Medium-Term Plan "MTP2025"

Santen Pharmaceutical Co., Ltd.
May 19, 2021

Imagine Your Happiness

Presentation

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Forward-Looking Statements

- Information given in this presentation contains certain forward-looking statements concerning forecasts, projections and plans whose realization is subject to risk and uncertainty from a variety of sources. Actual results may differ significantly from forecasts.
- Business performance and financial conditions are subject to the effects of medical regulatory changes made by the governments of Japan and other nations concerning medical insurance, drug pricing and other systems, and to fluctuations in market variables such as interest rates and foreign exchange rates.
- The process of drug research and development from discovery to final approval and sales is long, complex and uncertain. Individual compounds are subject to a multitude of uncertainties, including the termination of clinical development at various stages and the non-approval of products after a regulatory filing has been submitted. Forecasts and projections concerning new products take into account assumptions concerning the development pipelines of other companies and any co-promotion agreements, existing or planned. The success or failure of such agreements could affect business performance and financial condition significantly.
- Business performance and financial conditions could be affected significantly by a substantial drop in sales of a major drug, either currently marketed or expected to be launched, due to termination of sales as a result of factors such as patent expiry and complications, product defects or unforeseen side effects. Santen also sells numerous products under sales and / or manufacturing license from other companies. Business performance could be affected significantly by changes in the terms and conditions of agreements and/or the non-renewal of agreements.
- Santen is reliant on specific companies for supplies of certain raw materials used in production. Business performance could be affected significantly by the suspension or termination of supplies of such raw materials if such an event were to adversely affect supply capabilities for related final products.

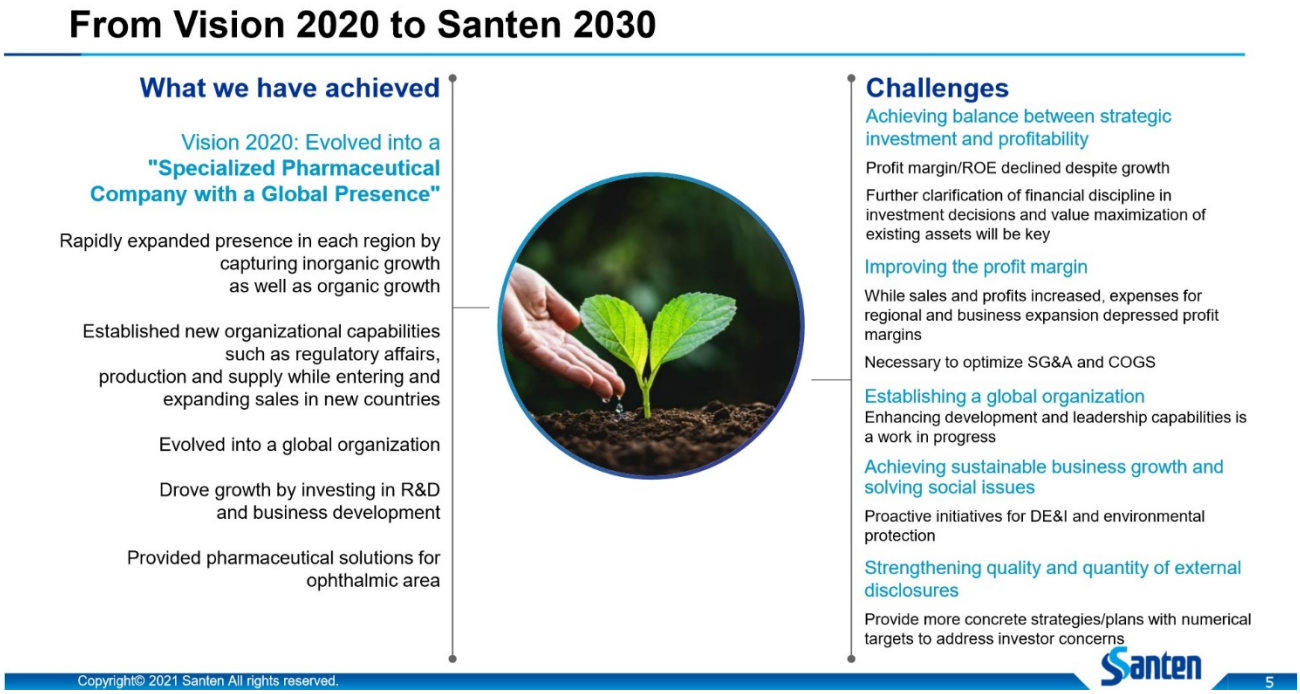
Agenda

1. Santen's Vision & Mid/Long-term Targets (KPI)
2. Business Plan & Strategy/Initiatives
3. Long-term Direction for Further Future Growth
4. Shareholder Return Policy
5. ESG Strategy/Initiatives
6. Details of Business Strategy

Taniuchi: Hello, everyone. My name is Shigeo Taniuchi, and I am the CEO of Santen Pharmaceutical. Thank you very much for taking the time to join us today.

Please refer to the third page of the presentation material disclosed this morning. As the moderator mentioned, this is the agenda for today. First, I will give an overview of our Medium-Term Plan, MTP2025, and then Mr. Ito, Mr. Yamada, and Mr. Sallstig, who are in charge of Japan, China, and product development, will explain the three areas, respectively.

We had originally planned to disclose this Medium-Term Plan in April, but we decided to postpone the announcement by one month. During this period, we have reviewed our strategy and re-examined our goals and priorities. Today, I would like you to understand our management team's thoughts and determination for the next five years and beyond.



First of all, let's talk about Santen's vision and medium- to long-term goals. Please see page 5.

First of all, in order to realize Vision 2020, our goal of becoming a specialized pharmaceutical company with a global presence, I believe that we have been able to greatly enhance our global presence over the past 10 years by accelerating our global expansion.

In China, Asia, EMEA, Europe, the Middle East, and Africa, in addition to increasing our presence in these regions, we have launched many products and provided solutions in the ophthalmology field.

At the same time, we have identified issues that need to be addressed in order to realize Santen 2030. In terms of profitability, we believe it is crucial to improve our profit margin and ROE. We will focus on stricter financial discipline in growth investments than ever before and on maximizing the value of our existing assets by ensuring that they are linked to earnings.

In addition to the steady commercialization of our existing assets, we will further strengthen our efforts to address ESG issues, including diversity and environmental issues, and work to resolve social issues. We will strive to improve our corporate value by communicating more actively with our investors than ever before.

CORE PRINCIPLE and WORLD VISION

CORE PRINCIPLE

天機に参与する

Tenki ni sanyo suru

"Exploring the secrets and mechanisms of nature in order to contribute to people's health" *

WORLD VISION

Happiness with Vision

The Happiest Life for every individual, through the Best Vision Experience

* Santen's original interpretation of a passage from the Zhongyong (The Doctrine of the Mean) by Confucius.

Santen 6

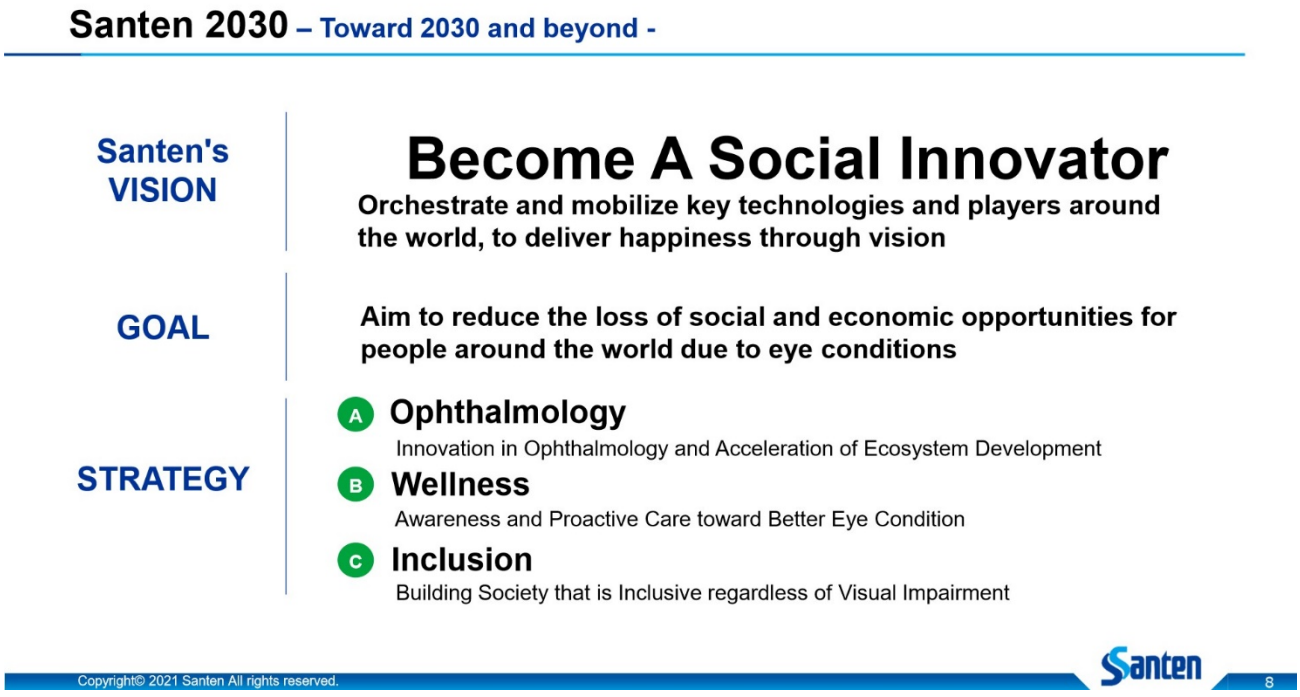
Please see page 6. This is the origin of our company's name and our basic philosophy: "Exploring the secrets and mechanisms of nature in order to contribute to people's health." We are working ceaselessly in order to realize our WORLD VISION, "Happiness with Vision."

