

Santen Pharmaceutical Co., Ltd.
Financial Disclosure Meeting
FY2019 Business Highlights
FY2020 Forecast



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President & Chief Executive Officer

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May 11, 2020

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.

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.

Santen Group Measures to Combat the Impact of the COVID-19 Outbreak

Our first priority is to deliver ophthalmologic drugs to patients around the world

Respond swiftly to maintain stable business operations in state of emergency

<Major actions taken globally by the Santen Group>

1. Measures to secure a stable supply of our products
2. Measures to prevent the spread of the virus
3. Initiatives for the achievement of innovations in ophthalmology



Personnel Changes and New Appointments

Management structure revamped as of April 1 to realize the next long-term vision

- Strengthen governance through separation of oversight and execution: New CEO



Chairman
Akira Kurokawa



President & CEO
Shigeo Taniuchi

- Strengthen the organization and accelerate globalization: Four new corporate officers appointed



CIO*
Minori Hara



Head of Product
Development Division
Peter Sallstig



Head of North America
Business
Tatsuya Kaihara



Head of China
Business
Takayuki Yamada

*Chief Information Officer

Next Long-term Vision to be Announced in July



2030 Goal: Contribute to innovation in ophthalmology by breaking the boundaries for pharmaceuticals

FY2020 Approach (COVID-19 Impact)

Aim to increase profits by controlling activities and costs

**Decline in patient visits to have
a negative impact on revenue**

**Increase profits through cost control and
voluntary restraint of activities**

Continue to invest in long-term growth

Topics : China
Current Business Conditions Resulting
from the COVID-19 Outbreak

Current Business Conditions in China Resulting from COVID-19

Healthcare and economic activities suspended in February and March

Current conditions gradually recovering. Santen progressively resuming activities

Healthcare Activities	<ul style="list-style-type: none">• Medical system: Ability to perform outpatient and surgical operations at about 70% of facilities• Outpatient: Recovery to around 50% of normal level• Ophthalmic surgery: Cataract surgery has also recovered to about 20-50% of normal levels
Our Response	<ul style="list-style-type: none">• Production: Restarted operations on February 10. Now operating normally No impact on supply• Sales activities: Resumed MR visits from April 1, as appropriate for conditions at each facility• Employees: Choice of telework or working in the office as appropriate

(Information based on an internal survey as of the end of April)

Achieved Early Normalization Through Infectious Disease Controls (status of Suzhou Plant)

No Image

No Image

**Photographs are showed
on the meeting day only**

Conduct health checks
during commuting

No Image

Staggered seating
in cafeteria

FY2019 Financial Results Ended March 31, 2020

FY2019 Results

Higher sales and profits (core basis) due to growth in Japan and overseas businesses

Core Basis

- Revenue increased in all geographic areas
- Core operating profit up on expense controls, other measures

(JPY billions)	FY2018		FY2019		YoY
	Actual	vs Revenue	Actual	vs Revenue	
Revenue	234.0		241.6		+3%
COGS	90.8	39%	94.8	39%	+4%
Gross margin	143.3	61%	146.7	61%	+2%
SG&A expenses	71.3	30%	73.4	30%	+3%
R&D expenses	23.8	10%	23.3	10%	-2%
Core operating profit	48.2	21%	50.0	21%	+4%
Amortization on intangible assets associated with products	7.0	3%	9.9	4%	+42%
Other income	4.0	2%	0.4	0%	-90%
Other expenses	0.2	0%	7.0	3%	--
Operating profit (IFRS)	45.1	19%	33.5	14%	-26%
Finance income	0.9	0%	1.0	0%	+6%
Finance expenses	2.9	1%	2.4	1%	-17%
Profit before tax	43.1	18%	32.1	13%	-26%
Income tax expenses	11.2	5%	10.4	4%	-7%
<i>Actual tax ratio</i>	25.9%		32.3%		
Net profit (IFRS)	31.9	14%	21.7	9%	-32%
Core net profit	36.1	15%	35.9	15%	-1%
USD (JPY)	110.82		108.81		
EUR (JPY)	128.38		120.80		
CNY (JPY)	16.52		15.64		

DE-128 amortization

The absence of revenue from the sale of the former head office and Osaka Plant in the previous fiscal year

