

Medium-Term Plan (MTP2020)

Aiming for Continuous Contribution to Ophthalmic Treatment



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June 5, 2018

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Santen's Vision

2

Review of MTP fiscal 2014-2017

3

MTP2020



Santen's Vision

Santen's Values and Mission Statement

Values

天機に参与する

*Tenki ni sanyo suru*¹

- 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

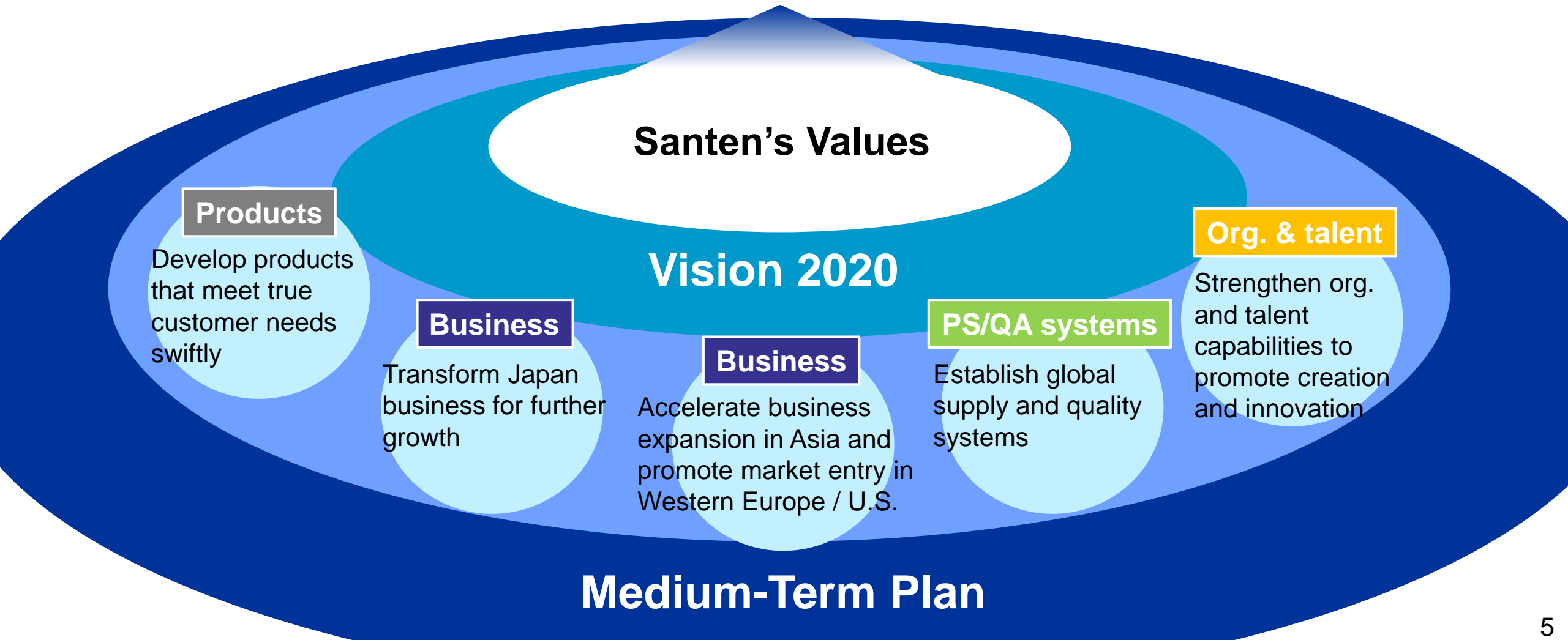
Build and reinforce overseas businesses

Strengthen Japan business framework and competitiveness

5 Policies to Achieve Vision 2020

Contributing to ophthalmic treatments

Provide products and services reflecting the needs of patients and medical personnel worldwide