The World is Built on the Ability to See

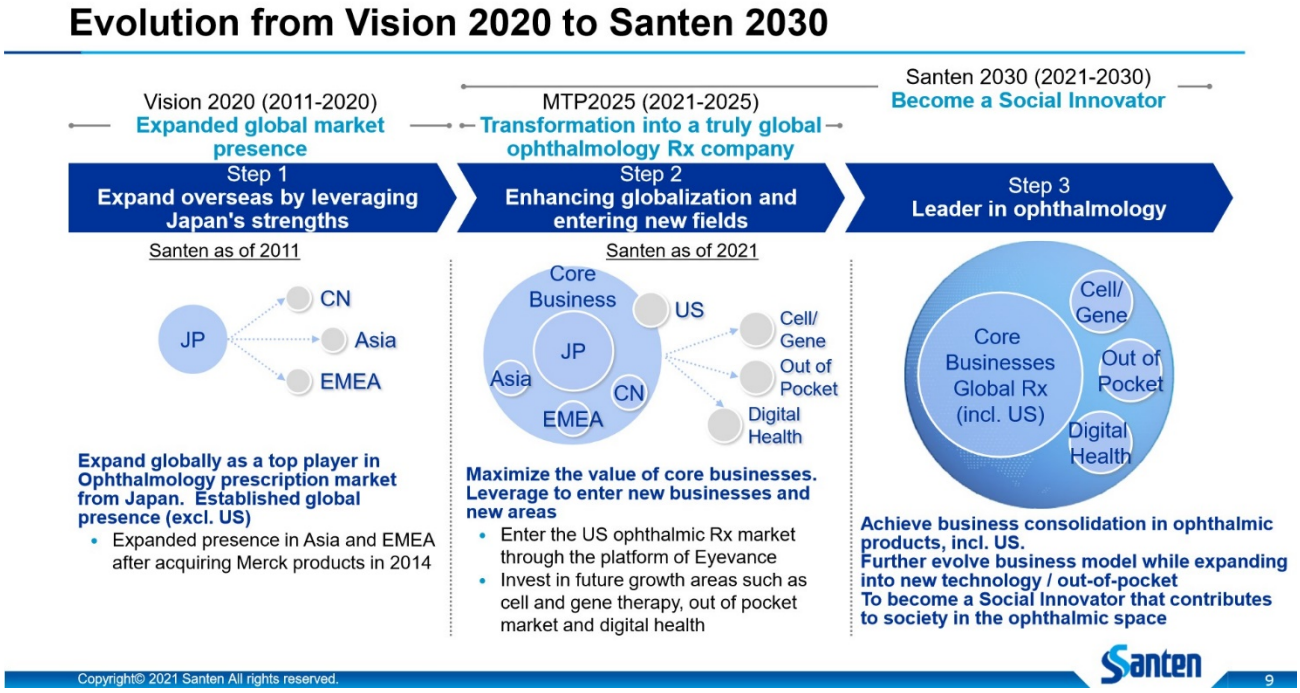
Santen 7

Please see page 7. Being able to see is something that most people take for granted. However, it is estimated that at least 2.2 billion people in the world are now suffering from some form of vision impairment. This is a very serious social problem. Therefore, the field of ophthalmology is highly relevant to the realization of the SDGs, and the WHO and the United Nations have begun discussions on this topic.

We are convinced that the field of ophthalmology is a growth area that will attract more and more attention in the future. As a specialty company in this area, Santen aims to grow by contributing to the resolution of these social issues.



Page 8, please. Last year, we announced our long-term vision, Santen 2030, with the aim of solving social issues related to eye disease. The vision of the Company is "Become A Social Innovator," and it aims to reduce the social and economic opportunity loss of people around the world due to eye disease. We are currently implementing measures to achieve medium- to long-term growth through these efforts.

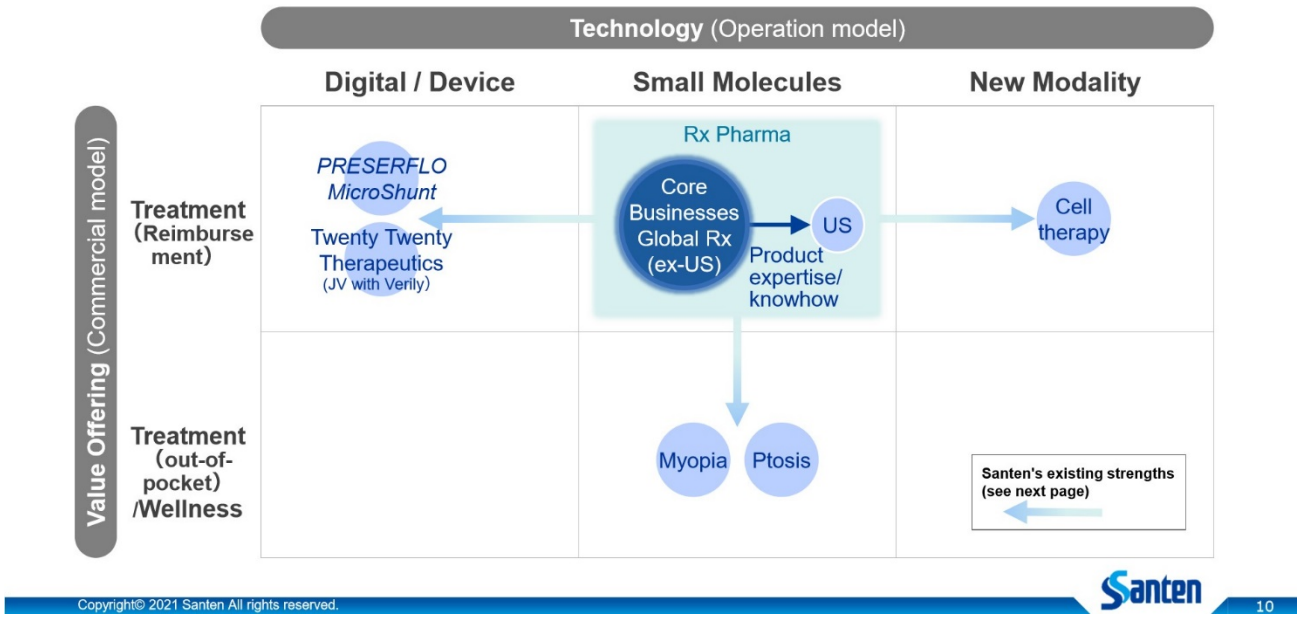


Page 9, please. In order to realize Santen 2030, here is a list of what we aim to achieve by 2025, which is the final year of this Medium-Term Plan, and further beyond to 2030.

For the past 10 years, from 2011 to 2020, we have been rapidly expanding our business overseas in China, Asia, and EMEA, while leveraging our strengths as a top ophthalmic pharmaceutical player cultivated in Japan during this period.

In the next 10 years, we will further mature our global operations in the US and other countries and deepen our business model by expanding into business areas that are expected to grow in the future, such as cell and gene therapy, the out of pocket market, and digital health. We aim to become a company that can realize people's happiness through vision.

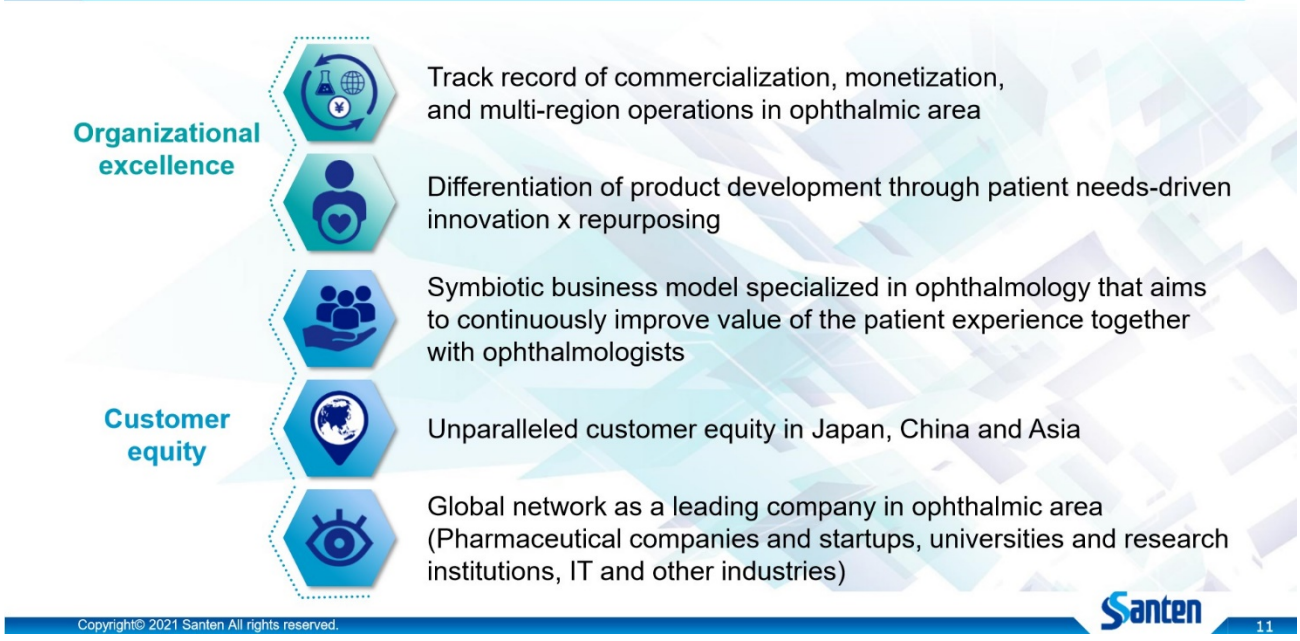
MTP2025 is the plan for the coming five years to realize this. We will focus on maximizing the value of our core businesses, while entering new business fields. We have positioned the next five years as a very important period for us to achieve growth in 2026 and beyond.



