accelerating translational research6, which targets productivity gains by linking basic and clinical research. These initiatives are generating positive outcomes in varied ways as we develop drugs such as DE-109 and DE-117. We remain focused on making a contribution to ophthalmic treatment by developing products to satisfy the unmet medical needs of patients worldwide.

5. An approach of proactive use of compounds and technologies from outside the company in product development
6. Multi-disciplinary research that links basic research, clinical research, and medical care and utilizes such findings for effective and efficient practical applications to contribute to healthcare advancement
Santen has been accelerating global product development in tandem with strengthening collaboration among R&D bases in Japan, the U.S. and Europe. Moreover, by leveraging Santen’s formulation technology such as the development of preservative-free medicines and drug delivery systems, we are caring out product life cycle management to maximize our current product portfolio’s market value. We are also actively exploring the use of biomarkers to promote the development of optimized pharmaceuticals for patients.

Progress on Global R&D

Glaucoma and ocular hypertension is one of our targeted areas. The aim is to supplement our broad portfolio of current products through the development of differentiated products to offer treatment options for a wider range of patients. The current glaucoma pipeline includes DE-117, DE-126 and DE-128 (InnFocus Micro-Shunt). DE-117, an EP2 receptor agonist with a novel mechanism of action, is in Phase 2b/3 trials in Japan and is in Phase 3 trials in Asia. In the U.S., Phase 2 studies have finished. DE-126, an FP/EP3 dual receptor agonist, began Phase 2b trials in the U.S. and Japan in July 2017. DE-128, a surgical implant, has received a CE Mark in Europe, and is currently in Phase 2/3 trials in the U.S. and Europe.

In keratoconjunctival disorders, Santen has successively launched *Ikervis* (generic name: ciclosporin, development name: Cyclokat) in European markets since July 2015 for the treatment of severe keratitis in adult patients with dry eye disease, which has not improved despite treatment with tear substitutes. *Ikervis* is the first prescription pharmaceutical for dry eye treatment marketed by Santen in Europe, and we are working to maximize its market value based on collaborative sales and marketing efforts to increase our regional market penetration. We have also submitted filings for marketing approval in Asia. Regulatory approval was granted in Thailand in November 2016, and in Korea in March 2017.

In the field of retinal and uveal disorders, we filed an NDA (New Drug Application) in the U.S. in February 2017 for DE-109 (sirolimus) for the treatment of non-infectious uveitis of the posterior segment, a major cause of blindness (PDUFA regulatory review deadline is December 24, 2017). A number of submissions for marketing approval have been filed in Asia since April 2015, and we also plan to make submissions in Europe in due course.

1. Formulation technologies engineered to deliver the right amount of the drug to the right target at the right time
2. Aligning one compound to treatment needs over the long term and augmenting through additional indication, dosage, formulation and combination products to increase product value
3. Indicators that objectively measure and evaluate biometric information to identify medical states including the onset or severity of disease
4. A symbol applied to products exported to EU countries to indicate compliance with EU health and safety directives

Please refer to the CSR section on the Company’s website for details.

**CSR Activities**

Respect for Human Rights in R&D

Establishment of Research Ethics Committee

We promote business activities with respect for human rights. In our R&D activities, we have established a Research Ethics Committee as a system to ensure that all R&D activities are appropriately conducted in scientific and ethical terms. The Research Ethics Committee deliberates whether the appropriateness of research in ethical terms, including the protection of privacy of trial participants and the validity of research contents, and the appropriateness of research in scientific terms is assured. To ensure that the deliberation is fairly conducted, the director in charge of compliance serves as the chairperson of the committee, and the committee members comprise employees as well as external members who are professionals in the medical or legal fields.