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

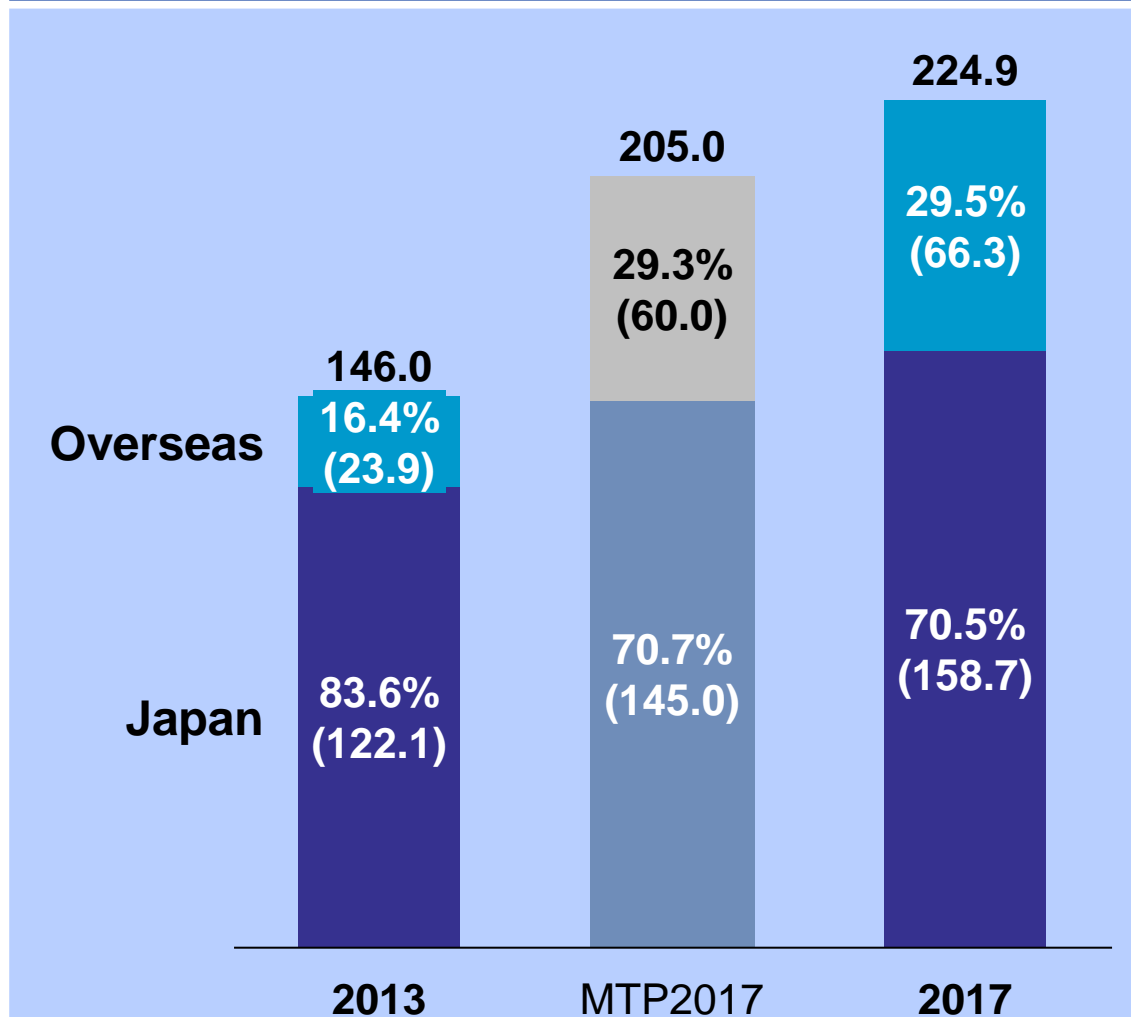


- Enhanced and advanced pipeline
 - *Ikervis* approval and launch
 - DE-117(Japan) filed
 - DE-126, 128 added to pipeline
 - *Diquas* (China) approved

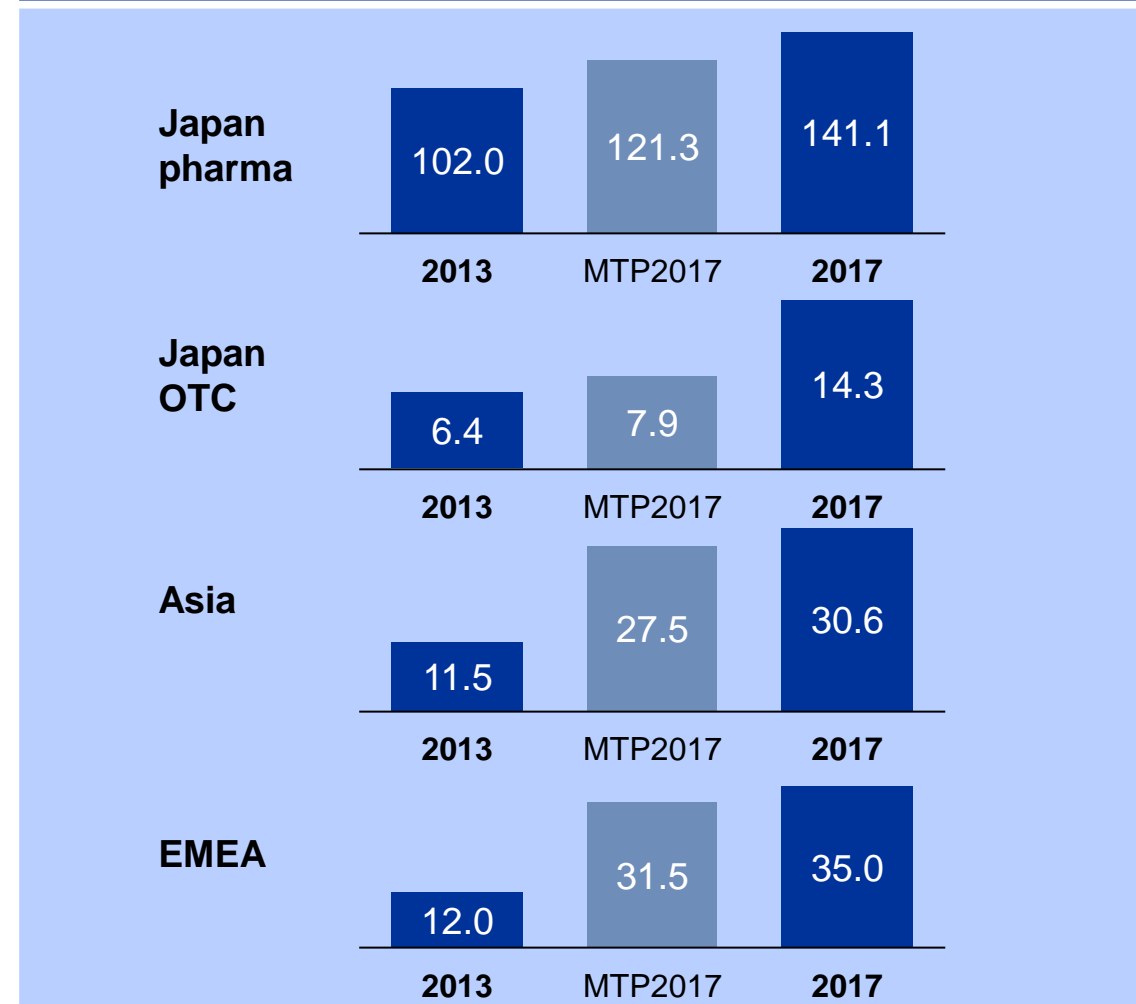
Revenue: Strong Growth from Businesses in Japan and Overseas