Next, on page 10, we show you the image of business expansion.

First, we will leverage the strengths we have cultivated in our existing core pharmaceutical business to secure expansion in the United States. While maximizing our strengths in this core business, we will expand our business into new areas, such as digital and devices on the left, new modalities on the right, and out of pocket and wellness on the bottom.

We aim to achieve high growth by capturing growth opportunities while responding to market needs and technological innovations.



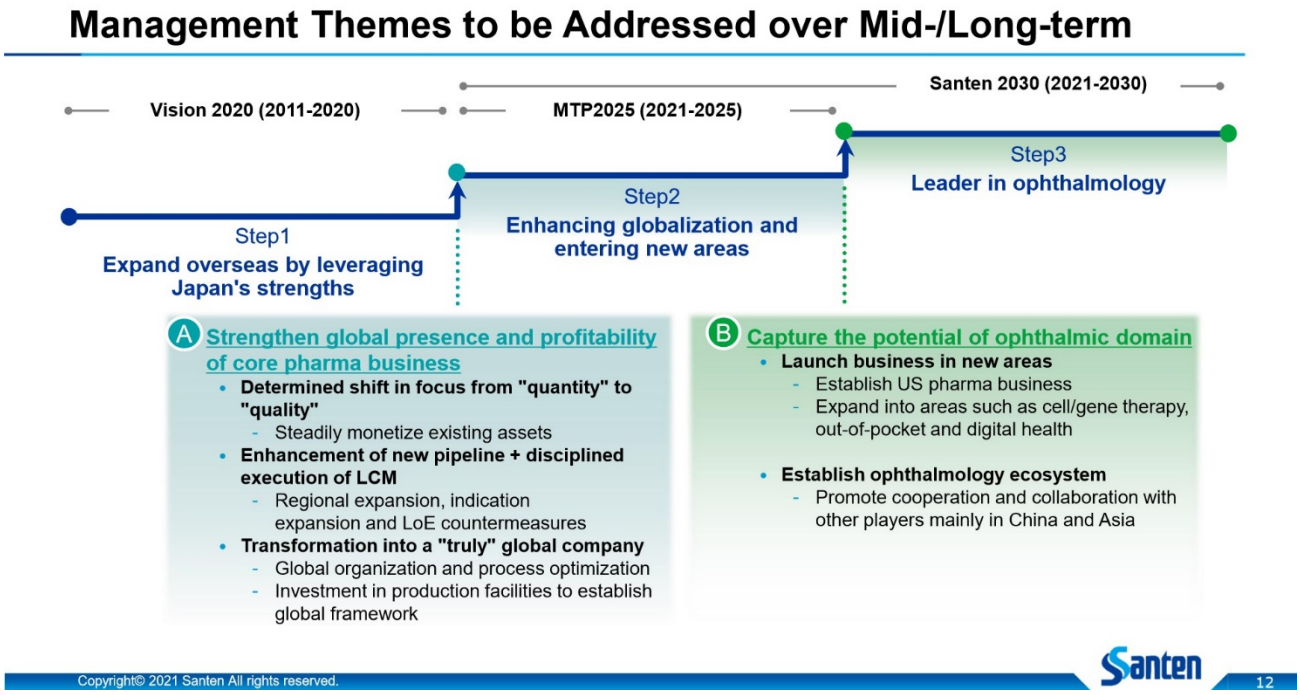
Page 11, please. So, what are our strengths as a company specializing in ophthalmology? I think there are two main points here: organizational strength and customer equity.

In terms of organizational strength, Santen, as a company specializing in ophthalmology, has been able to meet the unmet needs of people with eye problems and contribute to the development of ophthalmology through its strengths in industrialization, commercialization, and internationalization. In other words, we have the experience, know-how, and global organizational network to develop and market ophthalmology-focused products to the world.

In addition, we have a strong customer equity around the world, which we have built up over many years of commitment to the development of ophthalmology.

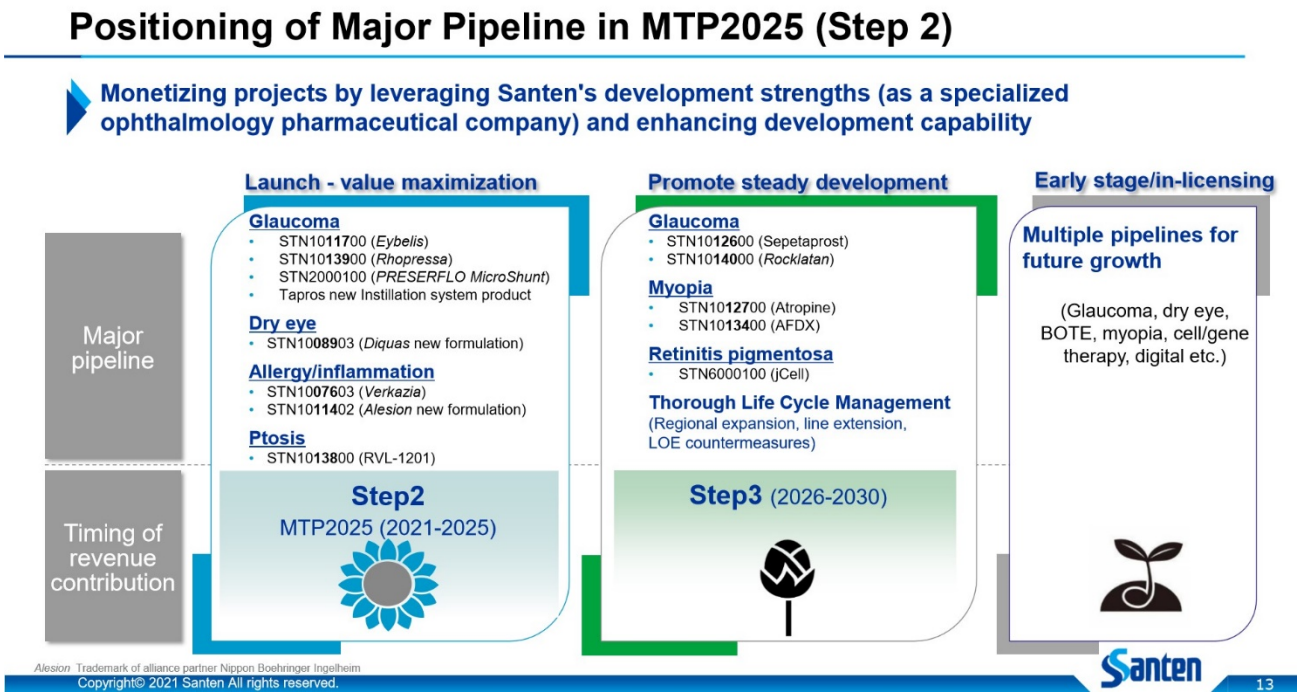
Santen will never withdraw from ophthalmology, and Santen will continue to work earnestly for the development of ophthalmology. The corporate stance and strategies that embody this commitment to ophthalmology are our strengths and differentiators.

By making the most of these sustainable competitive advantages, we will achieve further growth in our core businesses and growth in new areas.



Page 12, please. This is the theme we will work on in the future.

First, we will do our utmost to further develop a global presence in the pharmaceutical business and to ensure the profitability of existing assets. On the right side, in order to capture significant growth potential in the next five years, we will establish a pharmaceutical business in the United States, enter new fields, and actively contribute to the development of the ophthalmic ecosystem in China and Asia, where growth potential is high, to capture compound growth.