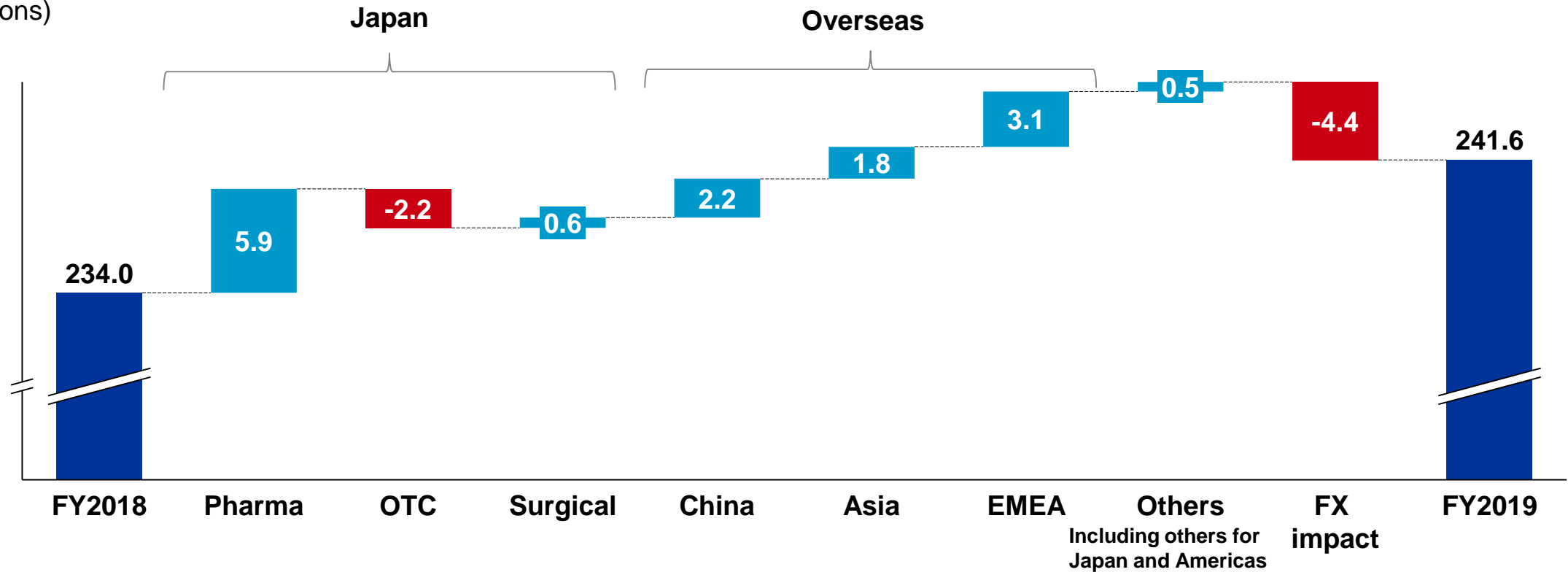
Impairment charges related to the discontinuation of DE-122 and impairment losses on joint venture in China

Tax rate rose due to the impact of unrecognized tax consequences on InnFocus contingent consideration and impairment losses on joint venture in China

FY2019 Revenue

Group sales up on steady growth in Japan pharma and overseas business

(JPY billions)



Japan

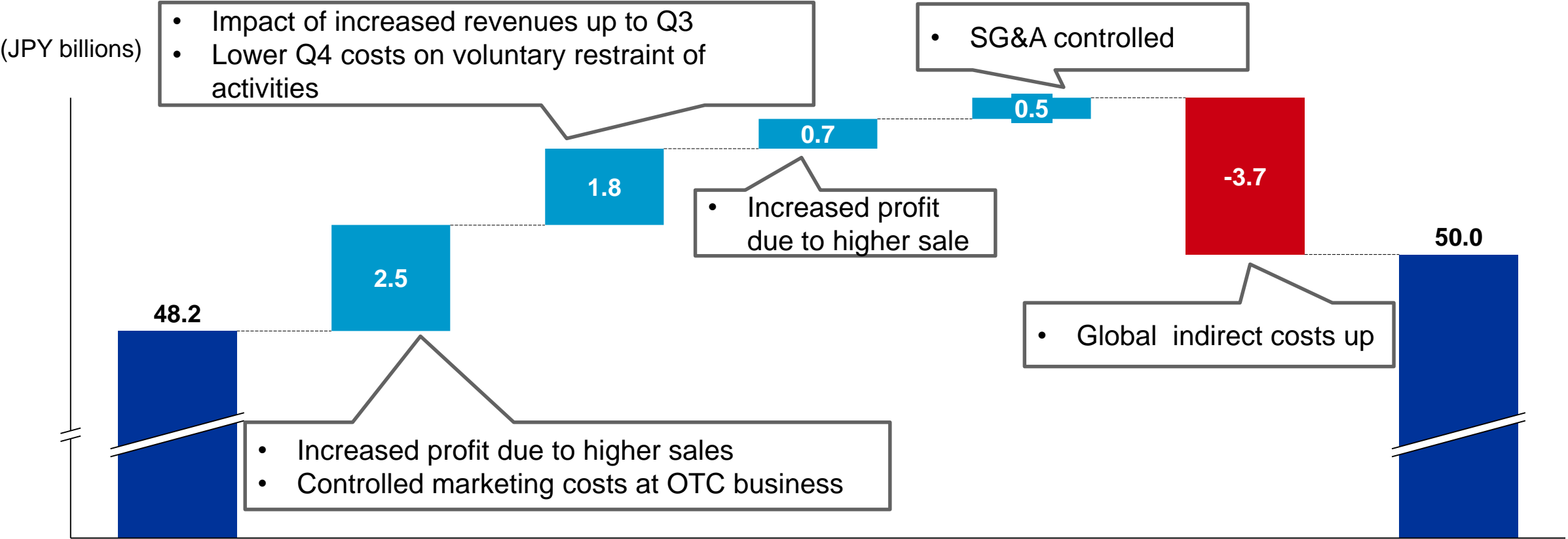
- Prescription Pharmaceuticals: Steady growth driven by *Eylea** and *Alesion LX*
- OTC: Decreased due to sluggish overseas tourists' demand
- Surgical: Steady growth driven by new product *LENTIS Comfort*

Overseas

- China: Local currency sales increased 10% YoY despite the negative impact of COVID-19 in the fourth quarter. (JPY basis +4%)
- Asia: Increased 6% in JPY basis (+12% excluding FX impact) (Korea: JPY basis +4%, local currency basis +12%)
- EMEA: Increased +8% in € basis (+ 2% in JPY basis)

FY2019 Operating Profit (Core Basis)

Profits up on higher sales and control of SG&A due to COVID-19 related voluntary restraint of activities



FY2018 **Japan** **China** **Asia** **EMEA** **Others*** **FY2019**

FX impact		-0.6	-0.4	-0.6		
Actual						
FY2018	67.6	8.3	5.0	9.5		
FY2019	70.1	10.2	5.7	9.9		

* Includes global R&D expenses and expenses for indirect departments (human resources, planning, manufacturing, etc.)

