

Japan and Asia Business Update



Akira Kurokawa

President & CEO

February 26, 2018

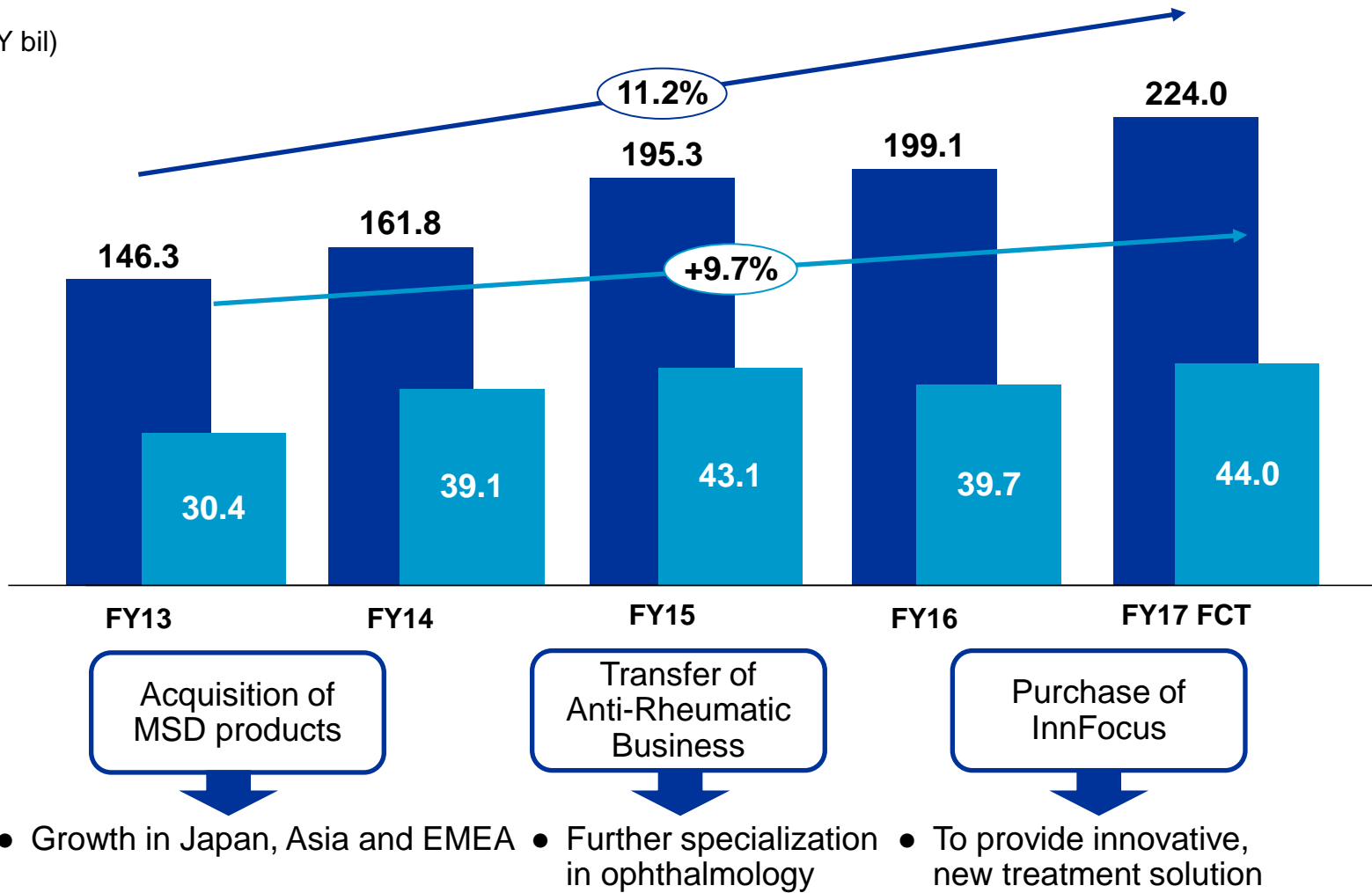
天機に参与する

Tenki ni sanyo suru

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.

Progress of Santen under Vision 2020

(JPY bil)

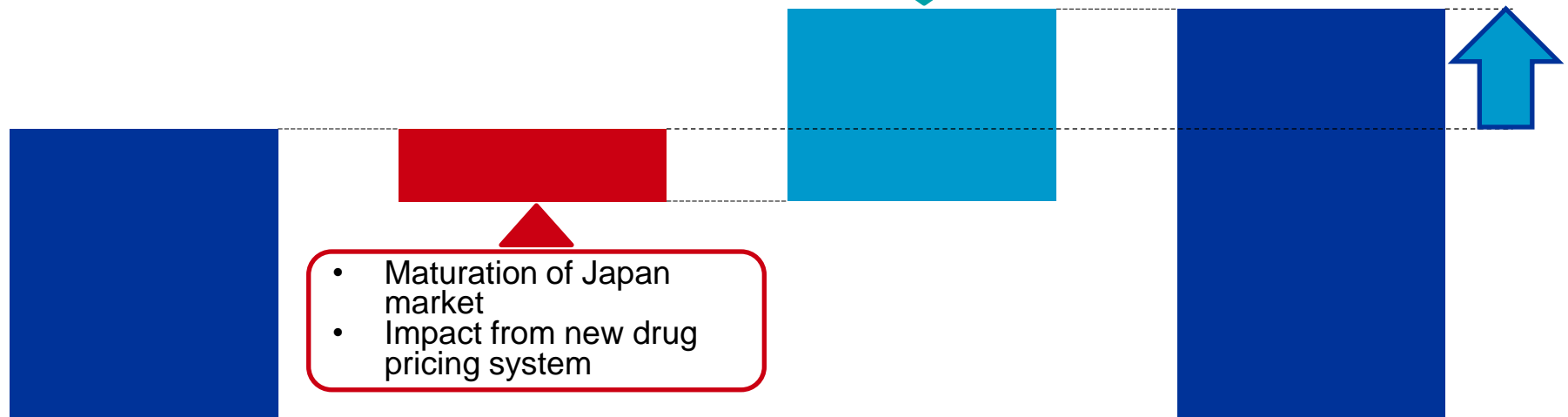


➔ Based on Santen's Values, Achieved Sustained Growth to Become a Specialized Pharmaceutical Company with a Global Presence

We Strive to Increase Contributions to Ophthalmic Treatments With Sustainable Growth

● To achieve Vision 2020:

- **Japan pharma business:** Expanding and creating new markets with the strength as #1 company
- **OTC business:** Growth from inbound demand and high value-added / premium products without impact from NHI pricing cuts
- **Surgical business:** Growth with new product
- Accelerating profit growth in overseas business, especially in Asia and China



Overcome negative impacts on business environment and development with our strength as specialized company



- #1 share in Japan and Asia
- Raise overseas sales ratio



- To the next growth stage
- Further devotion to the treatment in ophthalmology

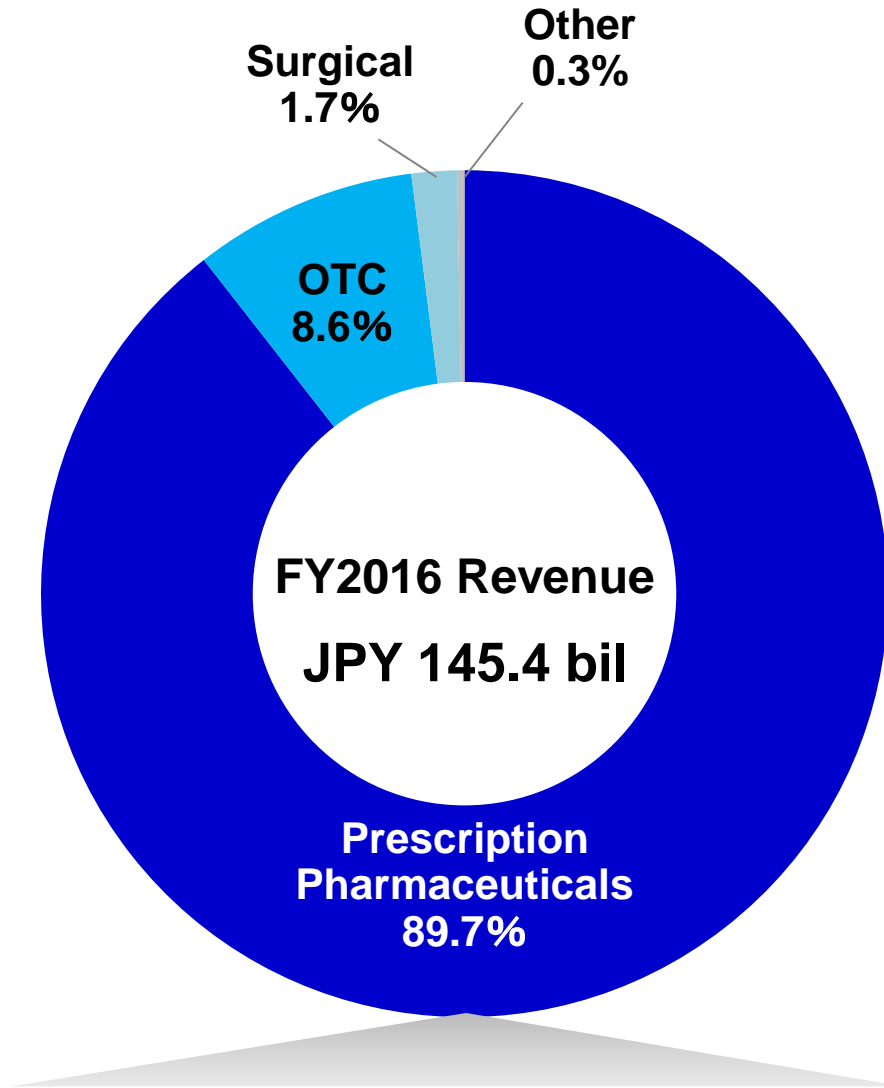
Japan Business



Takeshi Ito

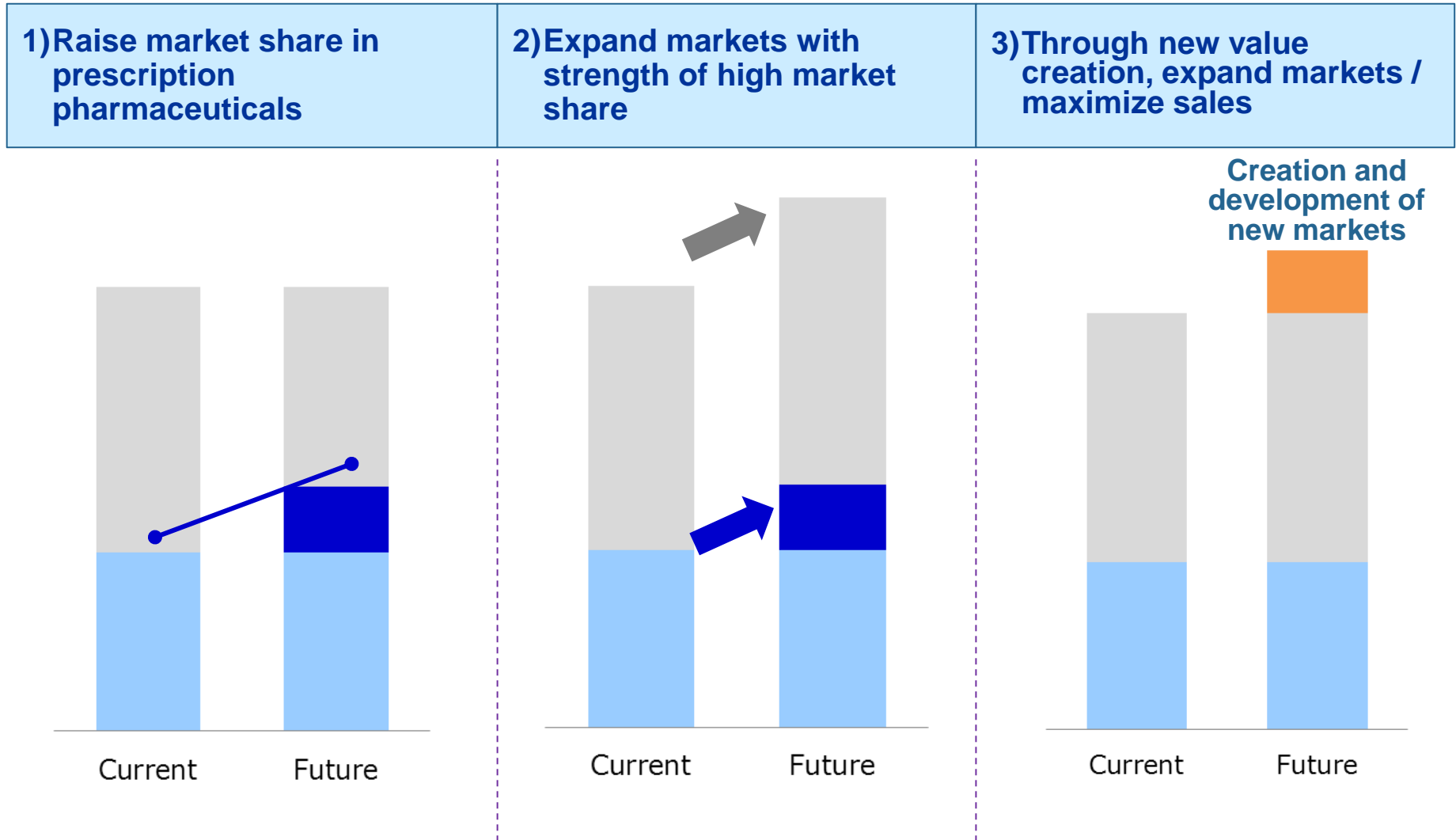
Member of the Board,
Executive Corporate Officer, Japan Business,
Head of Japan Sales and Marketing, Prescription Pharmaceuticals

