Medium-Term Plan (MTP2020)

Aiming for Continuous Contribution to Ophthalmic Treatment

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Chairman & Chief Executive Officer (CEO)

Shigeo Taniuchi
President & Chief Operating Officer (COO)

June 5, 2018
1. Santen’s Vision
2. Review of MTP fiscal 2014-2017
3. MTP2020
Santen’s Values and Mission Statement

Values

天機に参与する

Tenki ni sanyo suru

1 “Exploring the secrets and mechanisms of nature in order to contribute to people’s health”
Santen’s original interpretation of a passage from chapter 22 of Zhongyong (The Doctrine of the Mean) by Confucius.

We think carefully about what is essential, decide clearly what we should do, and act quickly.

Mission Statement

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.
Vision 2020: Long-Term Vision Based on Santen’s Values

To Become a Specialized Pharmaceutical Company with a Global Presence

- Deep understanding of true customer needs
- Distinct advantage against competitors
- Global competitiveness and presence

2013
Strengthened Japan business and completed preparation for business expansion in Asia / EMEA

2017
Grow and improve profitability in Asia / EMEA and prepare for business expansion to U.S. and other regions

2020
Become a “Specialized Pharmaceutical Company with a Global Presence”

Maximize new global product value
Build and reinforce overseas businesses
Strengthen Japan business framework and competitiveness
5 Policies to Achieve Vision 2020

Contribution to ophthalmic treatments
Provide products and services reflecting the needs of patients and medical personnel worldwide

Medium-Term Plan

Santen’s Values

Business
Transform Japan business for further growth

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

PS/QA systems
Establish global supply and quality systems

Org. & talent
Strengthen org. and talent capabilities to promote creation and innovation

Products
Develop products that meet true customer needs swiftly

Review of MTP fiscal 2014-2017
## Achieved Significant Business Growth

### FY14-17 MTP priorities
- Grow and improve profitability in Asia and EMEA
- Prepare for business expansion to U.S. and other regions

### Important achievements

#### • Revenue exceeded 200 billion yen
  - Achieved 3 years ahead of plan
    - (Vision 2020 revenue target: 200 billion yen in 2020)

#### • Increased sales regions / countries: approx 50 → 64
  - Acquisition of MSD products
  - Shift from agency model to direct

#### • Achieved 30% overseas revenue composition
  - Growth of overseas organic sales + MSD product acquisition
  - Growth from the launch of new products

#### • Enhanced and advanced pipeline
  - *Ikervis* approval and launch
  - *DE-117*(Japan) filed
  - *DE-126*, 128 added to pipeline
  - *Diquas* (China) approved

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[Notes:]

1. FY14-17: Fiscal Year 2014-2017
2. MTP: Mid-Term Plan
3. Revenue: Financial metric
4. MSD: Market Disaster Service
5. Vision 2020: Future business goals
6. Ikervis: Product name
7. Diquas: Product name
8. DE-117, DE-126: Product codes
Revenue: Strong Growth from Businesses in Japan and Overseas

Achieved overseas sales ratio target of 30%

Growth in each business unit in Japan and overseas

(JPY billions)
Profit: Strong Performance on Both Core and IFRS Basis

### Operating profit

<table>
<thead>
<tr>
<th>Year</th>
<th>Core basis</th>
<th>IFRS basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>30.4</td>
<td>29.9</td>
</tr>
<tr>
<td>RA-exit adjusted MTP17</td>
<td>44.0</td>
<td>37.5</td>
</tr>
<tr>
<td>2017</td>
<td>45.4</td>
<td>38.7</td>
</tr>
<tr>
<td>Original MTP17</td>
<td>51.5</td>
<td>45.0</td>
</tr>
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</table>