Please refer to the CSR section on the Company’s website for details.

http://www.santen.com

Naveed Shams
M.D., Ph.D.
Senior Corporate Officer
Chief Scientific Officer (CSO)
Head of Global Research and Development
### Glaucoma

<table>
<thead>
<tr>
<th>Dev. Code/Dev. Name</th>
<th>Generic Name</th>
<th>Indication</th>
<th>Original / Licensor</th>
<th>Region</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
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### Keratoconjunctival Disorders

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### Retinal and Uveal Disorders

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<th>Original / Licensor</th>
<th>Region</th>
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<th>Phase 2</th>
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<td>Phase 2a</td>
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</tr>
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</table>

As of August 1, 2017

### About Research and Development

After passing pre-clinical trials for safety and efficacy, new drug candidates are put through the clinical trial phases outlined on the right. Upon receiving manufacturing and marketing approval, they can be sold as prescription pharmaceuticals.

**Discovery Research** → **Pre-Clinical Trials** → **Clinical Trials** → **Application for Approval** → **Launch**

**Phase 1**
- Estimate initial safety and tolerability of drug on a small number of healthy volunteers

**Phase 2**
- Investigate and determine the appropriate dose and regimen for a specific treatment on a small number of patients

**Phase 3**
- Confirm safety and efficacy relative to existing drugs and placebos on a large number of patients

1. In the initial stage of Phase 2, POC (Proof of Concept) is tested and safety and efficacy evaluated

### TOPICS

**Acceleration of Global R&D through “Network Product Development”**

In recent years, Santen has promoted “Network Product Development” to help reduce time to launch and improve success rates based on partnerships with external institutions specializing in certain technical fields. Joint R&D projects with the Singapore Eye Research Institute (SERI) are focused on developing treatments for ophthalmic disorders prevalent in Asia. Elsewhere, in-licensing DE-126 from ONO PHARMACEUTICAL CO., LTD. has strengthened Santen’s glaucoma pipeline. Going forward, focusing on its targeted disease areas, Santen will seek to further strengthen its pipeline and accelerate development of products that satisfy region-specific unmet medical needs, based on combining in-house strengths with compounds and technologies from outside through co-development, investment and other approaches.

2. An approach of proactive use of compounds and technologies from outside the company in product development
3. University College London
4. National Research and Development Agency RIKEN
5. Regenerative Patch Technologies, LLC

For details on the status of the development pipeline, please refer to “Main Products in Pipeline” on the Company’s website. [http://www.santen.com](http://www.santen.com)
We fulfill global needs for ophthalmic treatment by ensuring a stable supply of reliable products.

Thorough Quality Management to Ensure the Delivery of Safe and Reliable Products

Santen pays meticulous attention to “water,” “air” and “people” in order to guarantee safety, efficacy and homogeneity in the manufacturing process for products centered on ophthalmic solutions.

Water is the lifeblood of all ophthalmic solutions. Santen purifies and only uses water of the highest purity that meets the exceptionally strict standards stipulated by the Good Manufacturing Practice (GMP) for water-for-injection products.

Regulations require that ophthalmic solutions are sterile products. Therefore, Santen sets the level of air quality appropriately according to contamination risk. Because the filling zone requires the highest cleanliness level of sterility, the air quality at such facilities is equivalent to the level mandated for operating rooms.

In addition, Santen is focusing on human resource development to continuously maintain stringent quality standards. Measures include establishing an in-house qualification system for work in sterile environments and conducting training and drills on correct work procedures, hygiene and sanitation control.

Establish Product Supply System with Global Competitiveness

Santen supplies over 700 products to markets in approximately 60 countries. Santen is focused on pursuing high product quality and enhancing globally competitive manufacturing cost, in order to achieve sustained growth in response to a variety of needs in the global pharmaceutical market. For this, Santen is working to build an even better product supply system. Our global production system is currently spread over four plants: (1) Noto Plant (Japan), one of the world’s largest plants of ophthalmic solutions; (2) Shiga Product Supply Center (Japan), our core global facility responsible for technological innovation and strategic planning; (3) Suzhou Plant (China), which meets the rapidly growing needs of the Chinese market; and (4) Tampere Plant (Finland), which serves as a supply center mainly for markets in the EMEA region.

