Strategic Briefing for the Announcement of the Next Medium-Term Plan

Mar 10, 2021

Santen Pharmaceutical Co.,Ltd.

Santen
Imagine Your Happiness

Business Growth through Innovation Initiatives

Shigeo Taniuchi
President and CEO

Santen

Taniuchi: Thank you. First of all, thank you for joining us today. We take it very seriously that our stock price has been sluggish since November of last year.

This is a short-term performance that originated from the influence of value-based purchasing (VBP) in China. I believe that there have been questions about the medium- to long-term growth strategy moving forward. We are working as one to address these issues head-on, as will be discussed in today's presentation, and in the upcoming medium-term plan.

The goal today is to present some background on the current business opportunities and business environment that form the backdrop for our long-term vision, Santen 2030, which was announced last year.

In particular, in the area of ophthalmology, there are still unknowns with respect to lifecycle as a whole. After all, I think that there are many things that you may not be aware of in the area of ophthalmological diseases, medical unmet needs in ophthalmology, changes in patients' feelings and patients, and market opportunities resulting from them.

In a sense, we believe that one role and responsibility of our company is to explain these points to stakeholders in an easy-to-understand manner, be it visualized or quantified. I would like to take this opportunity today.

Today, as the moderator said earlier, will be divided into three parts. Through these, we would like you to go away with a multifaceted view of the various business opportunities related to ophthalmology, and how we are approaching them. We will also discuss the kind of medium- to long-term growth strategy the Company is considering, including a sense of scale. There are many things that I could not comment on at the long-term vision presentation. In the last year or two, we have made major efforts, including some upfront investments.

There are many things that we have come to see by actually working on them. Our image of the business portfolio has become more concrete. Given that we are in a better position to talk about more specific figures, I would like to talk on this point today.

I sincerely hope that you will understand the appeal of this ophthalmology business and our growth strategy, as well as how Santen is placed to capitalize on the current environment.

In addition, I would like to talk about current performance, and events of this year and next year. I will also touch on our efforts to deal with current issues.

In particular, I haven't talked very actively so far about issues such as LOE measures, disease strategies and product strategies for the next few years. I would like to discuss those points too. Thank you.

This is the slide that I always show, but it shows our core principle, "Exploring the secrets and mechanisms of nature in order to contribute to health." Below that is our world vision, "Happiness with Vision." In order to achieve this, more than 4,000 employees from 50 countries around the world come together to work on various ophthalmological issues, on a daily basis.

Santen 2030

Toward 2030 and beyond

Santen's VISION

Become A Social Innovator

Orchestrate and mobilize key technologies and players around the world, to deliver happiness through vision.

GOAL

Aim to reduce the loss of social and economic opportunities for people around the world due to eye conditions.

STRATEGY

A **Ophthalmology**
Innovation in Ophthalmology and Acceleration of Ecosystem Development

B **Wellness**
Awareness and Proactive Care toward Better Eye Condition

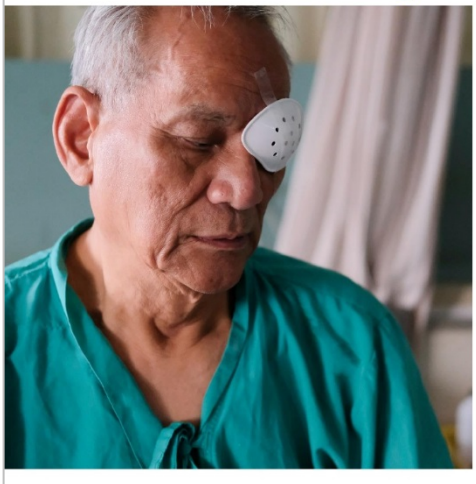
C **Inclusion**
Building Society that is Inclusive regardless of Visual Impairment

Last year, we formulated the long-term vision, "Santen 2030," as a guide to make the most of the strengths of Santen that we have cultivated over the past 130 years, our strengths as a company specializing in ophthalmology, and how to further expand, expand, and achieve growth.

In line with this goal or strategy pillar here, we have made various preparations for the past year or two. We have chosen 2021 as the year to move ahead to the next stage of these processes.

Santen as an Imperative for Global Eye Health and its Development

We solve social issues
and achieve business growth by improving and expanding our solutions



People receive **80%** of information visually

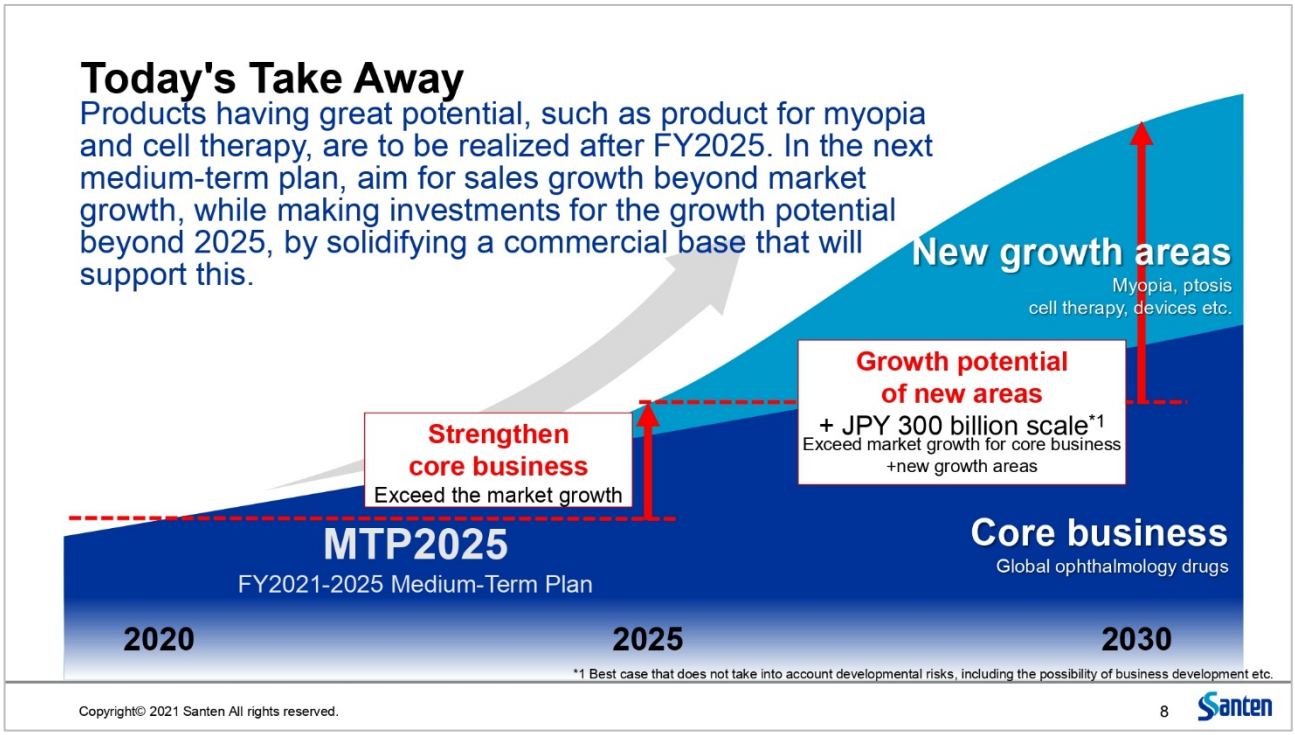
Economic loss is worth **$410.7 bil**[*1] annually due to visual impairment

Eye diseases tend to be chronic,
affecting patients' **QOL throughout their lives**

*1. IAPB Vision Atlas: https://www.iapb.org/learn/vision-atlas/(Link)

Why did we choose now to create this kind of long-term vision for Santen?

Going back to our basic philosophy, the core problem that we are helping to solve is vision. Vision plays a very important role in people's various activities, and we firmly face, accept, and bear the responsibility of being involved in treating vision problems. The way in which we can further develop these concepts in the future is what we wanted to expand on in this long-term strategy, “Santen 2030.”



As I mentioned at the beginning, we have been making various efforts and preparations for the past year or two. During that process, the image of growth that we want to aim for has gradually become concrete.

Looking at the next 10 years from a bird's-eye view, I would like to talk about the details after this, but within the scope of what we are seeing now, we recognize a growth potential of about JPY300 billion. Obviously, we cannot guarantee that this figure won’t change in the future. It is also difficult to say exactly when this goal will be realized, but it seems that we are likely to realize this growth opportunity.

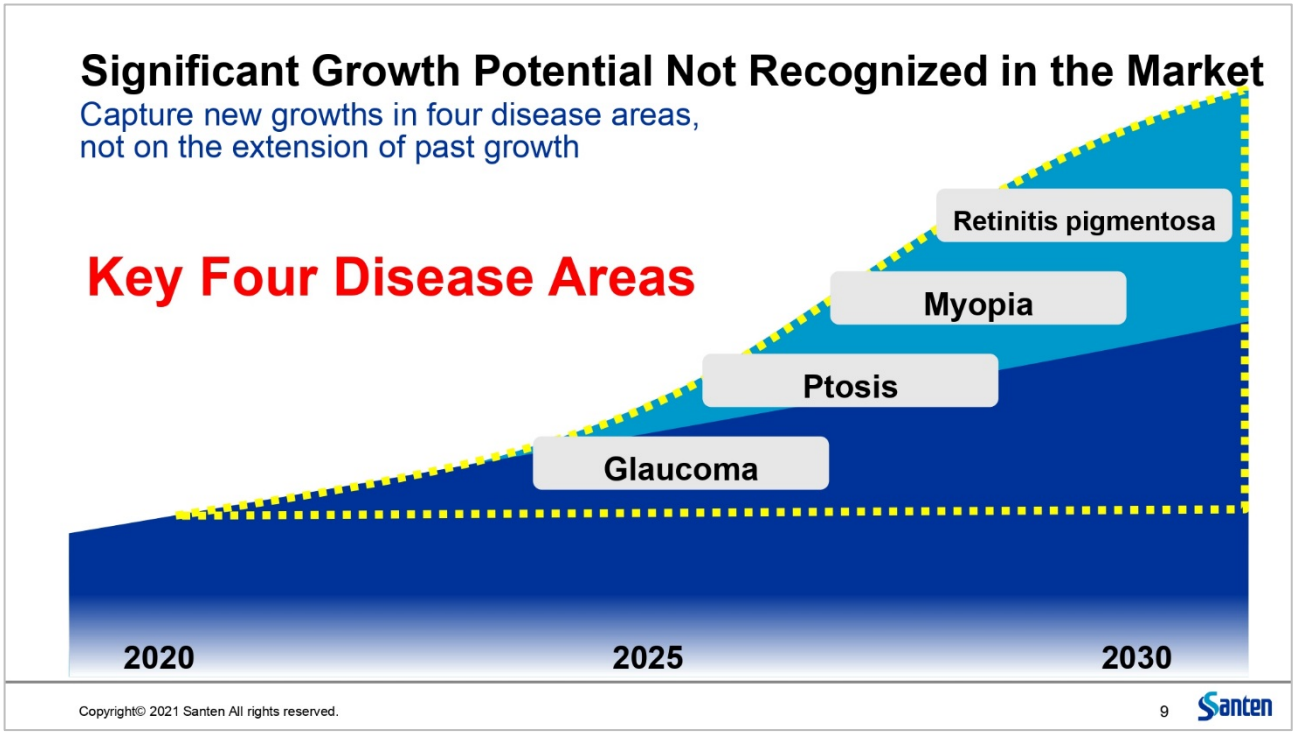
I think that this growth opportunity can be realized as a result of the strengths of our company in the area of ophthalmology, as well as the methods available to us moving forward.

On the other hand, first of all, I think it is important to firmly solidify the current business foundation and the cash flow of the current existing business. We aim to continue with steady growth above the market growth rate, as we are doing at present. We will also increase our presence step by step, improve profitability, and cultivate our organizational capabilities for future growth. I would like to carry out the necessary changes in the next few years.