(JPY billions)

Achieved overseas sales ratio target of 30%

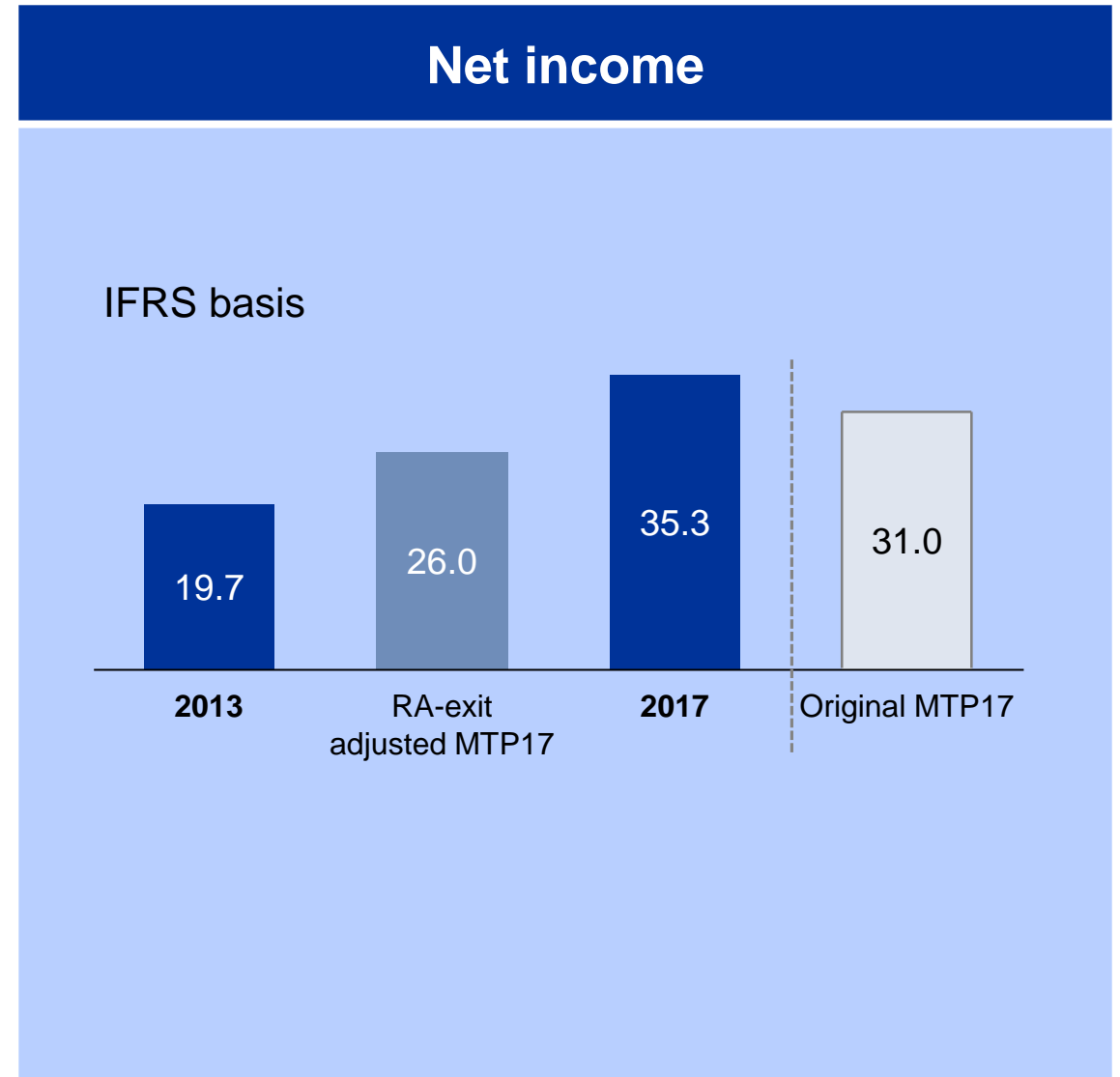
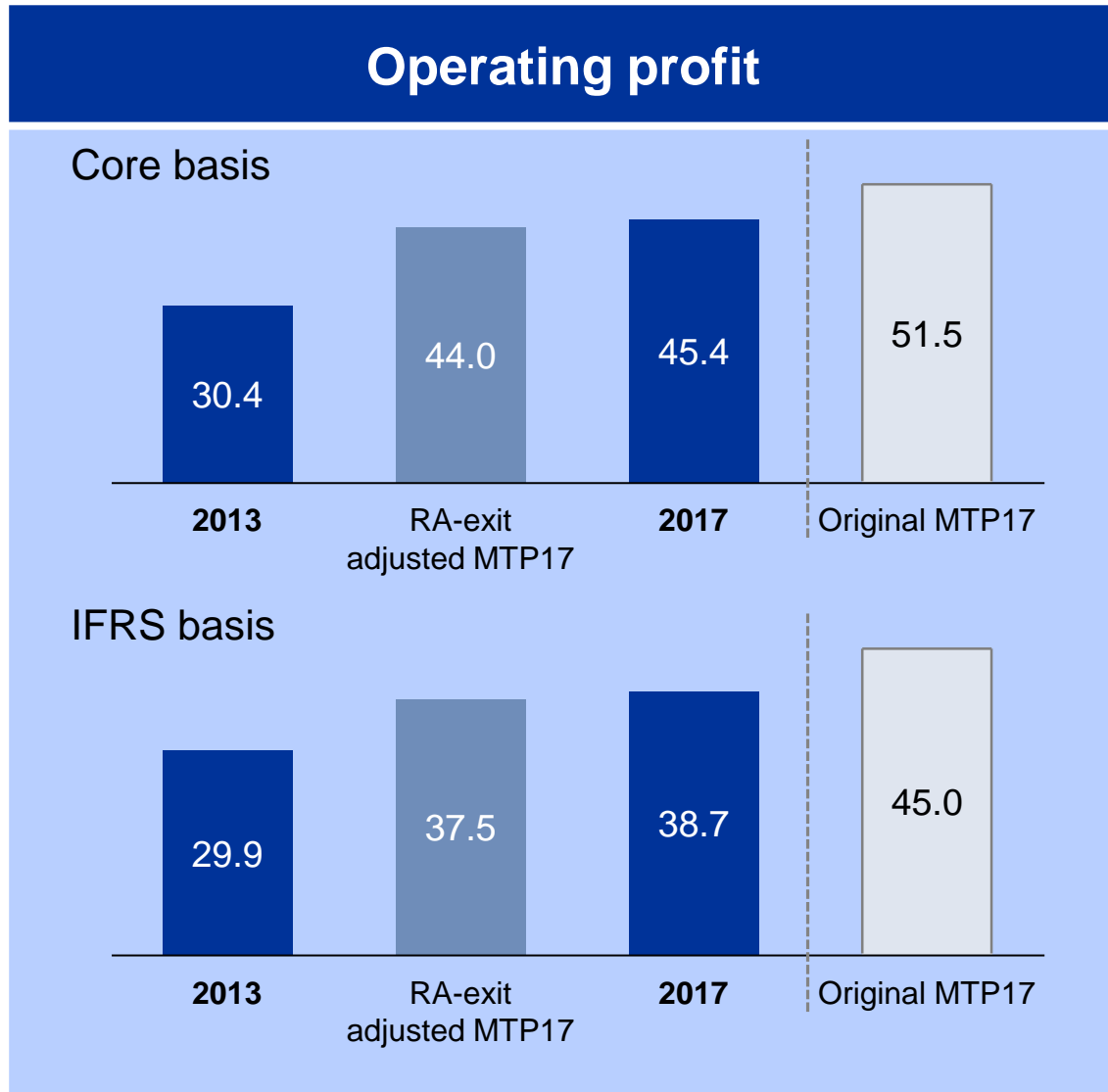


Growth in each business unit in Japan and overseas



Profit: Strong Performance on Both Core and IFRS Basis

(JPY billions)





MTP2020

Santen's External Environment

Blindness
36 million
Low Vision
217 million

Vision impairment estimated impacting 1 in 30 of world population

- Unemployment: **3x** likelihood
- Motor collision: **3x** likelihood
- Mental / anxiety disorder: **3x** likelihood



81%	>50 years old	Market increasing as world populations aging USD20.1b (2013) → USD30.9b (2020)*
84%	Chronic disease	New therapeutic technologies emerging such as devices and regenerative medicine
81%	Preventable by early detection and treatment	Disease awareness activities and new technology deployment to the field needed



Santen growth opportunities



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)