With regard to the ophthalmology products transferred to Santen from U.S.-based Merck & Co., Inc. in 2014, Santen has been selling the products manufactured by Merck, but the related technologies are now being
In August 2016, Santen established a joint venture through a collaboration with Chongqing Kerui Pharmaceutical (Group) Co., Ltd., a Chinese state-owned company with a history of over a century since its founding. The aim of the joint venture is to provide the highest-quality prescription ophthalmic products at a reasonable price to the most patients possible in China. Santen is now advancing the construction of a plant that will meet Santen's high quality requirements and standards, with the goal of supplying products that make the most of Santen's expertise and technical capabilities in the ophthalmic field.

Establishment of Chongqing Santen Kerui Pharmaceutical Co., Ltd. and Construction of New Production Site

In August 2016, Santen established a joint venture through a collaboration with Chongqing Kerui Pharmaceutical (Group) Co., Ltd., a Chinese state-owned company with a history of over a century since its founding. The aim of the joint venture is to provide the highest-quality prescription ophthalmic products at a reasonable price to the most patients possible in China. Santen is now advancing the construction of a plant that will meet Santen's high quality requirements and standards, with the goal of supplying products that make the most of Santen's expertise and technical capabilities in the ophthalmic field.

Maintenance and Operating the Environmental Management System

Santen conducts environmentally friendly production and logistics operations. In Japan, we have ISO 14001 certification, the international standard for environmental management systems, as an integrated organization, including for the Shiga Product Supply Center, Noto Plant, and special subsidiary Claire Co., Ltd. Overseas, Santen Oy, a subsidiary in Finland, acquired and continuously maintains ISO 14001 certification also covering sales and marketing activities.

Fulfilling Social Responsibilities in the Supply Chain

Progress on Supplier Due Diligence

Santen aims to fulfill its social responsibilities throughout the entire process of the production and supply of pharmaceuticals, including suppliers. Specifically, we conduct due diligence of pharmaceutical ingredient suppliers and manufacturing subcontractors with whom we currently or plan to conduct business, in order to confirm the status of their activities on areas including legal and regulatory compliance systems, environmental conservation, and occupational health and safety.

1. Due diligence in CSR is a process for identifying both actual and potential negative effects on society related to an organization’s decisions and activities.

Please refer to the CSR section on the Company’s website for details. http://www.santen.com

CSR Activities

Related CSR Activities

Environmentally Friendly Production and Supply

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1. Due diligence in CSR is a process for identifying both actual and potential negative effects on society related to an organization’s decisions and activities.

Please refer to the CSR section on the Company’s website for details. http://www.santen.com
We have established a system to ensure Company-wide quality compliance, which encompasses measures to enhance the reliability of Santen’s products in terms of quality, efficacy, and safety, as well as the quality of its services, including after-sales care.

Established a Global Quality Compliance System

Santen’s products are used in around 60 countries throughout the world. We believe that our business activities rest on the foundation of continuously supplying safe and reliable products to patients in those countries and regions. To achieve this goal, Santen has established the Quality Compliance Division under the direct control of the President and CEO. Under Quality Principle Policy, Santen has established a global quality compliance system. To guarantee the Santen brand reliability, this system adopts two approaches: quality assurance and pharmacovigilance. Santen gathers information about quality compliance activities through the Global Quality Management Committee (GQMC) and the Pharmacovigilance Committee (PVC), and undertakes management reviews led by the management team. In these reviews, Santen evaluates the systems related to quality compliance, revises the Quality Principle Policy, and sets quality targets, among other activities, as part of efforts to ensure quality compliance from a global perspective.

Quality Compliance Division

Global Quality Management Committee (GQMC)
Prepares global policies and criteria concerning quality management and auditing

Pharmacovigilance Committee (PVC)
Prepares global policies and criteria concerning pharmacovigilance
Pharmaceutical manufacturers must observe rigorous quality control standards stipulated in various regulations. Simply observing these regulations, however, is not sufficient to maintain Santen’s brand value and reputation. Santen must continuously supply pharmaceuticals and medical devices that meet changing user requirements as the pharmaceuticals environment evolves with the times. To do so, it is vital to establish “Company-wide quality compliance,” encompassing collaborative measures by every division involved in products, such as R&D, production, and marketing, to enhance the reliability of Santen’s products in terms of quality, efficacy and safety, and the quality of its services, including after-sales care. To this end, Santen’s Quality Compliance Division conducts quality audits in R&D and production processes, along with supporting the quality compliance initiatives of each division.