February 26, 2018



Impact from the pricing system reforms and generic promotion policy

1. Our Direction Forward in the Prescription Pharmaceutical Business

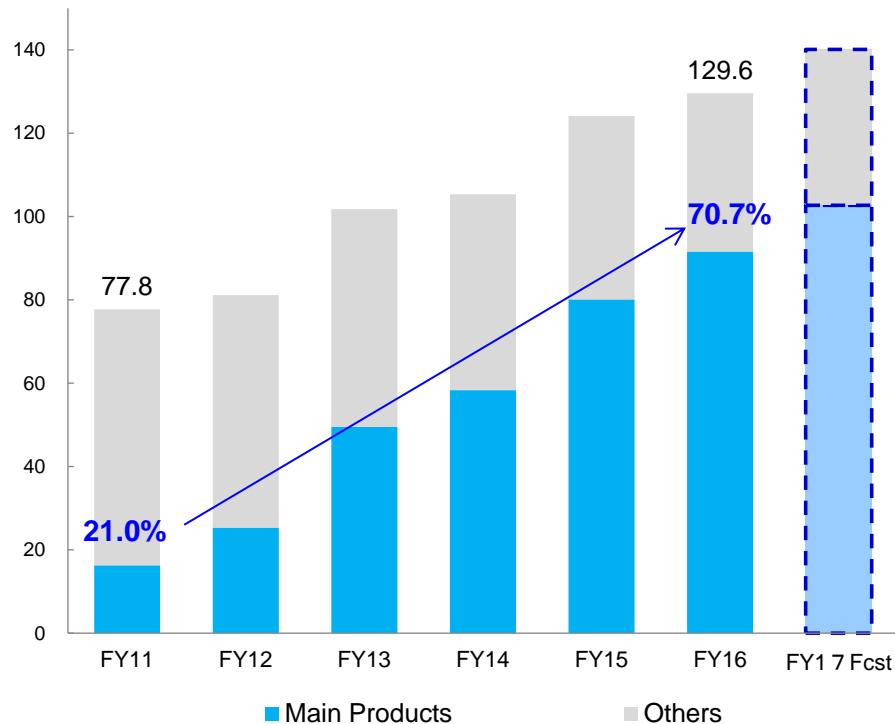


1. Our Direction Forward in the Prescription Pharmaceutical Business

1) Raise market share

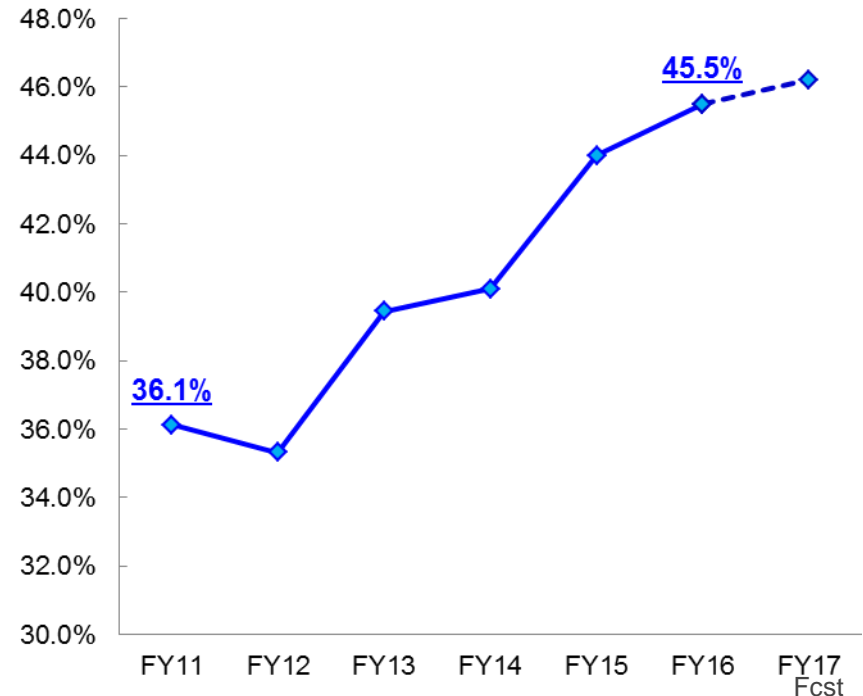
Revenue transition in Prescription pharmaceutical (Ophthalmic)

(bil JPY)



Main products*: *Tapros, Tapqom, Cosopot, Diquas, Allesion, Eylea*

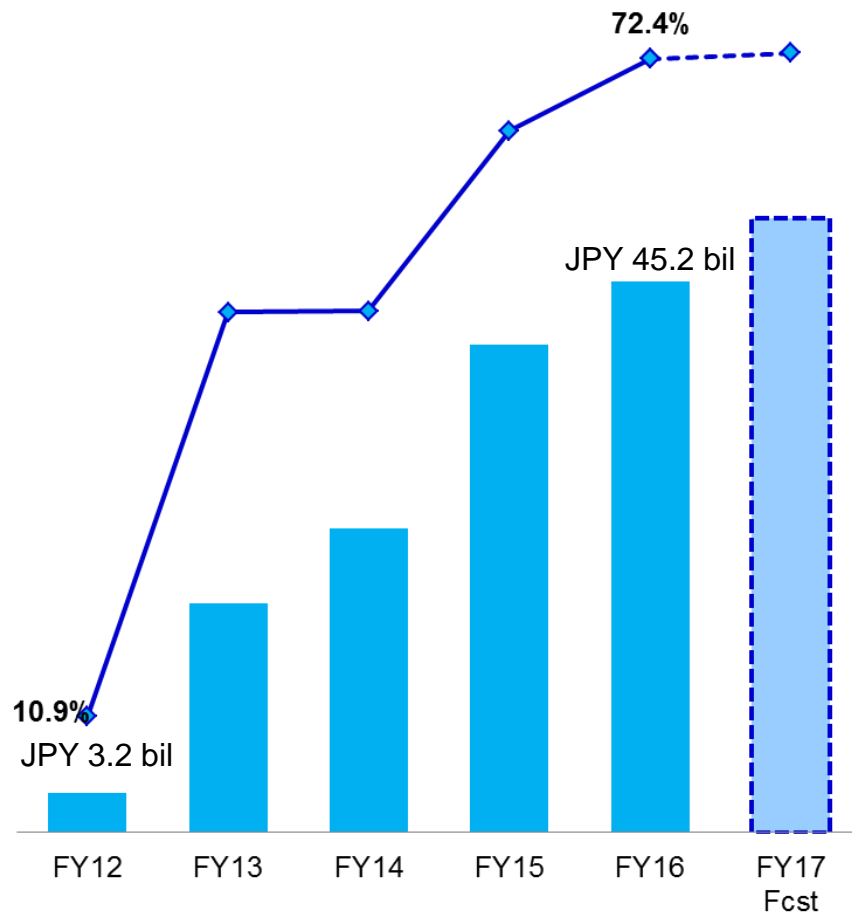
Market share transition in Prescription pharmaceutical (Ophthalmic)



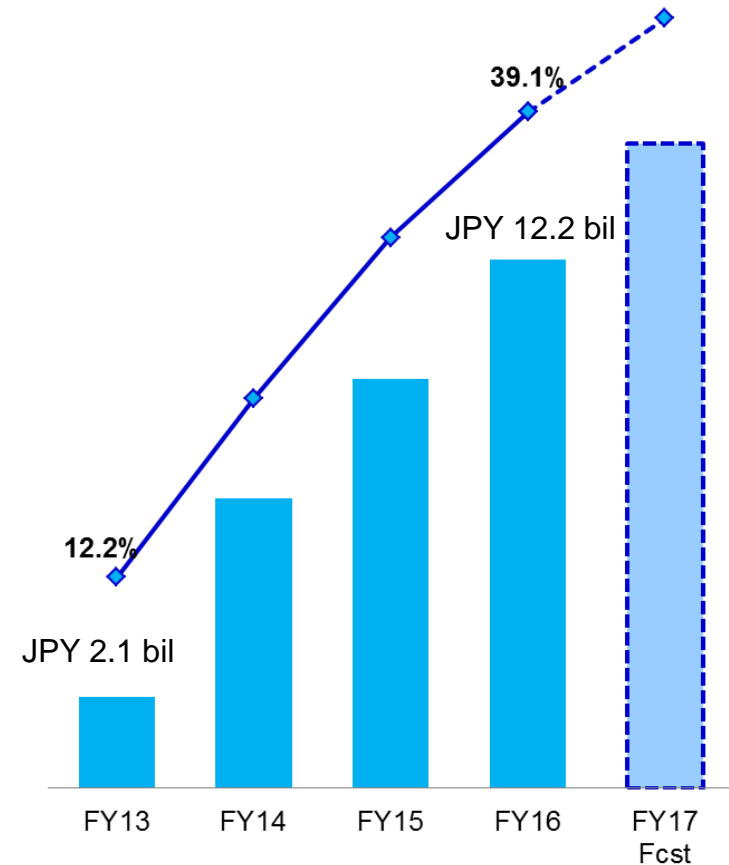
1. Our Direction Forward in the Prescription Pharmaceutical Business

1) Raise market share

Eylea Revenue & Market share
(Anti-VEGF market)



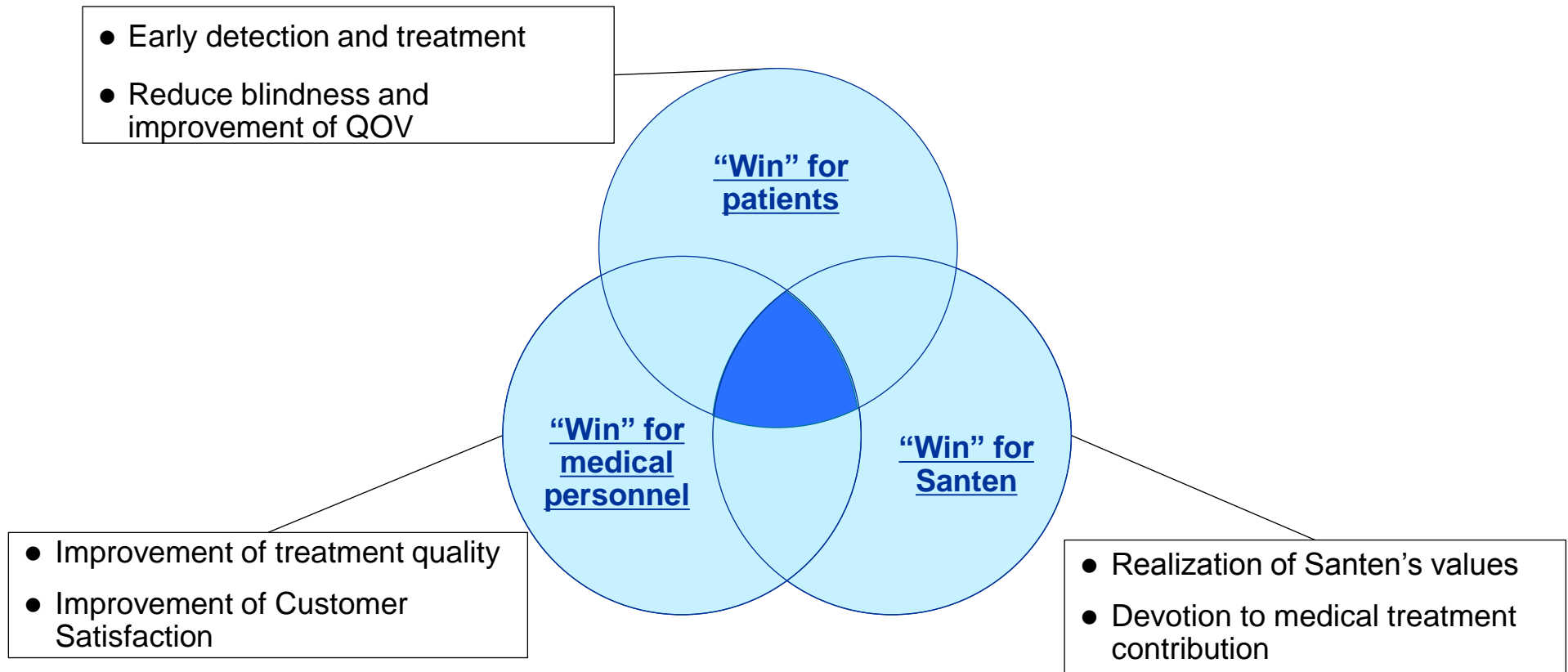
Alesion Revenue & Market share
(Anti-Allergy market)



Source: Copyright © 2018 IQVIA. IMS-JPM (2011-2017). Santen analysis based on IMS data. Reprinted with permission.

1. Our Direction Forward in the Prescription Pharmaceutical Business

2) *Expand markets with strength of high market share*

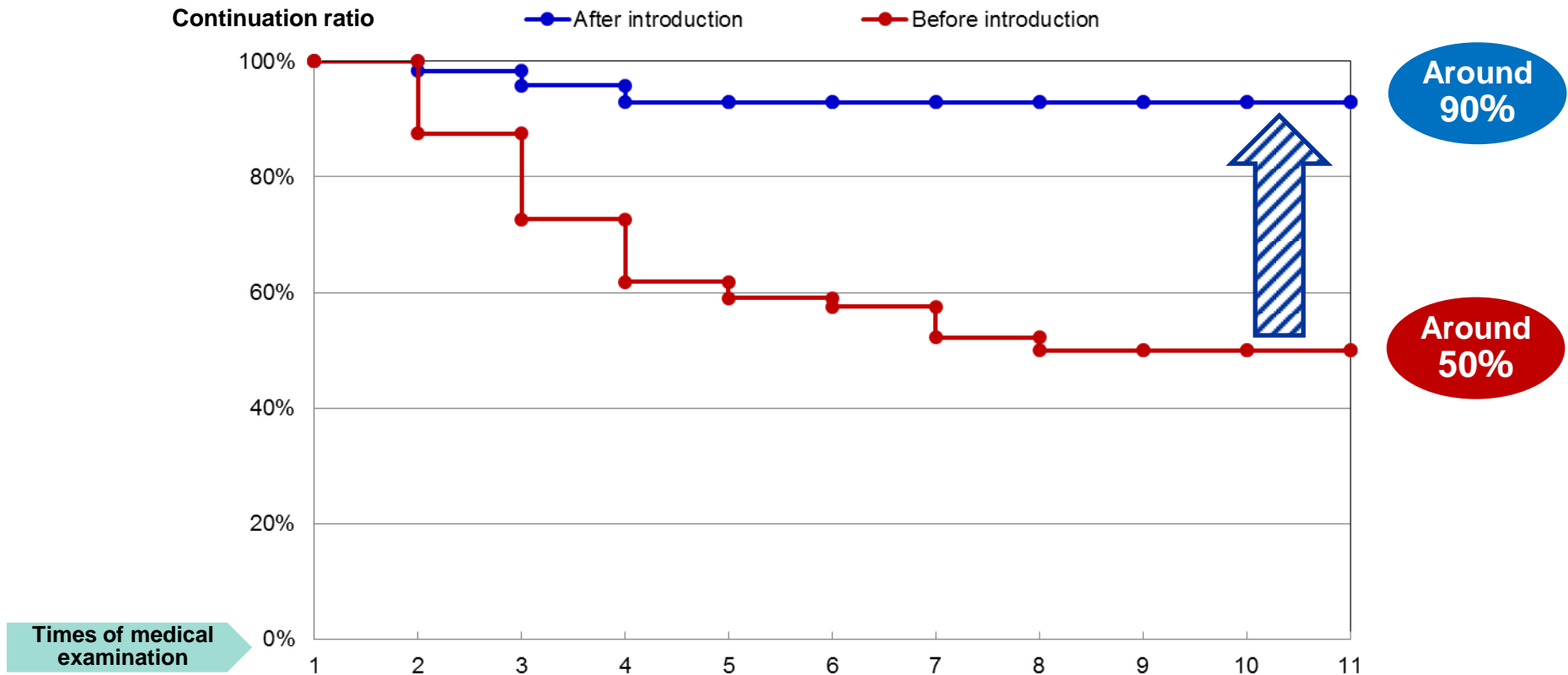


To realize 3 “wins” for patients, medical personnel and Santen through market expansion by raising treatment compliance rates and increasing examinations through awareness activities