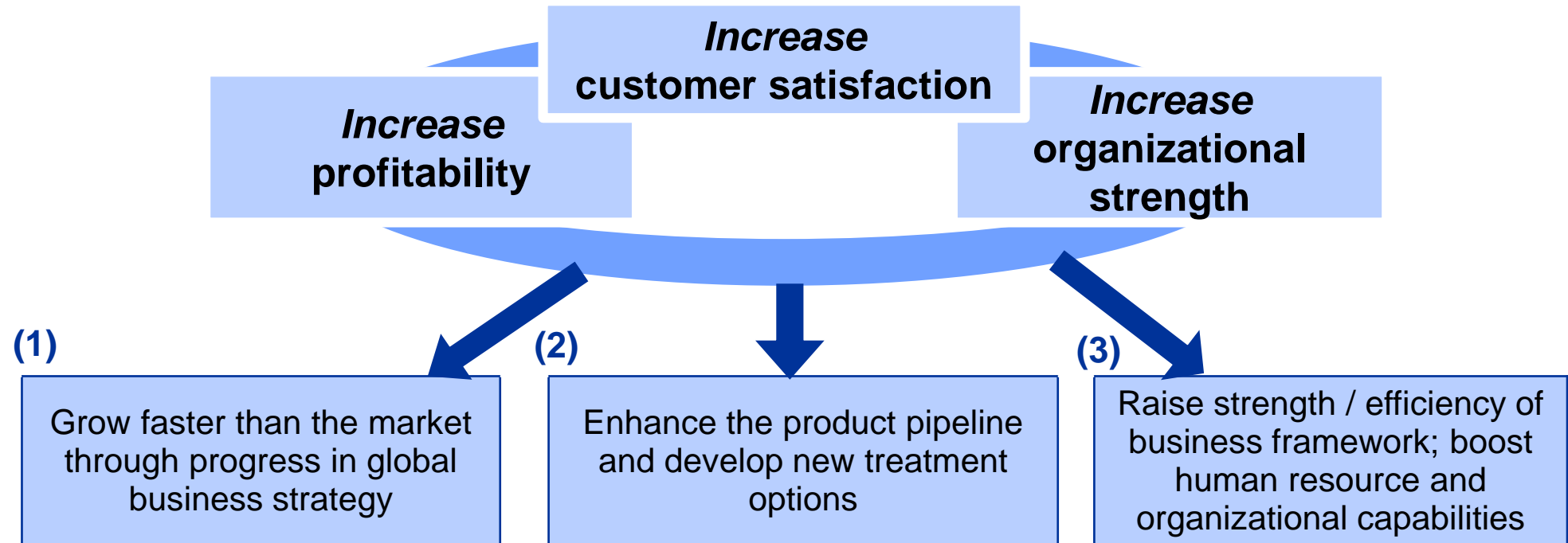
*Santen estimates

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



Responding to the needs of patients and medical professionals worldwide, Santen will achieve reliable growth while sustainably contributing to ophthalmic treatment worldwide

MTP2020 (1): Global Business Strategy



EMEA

Asia

Japan

U.S.

Existing Regions

Accelerate growth in Asia supported by experience and knowledge gained in Japan and EMEA.
Above contributes to growth exceeding market growth as Santen group.

U.S.

MTP2020: To prepare for profit contribution in the next stage.

MTP2020 (1): Global Business Strategy

Existing Regions



Existing Regions

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



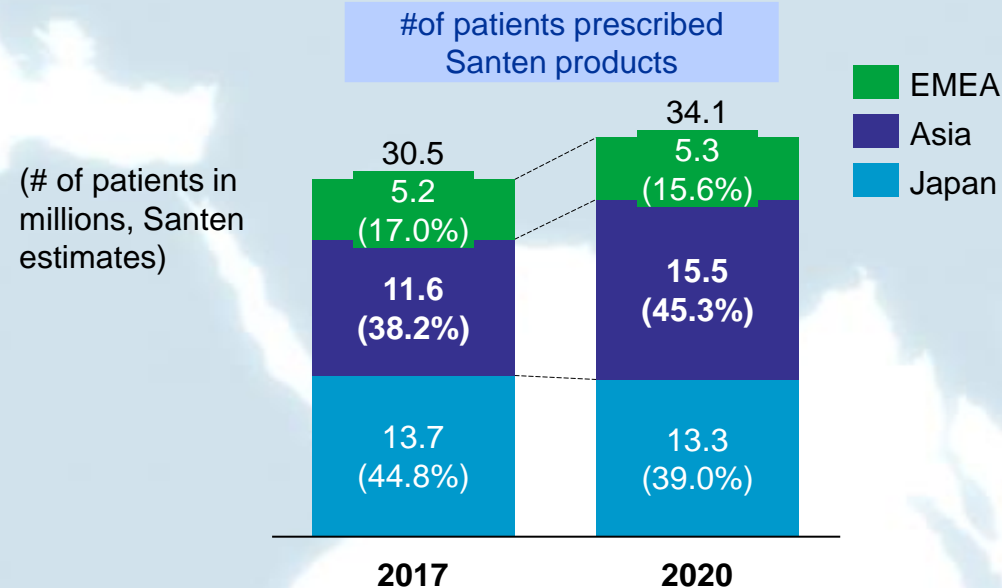
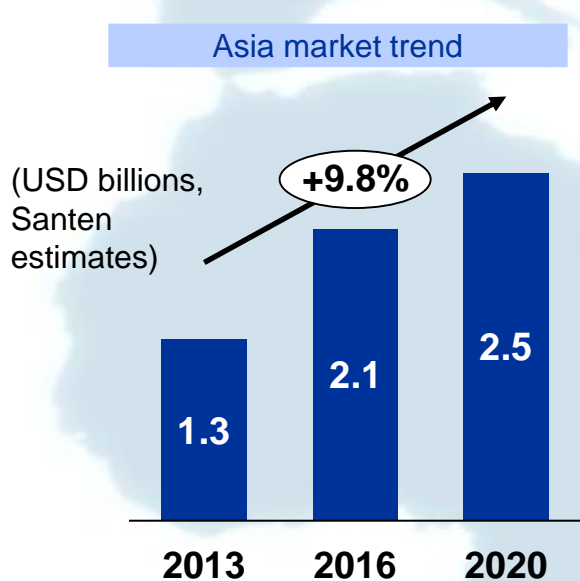
Asia