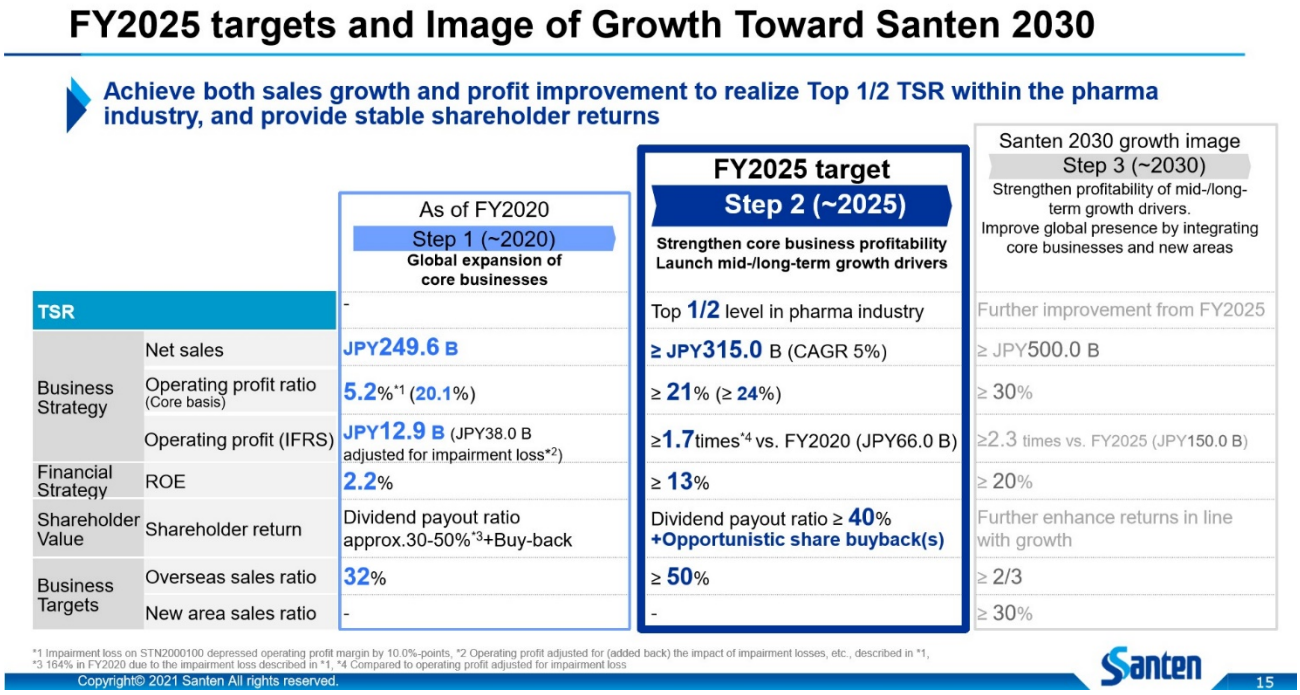
Page 13, please. This future growth is made possible by an attractive pipeline of short-, medium-, and long-term projects.

First of all, on the left side, during the period of MTP2025, we expect pipelines focusing on glaucoma, allergy, and dry eye to penetrate the market and contribute to earnings. These include the global expansion of *Eybelis*, the ROCK inhibitor introduced last year, and the *PRESERFLO MicroShunt*, as well as new formulations of *Diquas* and *Alesion*. We also anticipate that ptosis drugs will start contributing to revenue during the MTP2025 period.

In addition, we will develop new products for myopia and retinitis pigmentosa, which are expected to expand in the future.

Please go to page 14. I would like to talk about the concept of medium- to long-term goals here.

In accordance with our basic philosophy, we aim to grow by solving social issues. The right-hand side shows our management stance and our approach to medium- and long-term goals. By working with medical professionals and partners to provide products and services to people with eye disease and problem, we will strive to increase our corporate value while contributing to the resolution of social issues related to the eyes. In this context, we will aim to improve TSR, a comprehensive indicator of shareholder value, and further strengthen ESG.



Next, on page 15, I would like to talk about the KPIs in MTP2025 based on the concept I explained earlier.

As a goal for 2025, we aim for TSR to be above the median level for global pharmaceutical companies. We believe that growth in sales, revenue, and profit, as well as the continuation of stable shareholder returns are important for increasing shareholder value. Specifically, we are aiming for sales of at least JPY315 billion and full-basis operating income of at least 21%. On a core basis, we aim to achieve 24% or more, an improvement of 4 percentage points or more from the FY2020 level. In addition to this improvement in profitability, we will also leverage our financial leverage to achieve our ROE target of 13% or higher.

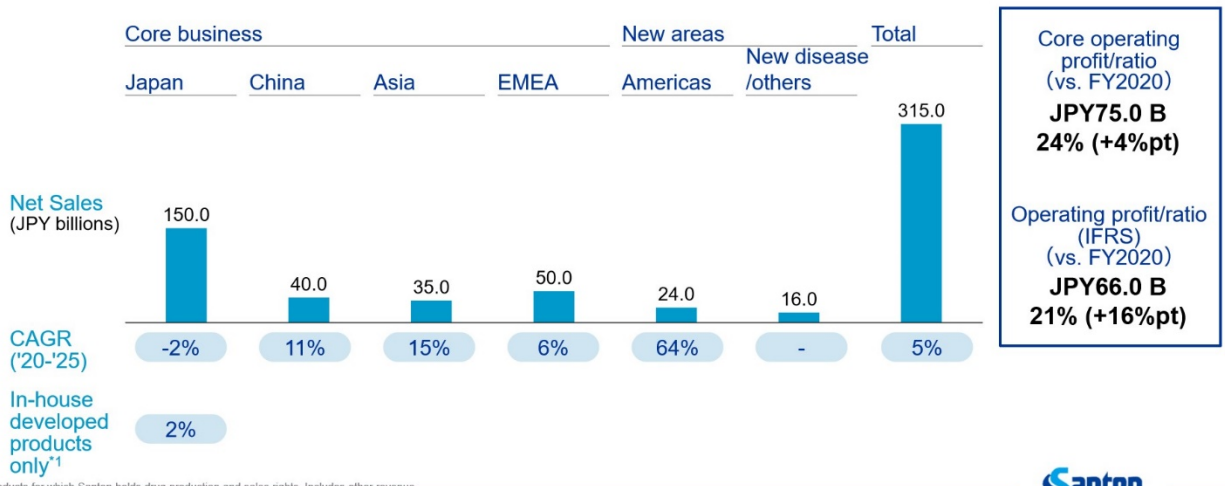
With regard to shareholder returns, in addition to maintaining a stable dividend payout ratio of 40% or more, we will return surplus funds through share buybacks. I will talk about the details later, but as a first step, we have decided to increase the annual dividend by JPY4 compared to the previous year. The annual dividend in FY2021 will be JPY32.

As for our business goals, we will continue to promote global growth and raise our overseas sales ratio, which is currently about one-third, to more than 50%.

While it is important to steadily work to achieve the 2025 target, we are always keeping an eye on long-term growth. The figures for 2030 shown on the right side of the page are just an image of what we would like to achieve as a management team. In order to realize this image, we will manage our business from a long-term perspective, not only to resolve short-term issues but also to firmly address long-term growth opportunities.

Business Plan Summary

Demonstrate our ability to generate earnings through steady growth in core business and improved profitability. Target sales of JPY 315.0 B, core operating profit of JPY 75.0 B (24% margin) and operating profit of JPY 66.0B (21% margin) in FY2025



*1 Products for which Santen holds drug production and sales rights, Includes other revenue

Now, I would like to explain the contents of the business plans for each region and business to achieve the goals I just mentioned. Please see page 17.

In order to achieve our growth targets for 2025, we will take two initiatives: the realization of profits in our core businesses and the launch of new domains and achieve our sales and profit targets for 2025 and these targets.

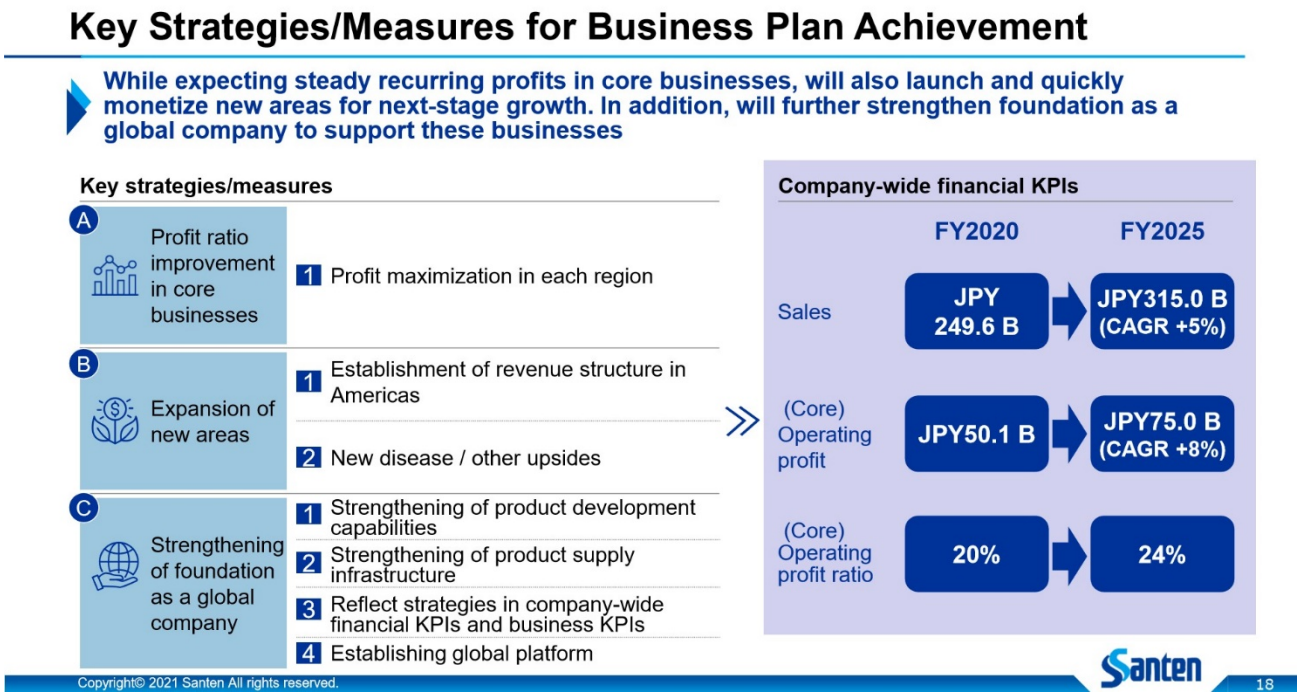
First, we will focus on Japan, China, Asia, and EMEA, which are positioned as our core businesses. I will talk about the details later, but first of all, we plan to achieve sales of JPY150 billion in Japan. Even in the midst of a severe business environment, including patent expirations of existing products and NHI price revisions, we will improve our profitability while keeping revenue down to a minimum through the continued launch of new products.