We have consistently strived for steady growth in existing businesses in Japan, China, Asia, as well as Europe. We will continue to do so in the future. We place great importance on generating cash flow from existing businesses and creating earning power.

Of course, there have been and will continue to be headwinds for these businesses, such as the COVID-19 pandemic, drug price revisions, and VBP in China. It is very important for us to overcome these issues, produce results, and continue to achieve sustainable growth. In addition, we are taking various steps to realize this goal. I would like to talk a little about that today as well.

In terms of management, I would like to stick to achieving results while considering the balance between short-term business results and medium- to long-term growth opportunities.



In terms of approaches to these problems, we will focus on our strength as a company specializing in ophthalmology. We would like to cherish the development of strategies that only we can do: the approach to the market, and the way we provide value.

Today, we will focus on these four disease areas and explain how we can utilize our current core business and how we perceive growth opportunities for each of these new diseases. We hope that you will deepen your understanding.

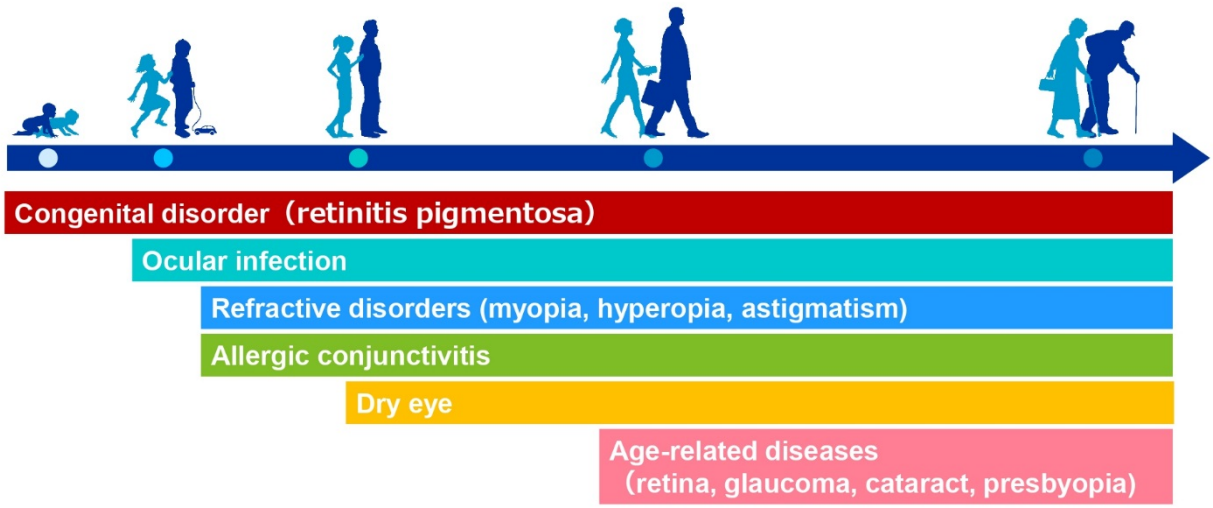
Once again, I would like to thank you for your cooperation today.

Eye Diseases from the Ophthalmologist's Perspective

Reza Haque, MD, Ph.D.
Head of Ophthalmology Innovation Center

Eye Disease in Each Life Stage

Eye disease is a lifelong challenge



Haque: Every stage of life offers its own set of circumstances that leads to compromised vision.

We are becoming increasingly informed about a vast array of blinding congenital disorders such as Retinitis Pigmentosa, and we are advancing a pipeline of treatment options that will one day stop their progression and treat these suffering patients. We have dedicated enormous resources to break through these pathologies and hopefully support this patient population and generations to come.

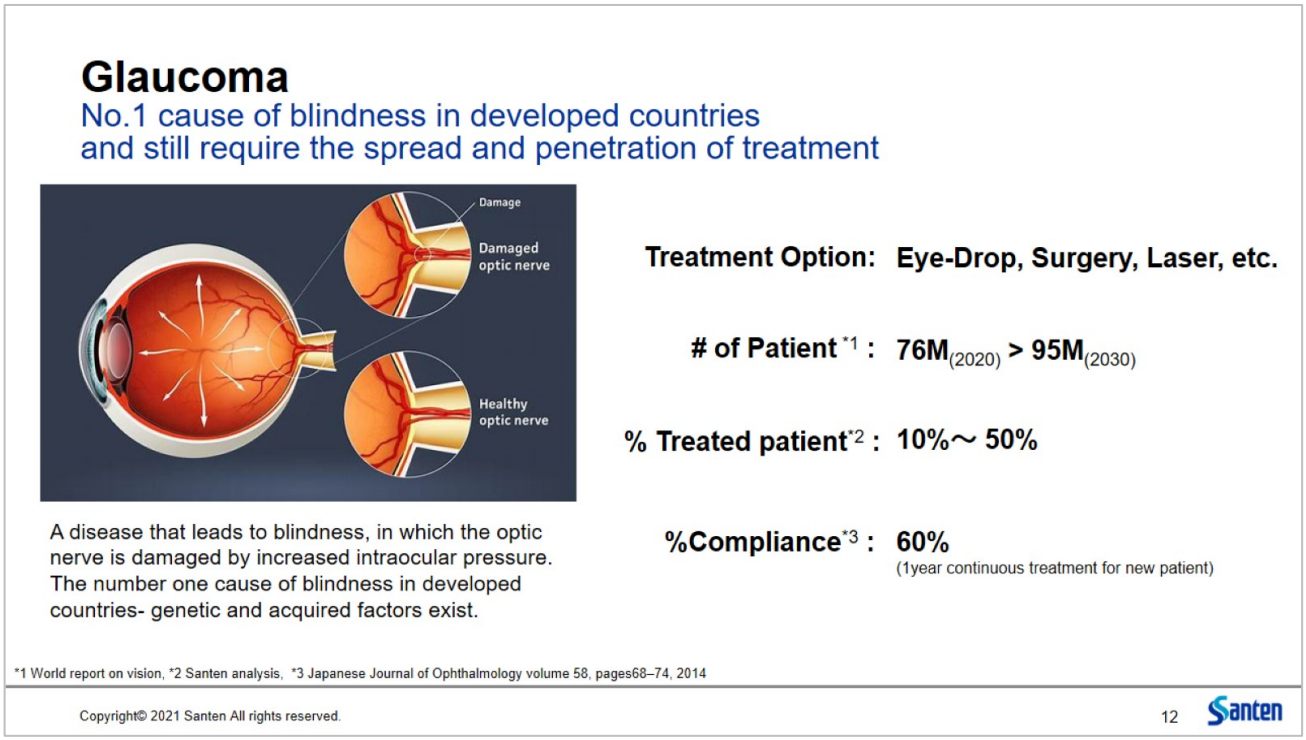
Refractive errors impact the entire spectrum of the population and therefore comprise the largest group of pathologies.

Myopia is a major threat to public health and impacts more than a quarter of the world's population, and the prevalence is steadily increasing.

There are currently no therapeutics to address these disorders, but we are discovering new and revolutionary technologies.

Santen is actively pursuing pharmaceutical and surgical interventions that will address the unmet needs across this entire population and improve their lives and the lives of those around them. We are deploying novel approaches to impact these patients and reverse their diseases.

As the world's population ages, we continue to focus on this growing demographic. The needs are dramatic and today, the results are often blindness. We are focused on preventing and treating debilitating age-related ocular diseases including cataracts, presbyopia, and age-related macular degeneration. Our approaches are differentiated and thoughtful as we seek to change the trajectory of these diseases and allow this population to best appreciate their later years of life.



Glaucoma manifests itself in a variety of ways and severities. It has a genetic component, and a compliance component and without treatment it can progresses to a blinding condition. We truly do not understand the disease but recognize that these is a loss of neuroprotection that leads to damage in the eye.

As a clinician, when we first make the diagnosis, we realize that we now have a relationship with this patient for the rest of his/ her life. It can be very challenging to treat these patients, because they oftentimes progress, and we simply cannot arrest the disease. It is terrible to watch them slide into a state where they are no longer functional because of their glaucoma. We have a long and strung bond with these patients and the blinding end stage is truly devastating for all of us. We need better therapies and better long-term treatments, both on the therapeutic and surgical side to build up our armamentarium of tools to treat these patients.

Retinitis Pigmentosa

Genetic disease, onset at a young age, and progress slowly through the patient life

- ✓ # of Patient : 1.5M
- ✓ Genetic Disease
  - Autosome, sex chromosome
- ✓ Progression: Very slow
- ✓ Treatment Option: Limited
- ✓ Lower QOL than other visual impairments
  - Suffer from depression and distress
  - Needs assistance by others for daily life
  - Less contribution to the workforce and to society

Retinitis Pigmentosa is a series of retinal degenerative diseases that leads to irreversible retinal damage. The disease frequently manifests at a young age and can result in blindness. There is a hereditary component that can be extraordinarily difficult for the patient, their family and the clinicians.

We have no current treatment for RP which makes the clinician roles extremely challenging. We are confronted with patients who have a progressively blinding disease, a family that may also suffer from the disease, and we have absolutely nothing to offer them. As an ophthalmologist, our role is to treat patients as well as offer them hope. Here, we have neither.

Pipelines of the Retinitis Pigmentosa

Many treatment options are under development

Cell Therapy

- ☐ Treated by neurotrophic factors or growth factors generated by injected cells
- ☐ Work regardless of mutation / possible to work just temporarily

Gene Therapy

- ☐ Mutated gene will be altered to transfected normal gene
- ☐ Potentially cure all of symptoms / Limited to specific gene

Cell Transplantation

- ☐ Diseased cell will be substituted by transplanted healthy cell
- ☐ Work regardless of patient condition / Need highly invasive surgery

Pipelines in the development and the market

jCell (jCyte)

Luxturna (Spark)
BIIB-112 (Biogen)
A004 (MeiraGTx)
CPK-850 (Novartis)
QR-421a (ProQR)
HORA-PDE6B (Horama)
AGTC-501 (AGTC)

iPS derived cell replacement (Opsis)

Progress is far too slow, but technologies are advancing, and Santen is actively developing therapeutics and seeking solutions. There are evolving diagnostics, cell therapies, and genetic therapies that will hopefully play a role in remediating RP. We need to aggressively advance therapies, and Santen stands at the interface of the physician and the patient.

Retinitis Pigmentosa from the Patient's Perspective

Mohamed Abdin
CSR Group, Corporate Development Division
Executive Director of Committee for Assisting and Promoting Education for Disabled in Sudan (CAPEDS), a NPO

Biographies

Born in Sudan in 1978
Retinitis pigmentosa
Night blindness has slowly progressed since childhood
Unable to read and write at the age of 12
Current visual acuity: light perception

1998	Arrival in Japan, Studied acupuncture and moxibustion at Fukui Prefectural School for the Blind and obtained a national license
2003	Entered Tokyo University of Foreign Studies
2014	Specially Appointed Assistant Professor after obtaining a Ph.D. at Tokyo University of Foreign Studies
2017-20	Special Visiting Professor, Department of Political Science, Faculty of Law, Gakushuin University
2017-	Executive Director of Committee for Assisting and Promoting Education for Disabled in Sudan (CAPEDS), a NPO
2018-	Member of the Tokyo Metropolitan Multi-Culture Symbiosis Promotion Committee
2020-	Visiting Researcher, Center for Sustainable Development Studies, Toyo University
Oct. 2020	Joined Santen

Itagaki: Before that, I would like to briefly introduce Mohammed Abdin. Abdin was born in Sudan and developed retinitis pigmentosa in early childhood. Since coming to Japan in 1998, after working as a special visiting professor at a university, he has been working as a Santen employee since October

last year. Today, I would like to ask you him to talk about his experience from the standpoint of a patient with retinitis pigmentosa.

Abdin: Thank you very much. Today, I would like to share my experience as a patient with retinitis pigmentosa and explain the various challenges that people with the condition may face.