- 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



Japan

- 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:

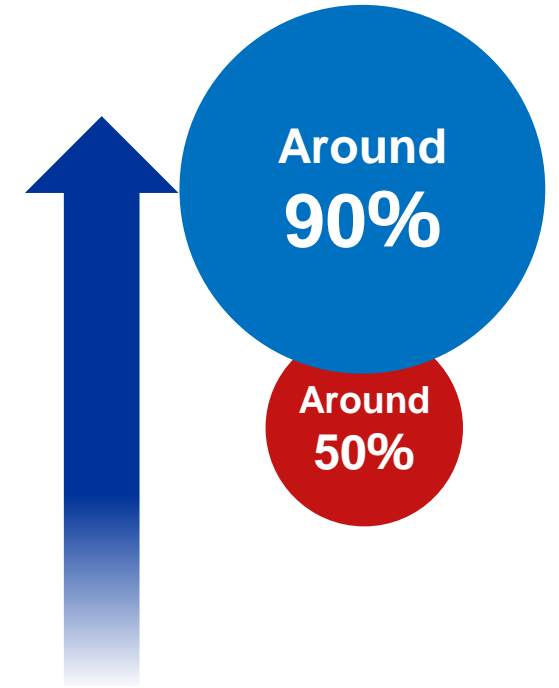
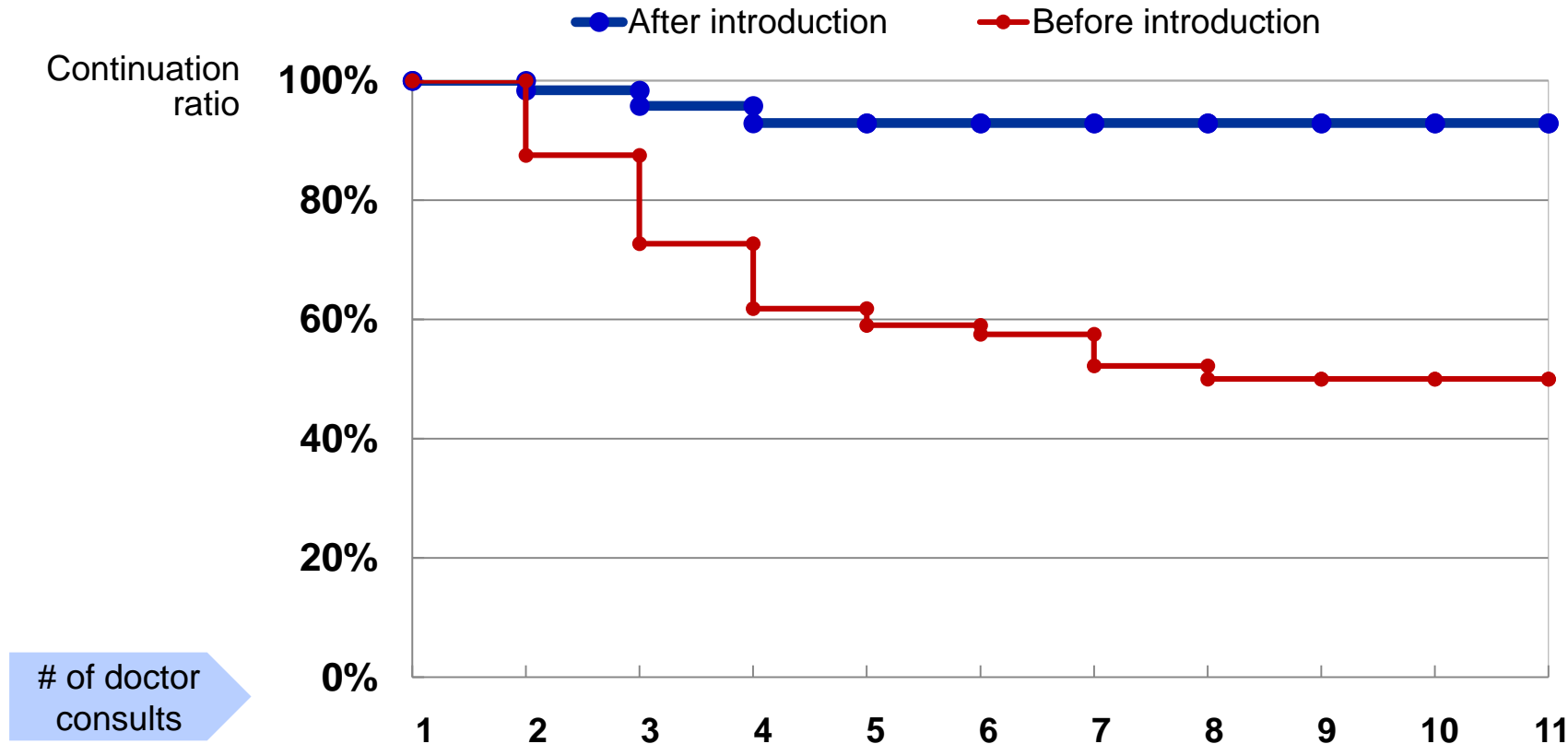
Glaucoma Treatment Continuation Program