In addition, in step with advances in Santen’s global business activities, Santen is building a quality compliance system in Asia and EMEA while ensuring compliance with the different regulations in each country and region.

Assurance of Reliability throughout Product Life Cycle

Promotion of Activities to Ensure Patient Safety

To prevent confusion between different drugs, Santen is working to reduce medical staff burden required to identify drugs, and to make improvements that will help to ensure accurate drug handling, such as providing clearly identifiable packaging and information labels on containers. For example, for eye drops available in various concentrations with the same components, we provide highly visible information about the concentration on the shrink label that covers the eye drop container as well as on the top of the cap.

Measures against Counterfeit Medicines and Other Quality Compliance Measures

To prevent accidental confusion between prescription medicines in Japan, ensure traceability, and enhance the efficiency of distribution, Santen will print bar codes that indicate not only the product code but also the serial number and the expiration date on all product boxes and packages for transportation by the end of March 2021. Moreover, we are promoting Good Distribution Practice (GDP) measures to ensure highest quality compliance by maintaining and appropriately managing medicine quality during storage and transportation, and taking measures against counterfeit medicines.

Please refer to the CSR section on the Company’s website for details. http://www.santen.com

Examples of labeling for eye drops available in various concentrations with the same active ingredients (Side and top surface labels)
We will meet therapeutic needs in each country by providing specialist knowledge in the field of ophthalmology and valuable products and services.
Specialization in Ophthalmology Field and Pursuit of Business Synergies

Santen Group uses its strengths as a specialized pharmaceutical company to promote its business in Japan, Asia and EMEA, supplying products in around 60 countries. We have a strong product lineup to meet different customer needs in each country and region, driving sales growth in all businesses in the fiscal year ended March 31, 2017.

In the Japan business, we have retained a strong hold on the top share in the prescription ophthalmic pharmaceutical market for over 20 years by providing differentiated products and highly specialized information in the field of ophthalmology. Building on the foundation of our strong presence and the strengths we have cultivated, we aim to expand our product lineup with new products and ophthalmology products taken over from U.S.-based Merck & Co., Inc., and to strengthen our business foundation in order to accelerate our growth in the overseas business in Asia and EMEA.

In October 2016 we held the First Santen Global Forum in Japan. Sales managers from countries around the world gathered to share factors supporting the Company’s strong presence in the Japan business and insights into diverse operating environments in various countries.

We will continue to strengthen links between our businesses to become a “Specialized Pharmaceutical Company with a Global Presence.”

Environment for Ophthalmic Treatment and the Company’s Businesses

The environment for global ophthalmic treatment and the Company’s businesses is changing rapidly, with further aging of the population, increases in medical fees, advances in diagnostics through technological innovation, and diversification of therapies. Under these conditions, the global prescription ophthalmic pharmaceutical market continues to grow, mainly in the glaucoma and retinal disorders fields, and is projected to deliver an average annual growth rate of 6% through to 2020, reaching a market scale of ¥3 trillion.

Meanwhile, there is a high level of unmet medical needs among both patients and medical professionals in the field of ophthalmology overall, including prevention, diagnosis, treatment and follow-up. Many patients around the world are waiting for the development of new treatments and pharmaceutical products. The huge differences in the level of ophthalmic treatment and the social security systems that support it in each country and region, call for detailed responses based on diverse therapeutic needs.

The Company has anticipated these changes in the ophthalmology environment and is aiming to further strengthen its sales and marketing activities in Japan, Asia and EMEA operations, while starting to prepare for full-scale entry into the U.S. We are determined to contribute to better Quality of Life (QOL) for patients all over the world.
Market Trends

The Japanese prescription ophthalmic pharmaceutical market contracted 0.6% to ¥345.5 billion in the fiscal year ended March 31, 2017, mainly due to National Health Insurance (NHI) drug price revisions and the market penetration of generic drugs. In Japan, Santen must ensure it has a solid understanding of the therapeutic frontlines, as needs surrounding ophthalmic treatment become increasingly sophisticated.