FY2020 Forecast Ending March 31, 2021

FY2020 Forecast Assumptions

Aim to increase profits through efficient cost management despite the negative impact of COVID-19

■ Revenue forecast: Timing of normalization varies by region

- Japan: Factor in impact in first half
- China: Expect generally recovering
- Asia: Conditions vary by country, but a moderate recovery
- EMEA: Factor in impact until around third quarter

■ Core operating profit forecast: In addition to the above, incorporate the following factors

- SG&A : Cost optimization, hiring restraint and investments on IT infrastructure for the new normal
- R&D expense: Expect delays in some clinical trials

FY2020 Forecast

Aim to increase profits through efficient cost management

(JPY billions)	FY2019		FY2020		YoY
	Actual	vs Revenue	Forecast	vs Revenue	
Revenue	241.6		235.0		-3%
COGS	94.8	39%	90.0	38%	-5%
Gross margin	146.7	61%	145.0	62%	-1%
SG&A expenses	73.4	30%	70.0	30%	-5%
R&D expenses	23.3	10%	23.0	10%	-1%
Core operating profit	50.0	21%	52.0	22%	+4%
Amortization on intangible assets associated with products	9.9	4%	9.7	4%	-2%
Other income	0.4	0%	0.9	0%	+131%
Other expenses	7.0	3%	8.2	3%	+17%
Operating profit (IFRS)	33.5	14%	35.0	15%	+4%
Finance income	1.0	0%	0.8	0%	-16%
Finance expenses	2.4	1%	1.0	0%	-58%
Investment loss by equity method	--	--	0.8	0%	--
Profit before tax	32.1	13%	34.0	14%	+6%
Income tax expenses	10.4	4%	11.0	5%	+6%
<i>Actual tax ratio</i>	<i>32.3%</i>		<i>32.4%</i>		
Net profit (IFRS)	21.7	9%	23.0	10%	+6%
Core net profit	35.9	15%	38.7	16%	+8%
USD (JPY)	108.81		110.00		
EUR (JPY)	120.80		120.00		
CNY (JPY)	15.64		15.00		

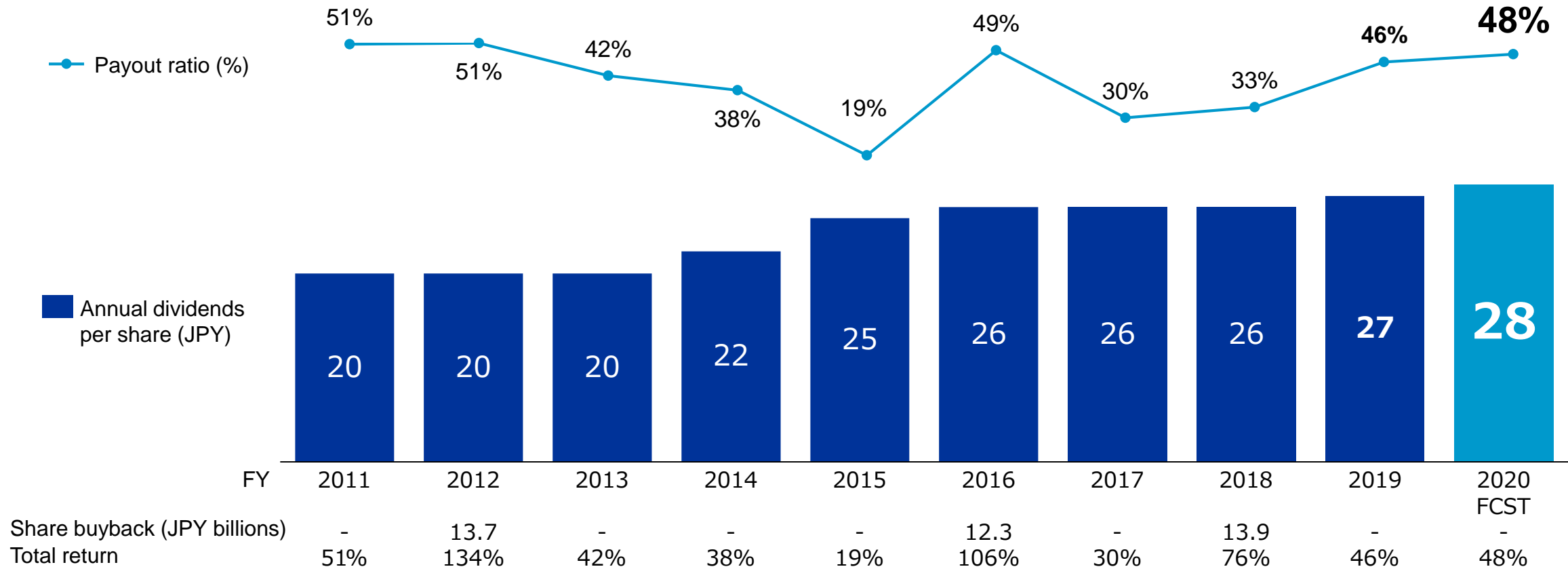
Core Basis

- Revenue: Expect COVID-19 impact
- Core operating profit: Expect growth due to reduced activity and cost optimization

Revaluation of InnFocus contingent payment

Dividend

Forecast dividend of JPY28 per share



- Total return forecast for FY2020 does NOT include the potential impact from future share buybacks
- J-GAAP standards used until FY2013, IFRS applied from FY2014