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



Increase in continuation rates



Global Business Strategy: Overseas 1



China

- Strengthen the business platform to raise competitiveness in the market

Expand market coverage

Raise customer satisfaction

- 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

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

Global Business Strategy: Overseas 2



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

MTP2020 (1): Global Business Strategy (U.S.)



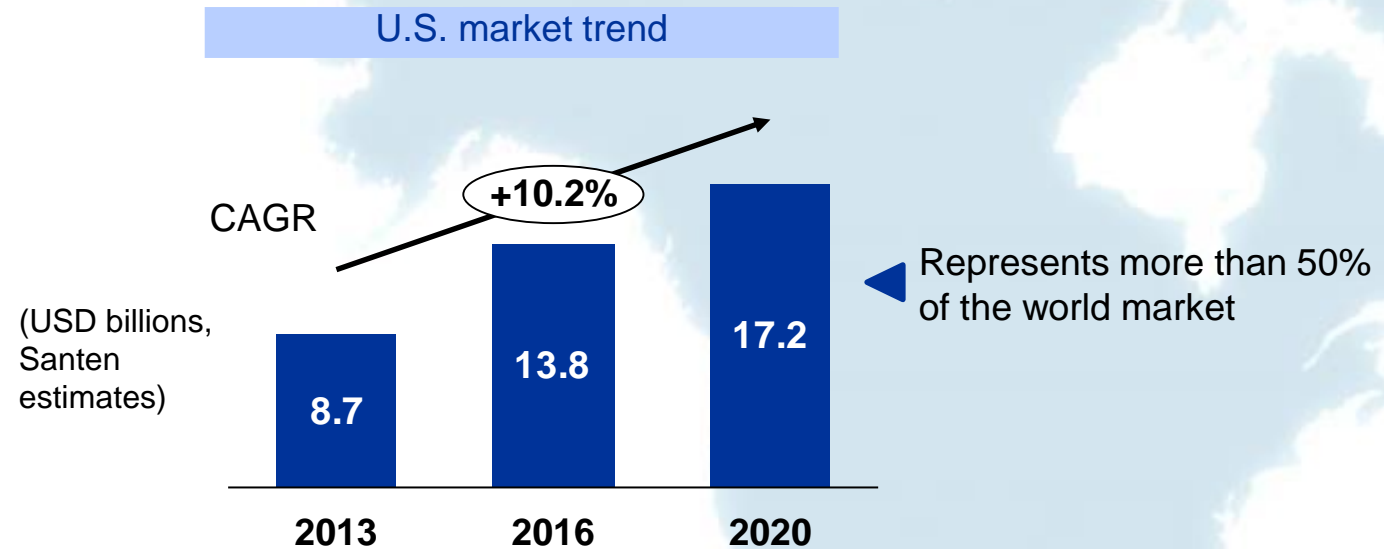
U.S.

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



Global Business Strategy: Overseas 3



U.S.

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

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

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

Advancing commercialization strategy based on each project development stage

Aim to achieve profit in the earliest timing

MTP2020 Strategy (2): Toward Offering New Treatment Options

Developing Pipeline with New Value

DE-117: First-in-class IOP management (glaucoma)

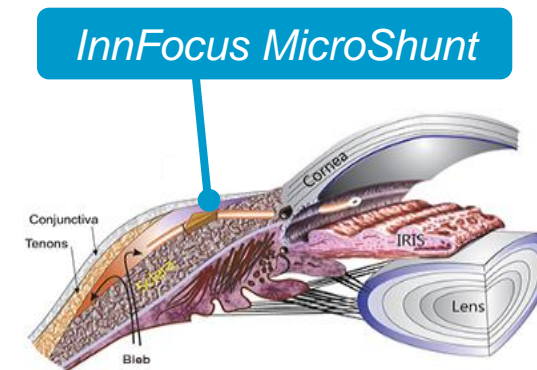
Japan; filed, Asia; conducting P3, US; preparing P3