Revision of NHI Drug Prices

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<tr>
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</thead>
<tbody>
<tr>
<td>Industry average</td>
<td>mid -6%</td>
<td>-6.25%</td>
<td>-2.65%</td>
<td>-5.57%</td>
</tr>
<tr>
<td>Ophthalmic drugs</td>
<td>low -3%</td>
<td>mid -4%</td>
<td>high -1%</td>
<td>low -6%</td>
</tr>
<tr>
<td>Santen</td>
<td>mid -5%</td>
<td>high -5%</td>
<td>high -1%</td>
<td>low -7%</td>
</tr>
</tbody>
</table>

2. Price cuts excluding consumption taxes: Industry average: -5.6%; Ophthalmic drugs: high -4%; Santen: high -4%
3. Excluding market expansion re-pricing -0.9%
4. Mid -4% price cut excluding the impact of Eylea

Operating Results

Santen’s Japan prescription ophthalmic pharmaceutical revenue increased 4.4%, to ¥129.6 billion. Santen’s share of the Japan prescription ophthalmic pharmaceutical market expanded to 45.5%. As a result, Santen captured the #1 share in all major fields. Leveraging its thorough customer focus and competitive, expansive product lineup, Santen is concentrating on providing high-quality pharmaceutical information tailored to the needs of the frontlines of ophthalmic treatment. In addition, Santen is also undertaking activities to address therapeutic issues for various ophthalmic diseases.

Santen has been increasing the new products sales ratio to drive sustained sales growth. The new products sales ratio was 70.7% in the fiscal year ended March 31, 2017.

Treatments for Glaucoma

In the fiscal year ended March 31, 2017, revenue from mainstay products was as follows: Tapros revenue increased 4.6% year on year to ¥9.1 billion, Cosopt revenue rose 1.4% to ¥11.4 billion, and Tapcom revenue increased 63.4% to ¥2.3 billion.

In the glaucoma field, there are a large number of individuals with glaucoma who have not been diagnosed by doctors, including those who have not sought medical attention at hospitals or clinics because they have only noticed a few subjective symptoms. Going forward, patient numbers in the glaucoma field are expected to continue increasing in line with aging population and other factors. In the fiscal year ending March 31, 2018, Santen will continue to push ahead with efforts to maximize the market value and drive market penetration of mainstay products Tapros,
Cosopt, and Tapcom. Meanwhile, by leveraging its expansive product lineup, Santen will vigorously step up activities to provide medical information that meets the needs of medical professionals, such as the latest glaucoma-related information and advice on prescribing pharmaceuticals. Through these and other activities, Santen will continue working to enhance its presence in the glaucoma field.

Treatments for Keratoconjunctival Disorders

In the fiscal year ended March 31, 2017, revenue from mainstay products was as follows: Diquas (diquafosol sodium) revenue rose 24.1% to ¥11.0 billion, while Hyalein (sodium hyaluronate) revenue decreased 18.2% to ¥11.9 billion.

Dry eye is a disease for which many dry eye patients do not receive medical treatment despite the fact that they have noticed some symptoms. Accordingly, Santen will continue working to further enhance awareness toward the treatment of dry eye with aims to strengthen the Company’s presence and standing further within the keratoconjunctival disorder field.

Treatments for Retinal Disorders

In the fiscal year ended March 31, 2017, revenue from intravitreal VEGF inhibitor Eylea (aflibercept [genetical recombination]) for wet age-related macular degeneration (wet AMD) and other disorders increased 12.9% year on year to ¥45.2 billion.