The messages or thoughts I convey here are based on my personal experience and do not reflect the opinions of patients as a whole or of patient groups. Please keep that in mind.

Not everyone is aware of the disease known as RP, but there is an athlete named Yudai Shimazu of Soka University who ran in this year's Hakone Ekiden race, and he also suffers from RP.

As Dr. Reza said, some patients lose their eyesight very quickly, while for others the process is very slow. Shimazu set a new section record in his race, but I hope you will remember that there are such people.

Until I Understood What was Going on

Childhood photographs (The left is my older brother, who is two years older than me.)

As for me, I would like to talk about my childhood story step by step. This is me and my brother, and my brother is on the left. This is when we were three and five years old. At this point, I was already diagnosed and had so-called night blindness; I couldn't see at night.

As a child, this was difficult to understand. I realized that adults could see well in the dark, and so I decided that although I couldn’t see in the dark, I wanted to grow up to be an adult that could see in the dark. I misunderstood the situation.

However, even when I went to school, over time, I stopped being able to see well even in the daytime. I was very good at soccer, but my friends gradually got better than me, and I thought it was because I wasn’t putting in enough effort.

My most painful memory was going to see the doctor once a month for regular examinations. First of all, I did a visual acuity test, and every time I did it, I couldn’t answer correctly. Then, after the doctor

explained, my parents looked very sad. The reason they were sad is that they were concerned it would be a huge psychological burden for a child to bear.

But my parents wanted to be good parents, and so they tried to let me do the things I wanted. For example, they had to struggle with the decision of whether or not to let me ride a bicycle.

This is me as a high school student with a beard. When you grow up, you can see that there is no tomorrow that looks better than today. I was really starting to notice this loss of vision. I was able to read and write letters, but gradually I couldn't even do that. I was aware of the clear challenges in daily life.

My parents used almost all the money we had to try and wanted me to get treatment abroad, for example, in Spain or Russia. But unfortunately, the treatment was still unestablished, and even if you spend money, it will not improve. There was such a big financial burden.

Also, some of my siblings couldn’t see either. I happened to be the third of five children, and because we couldn’t see, our parents had to take extra care of us. This caused other problems with my siblings.

The biggest problem was that I couldn't read and write letters and couldn't keep up with my studies. Maybe this was before I had a beard, at 11 or 12 years old. At that time, my parents happened to say something really amazing.

There is lots of work for people who can see. They can also work with their bodies. But if you can’t see, the only work you can do is with your head. Unfortunately, this is not something that would work for all visually impaired people. Although I was a child, I realized that studying was an important part of my life, and I was encouraged to make every effort. Unfortunately, many patients do not have these options.

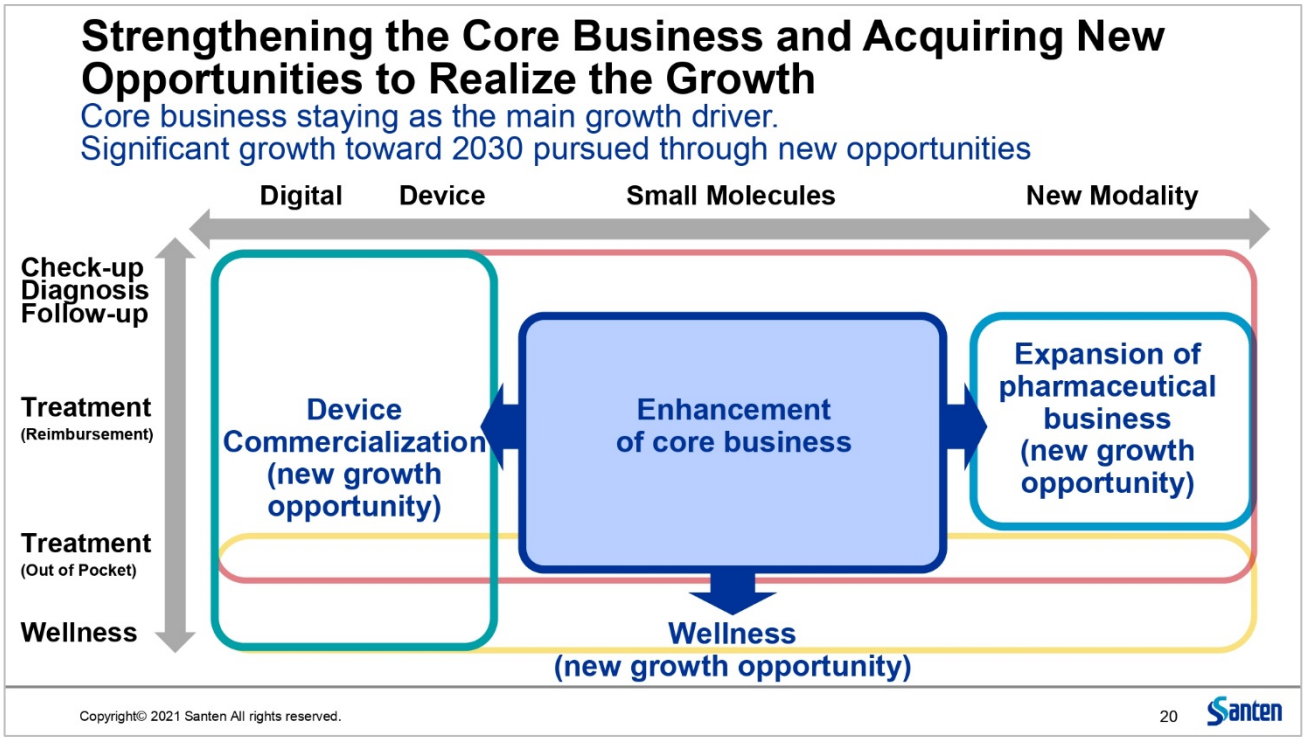
One of the hardest parts of having retinitis pigmentosa is that it’s a progressive disease. If your eyesight only deteriorated so far and then didn’t get any worse, you could adjust your life accordingly. Unfortunately, because the visual loss keeps progressing, you don't know what kind of condition you should adjust your life to. And the anxiety about tomorrow grows bigger and bigger.

Of course, even with total visual loss, it's not the end of the world. For that reason, we also want to create a society where everyone can play an active role regardless of the presence or absence of visual impairment, and we also support such things as the development of occupation for the visually impaired in order to realize that society. But unfortunately, many patients, especially those with advanced ophthalmic disease, are not blessed with such an environment and are in great need of treatment.

If a drug is developed that will not only restore eyesight but also prevent further deterioration of eyesight, it will be possible to continue the work that everyone was doing, to continue studying when they are small, and to participate in society. I think that a way will be created, and I think that the treatment will have a great effect, so as a patient, I would like to place great expectations on it. That's my story.

Sakai: Thank you. I would like to talk about areas of growth potential in the ophthalmology market.

First of all, I would like to show you at a high level what kind of scenario we have in mind regarding Santen's short-term and medium- to long-term growth.

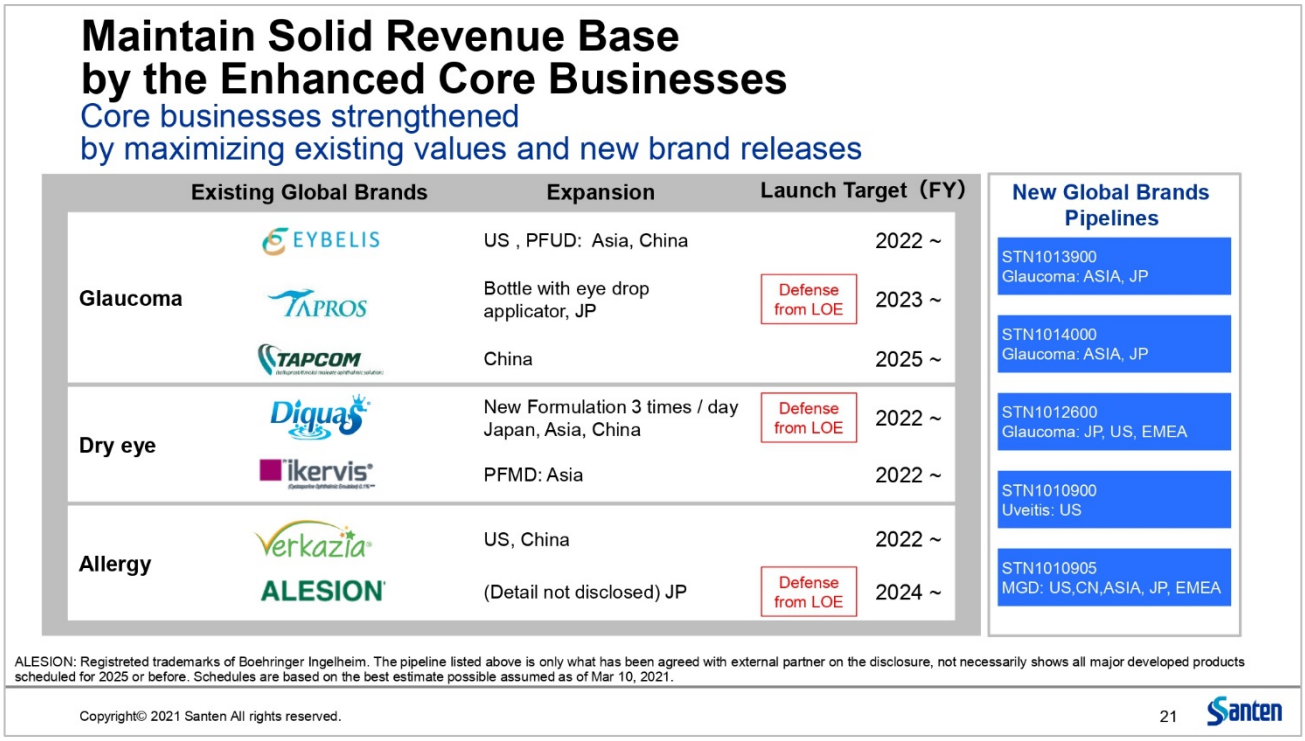


We have a history of 130 years as a pharmaceutical company, and two of the areas we have cultivated are treatment with low-molecular-weight compounds, and the area of insurance treatment. This is what we now call our core business. However, we are reaffirming that this core business will continue to be our major core business in the future.

I think that this will be the same in 2025 and even in 2030. After establishing a solid business foundation in this area, we are able to consider new modalities, the area of wellness, and the device market. These are the types of opportunities that we are considering.

As for the challenge of going to a new place, regarding the vertical axis of low-molecular-weight compounds, we still have the capabilities of production, manufacturing, and development that we have cultivated so far, so we will exploit those capabilities in our move into the area of wellness.

In considering a new modality in this way, we aim to bring the experience that we have built up in areas such as the insurance medication field and expand the pharmaceutical business or entering the device field, making the best use of our strengths so far. We are thinking of expanding into new growth areas, leveraging our strengths.