In China, we plan to achieve sales of JPY40 billion. Although we have factored in the negative impact of volume based purchasing, we will secure double-digit growth through growth in new channels and the contribution to earnings from new products, such as *Tapros* and *Diquas*.

In Asia, we plan to achieve sales of JPY35 billion. On top of the business foundation we have created in many countries, we will introduce many new products that will be rolled out from Japan, Europe, and the US. In addition, we will aggressively work on high market growth in Asia and aim for a high growth rate of 15% on average per year.

Similarly, in EMEA, we aim to further expand our market share and achieve sales of JPY50 billion. In the Americas, which is also a new area for us, we plan to achieve sales of JPY24 billion by leveraging Eyevance's platform.

In addition to the above, we aim to achieve sales of JPY315 billion and full operating income of JPY66 billion through the potential of areas, such as new diseases.



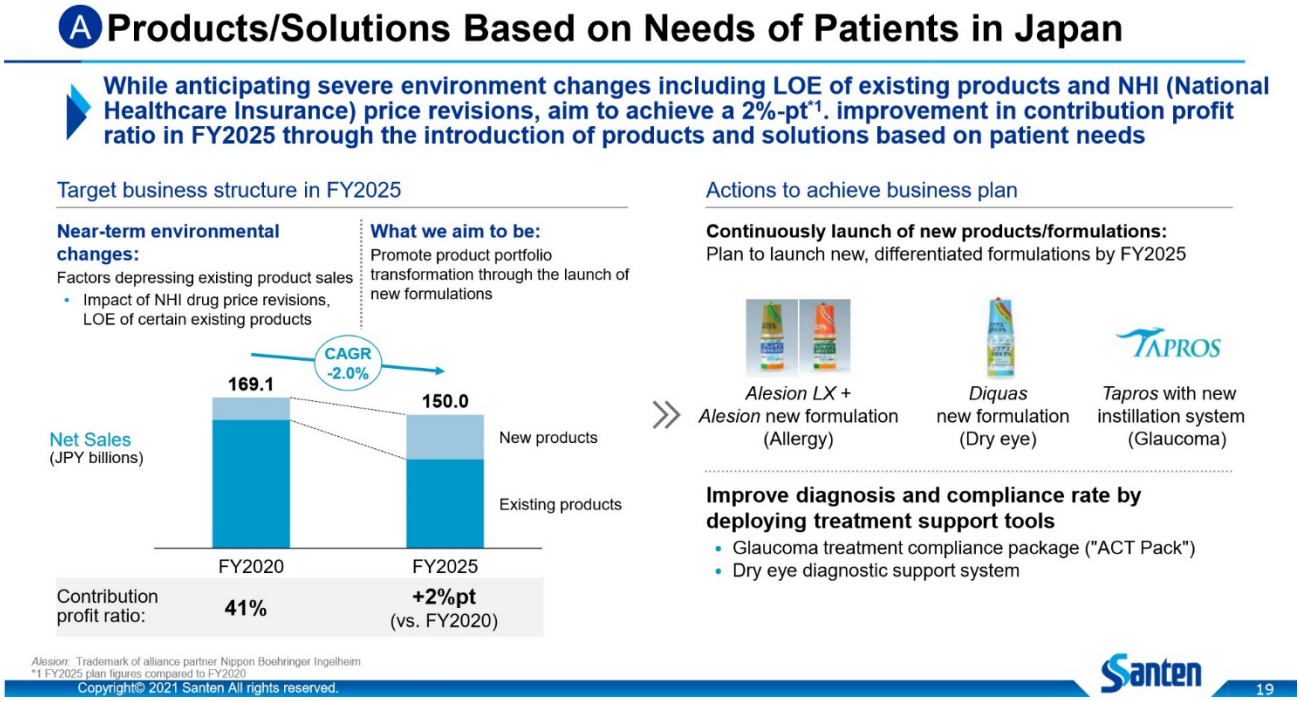
Next, I would like to explain the major strategies and measures to achieve the goals of this business plan. Please see page 18. First of all, there are three major categories here.

The first is to maximize profits by thoroughly utilizing the business foundation that we have built up so far. Specifically, we will leverage our strong customer base to steadily monetize our pipeline in addition to existing products.

The second is to expand into new areas. We will begin to build a profitable structure for our US business by leveraging the business foundation gained from the acquisition of Eyevance. We will work on new diseases, such as ptosis.

The third is to strengthen our foundation as a global company. In conjunction with strategic development and business expansion, we will strengthen our foundation by enhancing product development capabilities, reinforcing our production base, and improving operational efficiency through the global introduction of next-generation ERP.

By promoting these three strategies, we will achieve profit growth while improving sales, profits, and profit margins, even amidst the uncertainty of the market environment caused by COVID-19.



I will now talk about the strategy of each core business. I will start with the Japan business on page 19.

As shown in the graph, we will continue to deepen our product portfolio through the continuous launch of new products, aiming to limit the annual decline in revenue to -2% while improving the contribution margin by 2 percentage points.

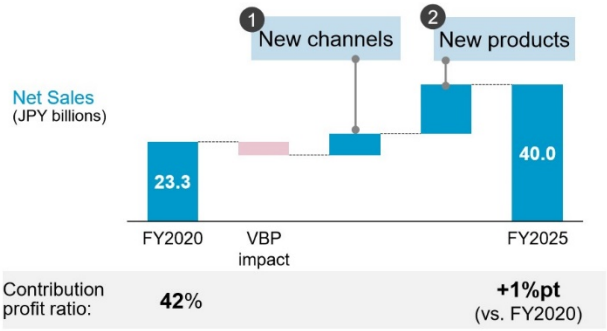
In addition, we will continue to solidify the earnings and cash flow from our Japan business. The details will be explained later by Mr. Ito.

A New Channel Development and Introduction of New Products for Sustainable Growth in China

In anticipation of continued reforms to the healthcare system, project total sales of JPY+17.0 B[*1] through a shift in focus away from public Tier 3 hospitals to multi-channel sales and sales growth of new products leveraging digital technologies and academia

Initiatives for stable growth/profit ratio improvement

While factoring in VBP impact, achieve growth by developing new channels and introducing new products



Contribution profit ratio:	42%	+1%pt (vs. FY2020)

Concrete actions to achieve plan

1 Channel development outside of Tier 3 hospitals

- Develop/penetrate channels such as private hospitals and retail, which are expected to expand
  - e.g. Collaborations with online pharmacies, rebuilding of sales structure

2 Expand sales of new products starting with *Diquas* and *Tapros*

- Digitech use
  - Diversification of activities/expansion of coverage
- Strengthening scientific approach
- Building a locally-optimized medical affairs capability

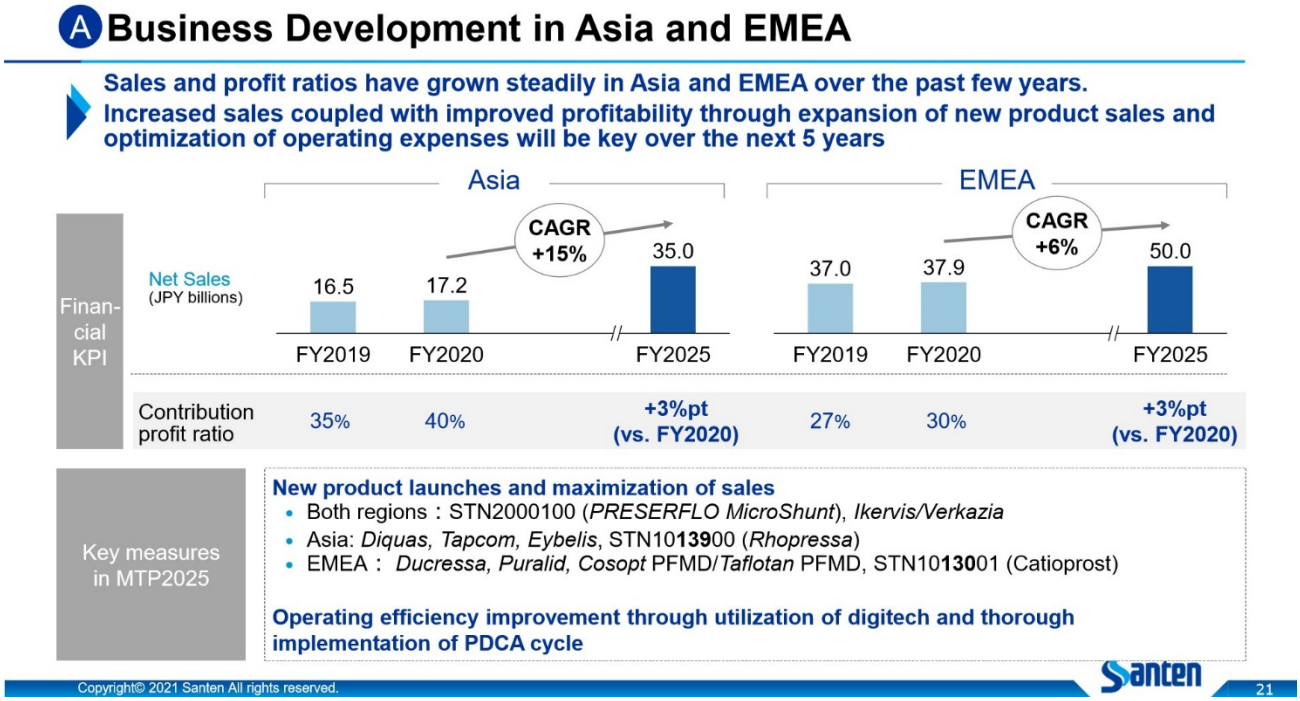
*1: FY2025 plan figures compared to FY2020

Next, on page 20, is the China business.