### Net income

<table>
<thead>
<tr>
<th>Year</th>
<th>Core basis</th>
<th>IFRS basis</th>
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<tbody>
<tr>
<td>2013</td>
<td>9.5</td>
<td>19.7</td>
</tr>
<tr>
<td>RA-exit adjusted MTP17</td>
<td>30.4</td>
<td>26.0</td>
</tr>
<tr>
<td>2017</td>
<td>44.0</td>
<td>35.3</td>
</tr>
<tr>
<td>Original MTP17</td>
<td>51.5</td>
<td>31.0</td>
</tr>
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</table>
3  MTP2020
Santen’s External Environment

<table>
<thead>
<tr>
<th>Vision impairment estimated impacting 1 in 30 of world population</th>
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<tr>
<td>Unemployment: 3x likelihood</td>
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<td>Motor collision: 3x likelihood</td>
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<td>Mental / anxiety disorder: 3x likelihood</td>
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- **Blindness**: 36 million
- **Low Vision**: 217 million

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- **Market increasing as world populations aging**: USD20.1b (2013) → USD30.9b (2020)*
- **New therapeutic technologies emerging** such as devices and regenerative medicine
- **Preventable by early detection and treatment**: Disease awareness activities and new technology **deployment to the field** needed

**Allergic blepharoconjunctivitis**  
**Purulent endophthalmitis secondary to infection**  
**Cataract**  
**Glaucoma patient view at end-stage**  
**Age-related macular degeneration patient view**

(Source: WHO World Sight Day poster, 2017)  
*Santen estimates*
MTP2020 Fundamental Policy and Strategic Goals

**Fundamental policy**
- To become a “Specialized Pharmaceutical Company with a Global Presence”
- Construct a path for sustainable growth beyond FY2020

**Strategic goals**

- **Increase profitability**
- **Increase customer satisfaction**
- **Increase organizational strength**

1. Grow faster than the market through progress in global business strategy
2. Enhance the product pipeline and develop new treatment options
3. Raise strength / efficiency of business framework; boost human resource and organizational capabilities

Responding to the needs of patients and medical professionals worldwide, Santen will achieve reliable growth while sustainably contributing to ophthalmic treatment worldwide.
Accelerate growth in Asia supported by experience and knowledge gained in Japan and EMEA. Above contributes to growth exceeding market growth as Santen group.

MTP2020: To prepare for profit contribution in the next stage.
Accelerate growth in Asia supported by experience and knowledge gained in Japan and EMEA. Above contributes to growth exceeding market growth as Santen group.

**EMEA**
- Global Influencer
  - Collaborate with academia and KOLs
  - Regulatory understanding/skill
- Human resources

**Asia**
- Growing market
- High organizational capacity
- Sales and manufacturing network

**Japan**
- Business model supports high market share, know-how
- Manufacturing, quality assurance capability

The number of patients prescribed Santen products in Asia is expected to surpass Japan in 2019 and become 45% of the total in 2020. (Santen estimates)
Global Business Strategy: Japan Business

- Transform into an ophthalmic “total solution” provider

Create markets
- Glaucoma treatment continuation program
- “Switch OTC” (Rx→OTC)
- Nutrition supplements

Meet new needs
- Container development to reduce burden on patients
- Providing information via web channel

Fulfilling the needs of ophthalmic field and maintaining earnings strength
Example initiative:

**Glaucoma Treatment Continuation Program**

Introduction of a support package that encourages patients with glaucoma patients to visit medical institutions

Expanded to 1,500 medical institutions as of March 2018

Results evaluated at pre-use ophthalmic hospital; Implementation period: 2016 Jul to Dec; Number of hospital: 11

Increase in continuation rates

Around 90%

Around 50%
Global Business Strategy: Overseas 1

China

- Strengthen the business platform to raise competitiveness in the market

Expand market coverage
- Expansion of hospital coverage
- Collaboration with KOLs, academic society
- Providing information via web channel
- Prepare for entry into the base-of-pyramid market with JV Chongqing Santen Kerui