DE-128: New implant surgery for POAG

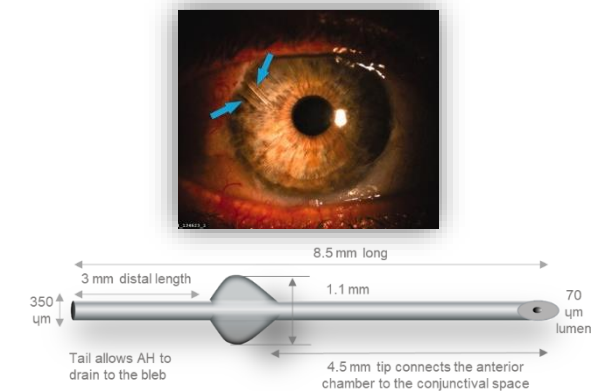
US; conducting P2/3

	DE-117	Existing prostaglandin analogues
Mechanism of action	EP2 receptor agonist	FP receptor agonist
Aqueous humor outflow pathway	<ul style="list-style-type: none"> Uveoscleral outflow Trabecular outflow 	<ul style="list-style-type: none"> Uveoscleral outflow

- 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



POAG: primary open angle glaucoma



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

Trabeculectomy		
50% Post-operate complication rates*	30% Surgical failure rates*	10-20h Post operative care**

Surgical failure rates: 30% of trabeculectomies fail within 24 months of surgery*
Sources: * Am J Ophthalmol. 2009 Nov;148(5):670-84., ** Market Scope

MTP2020 Strategy (2): Toward Offering New Treatment Options

(continued)

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

MTP2020 Strategy (3): Stronger and More Efficient Operations

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

Toward Growth Beyond Fiscal 2020

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)

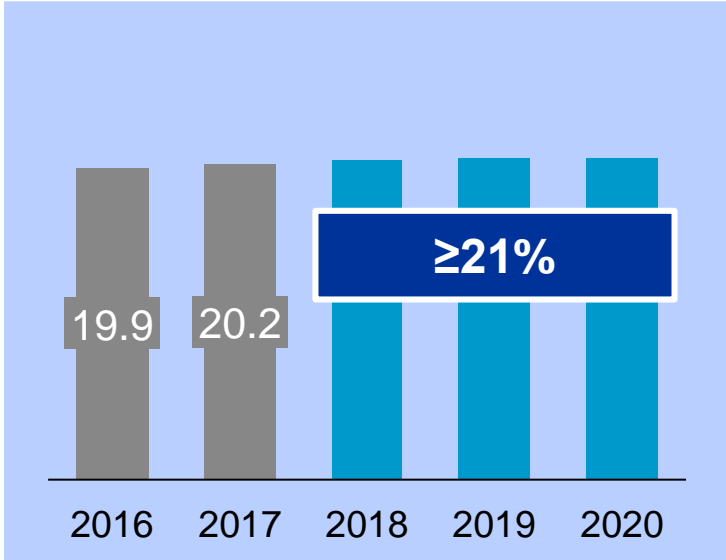
Core OP ratio
≥21%
 (MTP average)

IFRS ROE
≥11%
 (MTP average)

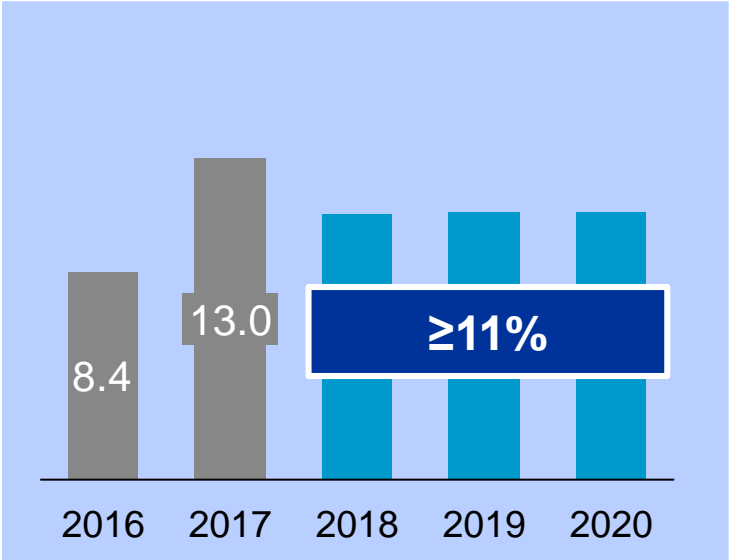
Grow faster-than-market

	Santen Revenue		Market growth*
Japan	≥2.5%	>	0.0%
Asia	≥16%	>	8.2%
EMEA	≥10%	>	2.7%

Maintain / grow profit ratio



Maintain / improve capital efficiency



(*Sannten estimates, 2017~2020 growth)

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

	2010			2020	
Region / country market access	approx 35 regions/ countries	Japan: 1 Asia: 11 EMEA: 23 N.America: -	x 2	approx 70 regions/ countries	Japan: 1 Asia: 20 EMEA: 47 N.America: 2
Overseas sales ratio	approx 14%		x 2.6	approx 36%	
Production (bottles)	approx 310 million		x 1.5	approx 460 million	

- 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 an event were to adversely affect supply capabilities for related final products.

The logo for Santen features a stylized 'S' in a light blue color, followed by the word 'Santen' in a bold, dark blue sans-serif font.

A Clear Vision For Life