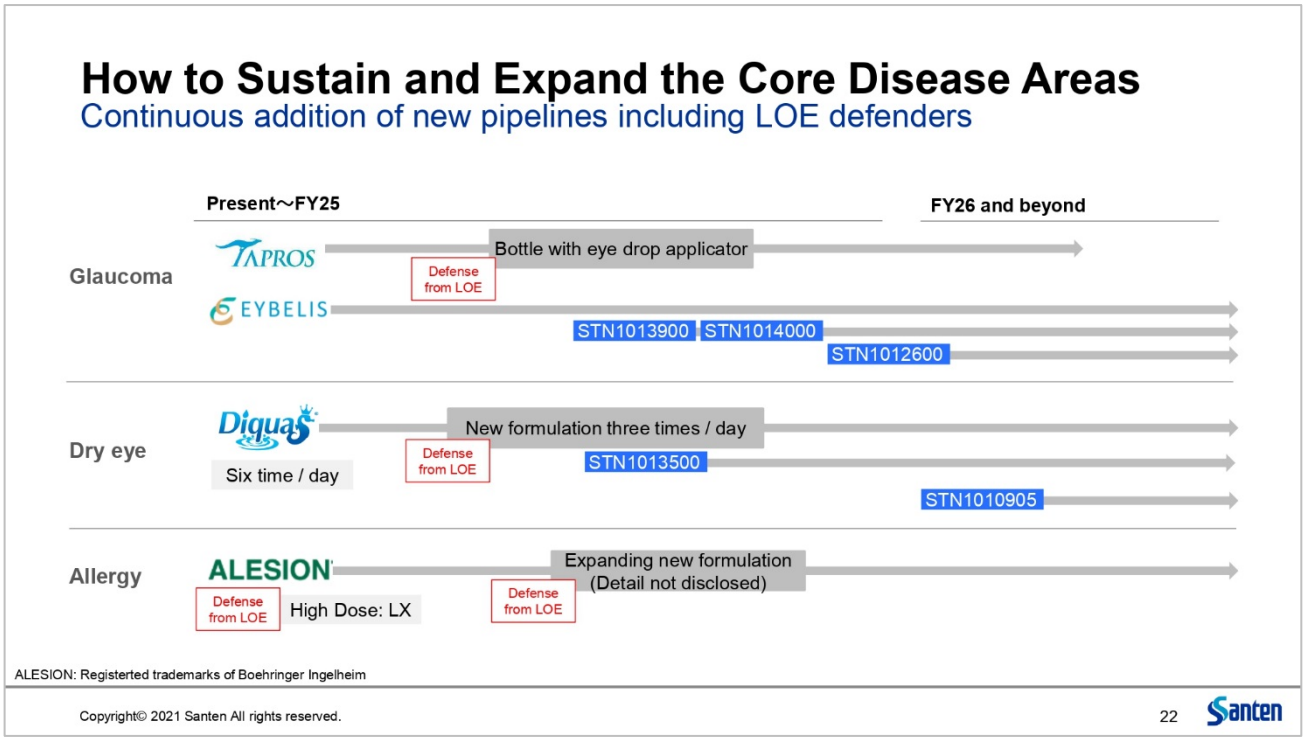


First of all, I would like to talk a little about this core business and focus on growth up to 2025. As you all know, glaucoma, dry eye, and allergies are the three major disease areas in our core business, and we will firmly and steadily grow the existing global brand in these areas. First of all, we have that as a base strategy.

Regarding this, there are products that will reach LOE, especially in Japan, so we are also solidifying measures for such products. In addition to that, we are aiming to grow our core business while planning to improve the convenience of our patients and to expand to other regions and other global markets.

In addition to the existing global brands, there are new global brands on the right side. Even for these new brands, we will further strengthen future growth by proactively launching with partners or in-house developed products.

Please note that not all are listed here, as some of them may not be reported due to some relationships with our partners.



To focus on LOE measures in the short term, I would like to report that we are firmly promoting patent expiration measures for glaucoma, dry eye, and allergy items.

First of all, regarding *Tapros*, we are now thinking of something like an auxiliary bottle for eye drops to improve patient convenience. We are considering a product that can be instilled without looking upwards. We are not able to provide details at this time due to patent issues.

In addition, we are continuing to make *Eybelis*, first-line glaucoma drug, and here are STN1013900 and 140, which were recently introduced by Aerie. It is a product sold in the United States under the names *Rhopressa*, *Rocklatan*.

By proactively introducing these products, we will secure the solidity of the glaucoma area, and we plan to launch 126 as well around 2025. After 2025, by expanding globally, we are aiming to maintain and expand our market presence in glaucoma drugs.

Regarding dry eye, *Diquas* is currently on the market as a product that is instilled 6 times a day, and we are developing a new formulation permitting instillation 3 times a day. We are thinking of improving LOE measures and patient convenience by launching this product. Also, as written below, we have 10135, and then a little later, 109. This is a sirolimus eye drop, and we are planning to improve dry eye treatment by removing the oil clogged in the meibomian glands from MGD (meibomian gland dysfunction).

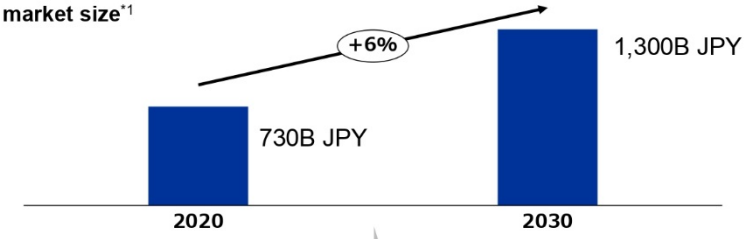
Regarding allergies, as a LOE measure for *Alesion*, we have already started selling a high-dose product called *Alesion* LX. There has already been a 70% shift to LX, so in terms of LCM, I think it's a case our approach is already starting to work.

In order to establish a solid pipeline, we have already developed a new formulation, considering the convenience of patients. Since this is under development, details will not be disclosed, but I hope you understand that we are preparing well.

Glaucoma Market Potential

Huge improvement potential in the diagnosis rate and the persistent rate.
Growth potential larger than the increase in patient population

Forecast of the global market size[*1]
(Global Rx)



	2020	2030
Number of patient[*2]	**76 M**	**95 M**
Treatment rate[*1]	**10%~50%**	**30%~60%+**
Successful instillation rate	**50%**[*3]	**60%**
Compliance rate (1year continuous treatment for new patient)	**60%**[*4]	**70%**

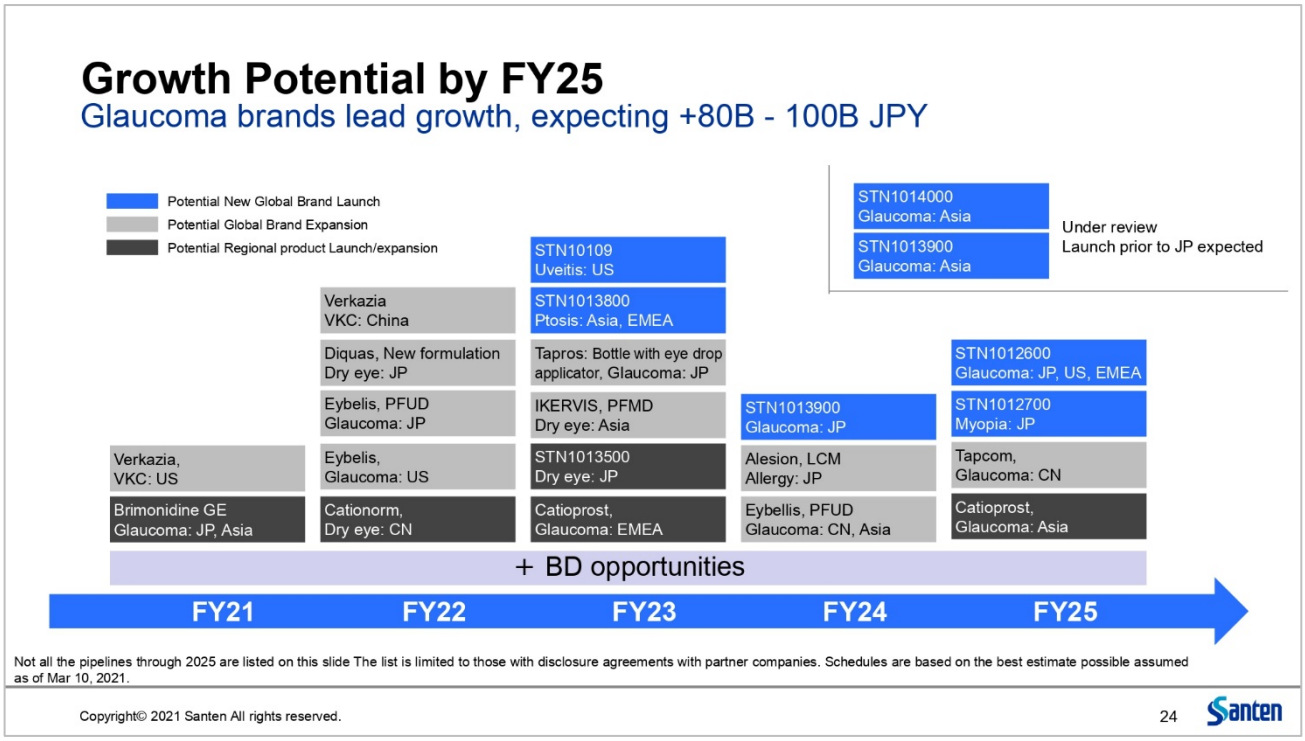
*1 Santen estimated, *2 World report on vision, *3 Santen analysis based on patients' research, *4 Japanese Journal of Ophthalmology volume 58, pages68–74, 2014

One is what will happen to the glaucoma market, which is our main battlefield, but the first thing I would like to talk about is that the drug market will maintain its growth of about 6% from 2020 to 2030.

The market is to increase to about 1.8 times, but the number of patients is originally about 1.25 times in any market report, so for us, the treatment rate can still be improved.

Plus, I think that it should be possible to improve the medication continuation rate and treatment continuation rate, and I think that the market will grow more than the increase in the number of patients due to aging.

As Mr. Taniuchi mentioned earlier, ophthalmology is still a place where the rate of treatment as a patient is still low. For example, with regard to other diabetes and hypertension drugs, hypertension for example has a treatment rate of about 70%. About 10% of glaucoma patients lose their sight, even in developed countries, where the treatment rate on glaucoma is about 50%, I think there is still room for improvement here.



Next, in the form of growth potential up to 2025, I will show it as a plan here in the form of a simple launch schedule that we have developed.

As you can see, there are some new global brands that will be released in the future, and we will firmly expand the products and expand the areas of the existing global brands, focusing on our core areas. In addition, we are thinking of ensuring solid growth.

In addition, we are very active in the market for business development, and we are also considering growth opportunities in such areas, and if we look at the whole area, it will be about JPY80 billion to JPY100 billion-plus.

The New Growth Opportunity

Huge markets exists. From orphan diseases to wellness needs

	Global Outlook		In Santen's Business*2		
Disease Area	# Patient	Market Opportunity*1	Pipeline	Launch target	Peak Revenue Potential*3
Retinitis Pigmentosa	Approx. 1.5 Mil.		STN6000100 (jCell)	FY26~	**70B JPY +**
Myopia	Approx. 2 Bil.		STN1012700 STN1013300 STN1013400	FY25~	**100B JPY +** (for all products)
Ptosis + Eyelid worries	Approx. 600 Mil. +		STN1013800	FY23~	**50B JPY +**

*1 Market opportunity indicates estimated overall market size of each disease based on the available data and estimates. *2 Subject region/country is defined under the contract with each partner. *3 Non- PTS adjusted figures represent case scenarios including technical success that Santen does not currently consider probable to occur and should not be seen as a forecast or target figures.

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So far, I have talked about a few scenarios, such as 2025, or short-term growth. However, from now, what kind of things will we do, focusing on things that will blossom after 2025? I would like to talk about our thoughts on medium- to long-term growth.

First of all, if we consider the three major areas we are planning now, those are retinitis pigmentosa, myopia, and ptosis, blepharoptosis and other related conditions.

Basically, in the pharmaceutical market, technological innovation is the driver of growth, and that certainly applies for retinitis pigmentosa. Without innovation, there will be no new treatments. In this area, we are currently working on cell therapy. This is being promoted in collaboration with jCyte, and we are currently assuming a peak sale of JPY70 billion or more with 2026 as a launch target.