1. Our Direction Forward in the Prescription Pharmaceutical Business

2) *Expand markets with strength of high market share*

- Example of our activities to increase treatment continuation: Introduction of a support package that encourages patients with glaucoma patients to visit medical institutions



- Now holding discussions with other companies to search new ways to improve treatment and visit continuation rates

1. Our Direction Forward in the Prescription Pharmaceutical Business

3) Through new value creation, expand markets / maximize sales

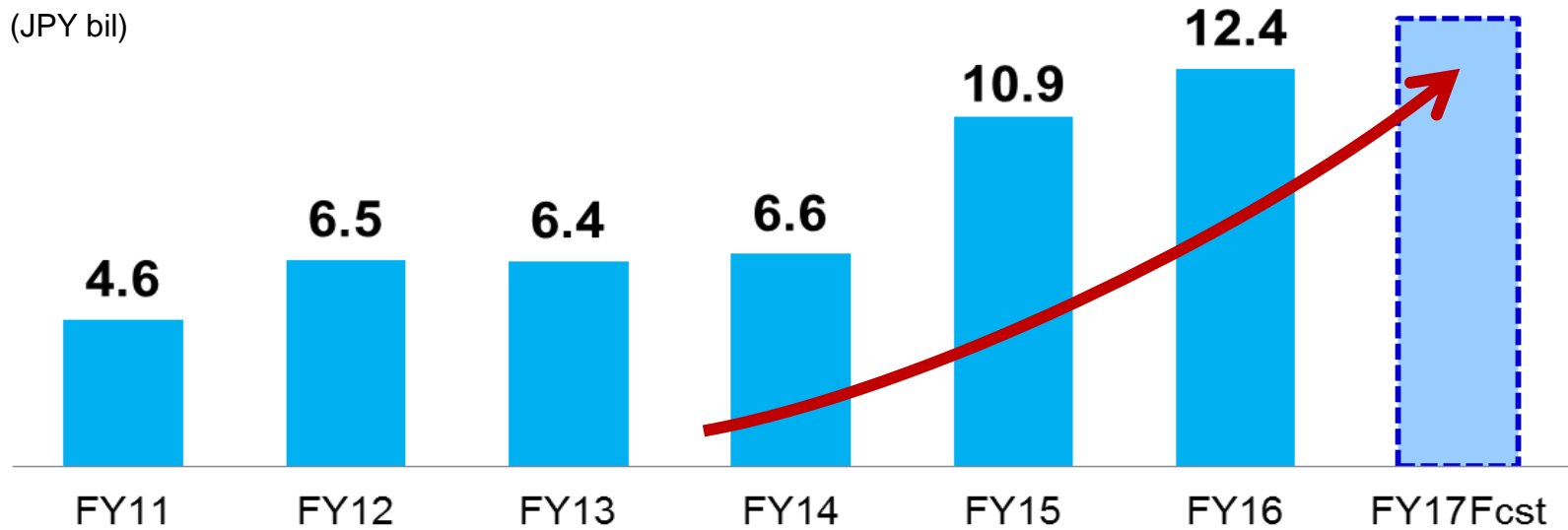
Example: Enlargement of supplement business for medical institutions

Following the “**Sante Lutax**” series supporting the improvement of QOV (Quality of Vision), we launched “**Sante Glagenox**”. As a result, we are expanding the supplement business for doctors and offering new solutions in ophthalmology.



2. Over-the-Counter Business (OTC)

(JPY bil)



- **Working to increase revenue from inbound demand**
 - Product development and promotions to increase inbound demand
- **Expansion of high value-added / premium products**
 - Development and promotion for high value-added / premium products
- **Leveraging technology and knowledge gained from the experience in prescription pharmaceutical**
 - Leveraging our strong technology and knowledge gained from our prescription pharmaceutical business in the development and promotion of OTC products



“Sante Beuteye” series



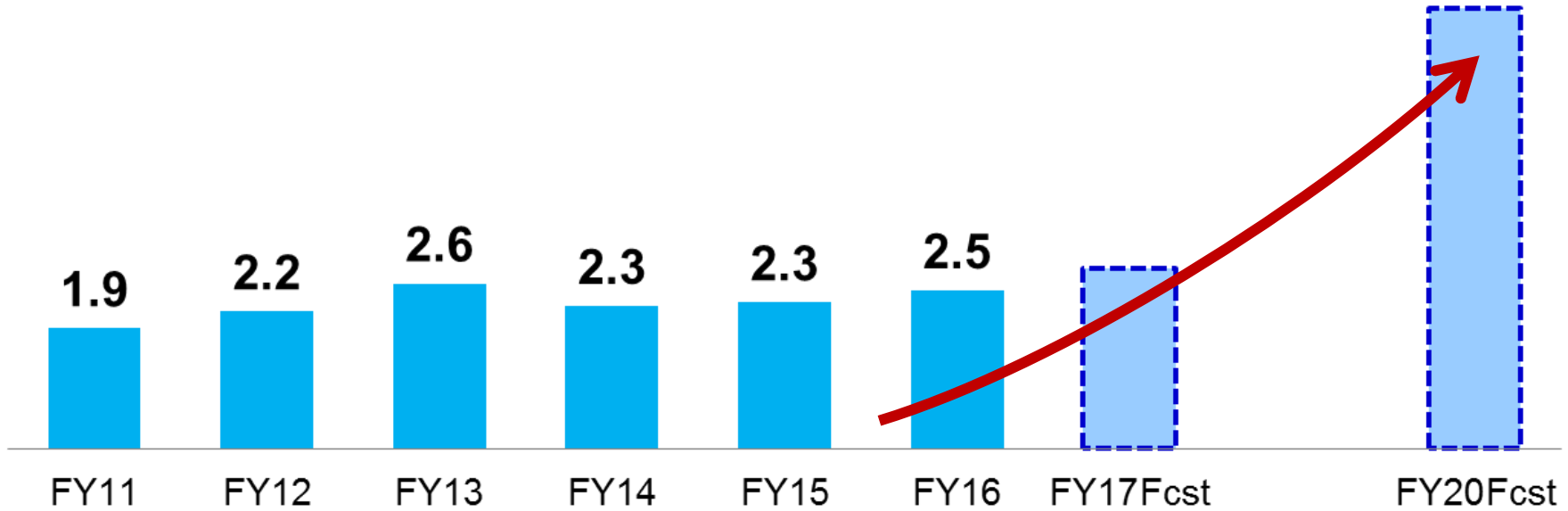
“Sante Medical” series



“Soft Santear” series

3. Surgical Business

(JPY bil)



- Expansion of line-up through active development and launch of new products
- Strengthen sales force through cooperation with our prescription pharmaceutical business
 - Strengthen of sales force by deepening the cooperation with prescription pharmaceutical which covers all ophthalmologists in Japan

Planning to launch new products which are highly competitive in 2019.
Trying to quickly develop the business in the market backed-up by the prescription pharmaceutical business.



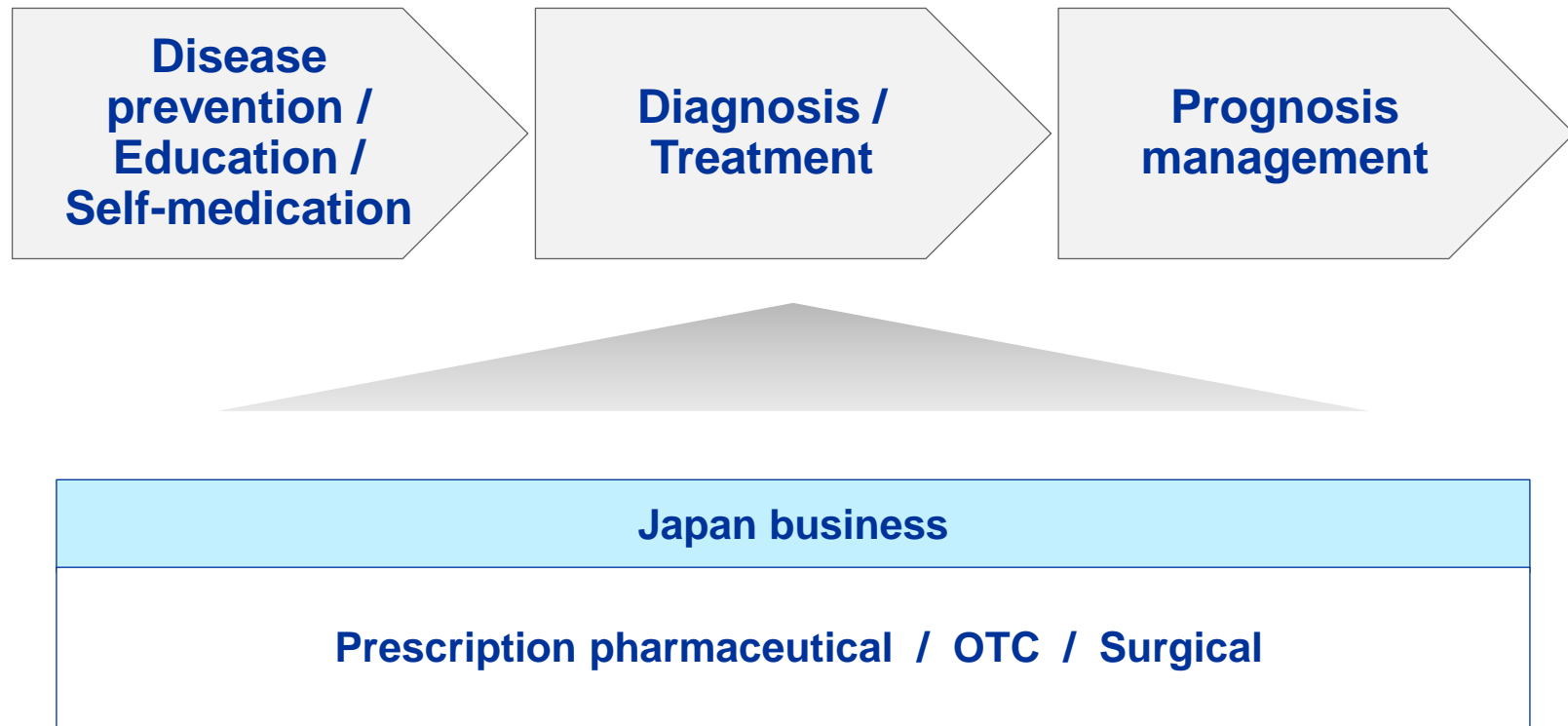
*Eternity Natural
Uni R*



*Eternity Access
Ease*

In Conclusion

Santen will provide solutions that meet ophthalmology needs and will always continue to be a company that contributes to people's quality of vision.



Asia business



Akira Kurokawa

President & CEO

February 26, 2018

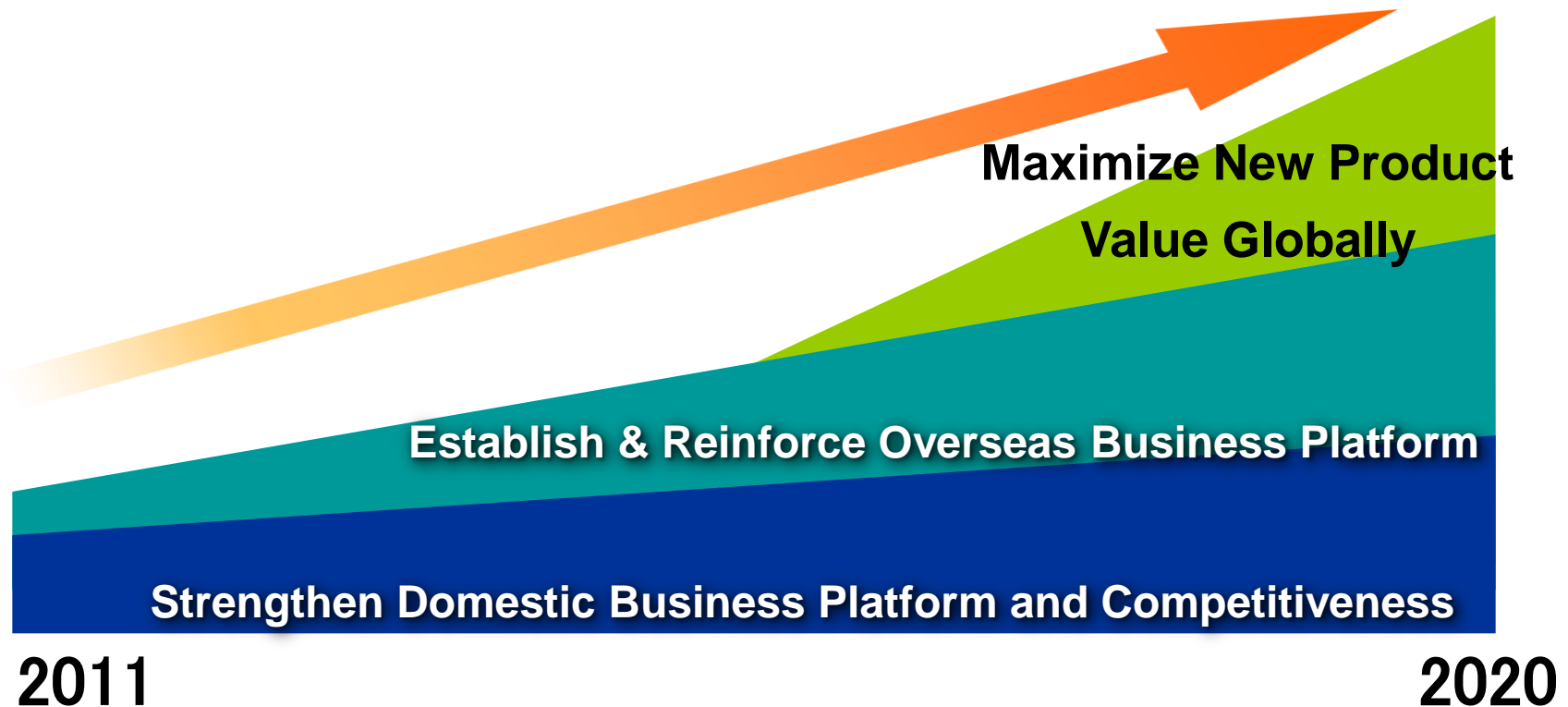
Sustained Business Growth toward FY2020

**Position in Prescription
Ophthalmic Business**

**#1 in Japan and Asia
Top 3 position globally**

Overseas sales in 2020

**Up to 40 - 50% of
Total Sales**



5 Steps Toward the Achievement of Long-term Strategic Vision

1

Develop products that meet true customer needs swiftly

2

Transform domestic business for further growth

3

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

4

Establish competitive global product supply and quality assurance systems

5

Strengthen talent and organizational capabilities to promote “Creation and Innovation”

Our Achievements 2014~2017

Sales Growth

- Increased sales higher than market growth

Change Business Model

- Started Santen own sales model in Asian countries (Singapore, Philippines, Thailand, Malaysia, Hong Kong, Taiwan)

Enter BOP Market

- Established new company in China partnering with Chongqing Kerui

Expand Product Portfolio

- Expanded glaucoma portfolio with MSD products
- Upgraded Infection portfolio with CRV1.5
- Provided new Dry Eye medication with *Diquas* and *Ikervis*
- Started collaboration with SERI (Singapore)

Enter New Market

- Entered new markets (India, Pakistan, Sri Lanka, Myanmar)

Strengthen Business Capability

- Upgraded functions in Suzhou factory in China (Obtained EU GMP and *Hialid* manufacturing license)
- Started Santen own activities in Taiwan OTC market
- Obtained authorization for Santen Asia (Singapore) as a RHQ

Aggressively Expanding Business

Subsidiaries or Representative Offices in 10 Countries / Areas



Subsidiaries & Representative Offices (): foundation

- Santen Pharmaceutical (China) Co., Ltd. (2005)
- Santen Pharmaceutical Sales & Marketing (Suzhou) Co., LTD. (2013)^{*1}
- Chongqing Santen Kerui Pharmaceutical Co., Ltd. (2016)^{*1}
- Santen Pharmaceutical Korea Co., Ltd (2000)
- Taiwan Santen Pharmaceutical Co., Ltd (1992)
- Santen Pharmaceutical Asia Pte. Ltd. (2013) (Singapore/RHQ)
- Santen (Thailand) Co., Ltd. (2014)^{*2}
- Santen Pharma Malaysia SDN. BHD. (2014)^{*2}
- Santen Philippines Inc. (2014)^{*2}
- Santen Pharmaceutical (Hong Kong) Limited (2016)^{*2}
- Santen India Private Limited (2011)
- Ho Chi Minh City Representative Office (2013)

(as of February 2018)

^{*1} Subsidiary of Santen Pharmaceutical (China) Co., Ltd. ^{*2} Subsidiary of Santen Pharmaceutical Asia Pte. Ltd.