In the retinal disorders field, where there are a large number of patients with unmet medical needs, Eylea’s market share in the intravitreal VEGF inhibitor market reached 72.4%, spearheading market growth. In the fiscal year ending March 31, 2018, we will continue to vigorously provide high-quality pharmaceutical information, working together with our partner Bayer Yakuhin, Ltd. to penetrate the market further.
Anti-Allergy Ophthalmics

In the fiscal year ended March 31, 2017, revenue from Santen’s mainstay product Alesion (epinastine hydrochloride) was up sharply by 29.0% to ¥12.2 billion.

In the fiscal year ending March 31, 2018, we will continue to focus on enhancing the market penetration of Alesion. Alesion provides relief from year-round and seasonal allergy symptoms such as itching and redness and thus contributes to an improved patient’s QOL. By continuing to emphasize these product characteristics, we aim to expand both sales and market share of this product.

Anti-Infective Ophthalmics

In the fiscal year ended March 31, 2017, revenue from Santen’s mainstay products Cravit (levofloxacin hydrate) and Tarivid (ofloxacin) decreased 20.8% year on year, to ¥5.2 billion.

In recent years, the anti-infective ophthalmic market has been contracting, mainly due to the market penetration of generic drugs and the shortening of the duration of treatment for anti-infective ophthalmic products after surgeries. However, Santen will continue to supply superior products to the therapeutic frontlines as the market leader in this field.

CSR Activities

Contributing to the Development of Ophthalmic Treatment

Santen Co-Sponsors the “Light Up in Green” Campaign during World Glaucoma Week

Every March, the World Glaucoma Association launches various events and campaigns worldwide to raise awareness of glaucoma, including the necessity for early detection and treatment of glaucoma, as part of its World Glaucoma Week initiative. In Japan, the Japan Glaucoma Society once again organized the “Light Up in Green” illumination activities this year, making use of green, representing glaucoma. The activities were held at 44 landmark facilities in 32 locations throughout Japan, from Hokkaido to Okinawa, during World Glaucoma Week from March 12 to 18, 2017. Santen participated as a co-sponsor of the event.

Please refer to the CSR section on the Company’s website for details.

http://www.santen.com
Market Trends

In the fiscal year ended March 31, 2017, the OTC pharmaceutical market contracted slightly by 0.6% year on year, to ¥64.7 billion, despite an increase in sales of products for eyestrain and blurred vision, plus expansion of the contact lens market, along with purchases by inbound tourists (foreign tourists visiting Japan).

Operating Results

Aiming to win the support of consumers as the #1 eye care company, Santen supplies a range of products in the OTC business, led by the Sante FX series, one of Japan’s top-selling ophthalmic solution brands in terms of sales volume1, as well as high value-added products centered on Sante Beautéye. Recently, Santen has been focusing on promoting sales of core products, such as the new Sante Medical series, which was launched in 2016, and Soft Santear. As a result, in the fiscal year ended March 31, 2017, OTC pharmaceutical revenue remained on a growth track, increasing by 13.8% to ¥12.4 billion. This growth was driven by firm demand from inbound foreign tourists and a strong performance by higher priced products. In the fiscal year ending March 31, 2018, Santen aims to carve out new markets and grow sales by vigorously implementing promotional campaigns to enhance the brand value, primarily through high value-added products, and to capture new users of OTC ophthalmic solutions.

1. Value and volume shares of the Japanese OTC pharmaceutical market in the fiscal year ended March 31, 2017
   Source: Statistics compiled by Santen

Medical Devices

Since 2008, Santen has been selling the Eternity series of foldable IOLs, which are made of a new glistening-free hydrophobic acrylic material. Thereafter, Santen has worked to enhance its lineup of products. In addition to launching Eternity Natural, an IOL that should provide more natural visibility, and Eternity Natural Uni, a novel IOL with an original design, Santen unveiled Eternity Natural Uni R in April 2017, which features an upgraded lens design. Another priority has been injectors for the insertion of IOLs. Santen launched Access Ease, an injector that achieves a smaller incision size, as part of efforts to address customer needs and boost product competitiveness. Revenue from medical devices was up 8.2%, to ¥2.5 billion in the fiscal year ended March 31, 2017. Santen will continue aiming to contribute further to the ophthalmic surgery field centered on cataract surgeries by leveraging its strengths in the product concept of “high quality IOLs with outstanding transparency” in the Eternity series.
Market Trends
With nearly 60% of the world’s total population, the market for prescription ophthalmic pharmaceuticals in Asia is expected to continue to grow rapidly, most notably in segments such as dry eye, glaucoma and retinal disorders. There are many patients suffering from ocular infections, too, notably in emerging countries. We are strengthening our sales and marketing capabilities at local subsidiaries so we can respond to the varied needs of customers across different countries.