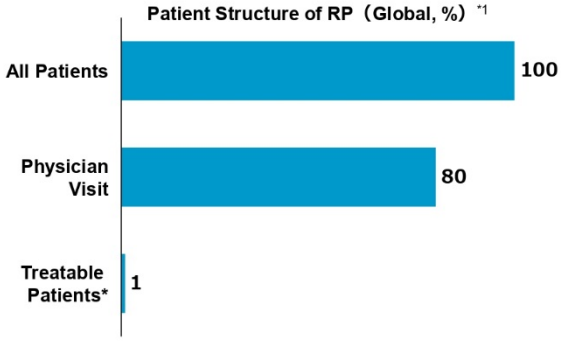
Regarding myopia, there are already 2 billion patients now, and it is expected to increase in the future. There are quite a lot of patients here, mainly in China and Asia. We are striving to create a market and ecosystem, including atropine preparations and next-generation myopia treatments.

Lastly, eyelid-related problems. For example, with blepharoptosis, this is close to the domain of wellness, but it involves a dropping of the eyelids. Regarding this, patients currently manage this with cosmetics. No therapeutic drugs are available, and the only option is surgery. We think that we must release a product as soon as possible.

Retinitis Pigmentosa: Market Situation

There are many patients but very limited treatment options

Market potential & UMN



Treatment option

Gene therapy

Target		Launched product／Pipeline		
Gene	Ratio in RP patient*2	Product /Pipeline*3	Company	Status
RPE65	1%	Luxturna	Spark Therapeutics	Launched
RPGR	3.5%-12%	BIIB112	Biogen	Development
		AGTC-501	agtc	
		AAV-RPGR	MeiraGTx	
USH2A	8.5%-10%	QR-421a	ProQR	
RHO	<1%	IONIS-RHO	ProQR	
RLBP1	<1%	CPK850	Novartis	

Cell therapy

jCell MOA is agnostic to genotype	jCell	jCyte/Santen	Development

*1 Analysis based on Santen independent survey *2 Santen independent analysis based on published science paper. Ref: *Retinitis pigmentosa*, T. P. Dryja, et al., Lancet, 2006; 368: 1795-1809,. *3 Patient covered by launched product/pipeline in gene therapy is considered to be a part of RP patient, because those should be targeting a specific mechanism causing gene mutation. Cell therapy should target all RP patient.

Next slide, please.

From here, I would like to talk about each of the three areas I have just talked about in detail.

First of all, regarding retinitis pigmentosa, despite its great market potential, I think it can be said that the unmet needs are still very high.

As for the market, as Abdin mentioned earlier, there are almost no options for treatment. Recently, Spark Therapeutics released a product called *Luxturna*, which can be used only for patients who have a specific gene mutation. Of patients with retinitis pigmentosa, 1% are eligible for treatment with this medication.

Other than that, this gene therapy targets a specific gene mutation, so the patient coverage ratio is determined according to the coverage rate of that gene mutation, but it is specific. If gene therapy itself is a method that solves the mechanism, it can be divided into several genes, and the cause can also be divided by mutation, so the patient rate will be a little lower.

On the other hand, regarding cell therapy, we are currently developing a product called jCell in collaboration with jCyte and aiming to expand it globally. This product is not limited to specific genes. Therefore, the target applicable patient ratio is theoretically 100%.

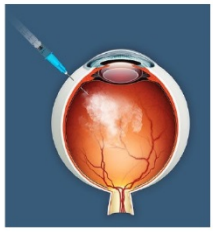
Retinitis Pigmentosa: Santen's Growth Approach

jCell launch to maximize the value and expansion of indications and other products

Our value proposition

jCell Therapy

- Office based procedure with a minimally-invasive intravitreal injection
- Unrestricted patient population - not targeting any specific genotype
- No immunosuppression required



Strategy to achieve & expand

To achieve the goal of jCell

- Dedicated team to build new capabilities
- Close collaboration with jCyte

To expand the business

- Indication Expansion：
  Adding indications for other retinal-degenerative diseases
- Cell and Gene therapy expansion：
  Introducing other Gene / Cell Therapy products leveraging on jCell experience and platform

As you can see, patient cover is very wide, and also the characteristics of jCell are that it is non-invasive, and that doctor training is not required.

This product is injected into the vitreous body, directly into the eyeball. For other treatments, subretinal injection is required. Subretinal injection is technically very difficult because it has to be administered to a very narrow space under the retina, which is behind the eye.

Because of this, doctor training is required, and where such invasiveness is high, we believe jCell has the advantage.

jCell is a very attractive product, and we are trying to accelerate the construction of a platform by building a jCell specialized team. We also have a fairly close collaboration with jCyte, so I think we have been very sophisticated in terms of planning and execution.

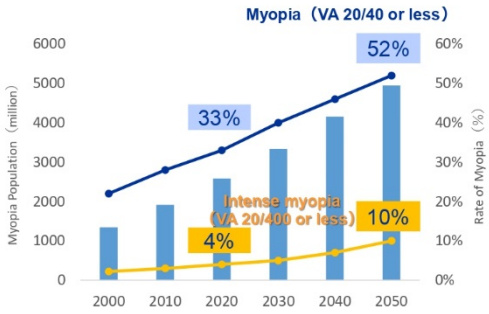
Regarding jCell, this won't be the last product of its kind. I think that there are many opportunities for expansion in terms of expanding indications of this Cell therapy. It is about to expand, and I hope you understand that using the platform built with this cell therapy, we will consider the product development of gene therapy and cell therapy as the second and third pillars in our business in the future.

Myopia: Market Situation

The number of patient continues to rise. Many governments are implementing preventive measures, seeing myopia as the issue affecting the national power.

Market potential & UMN

Ratios of myopia and intense myopia patients against world population[*1]



Measure & treatment

Active preventive intervention by government

CN
- Nation-wide intervention since 2008, defining myopia as the most critical eye disease
- Restricting time spent for smart phones/PCs, homeworks, etc under the "Initiatives to reduce Myopia among Children and Adolescents"

TW
- Mandatory outdoor physical education 150 minutes per week or more
- Monitoring the hours and the light strength received by children.

SG
- National Eye center (SNEC, SERI) has developed drug for myopia, investing more than 15 billion yen

Development of suppressive drugs for myopia progression

- Many companies have developed atropin (Nevakar, B&L, Xinqi, etc)
- Eye glasses and multi-focal SLC for progress suppression (Carl Zeiss, HOYA, etc)
- OK lens obtaining an indication for suppressing myopia progression (Menicon)

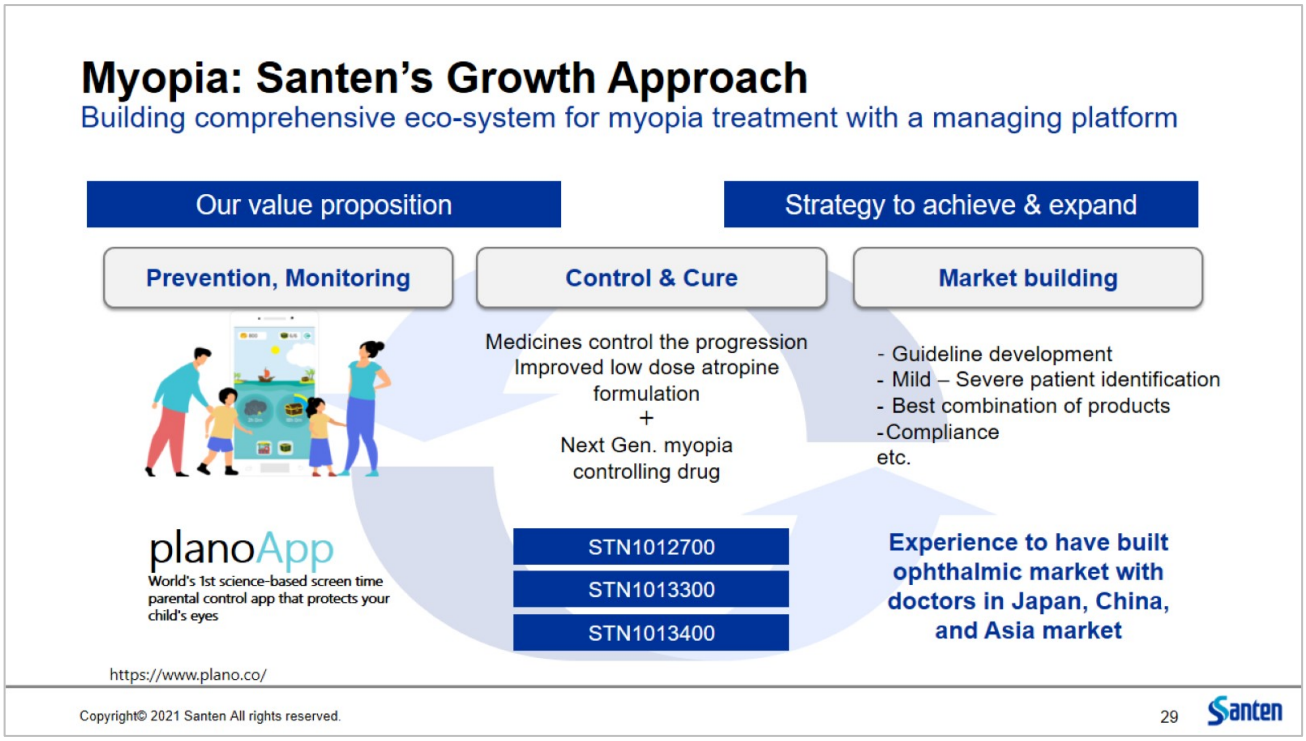
*1 Holden, et al, 2016 Ophthalmology

Next is myopia. As you all know, there are many people who are bothered by myopia, such as children, in their daily lives.

It is said by the WHO, for example, that in the future, this ratio will increase steadily as environmental changes and the opportunity of overuse of the eyes increases, and by 2050, more than half of the population will be myopic.

As of 2020, there are talks of 2 billion to 2.6 billion, and 30% to 40% of them are children, so each country is thinking that measures are needed for myopia.

In particular, with regard to Asian countries such as China, Taiwan, and Singapore, governments regard the issue as one that affects the nation as a whole, and they are doing things such as amending the legal level of support and intervening at the state level. We are therefore of the understanding that in the future, a large market will be created.



We believe that we should not only provide therapeutic drugs, but also create a new market for myopia, and create an ecosystem for treatment.

As a steppingstone for that, we are working with the Plano, which manages the amount of light per day. In addition, there is an app that monitors the patient's situation, and we have also developed STN10127, which is an atropine preparation, and 133, and 134, which are next-generation myopia drugs. The situation is that we are pushing forward with development.

Although it is in the non-clinical stage, there is a treatment method for high myopia that we are studying together with AMED. I think that we will focus very much on myopia.

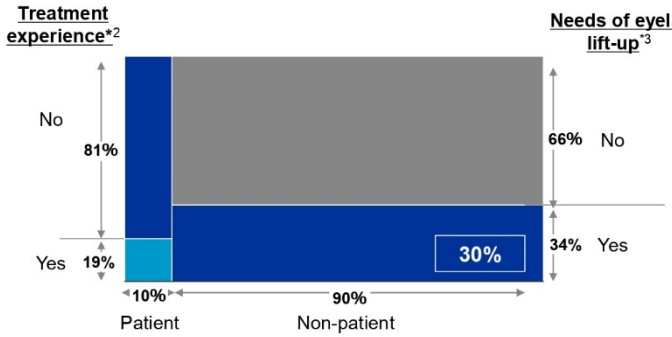
From the perspective of the ecosystem, I think that the very important point in creating an ecosystem is the network power that connects the people involved in the various occupations that are necessary. I think that we have the qualities to build an ecosystem, given our experience of building the ophthalmology market with doctors and academic societies in Japan, China, and Asian markets.