Started Santen Own Sales Model and Entered New Countries / Areas Partnering with Distributors



Sales Area

By Santen
*Conduct activities by Santen

By Distributor

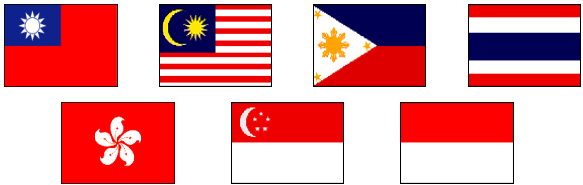
FY14 April
(10 countries/areas)

China, Korea, Vietnam



(3 countries / areas)

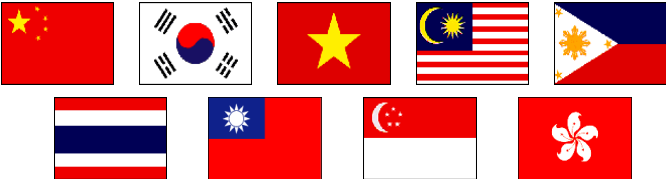
Taiwan, Malaysia, Philippines, Thailand, Hong Kong, Singapore, Indonesia



(7 countries / areas)

FY17 March
(14 countries/areas)

China, Korea, Vietnam
Malaysia, Philippines, Thailand, Taiwan, Singapore, Hong Kong



(9 countries / areas)

Indonesia, Pakistan, Sri Lanka, Brunei, Myanmar



(5 countries / areas)

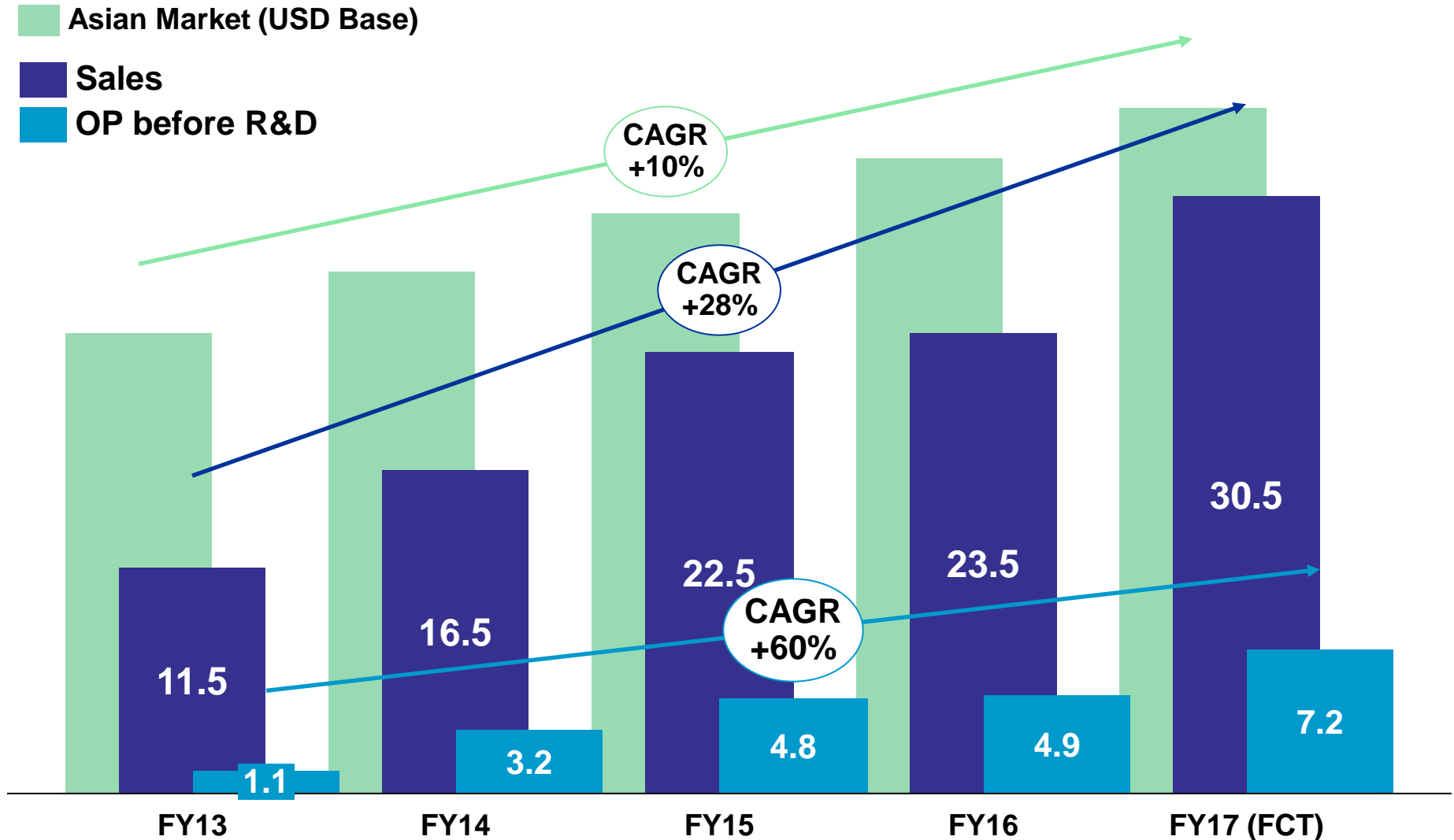
Sell More Than 15 Products around Glaucoma and Dry Eye in More Than 10 Countries / Regions

*CN: China, KR: Korea, TW: Taiwan, SG: Singapore, TH: Thailand, MY: Malaysia, PH: Philippines, HK: Hong Kong, VN: Vietnam, ID: Indonesia

(as of January, 2018)		CN	KR	TW	SG	TH	MY	PH	HK	VN	ID
Glaucoma	Taflotan / Tapros	●	●	●	●	●	●	●	●	●	●
	Taflotan-S		●	●	●	●		●	●	●	
	Cosopt		●	●	●	●	●	●	●		
	Cosopt-S		●								
	Trusopt		●	●	●	●	●	●	●		
Dry Eye	Hyalein 0.1/ Hialid 0.1	●	●		●	●	●	●	●	●	●
	Hyalein 0.3/ Hialid 0.3	●	●		●	●			●	●	
	Diquas	(●)	●			●				●	
	Ikervis		●		●	●					
	Cationorm (SD/MD)				●		●	●	●	●	
Infection	Cravit 0.5	●	●	●	●	●	●	●	●	●	●
	Cravit 1.5		●		●	●				●	
	Tarivid OS	●	●				●	●	●	●	●
Others	Flumetholon 0.1	●	●	●				●	●	●	●
	Kary Uni	●	●	●	●	●		●	●	●	●

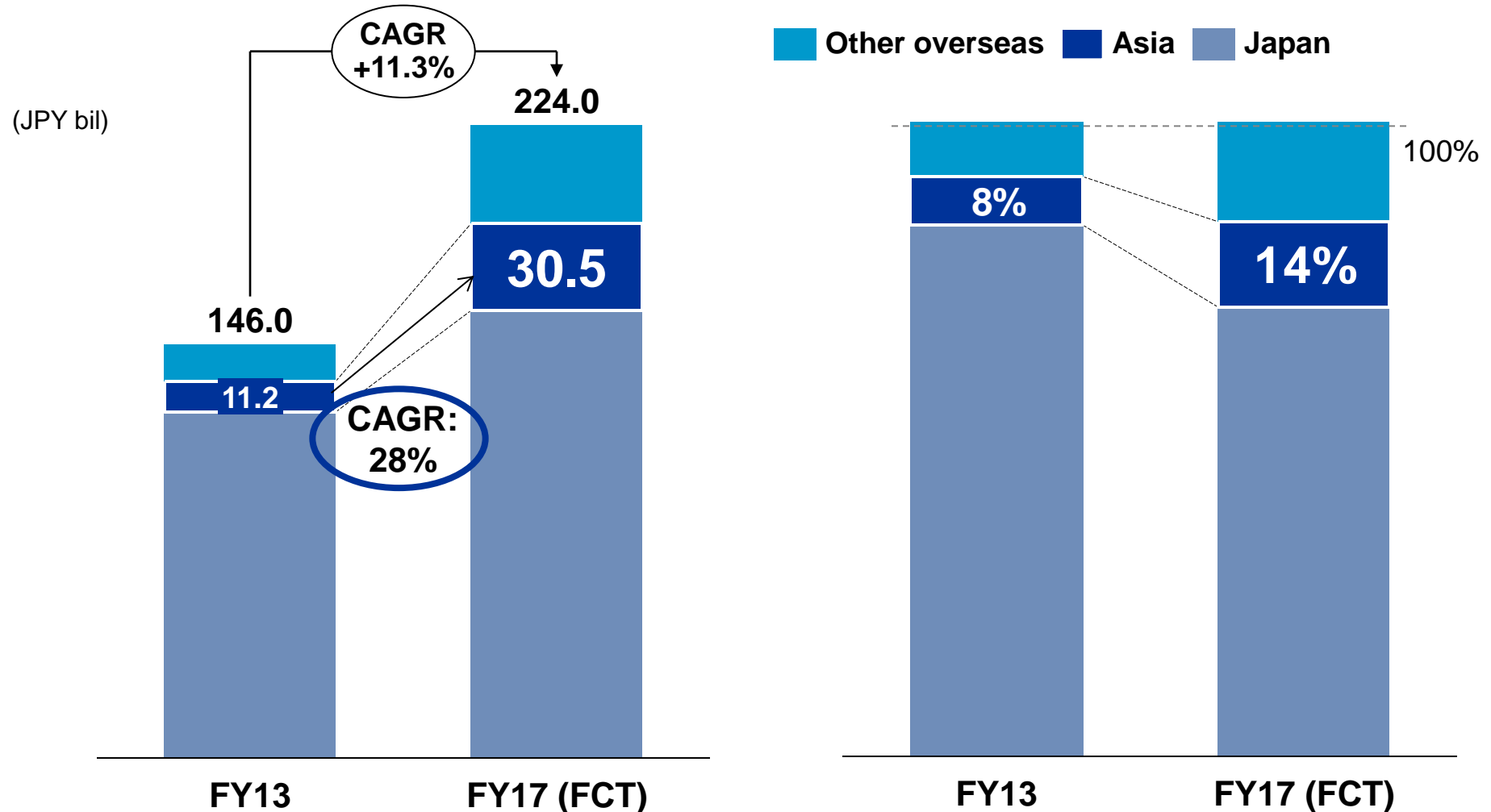
Main products and countries only. Indonesia: distributor model. (●): will launch soon. ●: sales of more than 500 million yen.

Achieve a Stable Business Platform and Increase Sales Consistently with Active Investments



Increased Business Contribution in Santen with Higher-than-Market Sales Growth

Asia business contribution in Santen



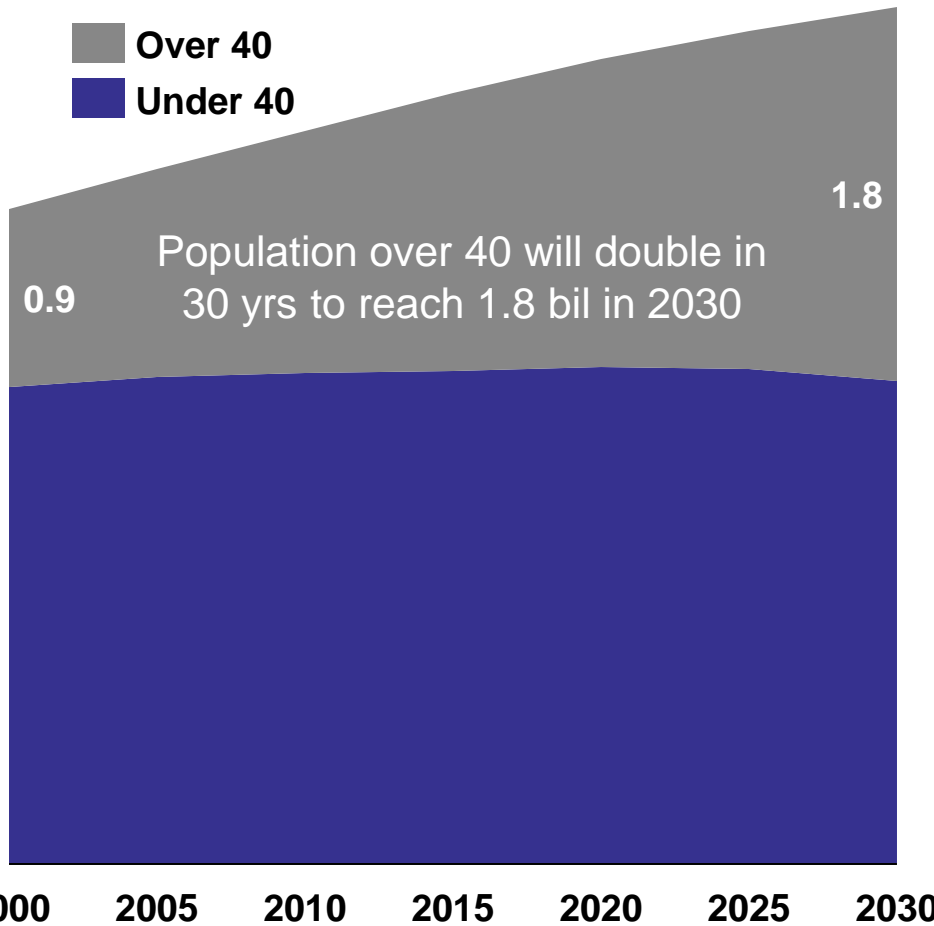
Asia Business Strategy

Population in Asia will Grow and Over 40 Age Ratio is High

Population in Asia

(bil)