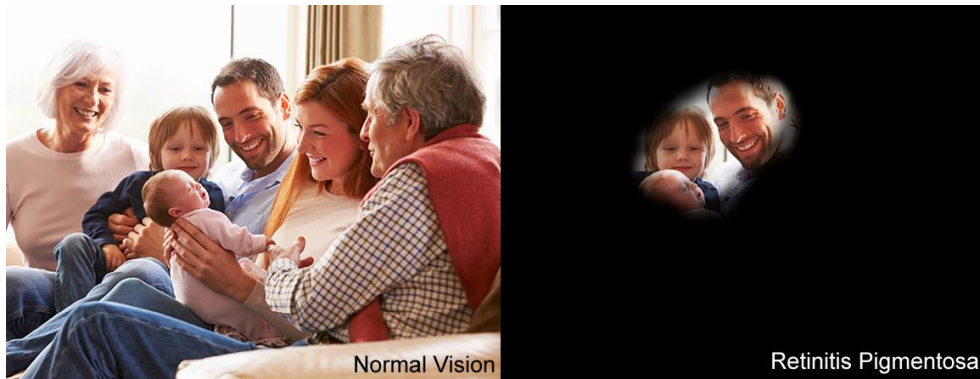
Status of Research & Development

jCyte Partnership: Retinitis Pigmentosa

Inherited disease with no approved or effective treatments for patients

● Inherited retinal disease

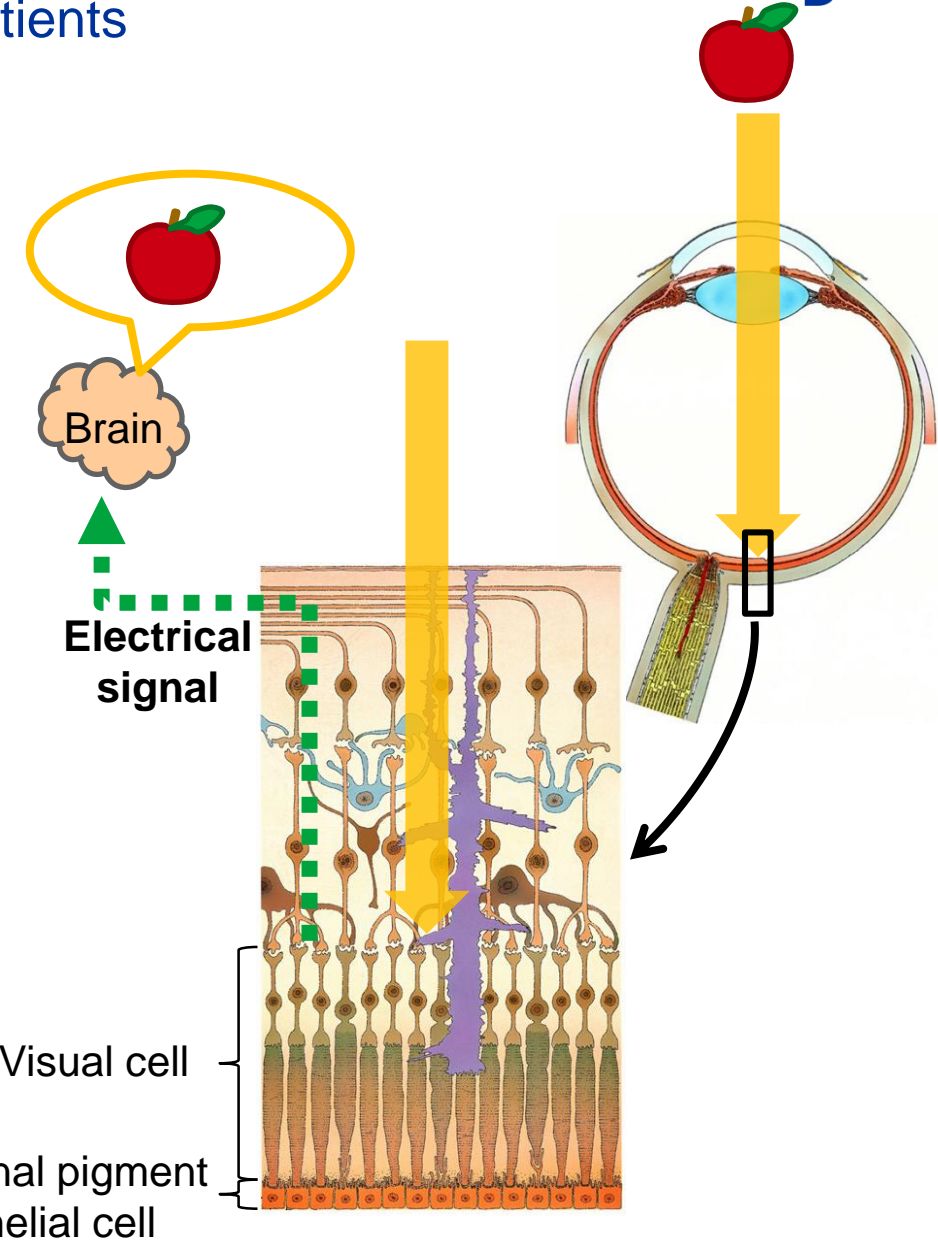
- ✓ Visual cells and retinal pigment epithelial cells become disorganized
- ✓ Characteristic symptoms include night blindness, narrowing of the visual field and decreased visual acuity



● No established treatment

● 1 of 4,000 people¹⁾

(The leading cause for congenital blindness²⁾ and the second leading cause for visual impairment³⁾ in Japan)



jCyte Partnership: Cell Therapy Programs for Retinitis Pigmentosa

Potential to be a broadly selected as initial therapy

- Route of administration

Intravitreal injection

>Unlike subretinal administration, vitreous surgery or retinotomy is not required