Ptosis: Market Situation

Strong demand for eyelid lift-ups in addition to ptosis patient

Market potential & UMN

Patient structure with or without ptosis at the age of 20 to 79 (global)[*1]



Current treatment & needs[*4]

Patient : 260 million

- Diagnosed, but no definitive treatment available other than surgery
- Care by cosmetics
  - ca 70,000 JPY is spent per person

Consumer : 870 million

- Significant needs of eyelid lift-ups among people not diagnosed

*1 Santen customer survey; estimated by Santen based on various academic articles.
*2 Ratios of people recognizing subjective symptom of eyelid lift-up difficulty with/without treatment (Santen customer survey).
*3 Ration of people not recognizing eyelid lift-up difficulty, but answering that there is a need of eyelid lift-up or not (Santen customer survey).
*4 prepared by a customer survey conducted in the territories where Santen has obtained the license (Japan, China, Asia, EMEA)

Blepharoptosis is where the muscles of the eyelids droop, mainly with age. Ptosis itself is a disease that people are very conscious of, especially women, and the number of patients is between 10% and 20%, if milder cases are included. Therefore, according to our research, it is known that in some countries, there is some degree of experience with treatment and consultation.

On the other hand, regarding the situation where the eyelids are low, there is always a considerable need to make the eyes clear even when the eyelids do not touch the eyes, and if you include such a little cosmetic need, after all about 30% of people have such eyelid ptosis and have eyelid problems.

We also have products for these cases, but among the territories we have contracted with, about 260 million patients and 870 million ordinary people could use these products. So, we think that the market potential is very large where those people could get interested in and could use those products.

Ptosis: Santen's Growth Approach

STN1013800 offers values both in medical and aesthetic opportunities

Our value proposition

UPNEEQ™(US) STN1013800

- ✓ Improved superior visual field
- ✓ Quick lift up for upper eyelids quickly
- ✓ Lasting effect for 6hours with one drop
- ✓ Safety was comparable to placebo

Strategy to achieve & expand

【Medical Opportunity】
First eye-drop medical solution for ptosis patients

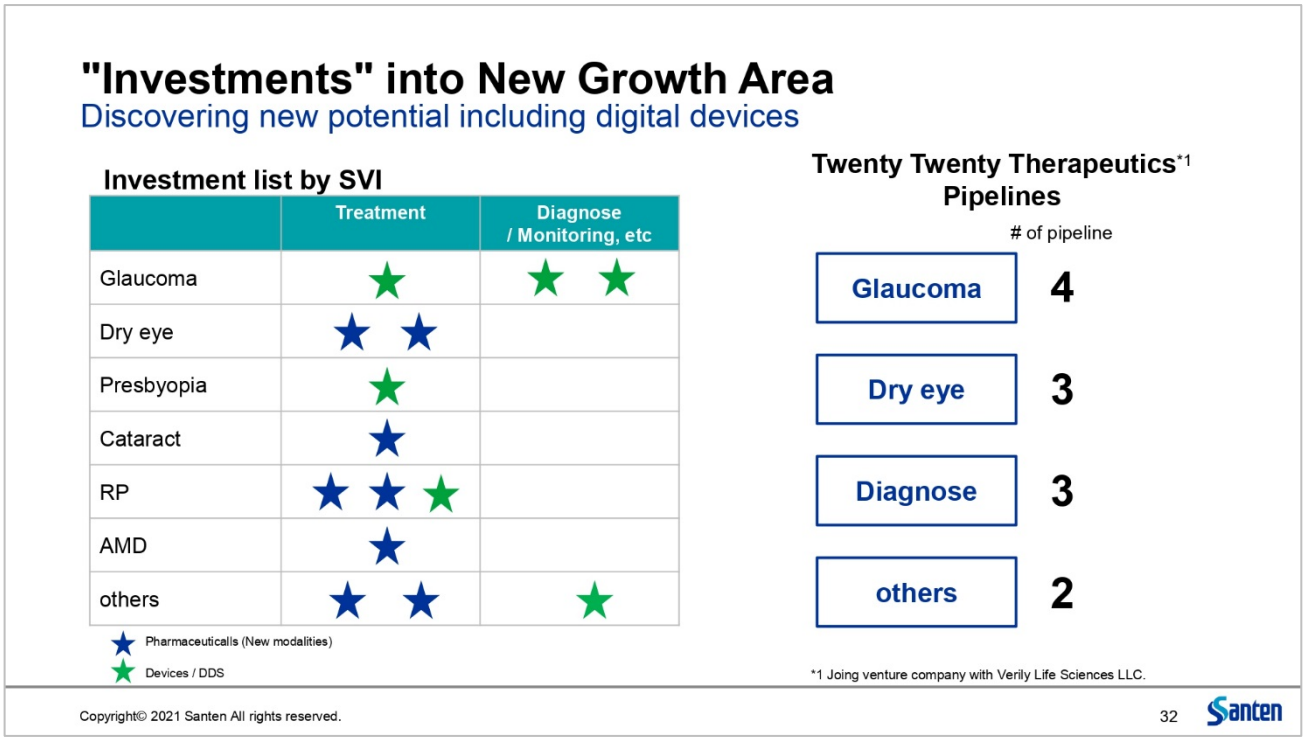
【Aesthetic Opportunity】
New value for those interested in eyelid lift-ups for aesthetic purpose

*1 Reference of description/picture: UPNEEQ website (https://ecp.upneeq.com/) and brochure

As I mentioned earlier, we are currently developing a product with the number STN10138, which is from Osmotica, US company, and has been already sold under the name *UPNEEQ* in the United States.

This is characterized by the improvement of the visual field by raising the eyelids, and a quick lifting effect of the upper eyelids. One drop will open your eyelids in about 15 minutes, and one drop will last for six hours.

In addition, one of its assets is that it has the same safety profile as the placebo. This medication keeps the eyelids in a state of being open. As the pictures shown the before and after usage of *UPNEEQ* from Osmotia, you can understand that eyelids are opened. Here, of course, for patients suffering from ptosis, from a medical point of view, we will first provide treatment as the first eye drop medical solution for patients with ptosis. We would also like to expand our business in this area to cover those who have an aesthetic need in this area, such as those who want to raise their eyelids for beauty purposes.



Lastly, I talked about business growth in new areas, and in order to seize such an opportunity firmly, we created Santen Ventures, Inc. We are investing as an SVI.

First of all, as you can see on the left side, we are investing in each disease area, actively investing in medicines, devices, and what is called PDS. Then, we are also adding these items to the pipeline.

Regarding jCyte and jCell, that was born from this effort, and we believe that we can continue to produce a second and third jCyte and jCell in the future.

In addition, as we announced the other day, we are planning Twenty Twenty Therapeutics, a joint venture with Verily, which is a subsidiary of Google and Alphabet. We are creating project teams to make progress with the pipeline categories written here.

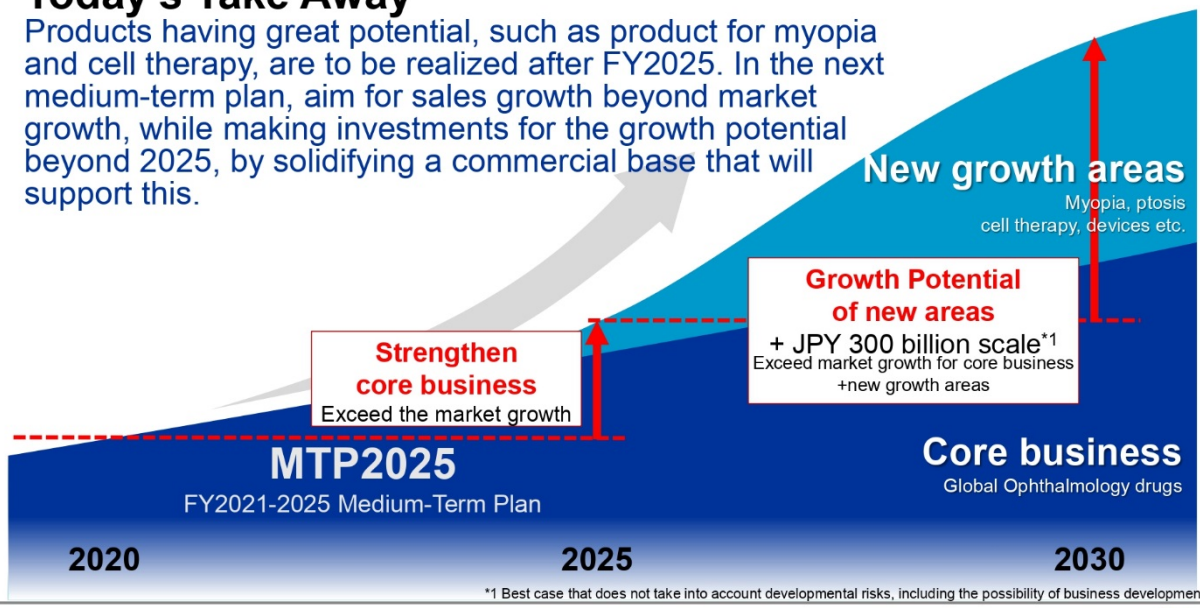
While investing in new growth areas in this way, we intend to secure medium- to long-term growth. That's all from me.

Toward the Announcement of the Medium-Term Plan

Shigeo Taniuchi
President and CEO

Today's Take Away

Products having great potential, such as product for myopia and cell therapy, are to be realized after FY2025. In the next medium-term plan, aim for sales growth beyond market growth, while making investments for the growth potential beyond 2025, by solidifying a commercial base that will support this.



*1 Best case that does not take into account developmental risks, including the possibility of business development etc.

Taniuchi: Finally, I would like to talk a little about the way of thinking for the medium term. Mr. Sakai has talked about the short-term, medium-term, and long-term disease strategy and product strategy that we are thinking about so far.

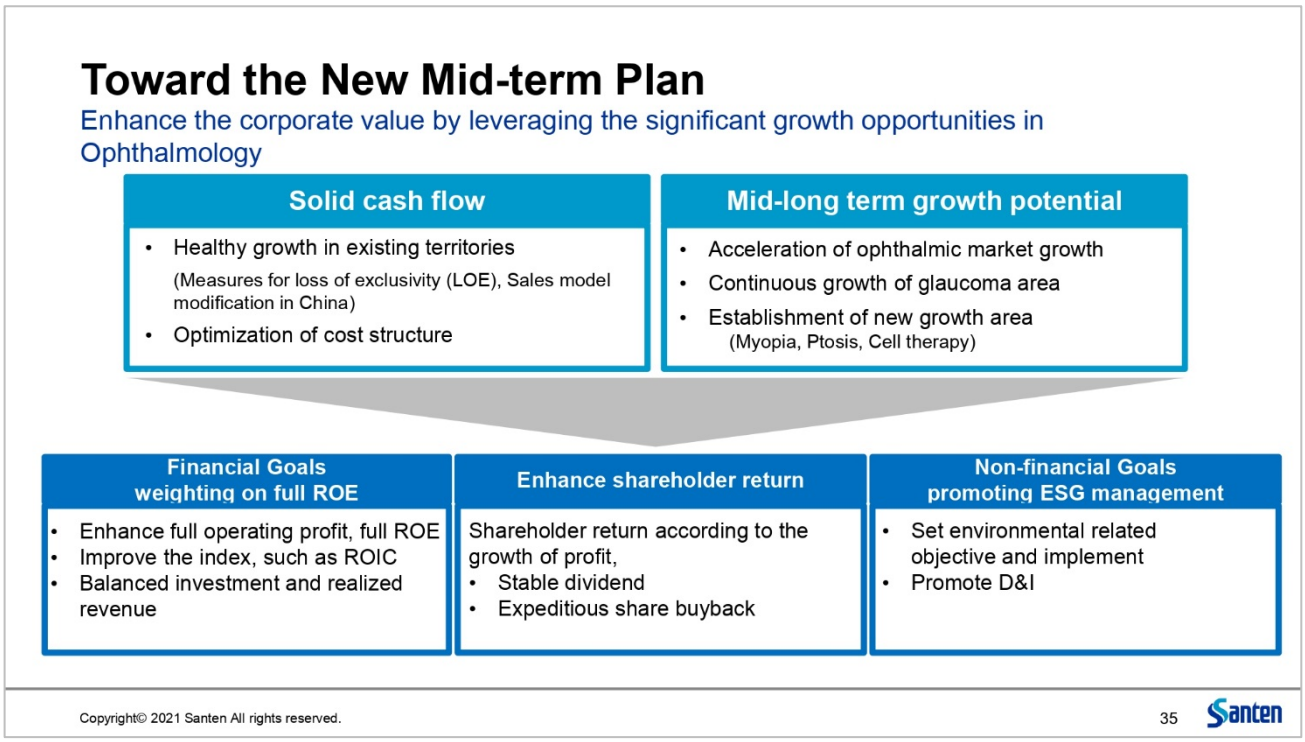
In addition to this, we are currently working on sales strategies for each region separately, and we would like to combine and multiply these to realize this medium- to long-term growth.