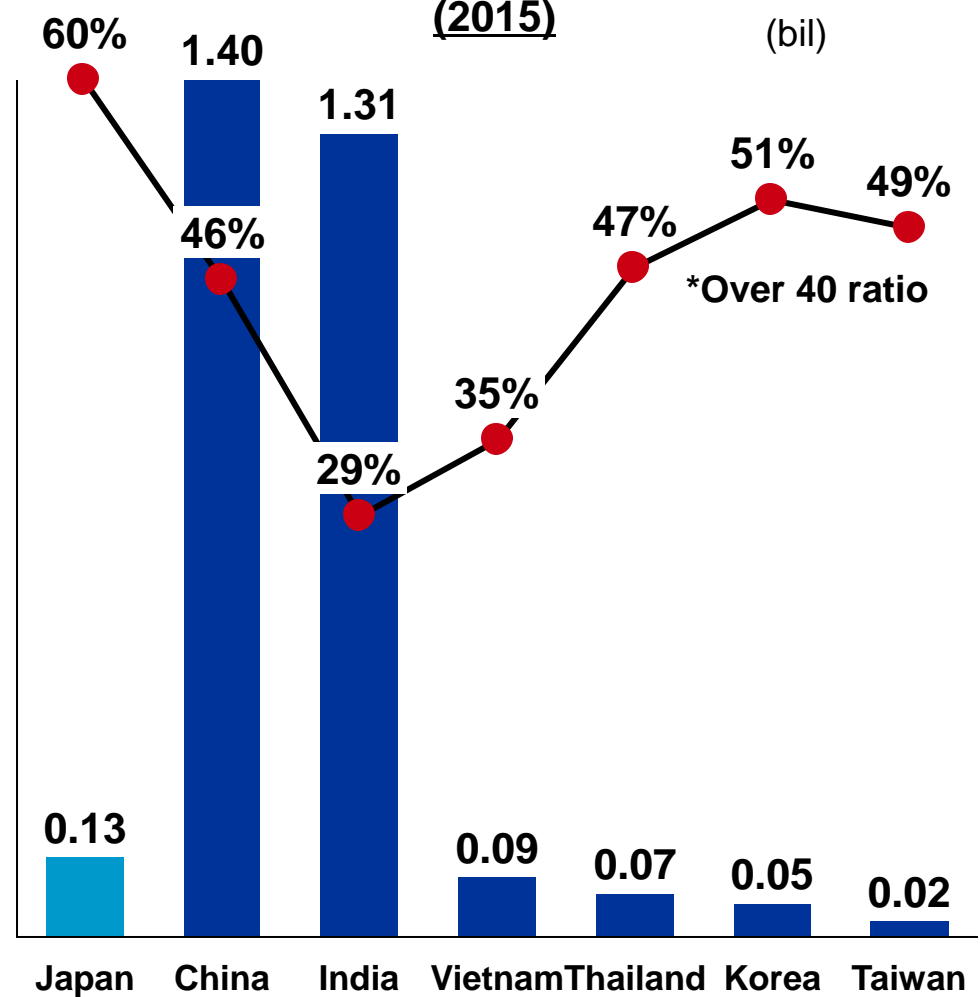
*Asia 18 countries/areas (excluding Japan)



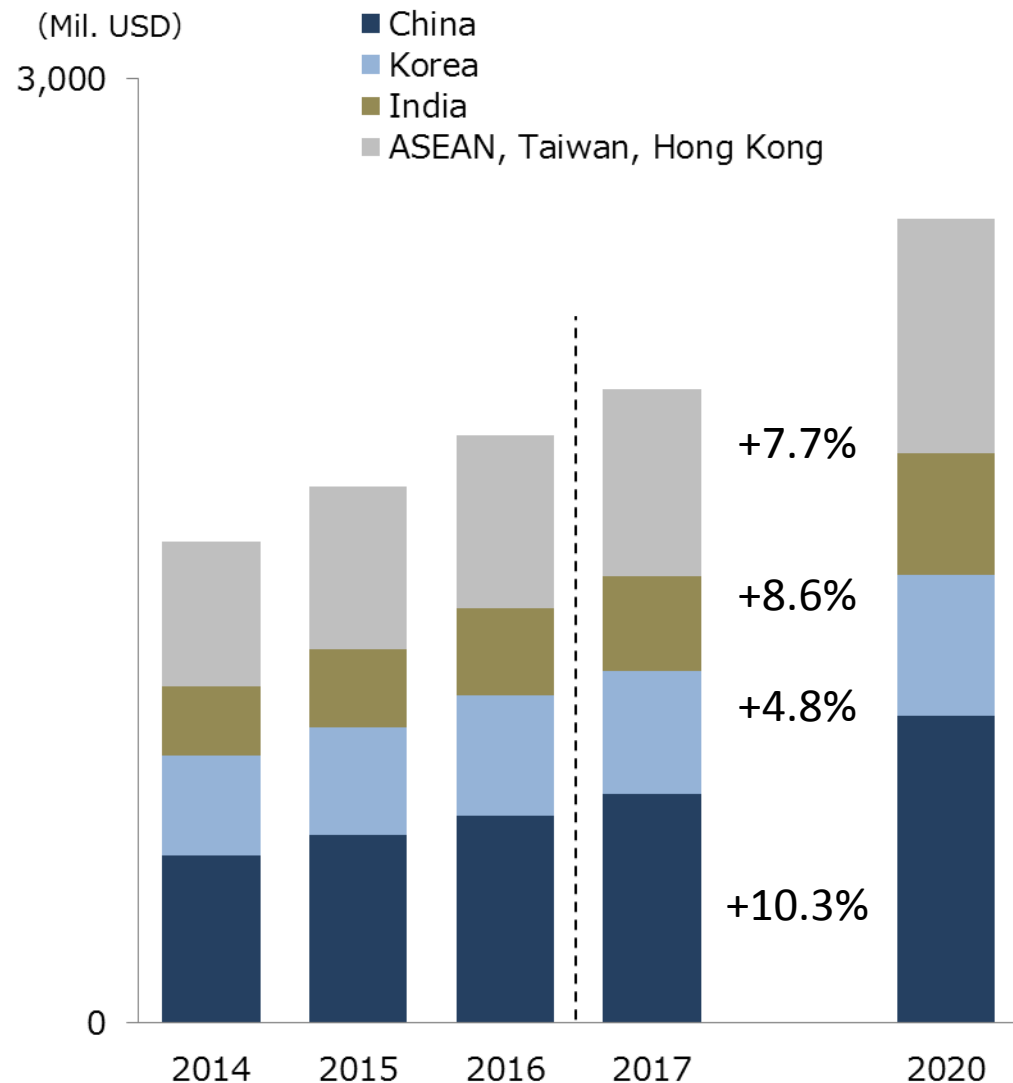
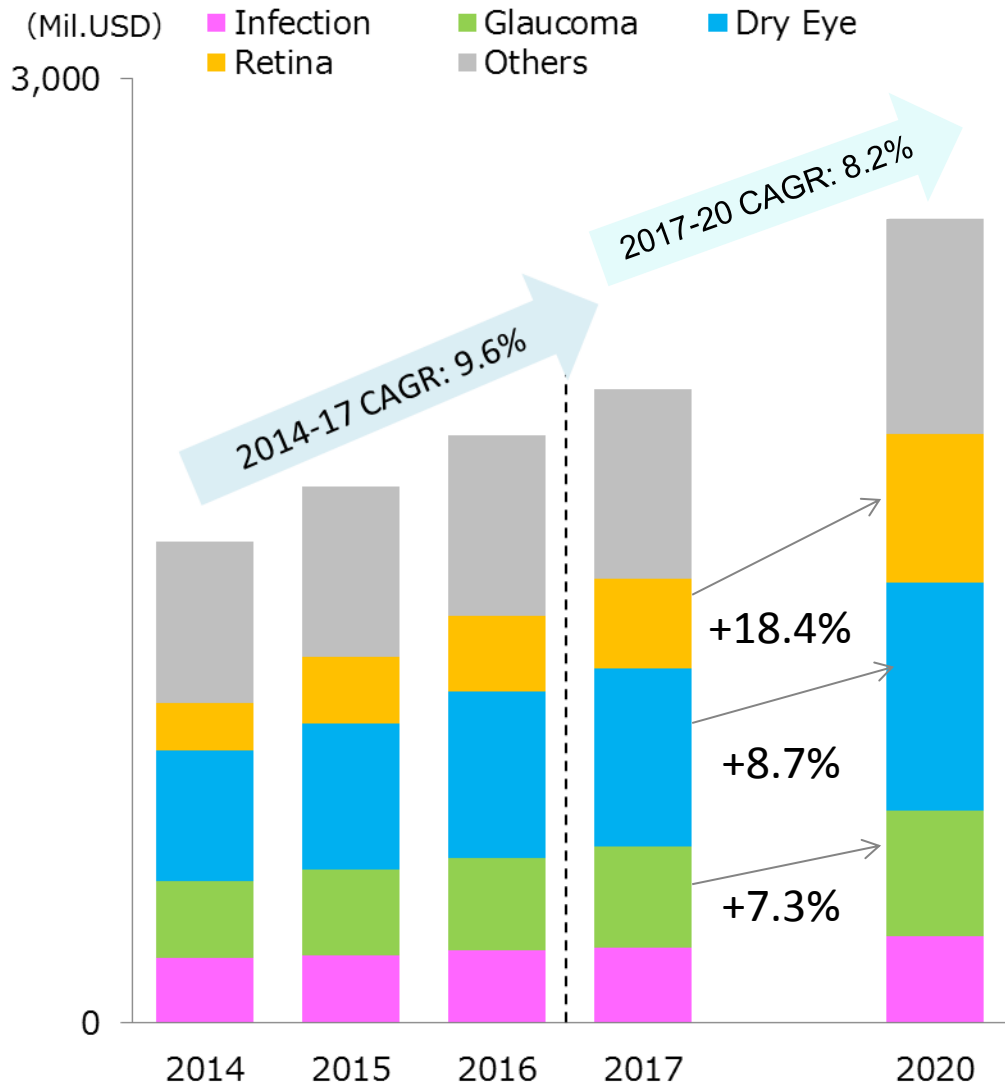
Population and over 40 ratio

(2015)

(bil)

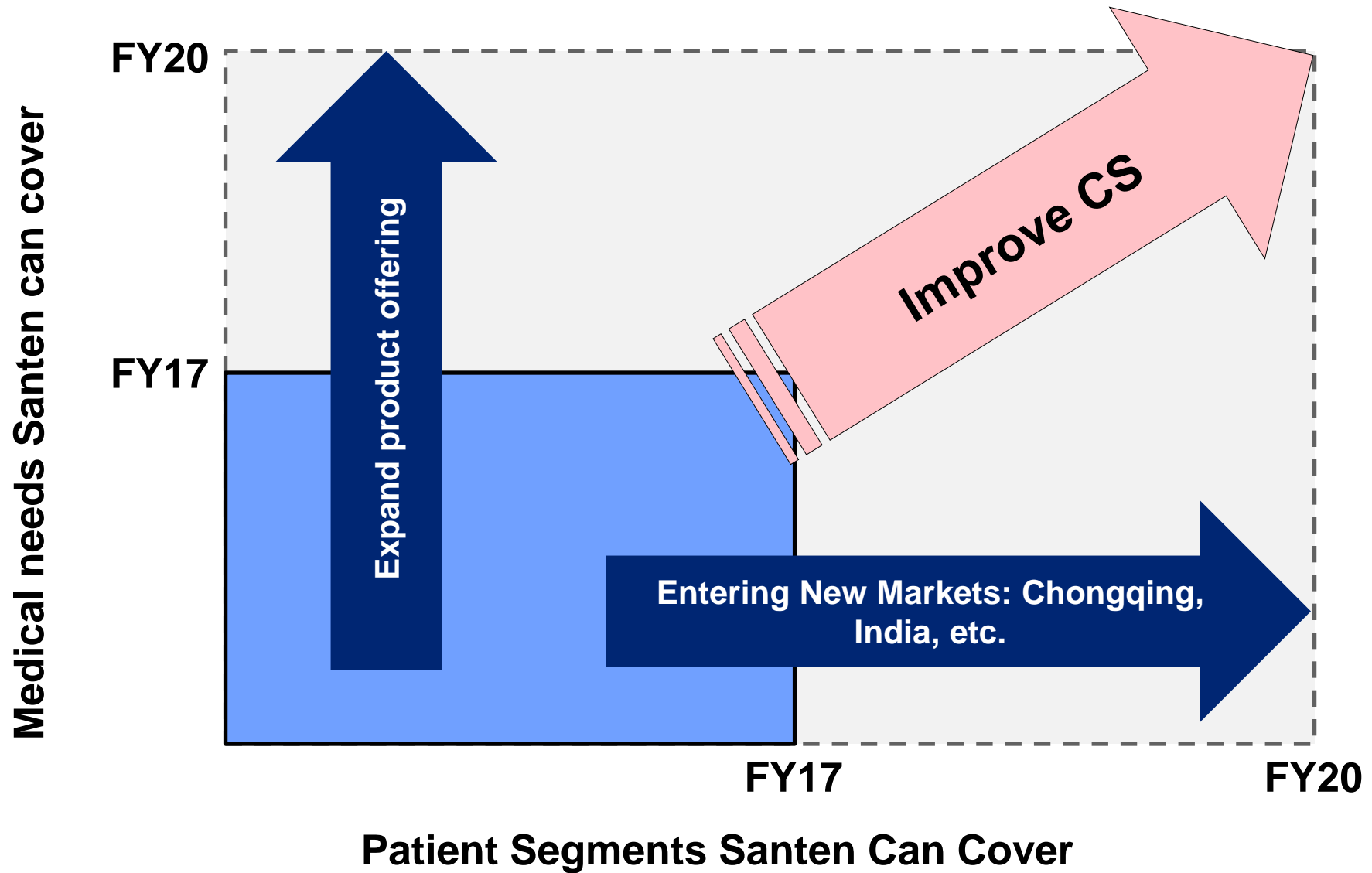


Asia Ophthalmology Market will Continue to Expand (Asia division forecast / 11 countries)



Asia division market forecast August 2017/ Based on IMS MIDAS 2014-2016 excluding S01S, L, Korea OTC and China retail/ 10 countries + India
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Strategy in Asia



Country /Region and Therapeutic Area Strategy



Singapore Taiwan Philippines Vietnam



Hong Kong Malaysia Thailand



India

Korea

China

- Make a full-scale entry

- Expand sales with organic growth and new product launches
- Enter OTC /Pharmacy channel
- Meet medical needs