- Expected mechanism of action

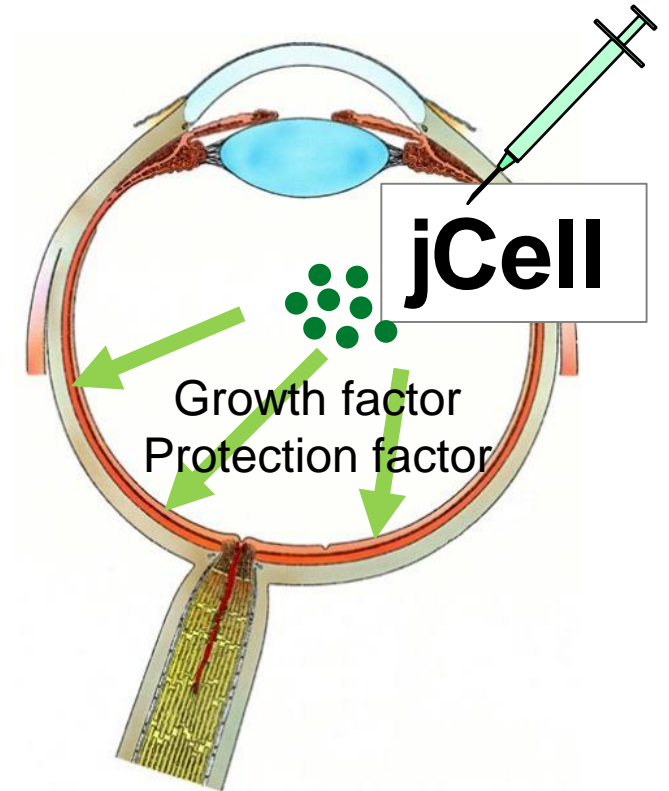
Secrete cell growth and protection factors

⇒ inhibit damage to retinal nerve cells

⇒ delay disease progression

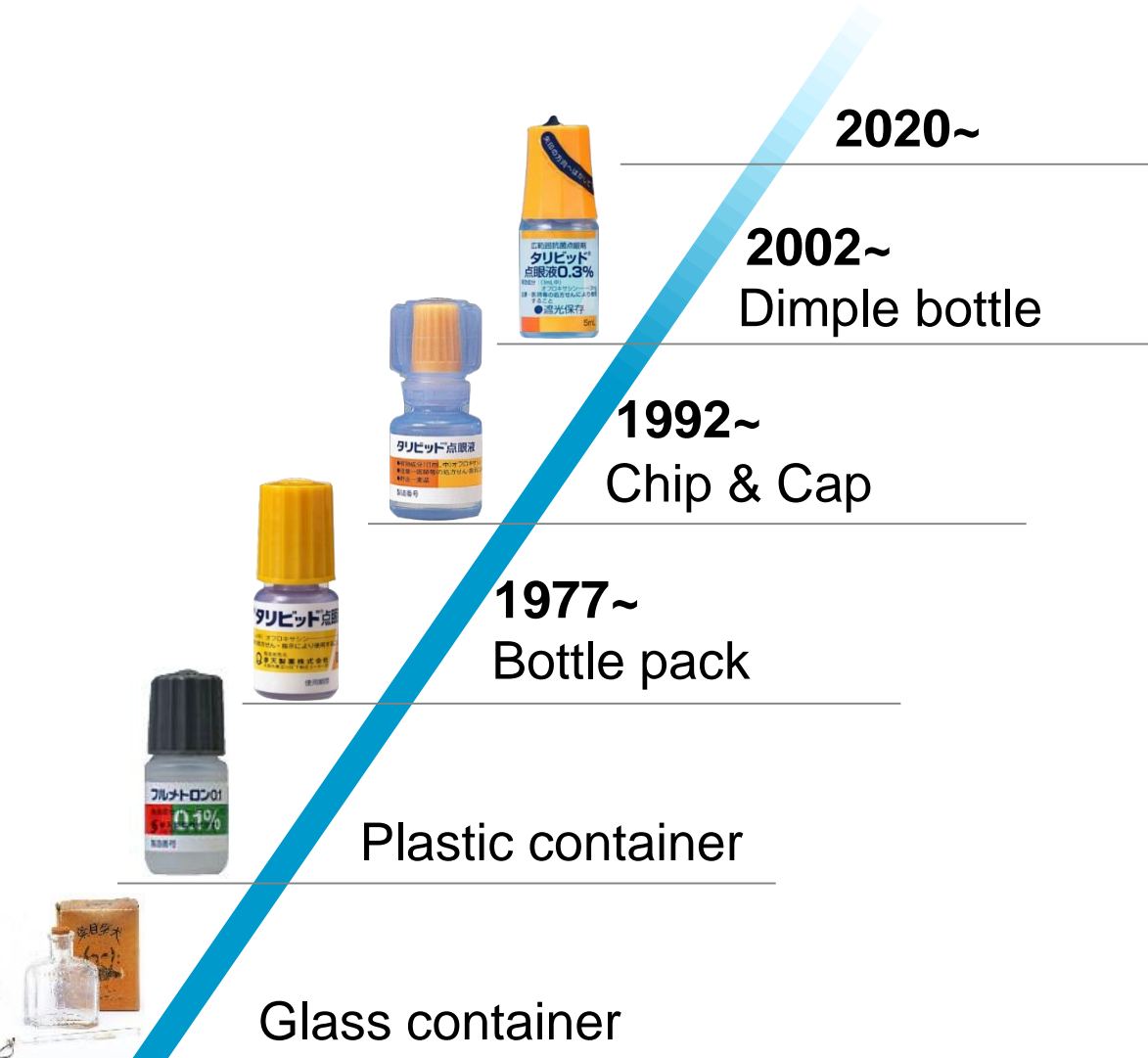
The causative genes vary, with more than 60 species of retinitis pigmentosa¹⁾