In China, we aim to achieve double-digit growth while factoring in the negative impact of the volume based purchasing of *Cravit* and *Hyalein* at national public major hospitals. We will grow by cultivating new channels, such as private hospitals and pharmacies, and by expanding sales of new products, such as *Diquas* and *Tapros*.

We are already seeing the results of our efforts. The increase in the number of adoptions and the number of items adopted by private hospitals. There has also been an increase in the volume of transactions in retail and pharmacy, adoption of *Tapros* in very large hospitals, and rapid growth of *Diquas* in private hospitals. We are decreasing our dependence on large national hospitals. The current situation in China shows a clear change in sales momentum, and we feel that we have a sufficient response.

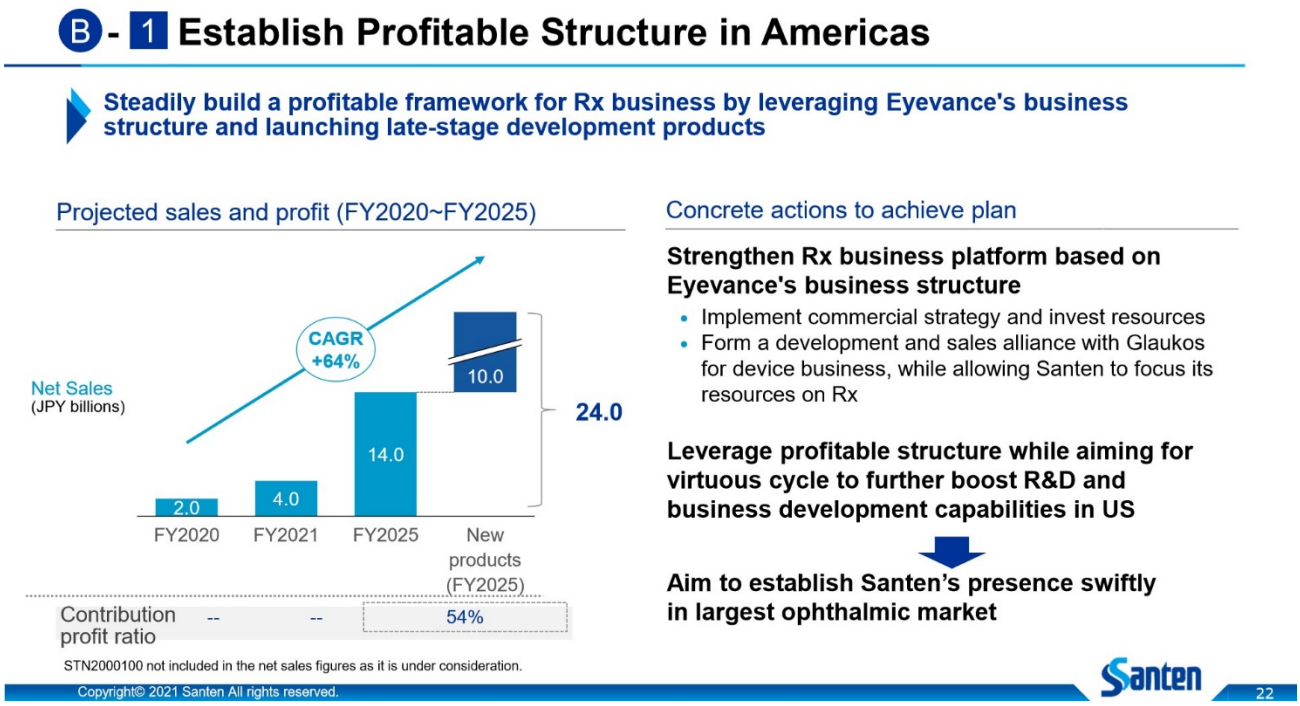
We will also implement a variety of additional measures to further accelerate this trend in FY2021 and beyond. By steadily implementing this series of growth initiatives, we are aiming to increase revenue by JPY17 billion and achieve a sales target of JPY40 billion by FY2025. We also expect to improve the contribution margin. Mr. Yamada, who is in charge of China business, will explain the details later.



Page 21 outlines our business development in Asia and EMEA.

These two regions, which together cover more than 60 countries and consist of a large number of products, can absorb the impact of changes in the business environment and provide resilience to the P&L from a management perspective. This makes them important regions from a business portfolio viewpoint.

Both of these regions have achieved steady increases in sales and profits, as well as improved profitability over the past several years. Through a combination of cost optimization and the launch and penetration of new products, we will continue to achieve annualized growth of 15% in Asia and 6% in EMEA, while improving our contribution margin by about 3 percentage points in each region.



Next, I would like to explain the expansion of new business areas. Please see page 22.

In the Americas, we plan to expand sales to JPY24 billion in FY2025 and achieve a contribution margin of 54% in FY2025.

In terms of concrete measures, we will establish our presence in the prescription pharmaceutical market by first steadily growing the business of Eyevance, which we acquired last year, and then sequentially adding several pipelines that are currently in the late development stage.

In parallel, as disclosed today, the MicroShunt partnership with Glaukos has been expanded. We are pleased to announce that we have reached an agreement with Glaukos for an exclusive development and marketing partnership in the Americas and Australia.

First of all, regarding the status of the MicroShunt application in the US, discussions with the FDA are still ongoing, and there has been no significant progress since the last time I spoke in April. On the other hand, our most urgent task is to establish a presence in the prescription pharmaceutical business in North America and to make the North American business as a whole profitable. As a result, we have decided to expand our alliance with Glaukos after comprehensively reviewing these management issues and overall priorities.

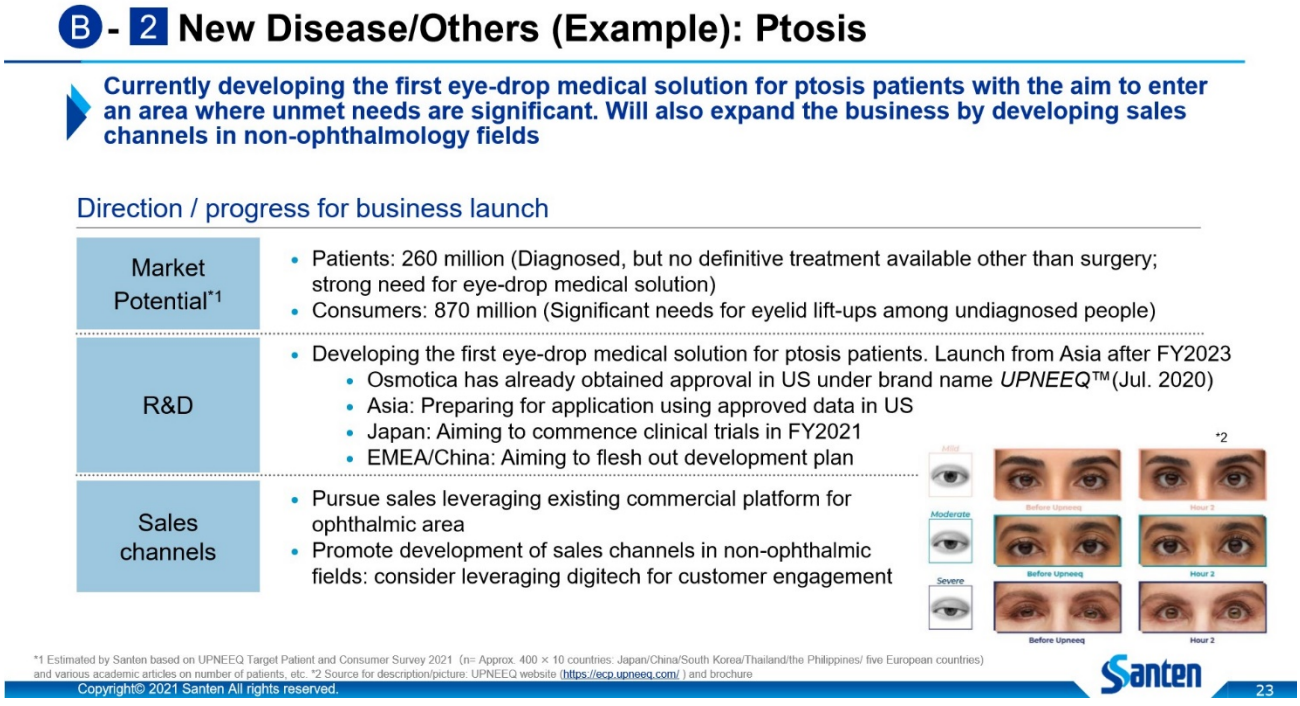
As a result, in the North American business, we will first narrow down our activities to the prescription pharmaceutical business and achieve improved profitability. We will also focus on achieving the numerical targets of the North American business and making it profitable during this Medium-Term Plan.

With respect to MicroShunt, Santen will continue its commitment to global product supply through InnFocus, while developing and marketing the product with Glaukos, a pioneer in the field of glaucoma devices. In this way, we hope to be able to deliver this groundbreaking treatment technique to as many people as possible.

As for Australia and Central and South America, we had been discussing with Glaukos about regional expansion, so we have included these areas in the scope of the contract. On the other hand, Santen will continue to develop and market the product on its own in Europe, where it is currently sold, and in Asia, China, and Japan, where development is underway. As for the revenue from this alliance, we have temporarily

excluded it from the sales revenue forecast as indicated earlier because the timing of the launch of the product is still unclear at present.