- Achieve organic growth to maximize product value
- Expand product portfolio for long-term growth

- Conduct customer-oriented promotion
- Expand sales coverage
- Launch new products and enter national reimbursement drug list
- Start production (filling to packaging) for main products in Suzhou plant
- Proceed Chongqing (Kerui) PJ

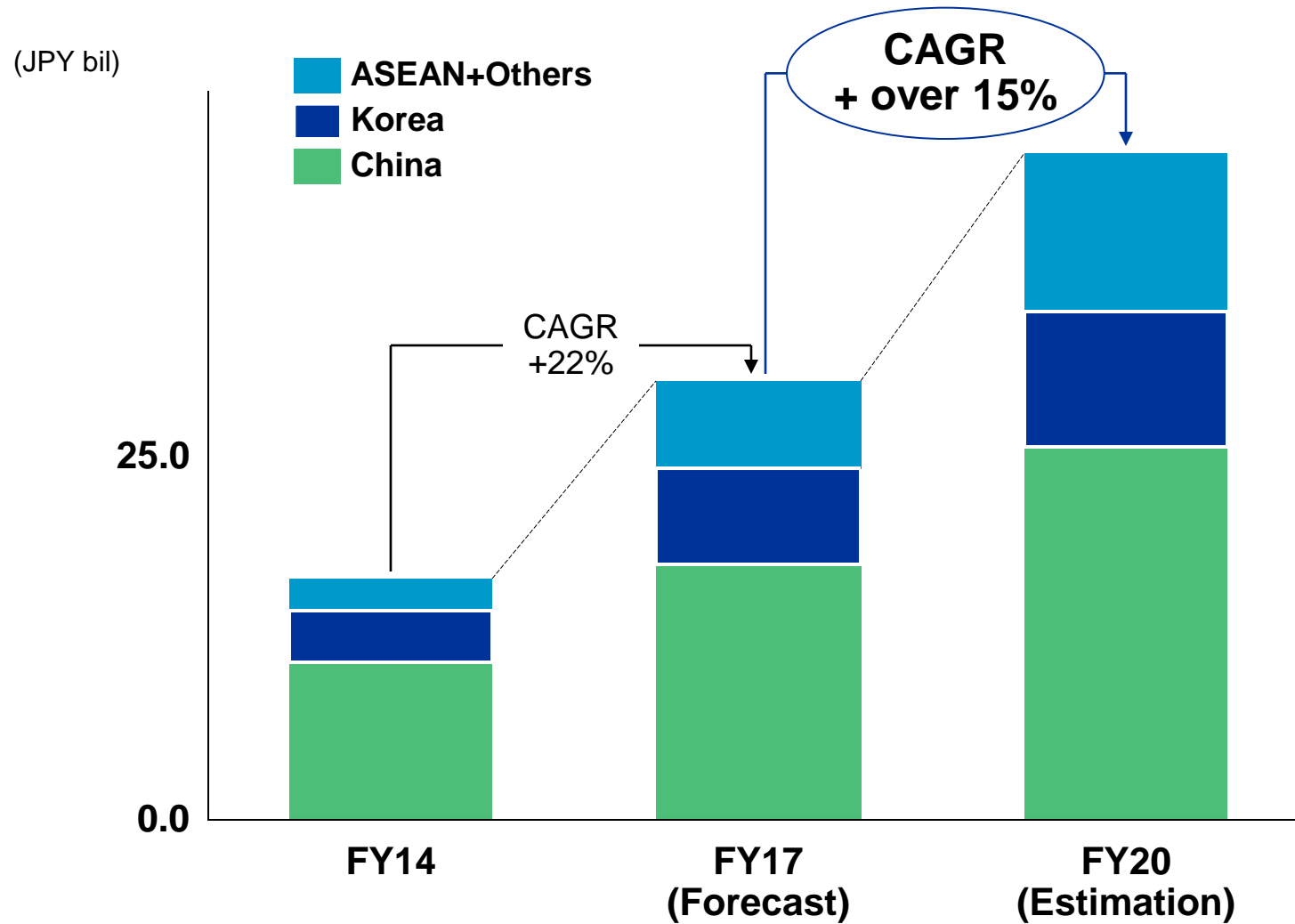
Increase presence and CS

Retain #1 position in Anti-infective segment

Achieve #1 position in Dry Eye segment

Strengthen Anti-glaucoma portfolio with DE-117 and DE-128

Target Higher-than-Market Growth



Santen Business in China

---Challenge, Opportunity and Strategy

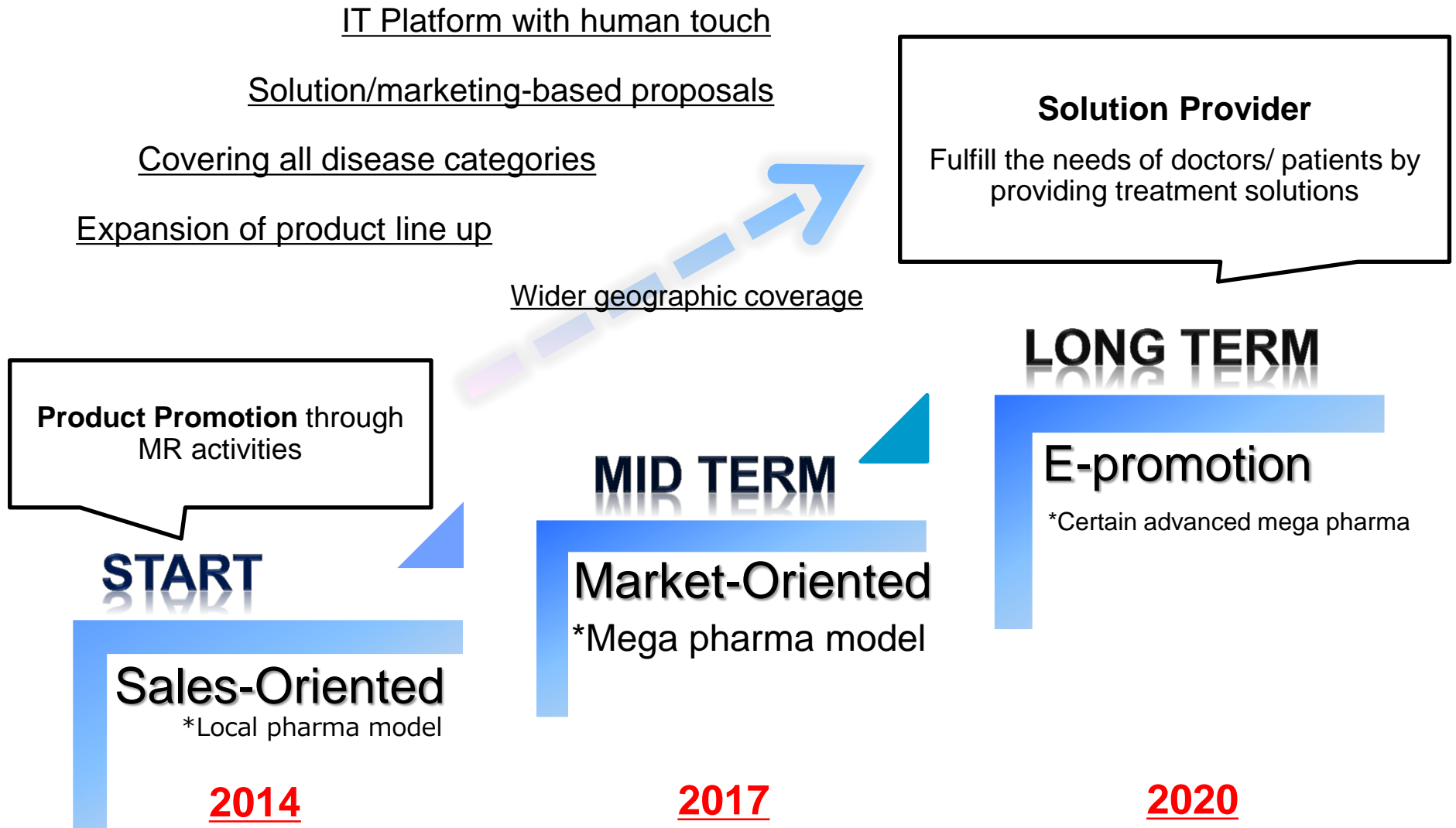


Ye Liu

Corporate Officer
General Manager
Santen Pharmaceutical (China) Co., Ltd.

February 26, 2018

Vision 2020 of Santen China

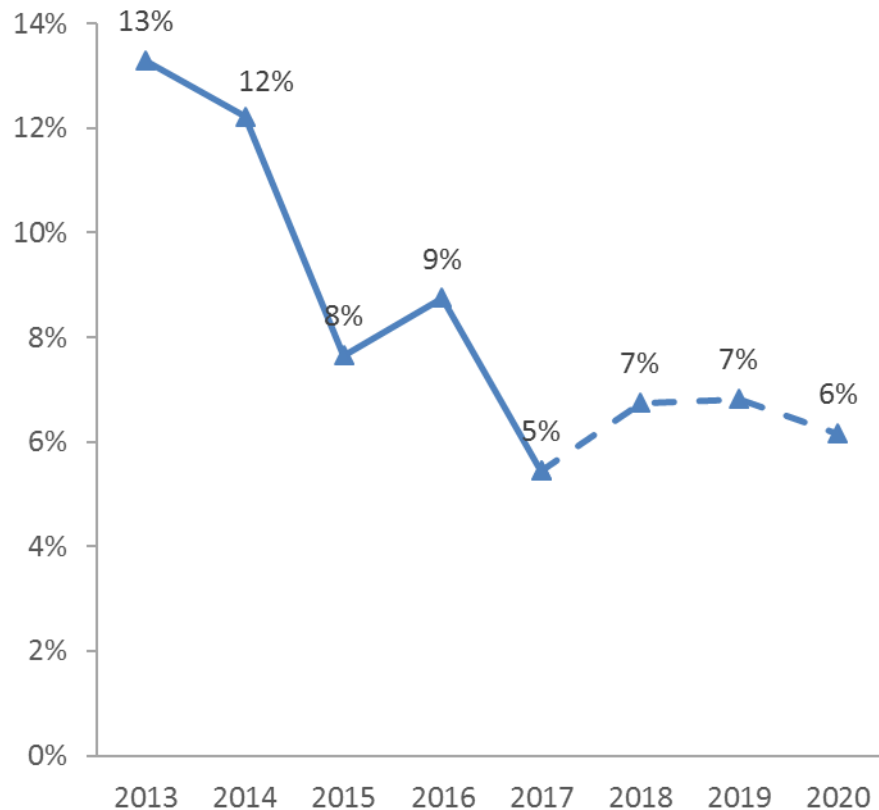


Overall Environment in China

External Environment of Pharmaceutical Market in China is Not as Strong as Before

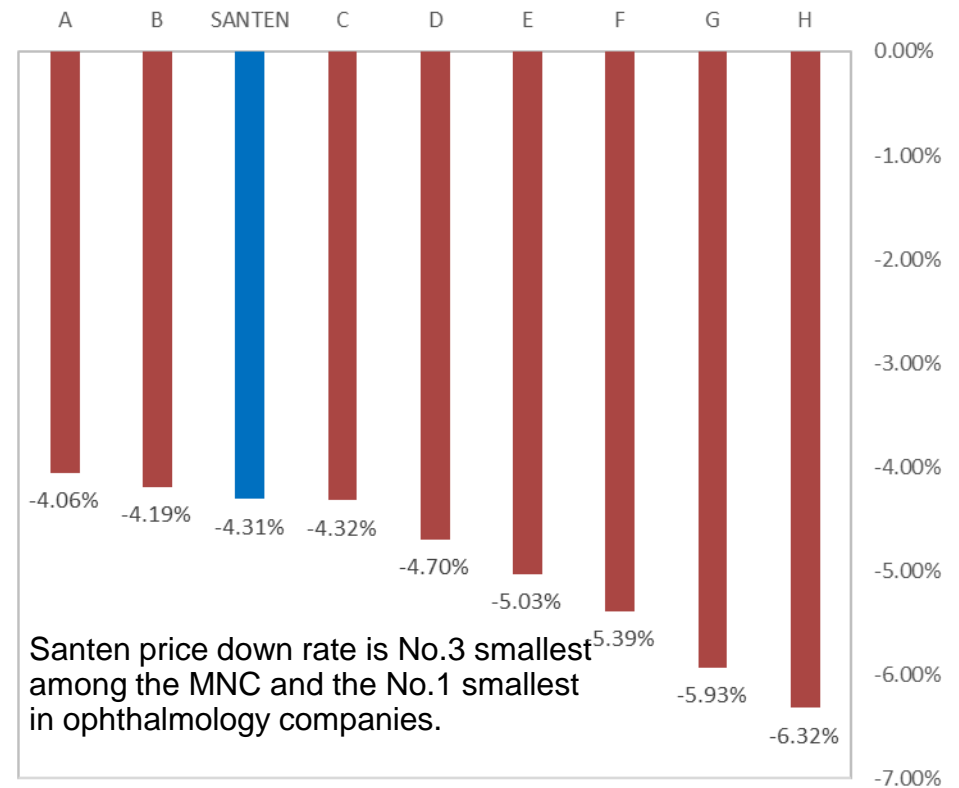
- Growth of pharmaceutical market is slowing down
- Multinational corporations are losing their advantage in bidding and pricing

China Pharmaceutical Market Growth Rate



Data Source: Quintiles IMS, "IMS China Market Forecast 2017-2021".