Operating Results
Our goal is to be #1 in Asia in terms of contribution to ophthalmic treatment. We are working to expand our presence across the Asian market, such as China, Korea and Vietnam. Regional revenue rose 5.0% to ¥23.7 billion in the fiscal year ended March 31, 2017, and growth of revenue from prescription pharmaceuticals reached 18.7%, excluding the impact of foreign exchange rates.

In China, which represents over half of Santen’s sales in Asia, demand is high for treatments for dry eye and ocular infections, our two leading areas. We are working to increase the market penetration of glaucoma and ocular hypertension treatment Tapros following its March 2016 launch. In August 2016, we established Chongqing Santen Kerui Pharmaceutical Co., Ltd. as a joint venture with one of China’s state-owned pharmaceutical companies to expand the supply of prescription ophthalmics to patients in China. A new manufacturing and sales facility is now under construction.

In Korea, we began our sales efforts in 2010, and provide pharmaceutical information through our own medical representatives. Mainstay products include Taflotan for glaucoma and ocular hypertension, and the dry eye treatment Diquas. The product lineup has also been supplemented by glaucoma and ocular hypertension treatments acquired from U.S.-based Merck & Co., Inc., as we further expand our market presence.

In the ASEAN region, we have already gained a high market share in Vietnam comparable to our presence in China and Korea. We have also initiated our own sales activities in Thailand, Malaysia, the Philippines, Taiwan and Singapore, marketing prescription ophthalmic pharmaceuticals such as treatments for glaucoma and dry eye, to match local market needs. We are working to increase market penetration based on providing high-quality pharmaceutical information through our local subsidiaries.

We will continue to accelerate activities with the aim of making even greater contributions to improving Quality of Life (QOL) for patients in Asia.
Market Trends
The EMEA market for prescription ophthalmic pharmaceuticals, the second largest after the U.S., continues to grow. At the same time, the EMEA market is characterized by its diversity—each country in the region has a different health insurance system and different medical treatment practices. Under these circumstances, the Company is engaging in sales and marketing activities that capture the specific characteristics of each country, in conjunction with enhancing its organizational management systems for EMEA operations.

Operating Results
Revenue from the EMEA Business increased 11.6% to ¥28.5 billion in the fiscal year ended March 31, 2017, with revenue from prescription pharmaceuticals excluding the impact of foreign exchange movements reaching a substantial 25.0% increase. The business has expanded to include approximately 45 countries since the acquisition of the Merck ophthalmology portfolio in 2014.

We market several treatments for glaucoma and ocular hypertension in the EMEA region. Taflotan/Saflutan, the product driving our global business expansion, is available in over 35 countries in the region. After launching Taptiqom as a combination ophthalmic solution in 2015, we are focused on increasing its market penetration. Having also pioneered the development of preservative-free glaucoma and ocular hypertension treatments, we lead this market segment in the EMEA region. Preparations are underway to start manufacturing the ophthalmics acquired from Merck at our own production facilities from 2019. Ikervis was launched successively in 2015 in Germany, the U.K. and other European markets as a treatment for severe keratitis in adult patients with dry eye disease, which has not improved despite treatment with tear substitutes. We aim to maximize the value of Ikervis by leveraging the know-how we have developed as a pioneer of dry eye treatments in Japan.

Looking ahead, Santen will supply an expansive range of products that match local needs, along with expanding activities to provide high-quality pharmaceutical information. By doing so, Santen will accelerate its activities to best contribute to ophthalmic treatment in EMEA.