As I mentioned at the beginning, our current core business, the medical ophthalmic drug business, is based on this, and as before, the disease strategy, product strategy, and activities take a share in

each region. Through this, we would like to achieve growth that exceeds the market growth rate as a Company.

In addition, by doing so, we would like to invest in growth in 2025 and beyond and manage the business while maintaining a good balance.

Through that, as I mentioned earlier, we are thinking of taking in this opportunity at the level of JPY300 billion, with a big roadmap for the next 10 years. The situation is that the mid-term plan of how to do the first five years, what kind of goals, and what kind of KPIs to the stage we are at now.



I will talk about the contents separately, but with these things in mind, I would like to talk about the basic idea of finalizing the goals and KPIs.

First of all, as we have discussed today, our existing business, which supports our company and is also a source of funds for growth, will change in the future.

With this, we will work to strengthen the foundations of existing businesses in Japan, China, Asia, and Europe, to increase profits, and to increase cash flow.

On top of that, I would like to decide on each of the measures to achieve medium-term or long-term growth, centered on the content I talked about today. We will work on cell therapy, myopia, ptosis, et cetera based on our current organizational ability, while strengthening as necessary, and realize the results as quickly as possible.

We will continue to work while maintaining this balance, and as you can see below, we will work to improve profit growth, especially full ROE. While considering medium- to long-term profit growth, I would like to solidly proceed with shareholder returns, stable dividends, and flexible share buybacks.

In addition, we have been focusing on ESG management recently, and we have also been engaged in activities for inclusion. We have a global presence as a Company that embodies our purpose, namely “Happiness with Vision.”

Thank you. We look forward to your continued support.

Question & Answer

Q1-1-1:

Thank you. The first thing I would like to ask is about the slide on page 34, which showed us the image of future growth in the medium term.

Is it possible to state with a certain degree of certainty that the core businesses will be strengthened sufficiently to achieve this growth in the next medium-term management plan? Also, if you factor in the impact of VBP in China, could you tell us a little more detail about this image, including what kind of image it will look like?

A1-1-1:

(Taniuchi) Thank you. As I mentioned earlier, this is a concrete breakdown of the current goal of the medium-term management plan, although I cannot elaborate on it today.

First of all, regarding the question about the current situation, as I explained earlier, this is highly stable growth. We will continue to actively promote the penetration of new products, measures against patent loss of our main products, and switching to LOE.

Then, keeping in mind that we will firmly realize the growth opportunities of the market, we would like to pursue growth with a high likelihood of realization.

In February, I explained a little about this VBP issue in China, but we are already responding with a shift of our sales model to the new market, and the growth of that market. We have already made a shift to realize the potential in a different way. We are moving forward by returning the acceleration of growth to our planned trajectory.

Q1-1-2:

Thank you. In that case, is it fair to assume that there will not be any big dip in results due to this?

A1-1-2:

(Taniuchi) Yes. Again, at this point in time, the situation in China is about to change. So far, as I explained in February, the market is moving as expected, and our activities are also responding.

Sales of *Diquas* and *Tapros* are also increasing due to the conversion of sales to private hospitals and pharmacies, for example, and the switch of resource allocation. *Tapros* has the top share in terms of quantity, and I feel that our sales model is working now. We intend to stick with this approach.

Q1-2-1:

Thank you. The second question concerns the growth potential up to 2025, which was shown on page 24.

I was hoping you could explain this to me, but is this growth potential of JPY80 billion to JPY100 billion an image of an increase in sales starting from FY2020, the peak of the products you are showing here? Could you tell us how to read this chart?

A1-2-1:

(Sakai) Thank you. First of all, the numbers from JPY80 billion to JPY100 billion written here are the amount that we can expect to add with future new products up to 2025.

On the other hand, as is noted at the bottom, some of these are planned for launch, and are currently in the pipeline, and not all of these are written here. I hope you understand that there are some things that we cannot write due to the intentions of our partners, and patent issues. So, I would like you to think of it as JPY80 billion to JPY100 billion against 2025.

Q1-2-2:

Then, for example, the items that are launched to market in 2025 will not contribute much, while those that are released in 2021 will contribute several years' worth of sales. Is that right?

A1-2-2:

(Sakai) You're right.

Q1-3-1:

Okay, thank you. The third and final question is the way of thinking about glaucoma.

It seems that *Eybelis* is struggling a little to increase sales, but as explained earlier, *Rhopressa*, *Rocklatan*, 126, et cetera will come out in the future, and there is the current unmet need in the glaucoma area. With that in mind, I would like to ask about the potential of these new drugs.

Also, I think you mentioned previously that the continuation rate has increased from 50% to 90% by developing a glaucoma treatment continuation program, but what is the progress now? Can you tell us about it?

A1-3-1:

(Sakai) Yes. First of all, regarding the situation with *Eybelis*, there has been organic growth centered on the Japanese business, with focus mainly on activities such as academic societies. At first, there were concerns about safety, but usage is starting to increase among medical professionals.

In addition, the awareness that *Eybelis* is not a PG drug is penetrating. I think we will see this gradually reflected in sales.

In addition, whether it's improvement of the overall treatment rate or improvement of the rate of continuation of medication, by moving ahead with products such as ACTPack, the focus is on the Japanese business. By expanding such activities in Japan to Asia and China, we believe that we can expand our strengths and knowledge more smoothly.

(Taniuchi) To add a few words, as explained earlier by Reza Haque, this treatment for glaucoma requires lifelong use of drugs and dialogue with patients.

Under such circumstances, drugs with such a new mechanism of action, such as 117, as well as *Rhopressa* and ROCK inhibitors, are still firmly on the market. I think this is very important.

As you pointed out, the switch to *Eybelis* is now lower than expected, but every time we talk directly with healthcare professionals, everyone emphasizes the clinical significance. It is important to have such a medicine, and there are patients who need it.

Due to the current COVID pandemic, there may be situations where it is a little difficult to get new products into the market, but we will firmly emphasize the clinical significance of these treatments.

Similarly, ROCK inhibitors are also a very exciting treatment method, and some people want it in Japan and Asia as soon as possible.

At present, there is one type of prostaglandin, plus a β-blocker or CAI. By increasing the choices, it will boost patient treatment satisfaction.

In addition, as the engagement of patients increases, including things like the ACTPack mentioned earlier, the diagnosis rate will increase, and the treatment continuation rate will increase. The basic idea is to continue to improve our positioning among glaucoma treatments as Santen market share increases.

Q2-1:

Thank you. First of all, thank you for explaining the various LOE measures that you have planned. I think it was very easy to understand.

However, considering the next two to three years, in addition to the patent expiration of *Diquas* and *Tapros*, I think that the patent of *Eylea* is about to expire. Although the profit margin of *Eylea* are low, it is just because the scale of sales is quite large. What are your thoughts on *Eylea* LOE measures?

A2-1:

(Taniuchi) Thank you. As I mentioned earlier, there are some areas that we are not at liberty to talk about today, and the status of *Eylea* is one of those.

However, we recognize that *Eylea* is a very large brand globally, and this is also a big asset for Bayer. Bayer and Regeneron are thinking about LOE measures firmly here, and so are we. I hope this is something that we can collaborate on in the future.

I can't tell you any more about the current situation, I’m afraid.

Q2-2: I understand, thank you. The second is about the measures against *Tapros* LOE.

I understand that *Alesion* has shifted considerably by adding a high dose, and it is a measure against LOE, but in the case of *Tapros*, it's hard to imagine how much generic replacement can be prevented by adding an auxiliary bottle for eye drop. Will changing the bottle really function as an LOE measure?

Taniuchi: As Mr. Sakai mentioned earlier, it's easy for patients to apply eye drops, but glaucoma patients start to develop glaucoma from around their 40s. Most patients with glaucoma are elderly.

Even once a day, it is actually very difficult for such a person to point their face up and properly apply a single drug or multiple drugs. This comes up in conversations with patients. This is something that has come to light through activities such as the ACTPack.

This means that even the general public, for example, is not able to do what they take for granted because we are a specialized manufacturer, and it is quite difficult to apply eye drops, especially for the elderly. It's hard to get even one drop in.

On the other hand, if it spills around, it may cause pigmentation and other inconveniences, so in the end everyone is worried and suffering. This product really does solve the problem: you can administer the medication cleanly without looking up. By doing so, we will increase the value of this medication for patients.

Of course, *Tapros* is already widely used in Japan and around the world and continues to gain the support of patients, but this is a question of the attractiveness of the product as a whole, the value proposition.

As I said earlier, glaucoma is something that patients spend their entire lives living with, so that may also be a factor.

For example, we use a product called a Dimple Bottle, which is also highly rated by patients. Of course, there are people who want to use this if it is the same, and we are currently developing it more concretely so that we can differentiate this product in future. Also, I would like to collect the data that can be talked or create something like a story.

Q2-3: I understand, thank you. Last but not least, regarding ptosis, I think there were two markets, one for medical use and the other for aesthetic purposes.

Perhaps, in terms of the number of patients, I think that the number of patients is larger for cosmetic purposes, but from your current perspective, which is the larger market size: that for medical purposes or for cosmetic purposes? Could you give us a sense of scale? Thank you.

A2-3:

(Taniuchi) At present, I think it is still in the stage of deciding which one is bigger and which one to focus on.

However, when we conducted a global survey, we could say that it was more than expected, which led us to recognize this kind of potential. We intend to plan this in further detail going forward.

However, first of all, this drug, like the current *UPNEEQ* approval in the United States, is to be approved for medical use first. That's why we get approval for medical use, firmly solidify the medical use here, conduct clinical trials and obtain approval. However, I want to think about how to attack in the future while looking at the magnitude of the potential on the right-hand side.

I can't answer which one is the focus from our current situation, but I've been able to see hints from the numbers, and I would like to keep considering this area in future.

Q3-1-1: I think it was in the dry eye section, but is the item with a long code number and 905 at the end the MGD medication? It's a medicine that controls the lipid-related parts of dry eye.

This was first disclosed today I believe, but is that positioning correct? I think it's a completely different approach from the existing dry eye, but if you can say something about it, including the potential, or any figures, please let us know. That is the first question.

A3-1-1:

(Taniuchi) Thank you. As you pointed out, this is sirolimus. This is for dry eye, targeting MGD.

I would like Mr. Sakai to explain the contents here.

(Sakai) Yes. Regarding the drug that is currently being developed as a candidate for this so-called MGD, or dry eye where there is drying due to a lack of water on the surface of the eye. It is often described as being painful. There is a meibomian gland where the lipid to keep the water moist is released.

If the meibomian glands are clogged, the lipid will not come out properly, so dry eye will accelerate. One of the causes of all the symptoms of dry eye is the blockage of the meibomian glands, called MGD.

In that sense, we recognize that this product is the first therapeutic drug of this type in the world. While there is the old technique of warming with a hot compress to clear this blockage, this is the first drug that solidly meets these needs.

In this area, we have gained that understanding through discussions with health professionals. By including raising awareness of such areas, I think that it will be possible to further investigate the cause of dry eye and propose this as a solid therapeutic drug.

Q3-1-2:

Thank you. Just to confirm, you are suggesting a proper diagnosis and treatment pathway where it is confirmed that there is this blockage, and then the problem is treated. This medication would be a step in that treatment process. Is that correct? With the current treatment also.