Price Down Rate in some Provinces of China



2016 Sample Provinces: Beijing, Shanghai, Zhejiang, Shandong, Neimeng, Fujian, Liaoning, Guangxi

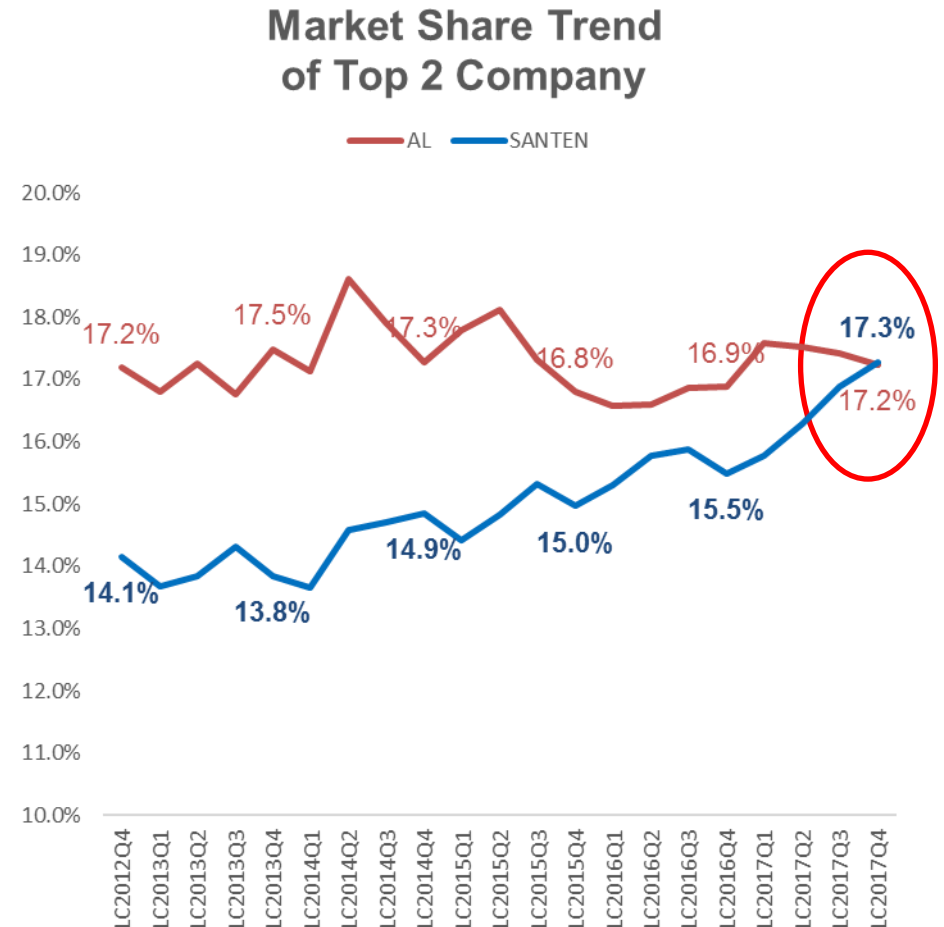
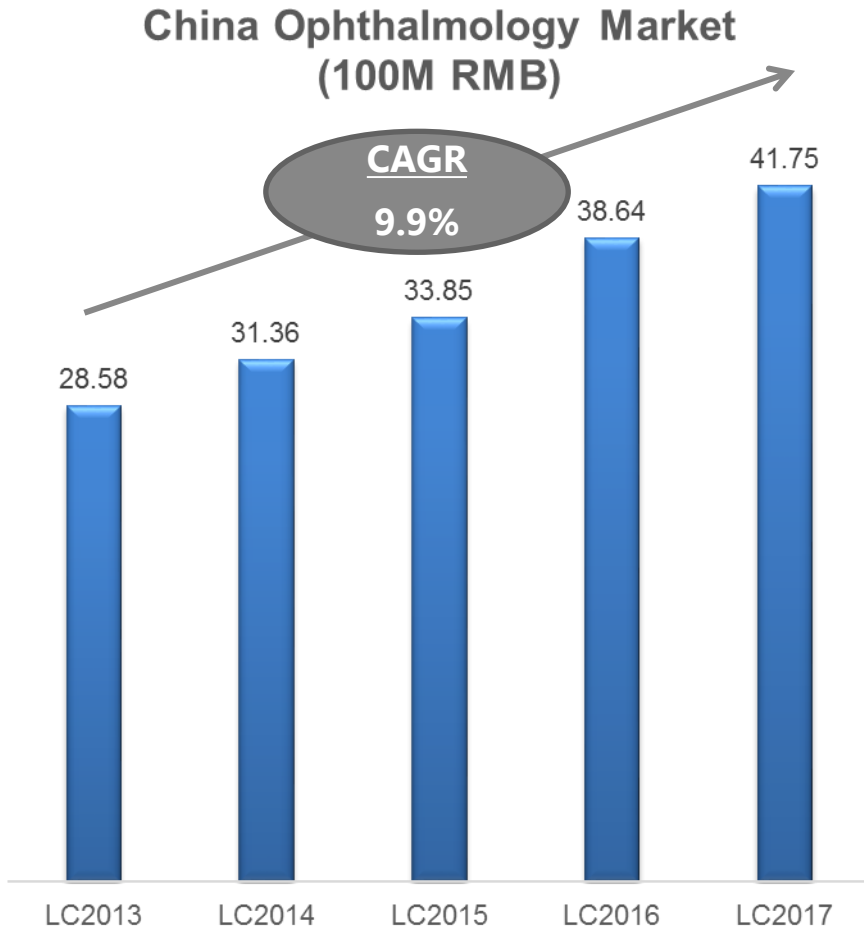
- **Government regulations in the pharmaceutical industry are becoming more strict**
- **Traditional promotion practices (hospital visits and 1 to 1 detailing) are more and more limited**

MR Entry at Hospitals
Not Monitored

Face ID System
(MR entry 100% monitored)

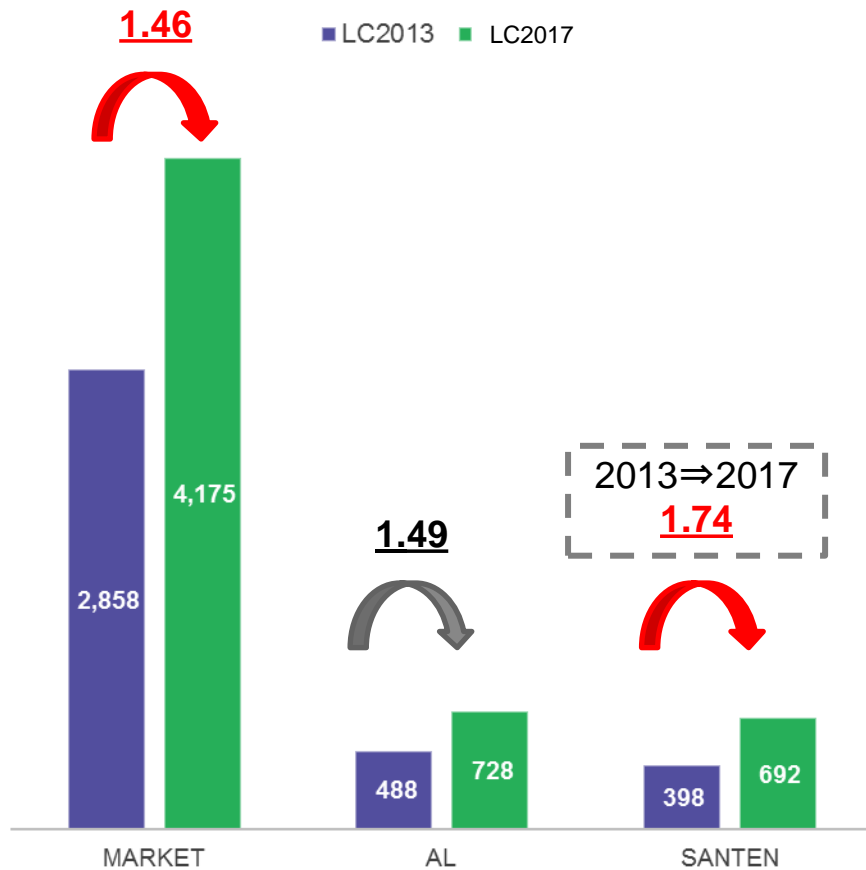


- Growth of China ophthalmology market: 9.9% (2013~2017) **Santen**
- Santen market share increased every year since 2014 Q4, and now is #1 company with 17.3% share (excluding retina segment)

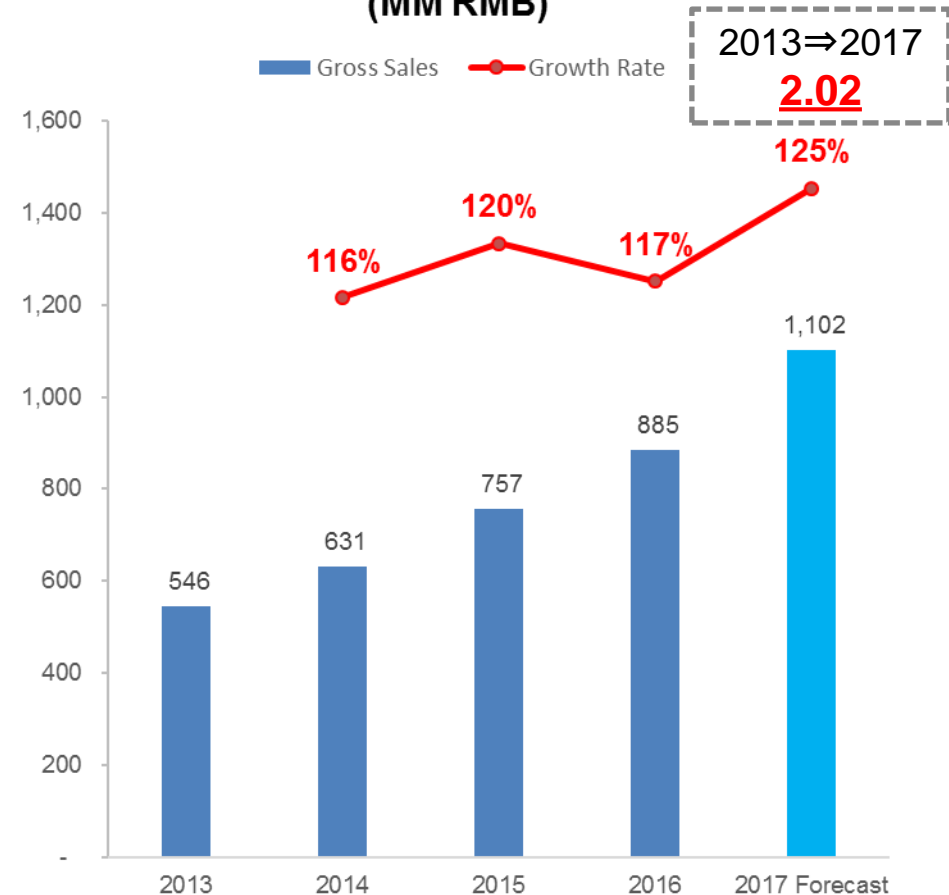


- Santen China is growing higher than market rate and faster than main competitor
- From 2013 to 2017, Santen China **DOUBLED** sales and will show the highest growth rate (25%) in 2017

Santen China IMS base Sales (MM RMB)



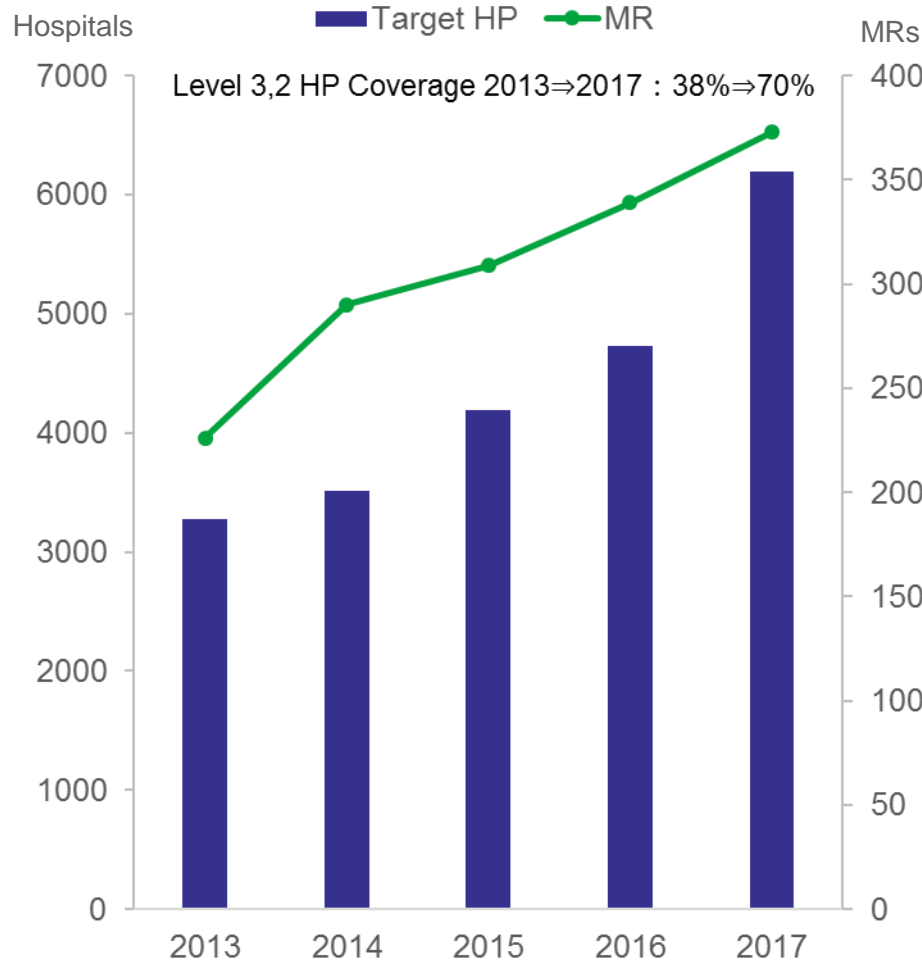
Santen China Gross Sales (MM RMB)



Santen China Strategy

- Expanding hospital coverage through sales activities
- Strengthening the SANTEN brand through marketing activities

Target HP No. & MR No.