>Be adapted regardless of the type of causative gene



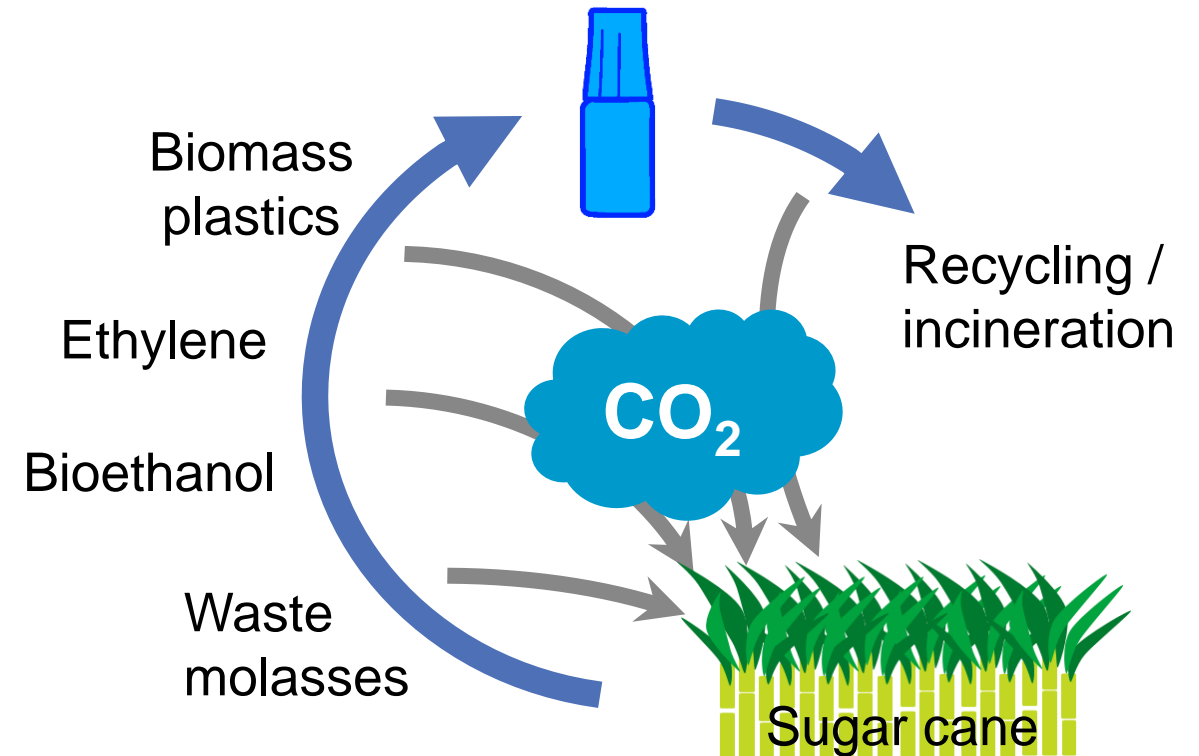
Commercialization of Biomass Plastic Eye Drop Container

From the patient's perspective to mankind's perspective



Bioplastic bottle made from biomass

- Carbon neutral
- Use of sustainable resources



Current Status of Research and Development

Pipeline/product development (1)

As of April, 2020
Updated information is underlined

	Indication	Region	Status
DE-111 <i>TAPCOM / TAPTIQOM</i> Combination of tafluprost and timolol maleate	Glaucoma / ocular hypertension	China	P3 <i>Plan: FY2020 P3 completion</i>
		US	P3 <i>Plan: FY2020 P3 completion</i>
DE-117 <i>EYBELIS</i> EP2 receptor agonist	Glaucoma / ocular hypertension	Japan	Launched
		Asia	Approved <i>Plan: FY2020 launch</i>
		US	P2b (dose finding study completed) <i>Plan: FY2020 P2 start (exploratory study)</i>
DE-126 FP/EP3 receptors dual agonist	Glaucoma / ocular hypertension	Japan	
		US	
DE-128 <i>PRESERFLO MicroShunt</i>	Glaucoma	US	P2/3 <i>Plan: <u>FY2020 PMA rolling submission completion</u>, FY2020 launch</i>
		Europe	Launched
		Asia	<u>Filed in Mar 2020 (Korea)</u> <i>Plan: <u>FY2020 approval</u></i>
DE-130A Catioprost latanoprost	Glaucoma / ocular hypertension	Europe	P3
		Asia	<i>Plan: FY2021 P3 completion</i>

Current Status of Research and Development

Pipeline/product development (2)

As of April, 2020
Updated information is underlined

	Indication	Region	Status
DE-109 IVT sirolimus	Uveitis	US	P3 <i>Plan: FY2022 P3 completion</i>
		Japan	P3
		Europe	P3
		Asia	Filed
DE-076C <i>Verkazia</i> ciclosporin	Vernal kerato-conjunctivitis (VKC)	Europe	Launched
		Asia	Approved of VKC indication extension to <i>Ikervis</i>
		Others	Launched (Canada)
DE-114A epinastine HCl (high dose)	Allergic conjunctivitis	Japan	Launched
DE-127 atropine sulfate	Myopia	Japan	P2/3 <i>Plan: FY2023 P2/3 completion</i>
		Asia	P2 (met primary endpoint)
MD-16 Intraocular lens	Cataract	Japan	Approved <i>Plan: FY2020 launch</i>