A3-1-2:

(Sakai) We think it is necessary to be in that form. After all, dry eye refers to the entire symptom, and in a state where the degree of dry eye cannot be measured, and the effect cannot be measured properly, there is no cure or common diagnostic method. And this is a global issue.

Even if it is just a partial solution, and not just limited to this MGD, I think that we need to encourage solid treatment of dry eye.

(Sakai) Regarding MGD, this is generally recognized by ophthalmologists as a concept in the treatment of dry eye, and among dry eye patients, MGD is also recognized. It is well established as a concept.

This is certainly a while ago, but MGD was introduced in an NHK TV program, and it is said that prevalence increases with age.

I saw the program about MGD when I thought that the existing treatment method would not work, but I think that it is a concept that is becoming more common in that way.

However, as Mr. Sakai mentioned earlier, there are currently no drugs available, and patients and clinicians are now working on various symptomatic treatments. The problem is becoming more common. I would like to realize this market opportunity by releasing therapeutic drugs to treat this condition.

Q3-2:

Thank you. The second question is about Myopia. 13300 and 13400 are in the pipeline, and I think you said that you are also developing next-generation products. Would it be correct to say that these will be completely different to atropine? I'd like a brief introduction to these drugs, if possible.

A3-2:

(Sakai) I can't tell you the details yet. I'm sorry, but basically the approach is a drug that suppresses the progression of myopia.

This is because atropine originally has a mydriatic effect, and what you do with this is that you are doing it at a low dose. While looking at the balance between efficacy and safety in this area, we are currently working on such a project because we want to develop it with the aim of developing a drug that will be better positioned.

Q3-3:

Thank you. Lastly, a simple answer is fine, but I think that the Phase 2 data for jCell has already been released.

Of course, the product in your company's positioning can be used by everyone, but there are also literacy numbers et cetera as positioning, but with this data, can you go with the positioning that your company is thinking about?

In the first place, I think that treatment methods where the RP cell itself is inserted will start appearing, but I think that it is better to take a slightly wider approach. In that regard, please comment on the positioning of jCell and future efforts.

A3-3:

(Taniuchi) Understood. I'll say a few words, and Mr. Sakai can add to this as necessary.

First of all, since Phase III is about to begin, the basic idea is to look closely at the data and look at the efficacy and duration of action to find out where the position really will be.

As Abdin mentioned earlier, there are almost no treatment methods currently available. *Luxturna* covers only 1% of cases. At present, the reality of medical care is that there is no way to do it for patients whose eyesight is getting worse every day.

In such a situation, if this can be proved theoretically well, it is possible to suppress the progression for various patients or replace this jCell with healthier cells, in a sense, it is very broad in terms of positioning. Or, including that stage, even if it progresses not only in the early stages, we will carefully look at the question of whether to use it if there is no other treatment method, and we have increased the value of this product as much as possible.

Q4-1:

The first overlaps slightly with the previous three questions, but regarding *Eylea*, I think that the medium-term management plan will not be complete without some sort of consideration of life cycle management.

When announcing the medium-term plan, do you have any idea at this point that you can explain it with some agreement with your partner? Please tell us about this.

A4-1:

(Taniuchi) First of all, I'm sorry, but I can’t comment on the contents of the medium-term management plan at present. We are, of course, discussing this matter with Bayer and Regeneron. There are various contractual issues, so what we can say is as I said earlier, but of course, as you say, we firmly recognize that this is an important product for our sales and profits.

It's a contract issue, so I can't say any more, but I hope you understand.

Q4-2-1:

I understand. For the time being, I understand that we will wait until the announcement of the medium-term management plan.

Secondly, regarding ptosis. About *UPNEEQ*, which you introduced this time. At a previous briefing session, I think you mentioned Osmotica's RVL. What kind of process was that?

I would like to know if this is a drug that was newly introduced for ptosis, including whether or not things are going back and forth.

A4-2-1:

(Taniuchi) Here, there is no change, and I think that the code name was displayed because it was probably at the time of development last time, but it was approved in the United States and sales started, and it became *UPNEEQ*. I think things are probably the same.

Q4-2-2:

I understand. The circumstances haven't changed, and you've taken a step forward. Is that a fair summary?

A4-2-2:

(Taniuchi) That's right, yes.

Q4-3:

There's just one more thing. I've been listening to various stories about glaucoma, for example, considering that patients have to administer three drugs at a time. It may be a simple question, but to what extent can these drugs be combined? There is quite a need for eye drops there, and given your manufacturing technology, this seems like it would not be impossible. Even if you consider only glaucoma.

Earlier, you mentioned that, for example, the treatments of β-blockers, prostaglandins, and ROCKs, but at present, in the Japanese drug price system, 1 plus 1 does not equal 2, so what is the merit as a manufacturer? What are your thoughts on this?

It seems to me that rather than combined drugs, In the future, there will be more focus on devices at your company. There are the Dimple bottles, for example, or perhaps you could make something that delivers all medications in a single drop. Is that something you are considering?

A4-3:

(Taniuchi) First of all, as you said, we recognize that there are certain needs from patients and medical practice. We also develop and sell products called *Tapcom* and *Tapticom* as a combination drug of *Tapros*, or *Cosopt*, which is also a combination drug.

Also, the combination drug is running in parallel for this ROCK, and there is always a need for such a combination drug. This was from Reza earlier, but as we continue to use multiple products, the combination drug is still more convenient.

As with all glaucoma drugs, if you put them in all at once, they will overflow. Therefore, patients are told that they must leave a gap of five minutes between drops. If three drops take 15 minutes, how will patients tolerate four drops? This type of conversation is taking place. That's why I think a mixture is necessary.

On the other hand, the mixture is a mixture, which is also a disadvantage in itself. While there is often data available, doctors tend to prescribe while also considering the individual patient and their various sensitivities. They try different treatments to try and get the best treatment they can.

If the mixture fits perfectly, it can be used for a long time, but considering that the combination is constantly changing, there are many situations where the single agent is easier to use. In this area, a mixture is required, and a single agent is also required, so there are various products on the market at present.

Realistically, if you look at the current sales even if you look at the market share, there are still more single agents (than combination drug), in the current situation. I think that there are various factors at play, such as usability and familiarity.

Naturally, we are promoting the combination drug as a combination drug, but when it comes to the question of a sudden market shift to the combination drug, in these cases, the single drug will take priority. I think this is the fundamental flow here, and I think it will continue in that way. However, depending on the country, I think there are places where there are more or fewer mixtures.

As you mentioned, each company, including ours, is exploring various technical aspects: whether to do a long release, single agent or combination agent, and so on. We have several approaches. I am not in a situation where I can show you today, but we are doing research in this area, and I would like to just say that there may be another trend in the future.

Q5-1:

Thank you. The first question is about RP. The peak sales forecast is JPY70 billion. I think this was a license agreement excluding the United States, but is this JPY70 billion excluding the United States? Please tell us the overall idea of whether it is the expected value.

A5-1:

(Sakai) Thank you. As you said, excluding the United States, our territory alone is worth JPY70 billion.

Q5-2:

I understand. Next, with myopia, I think the key is probably how large the size can be in China, where it is over JPY100 billion. In this regard, given the impact of recent VBP in China, how much should we consider the risk of any such policy pressure on myopia treatment in the future? If you have any prospects on that point, I would appreciate it if you could tell me.

A5-2:

(Taniuchi) We can't really say what the policy will be like in the future.

One, not only in China, but also myopia here and ptosis, but I think our main battlefield is outside the area of insurance coverage. Depending on the country, there are various systems such as mixed medical insurance, but I think that the point is that the treatment is at your own expense.

Then, there will be VBP, so-called tier third hospitals, private clinics that are completely different from national hospitals, retail clinics, et cetera, where patients pay at their own expense.

The reason is that these preventive, suppressive, and non-pathological myopia treatments may be partially covered, but that too. There are some things that aren’t clear at present. We are continuing to assess the situation in that area.

So, from the conclusion, of course, I don't know about such risks and what the country will do there, but basically, we will develop our business outside of that. We are pursuing this potential.

Q6-1:

The first point is that the amount of intangible fixed assets is now JPY150billion in the financial statements of the third quarter. It is about half of net assets.

In the future, what amount, rate, and ratio of intangible fixed assets to net assets be allowed by investing? Please tell me about that first.

In connection with that, what does Mr. Taniuchi say about agile share buybacks? Will the next medium-term plan provide a more accurate and clear explanation for capital allocation? First of all, please explain the current concept of share buyback. This is the first point.

A6-1:

(Taniuchi) First of all, from the intangible assets I mentioned earlier, I think that we have various in-process R&D products and various development rights. As you can see, this recent period may turn into a period of big growth in the future. When I wanted to aim for varied growth, I was in a situation where I was loading a little.

So, of course, in the future, on the other hand, we have made investment decisions with a certain level of financial discipline, and there are many things that we have not focused on, but now, with this asset, as a driver of this growth, we have been working to make it happen.

So, in the future, it's not about increasing that number even more, but rather how to turn those existing assets into profits this time. How do we make sure that our existing assets, including the execution in the next medium-term management plan, which is big for us, and the full ROE, will be returned? The basic idea is to capitalize it properly, use it as a seed for growth, and keep in mind our returns.

I can't say how much or what percentage at the moment. Then, we plan to show indicators, including capital allocation, and ideas in the medium-term management plan.

Of course, when it comes to buying back shares, we are always thinking about the proper timing and methods. What does it mean to be agile? After all, we will continue to grow in a sustainable, steady manner over the medium to long term. I'm working on something like what I talked about today, particularly with the aim of growing profits. First of all, while firmly realizing that, we must pay a stable dividend.

After that, as we have seen, for example, when we can see the potential for growth, and when we want to make a solid return to our shareholders, we have regularly engaged in share buybacks in the past. I would like to see this continue in the future. I would like to keep an eye on the balance between growth investment, dividends, and share buybacks, and we will continue to do so while keeping an eye on growth.

Q6-2-1:

The second point is that the corporate value has dropped considerably since the talk of VBP in China. What are your thoughts on the risk of acquisition? And, of course, with the corporate value so low, I think that people outside the Company and outside directors will also be asking about the thought processes behind decisions among the board of directors. What is being discussed in this area? I would appreciate your comment on this.

Also, does your company have the idea of increasing the certainty of sustainable profit growth over the medium to long term by becoming a subsidy of another company? In a business with low profitability, would you consider the divestment? I would like to hear comments on this area if possible. That's all.

A6-2-1:

(Taniuchi) Naturally, we are working to produce results while taking the current circumstances seriously, including the concerns of our shareholders. We also discuss such discussions thoroughly at the Board of Directors.

On the other hand, I think the question is, how do we produce results now? What should be emphasized in the next medium-term management plan? Of course, we are discussing what we should convey in this IR activity together with outsiders, and conversely, those outside directors, corporate auditors, and ourselves are very well balanced. I think that it is a well-organized structure, but first of all, I would like to say that we are having a deep and multifaceted discussion.

Q6-2-2:

Whether it is possible to be under the umbrella of a third party if it would result in sustained development of the business. What are your thoughts on changing the corporate structure? I think that the decreasing of corporate value will naturally increase the risk of acquisition, so I would appreciate it if you could comment on that as well.

A6-2-2:

(Taniuchi) Naturally, we are looking at this risk of acquisition, but I think it will be about increasing corporate value. We believe that to achieve what Santen is aiming for, it is best for Santen to be an independent, global ophthalmology company. Therefore, we would like to move forward by increasing corporate value, and we would like to ask for your understanding and support.

Q6-2-3: Understood. Thank you very much.

In the case of your company, I think that quantitative disclosure and goals, including financial KPIs, are still weak, so I would like you to disclose more and more what you can disclose quantitatively in the next medium-term management plan. I think that without this, there are a few parts that do not seem to fit together.

A6-2-3:

(Taniuchi) I understand, thank you.

[END]