Top Ophthalmology Brand Strategy in China

COS, COA Collaboration

Disease Oriented Promotion

E-Promotion



COS: Chinese Ophthalmological Society
COA: Chinese Ophthalmologist Association

Disease Oriented Promotion (e.g. pterygium)

- Collaborate with Ophthalmological Society to standardize diagnosis and treatment
- Proposal product packages to customers

Medication expert consensus of Perioperative period for Pterygium

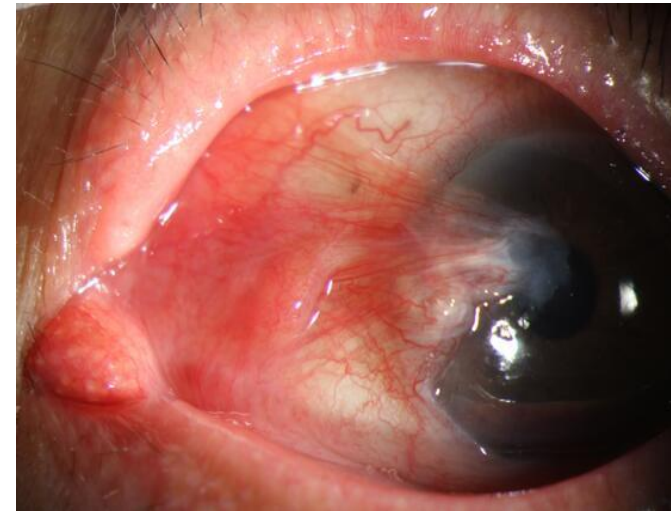
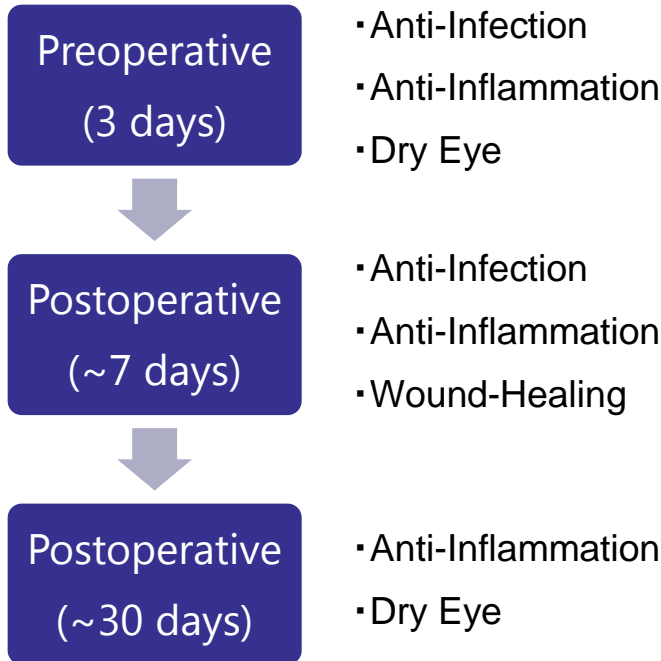
中华眼科杂志 2017 年 9 月第 53 卷第 9 期 Chin J Ophthalmol, September 2017, Vol. 53, No. 9

· 653 ·

·标准与规范探讨·

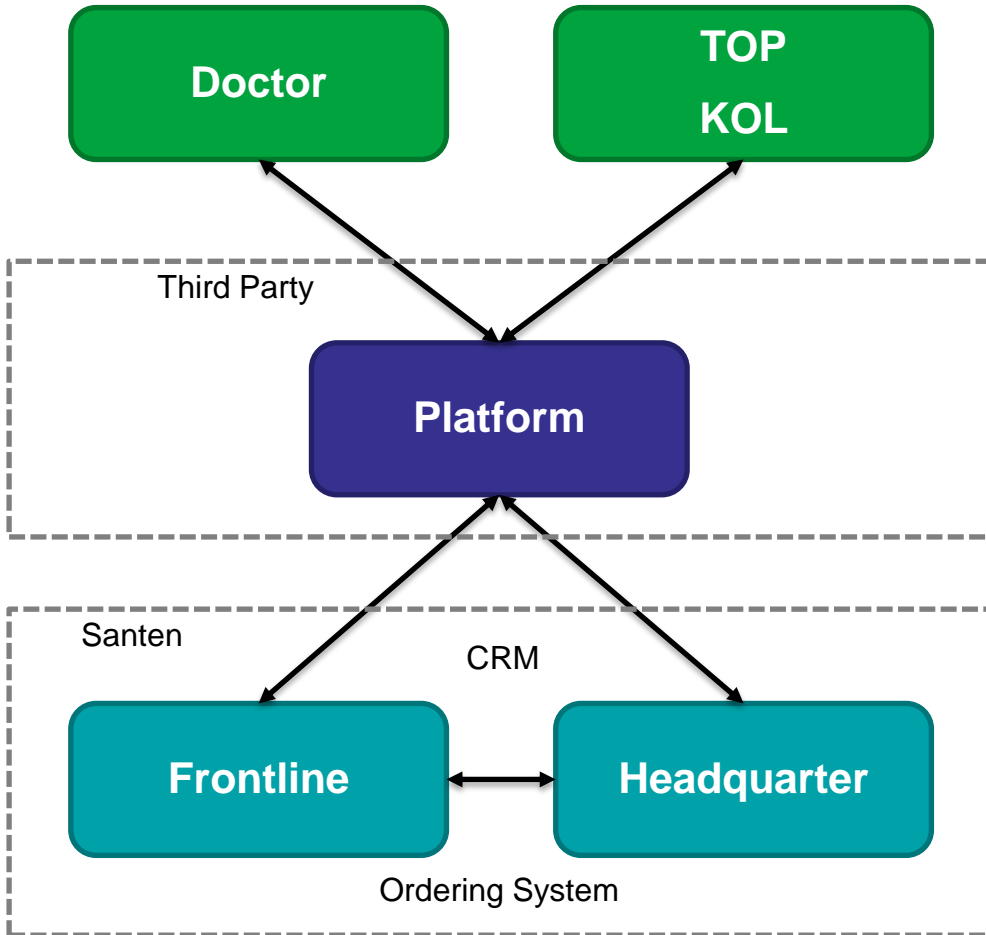
我国翼状胬肉围手术期用药专家共识 (2017年)

亚洲干眼协会中国分会 海峡两岸医药交流协会眼科专业委员会眼表与泪液病学组



E-Promotion (e.g. Platform for Ophthalmologist)

“Google” in Ophthalmology

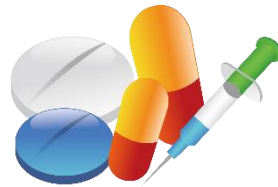


- **TAPROS** approved on Sep 21, 2015 and **DIQUAS** approved on Oct 20, 2017
- There were only **27*** new molecules approved by CFDA in China during this period

TAPROS
Sep 21, 2015



Only 27
new molecules
approved by CFDA



*There are around **200**
Foreign-Funded among
4400 pharmaceutical
companies.

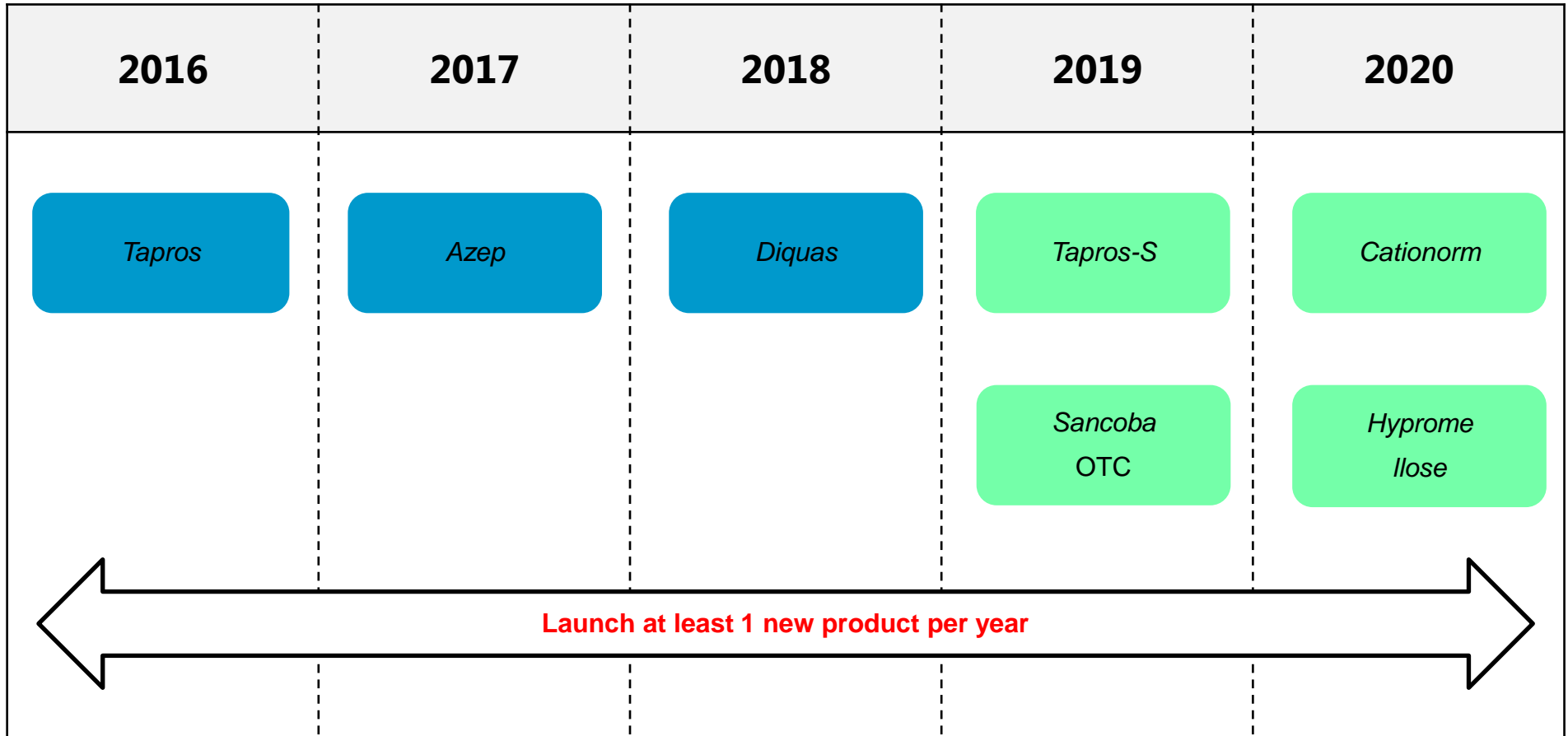
DIQUAS
Oct 20, 2017



25 Months

*27 new molecules include: 19 tables, 3 capsules, 3 injections, 2 eye drops: *Tapros, Diquas*.

Product Launch Plan

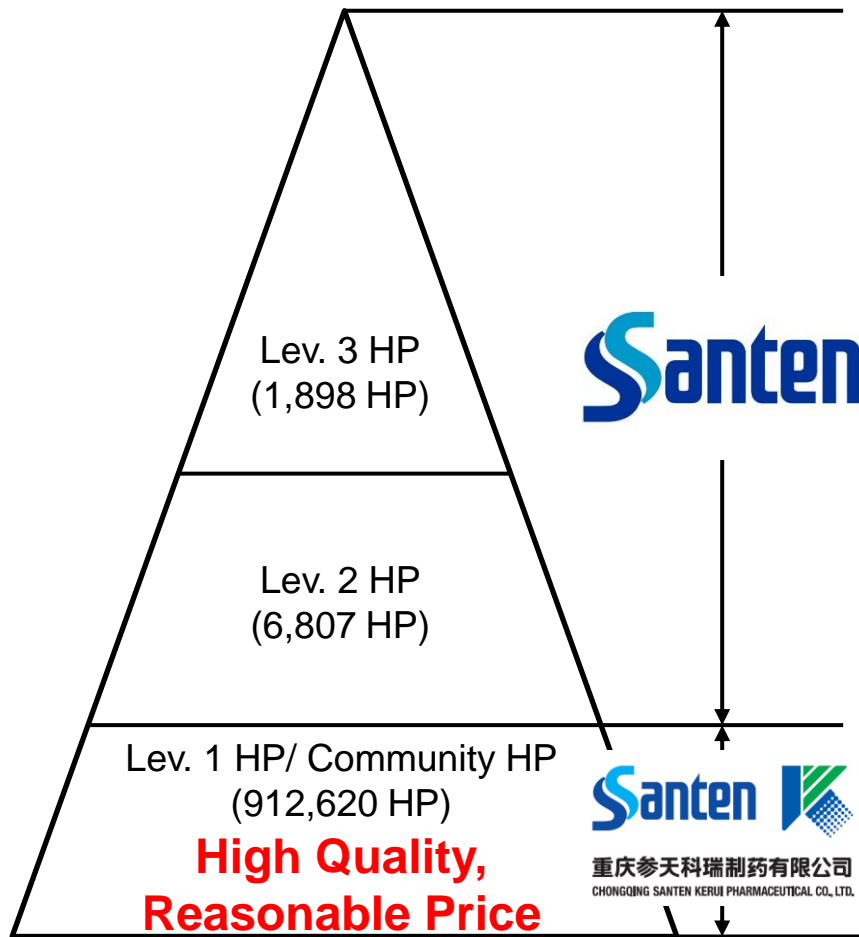


Approved

Under
Registration

Serve More Patients ---Chongqing Joint Venture

Target Market Image



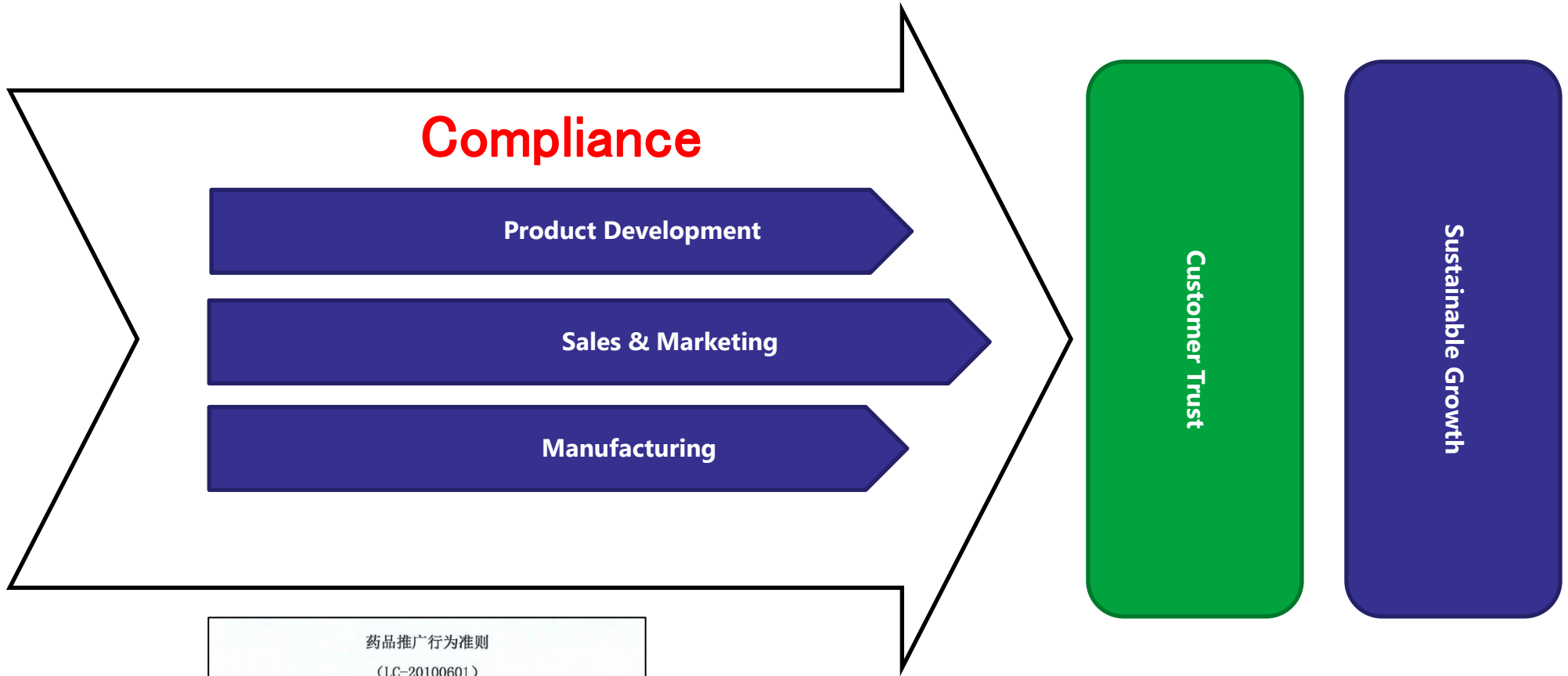
Jun. 2017



Jan. 2018



Compliance ---Do things right



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 2017年9月19日	 2017年9月18日	 2017年9月18日	 2017年9月18日	 2017年9月18日	 年月日	 2017年9月18日

← “Santen China Compliance Guideline for Promotion Activities”



A Clear Vision For Life