Through these measures, we will clarify the priorities of our North American business, the world's largest, and concentrate our management resources, aiming to secure earnings as soon as possible. By doing so, we will establish a virtuous cycle to further enhance our R&D and business development capabilities in North America and accelerate the building of our presence in the world's largest market.



Next, on page 23, I would like to talk briefly about one of our initiatives in a new disease area, ptosis.

Although there are about 300 million patients with ptosis, there is no fundamental treatment other than surgical operation. We are developing eye drops to meet these unmet needs.

This product has already been approved and marketed by Osmotica in the United States. We are planning to start selling the product in other markets from FY2023, starting with Asia. In addition to the ophthalmic channel, which is one of our strengths, we plan to develop sales channels outside of the ophthalmic channel in order to meet the needs of various markets.

In addition to ptosis, we will continue to focus on the development of other new therapeutic areas, such as myopia and retinitis pigmentosa, which are expected to grow significantly after FY2025. We will talk about this in the next part.

C Strengthening Foundation as a Global Company

	Strategic direction	Policy
1	Strengthen product development capabilities	**Structure to promote thorough lifecycle management** Development structure: particularly in US and China • Global project management scheme: Enhance rigorousness of investment decision and progress management process
2	Strengthen product supply infrastructure	**Plant investment for business growth and cost reduction (Suzhou/China and Shiga/Japan)** • Promote growth in China through Suzhou New Plant which is one of the world's largest plants • Reduce environmental impact (reduce CO_2 emission, improve water/electricity consumption efficiency etc.)
3	Reflection in company-wide financial KPIs and business KPIs	**Design KPIs and operational processes suitable for global management** • Management indicators, strategy/monitoring processes etc. • Linkage between company-wide financial KPIs and business/functional behavioral KPIs
4	Establish global platform	**Introduction of next-gen ERP and global implementation, dramatic efficiency improvements for mission-critical tasks**

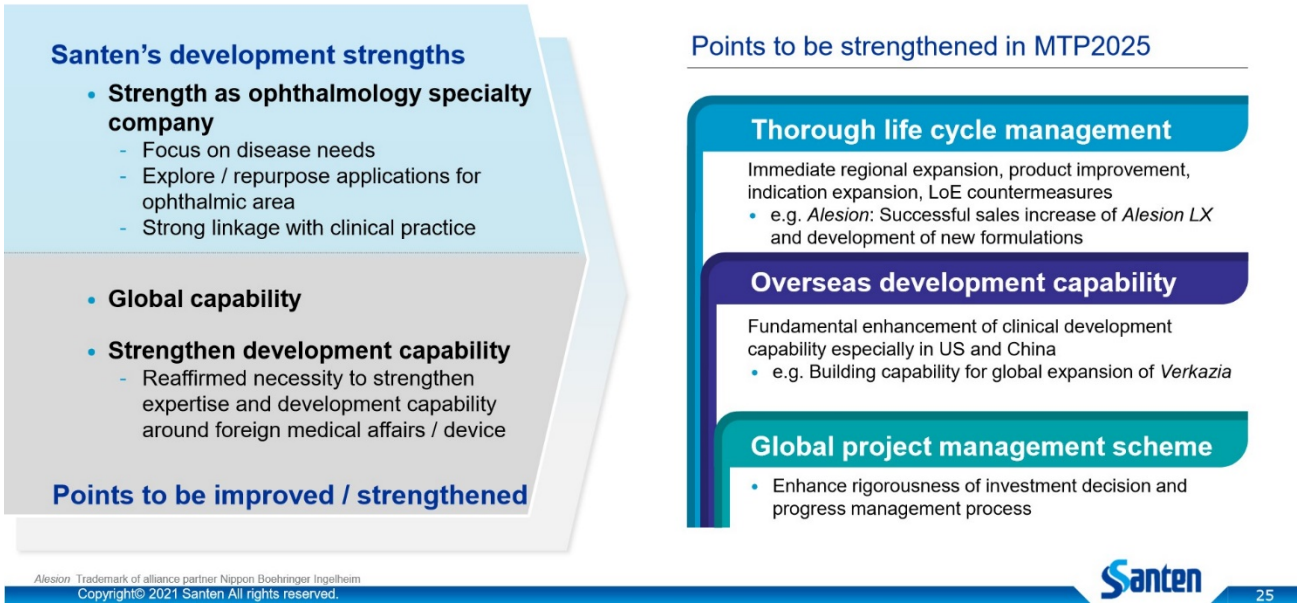
Please see the next page, page 24. In this section, we summarize the direction and measures we are taking to strengthen our foundation as a global company, supporting the various business developments I have mentioned so far.

The first step is to strengthen our product development capabilities. The next page will give you more details on how we intend to do this.

The second is to strengthen the product supply base. To maintain and strengthen our business growth and competitiveness, we are constructing a new plant in Suzhou and a new building in Shiga. These new plants will also contribute to the reduction of environmental impact.

The third step is to reflect this stance in our company-wide business KPIs. As a matter of course, we will develop KPIs such as sales per employee, new product ratio, profit margin, ROIC, and so on throughout the Company, and steadily promote the PDCA cycle.

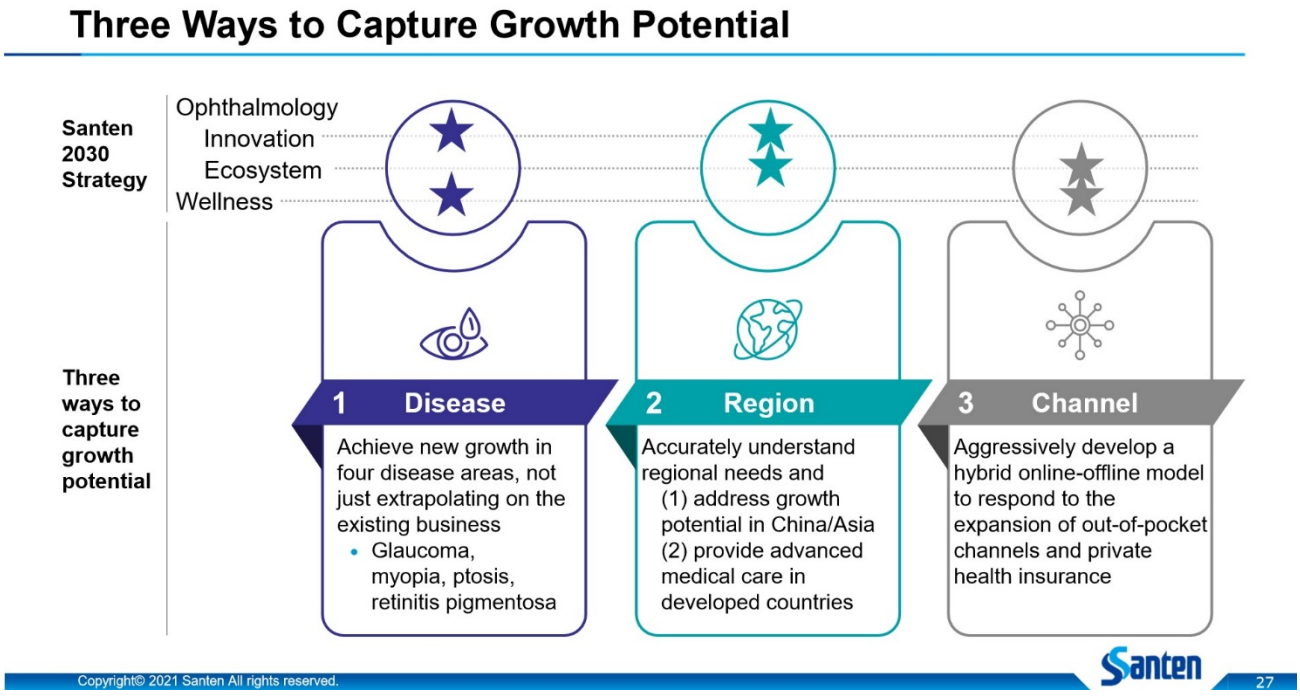
In order to develop a global platform to support all of these activities, we are introducing a next-generation ERP system. By fully utilizing these tools, we will achieve digital transformation and business efficiency.



The next page, page 25, details the improvement of product development capabilities.

Santen has achieved growth by leveraging its strengths as a company specializing in ophthalmology and developing products that meet unmet needs in close collaboration with doctors and patients in clinical settings. On the other hand, we also recognize the need to maintain and strengthen our development system based on various lessons learned from the past.

As for specific points to be strengthened in the future, as shown on the right, we will thoroughly implement lifecycle management in order to maximize the value of existing products. We will work to strengthen the global development system. In particular, we are focusing on drastically strengthening our development system in the US and China. In addition, the project promotion system will be strengthened on a global basis. By concentrating on these three areas, we will strengthen our product development capabilities. Mr. Sallstig, who is in charge of product development, will explain about this later.



Now, I would like to change my perspective a little and explain the long-term growth direction toward the realization of Santen 2030. Please see page 27.