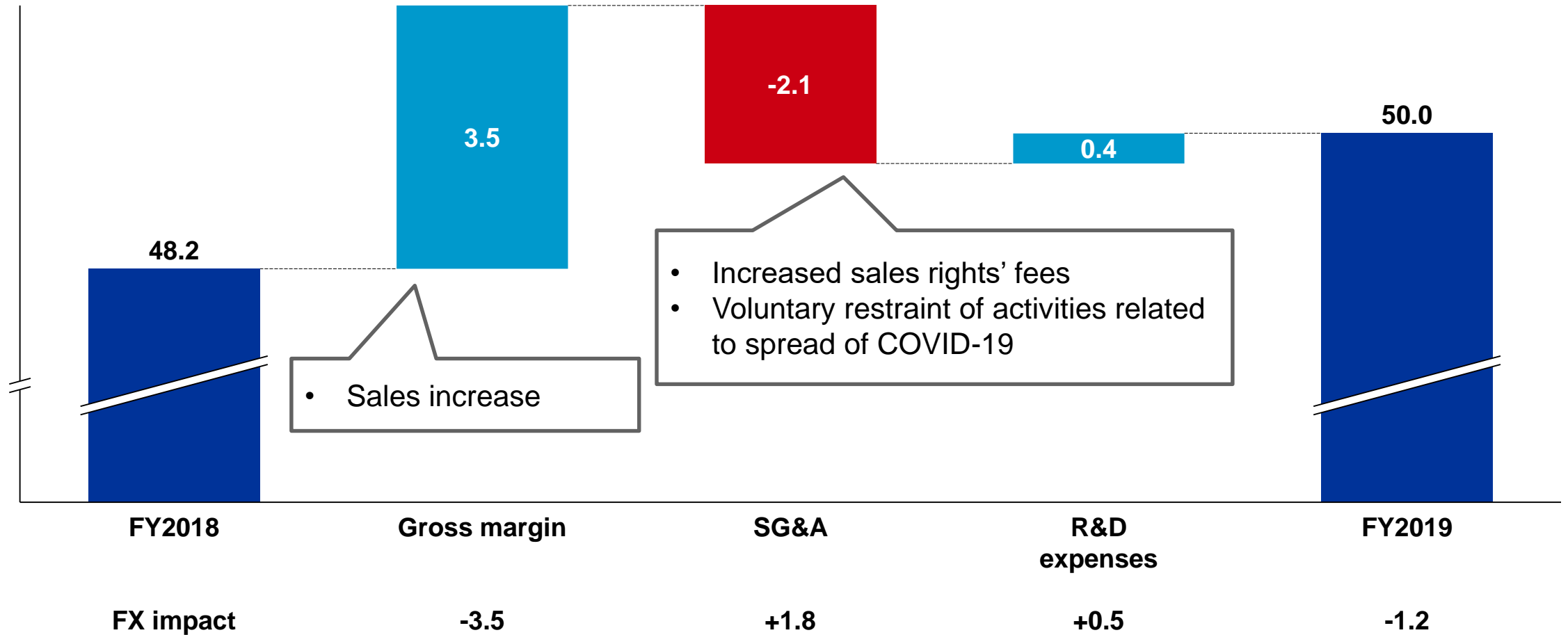
DE-122: Expected efficacy was not demonstrated in P2a; development discontinued in March 2020

Appendix

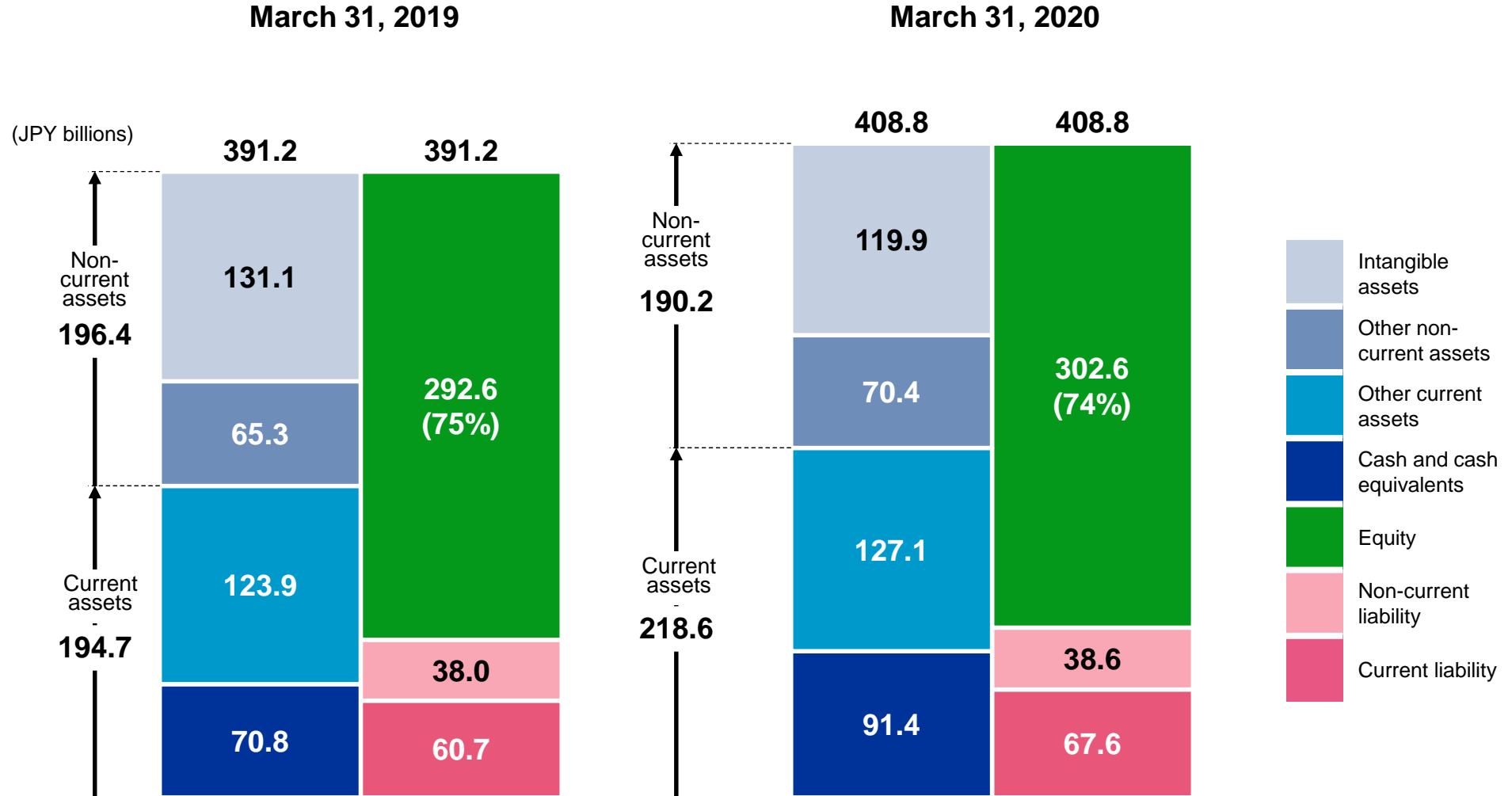
FY2019 Core Operating Profit (Breakdown)