Raise customer satisfaction

Achieve double-digit growth by expanding market coverage and meeting customer needs
Other Asia markets

Continue to grow faster-than-market ("high-teen" growth rate)

Maximize revenue and make effective investments

- Continuous launch of new products
- Collaboration with KOLs, academic society
- Enter into the Indian market

EMEA

Raise profitability by maximizing use of the business platform that has been created

Fulfill customer needs and further expand use of Santen products

- Ikervis, preservative-free glaucoma products
- Product brand teams to maximize value through cross functional collaboration

Aiming for growth in all overseas businesses with strategies adapted according to the level of maturity of each market
To make preparations for the prompt achievement of profit contribution in the next stage following MTP2020

- In the long term, earn profits with products that meet the needs and build presence through sustainable business expansion in the world's largest market.

U.S.

- Growing market, value added pricing
- Source of innovation

U.S. market trend

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (USD billions)</th>
<th>CAGR</th>
<th>2013</th>
<th>2016</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>8.7</td>
<td>+10.2%</td>
<td>8.7</td>
<td>13.8</td>
<td>17.2</td>
</tr>
</tbody>
</table>

Represents more than 50% of the world market.
### U.S.

Maximize value through an agile strategy including the development of differentiated products

#### DE-109, 117, 128 steady development and optimal commercialization

<table>
<thead>
<tr>
<th></th>
<th>Status of U.S. preparation</th>
<th>Planned launch timing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DE-109</strong></td>
<td>Aim for the start of additional clinical trial in the second half of 2018</td>
<td>After 2020</td>
</tr>
<tr>
<td><strong>DE-117</strong></td>
<td>Aim for Phase III start in the second half of 2018</td>
<td>Under review</td>
</tr>
<tr>
<td><strong>DE-128</strong></td>
<td>P2 / 3 study now in progress</td>
<td>2020~2021</td>
</tr>
</tbody>
</table>

Advancing commercialization strategy based on each project development stage

### Aim to achieve profit in the earliest timing
DE-117: First-in-class IOP management (glaucoma)
Japan; filed, Asia; conducting P3, US; preparing P3

DE-128: New implant surgery for POAG
US; conducting P2/3

Mechanism of action

**Aqueous humor outflow pathway**

- **DE-117**
  - Existing prostaglandin analogues
    - **EP2 receptor agonist**
    - **FP receptor agonist**
      - Uveoscleral outflow
      - Trabecular outflow

- **Trabecular outflow pathway**
  - Ciliary body
  - Schlemm’s canal
  - Trabecular meshwork
  - Cornea

- **Uveoscleral outflow pathway**
  - Sclera
  - Aqueous humor flow

**Side effects of eyelash changes, pigmentation of eyelid and deepening of upper-eyelid sulcus (common with existing prostaglandin analogues) were not observed in the study demonstrating safety and effectiveness for 12 months**

- Received a temporary ATC code classified as a different mechanism from existing prostaglandin analogues

**InnFocus MicroShunt**

- **Aiming for greater efficacy and safety compared to existing surgical methods**
  - Made of SIBS, bioinert material
  - Reduced challenges compared to Trabeculectomy
  - Cataract surgery not required

**Surgical failure rates: 30% of trabeculectomies fail within 24 months of surgery**

**Sources:** *Am J Ophthalmol. 2009 Nov;148(5):670-84.*, **Market Scope"
Respond to a range of unmet needs as a company specialized in ophthalmology

- Efforts to reduce the burden on patients and health care providers
  - Improved bottles to prevent instillation spillage and raise at-a-glance understanding of content
  - Developing bottles for easier application for older adults

- Development of PFMD (Preservative Free Multi-Dose) products
  - Expanding the PFMD line-up of products and geographies

- Improvement of treatment compliance in chronic diseases
  - Further development / expand use of new glaucoma treatment continuation program

Reinforcements and efficiency improvements of business foundation for global sustainable growth