Profit growth due to the effect of increased sales which offsets SG&A increase

(JPY billions)

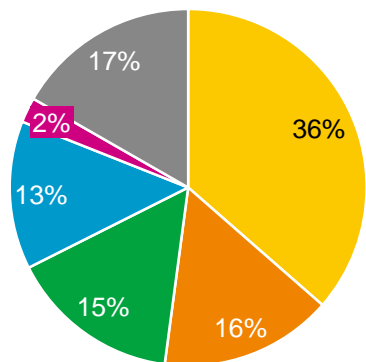


FY2019 Financial Position



FY2019 Revenue by Region

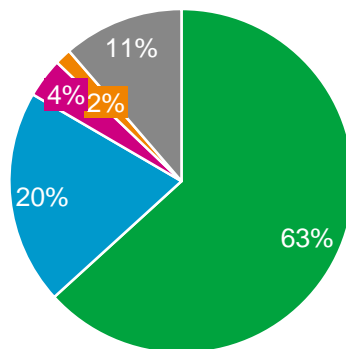
Japan



	(JPY Billions)
Eylea*	60.1
Alesion (Incl. Alesion LX)	24.9
Diquas	14.3
Others	65.7
Total	165.0

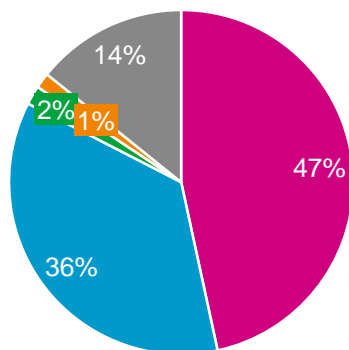
Eylea*: Co-promoted product of Bayer Yakuhin, Ltd. (MAH)

EMEA



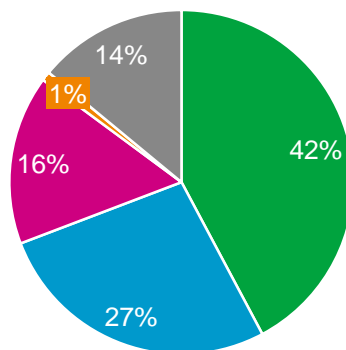
	(JPY Billions)
Cosopt	9.3
Tapros	6.5
Ikervis	3.1
Others	18.1
Total	37.0

China



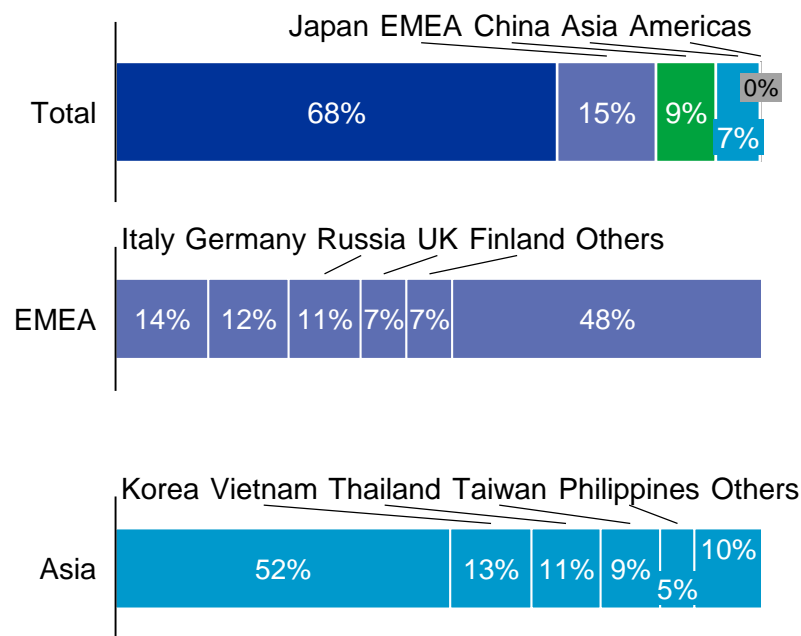
	(JPY Billions)
Cravit	9.5
Hyalein	7.9
Flumetholon	1.2
Others	3.7
Total	22.3

Asia



	(JPY Billions)
Cosopt	4.1
Hyalein	1.9
Tapros	1.9
Others	8.6
Total	16.5

Revenue in each region



The logo for Santen features a large, stylized letter 'S' on the left. The 'S' is composed of two overlapping shapes: a light blue one on top and a dark blue one on the bottom. To the right of the 'S' is the word 'Santen' in a bold, dark blue, sans-serif font.

A Clear Vision For Life™