- Implement thorough efforts to optimize costs globally
- Strengthen global product supply and quality assurance systems and realize cost reduction
- Establishment of organization and cultivation of human resources capabilities for strategy execution
Contribution to Society Through Improvement of QOL

Focusing on practicing CSR / ESG connected to our business

● CSR / ESG unique to Santen
  ➢ Contributing to the improvement of patients’ QOL by providing excellent products and services related to ophthalmology
  ➢ Contributing to the improvement of medical treatment standards in ophthalmology around the world
  ➢ Supporting patients and their families, raising social awareness and creating virtuous cycle with employees providing such support

● CSR / ESG as a global company
  ➢ Advancing corporate governance
  ➢ Increasing human resource diversity to support global business expansion
  ➢ Developing business activities* with high professional ethics and following international standards

*justice, human rights, labor / safety, environment, good corporate citizenship, stakeholder engagement, Global Compact, etc.
Building long term vision and strategy for next stage

- Realize a path to long-term growth through opportunities unique to a company specialized in ophthalmology
  - Pursue new ophthalmic needs arising from lifestyle changes
  - Pursue new technologies in ophthalmic treatment
  - Establish global business strategy to capture growth markets such as Asia
Healthy Growth and Financial Performance

Realizing profits while also actively investing in growth

Revenue growth
≥6% (CAGR)

Grow faster-than-market

<table>
<thead>
<tr>
<th>Region</th>
<th>Santen Revenue</th>
<th>Market growth*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>≥2.5%</td>
<td>&gt; 0.0%</td>
</tr>
<tr>
<td>Asia</td>
<td>≥16%</td>
<td>&gt; 8.2%</td>
</tr>
<tr>
<td>EMEA</td>
<td>≥10%</td>
<td>&gt; 2.7%</td>
</tr>
</tbody>
</table>

Core OP ratio
≥21% (MTP average)

Maintain / grow profit ratio

IFRS ROE
≥11% (MTP average)

Maintain / improve capital efficiency

(*Santen estimates, 2017~2020 growth)
Capital Policy

Maximize cash generation to implement effective investments in future growth and stable stockholder return

- Conduct active and effective investments in future growth
  - Enhance pipeline
  - Accelerate development of business globally
  - Pursue new treatment technologies / innovation
  - Make capital investment to support future growth

- Optimize profit and capital ratios
  - Strengthen global management framework
  - Optimize global tax and cash management
  - Balance investment in future growth and financial soundness

- Continue stable and sustainable shareholder return
  - Implement stable and sustainable dividends
# Toward Realization of Vision 2020

## To Become a Specialized Pharmaceutical Company with a Global Presence

<table>
<thead>
<tr>
<th>Region / country market access</th>
<th>Market Access 2010</th>
<th>Market Access 2020</th>
<th>X Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>approx 35 regions/countries</td>
<td>approx 70 regions/countries</td>
<td>2</td>
</tr>
<tr>
<td>Asia</td>
<td>approx 11</td>
<td>approx 20</td>
<td>2.6</td>
</tr>
<tr>
<td>EMEA</td>
<td>approx 23</td>
<td>approx 47</td>
<td>1.5</td>
</tr>
<tr>
<td>N.America</td>
<td>-</td>
<td>approx 2</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overseas sales ratio</th>
<th>Sales Ratio 2010</th>
<th>Sales Ratio 2020</th>
<th>X Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas sales ratio</td>
<td>approx 14%</td>
<td>approx 36%</td>
<td>2.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Production (bottles)</th>
<th>Production 2010</th>
<th>Production 2020</th>
<th>X Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>approx 310 million</td>
<td>approx 460 million</td>
<td>1.5</td>
</tr>
</tbody>
</table>

- Deep understanding of true customer needs
- Distinct advantage against competitors
- Global competitiveness and presence
Forward-Looking Statements

- Information given in this presentation 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 and event were to adversely affect supply capabilities for related final products.