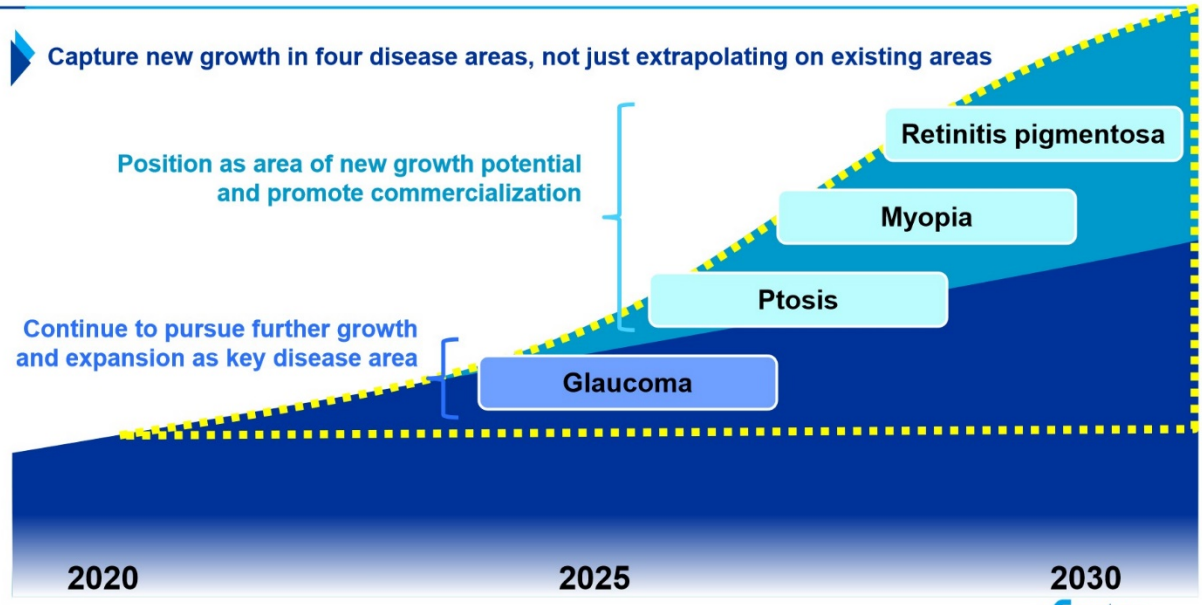
As you can see here, we see our growth potential along three axes: disease, region, and channel.

In terms of diseases, we have positioned glaucoma, myopia, ptosis, and retinitis pigmentosa as four areas with particularly high growth potential.

In terms of regions, I think it is important to accurately grasp the needs of each region, dividing broadly into China and Asia and developed countries.

In terms of channels, we are planning to take measures based on COVID-19 and changes in patient behavior due to societal digital transformation.

1 Significant Growth Potential



First, let's talk about diseases. On page 28, we show the business growth potential of these four disease areas.

In addition to glaucoma, which is already one of our major therapeutic areas, we will actively contribute to the formation of three other new therapeutic areas, aiming to achieve new growth beyond an extension of past results.

1 Extensive Pipeline to Drive Growth

Holistic coverage of ophthalmic area including diseases with limited treatment options

	Disease area	# of patients*1 (global)	Pipeline (Examples)	Launch target
New	Retinitis pigmentosa	Approx. 1.5 million	STN6000100 (jCell)	FY2026~
New	Myopia	Approx. 2.0 billion	STN1012700 STN1013300 STN1013400	FY2025~
New	Ptosis + Eyelid worries	Approx. 0.6+ billion	STN1013800	FY2023~
Core	Glaucoma	Approx. 95 million	STN1011700 STN1012600 STN1013900 STN2000100	FY2021~

Projected sales (FY2030)

+JPY 300.0 billion*2

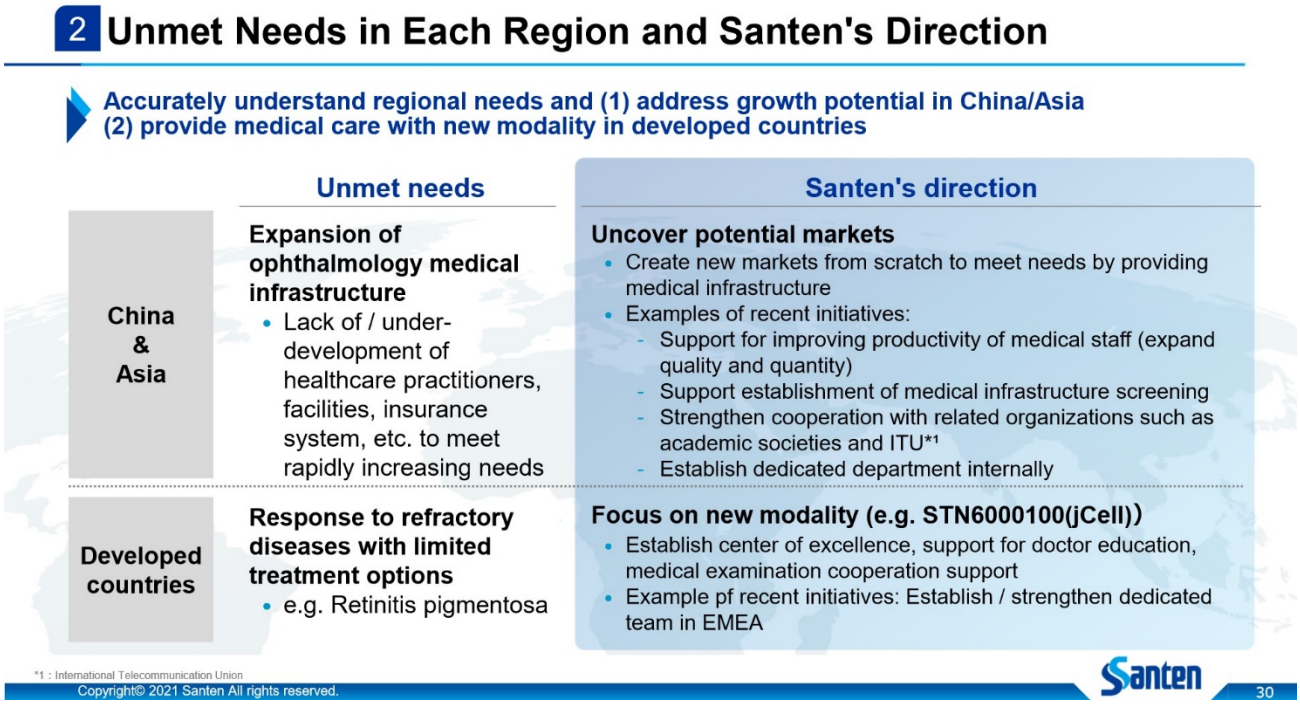
- **Abundant pipeline will drive growth through FY2030**

*1 RP) Santen internal estimates, Myopia) Holden, et al, 2016 Ophthalmology, Ptosis+Eyelid worries) Santen internal estimates, Glaucoma) World report on Vision
*2 Increase potential from FY2025 level. This is a best-case scenario which does not factor in development risk. This includes potential business development projects

On page 29 are the major pipelines in these four disease areas.

Each of these therapeutic areas has tremendous potential, but the important thing is that Santen is a leading player in all four of these areas in terms of product development, commercialization, and globalization.

Although the revenue contribution during the next MTP period will be limited, we recognize that there is an additional growth potential of more than JPY300 billion as we move toward 2030.



Page 30 shows the direction of the second axis, regional strategy.

Divided into China/Asia and developed countries, we will grow by accurately identifying unmet needs, such as the expansion of medical infrastructure in the former and the introduction of new modalities in the latter.

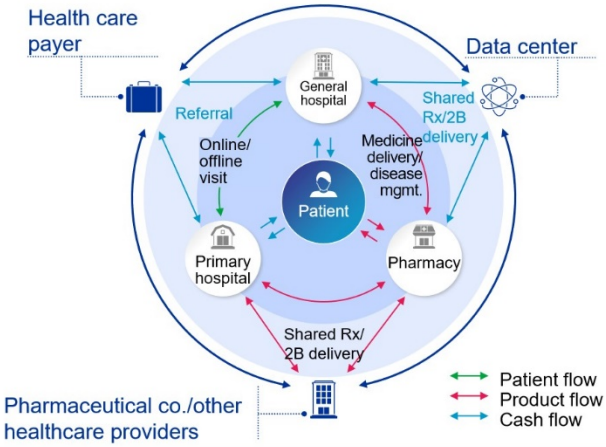
In China and Asia, the current market size is just the tip of the iceberg. Therefore, how can the potential market be realized? Who will do it, and how? This is the key to success. To this end, we work with medical professionals and academic societies to support medical infrastructure and disease screening. We are currently developing specific measures in Asian countries while setting up a specialized department within the Company to handle these activities.

On the other hand, it is also important to deal with refractory diseases in developed countries. In addition to the R&D function in the US, we are further strengthening our efforts by launching a specialized team for cell therapy in Europe.

2 Optimization of Ophthalmology Ecosystem in China/Asia

Develop/optimize ophthalmology ecosystem together with partners, to uncover market potential, and drive business growth. Concrete measures already being implemented in China and Asia

Targeted ecosystem (China example)



Santen's business growth

Improve awareness of ophthalmic diseases

- Disease awareness & screening
- Use digitech to reach out to patients
  - e.g. Tie-up with myopia app

Expand quantitative/qualitative treatment capacity & enhance treatment compliance

- Support training of healthcare providers
- Diagnostic support using digitech
- Provision of medical information

Santen's business growth

Please go to page 31. I would like to add more about the development of the ecosystem, which is an important growth driver in China and Asia.

We will actively work to accelerate the development of the ecosystem by raising awareness and guiding people to treatment through disease awareness and screening, as well as supporting the qualitative and quantitative expansion of the healthcare infrastructure and encouraging people to continue treatment.

3 Channel Changes and Santen's Direction

To respond to expansion of out-of-pocket channels & private health insurance, aggressively develop a hybrid online/offline model to leverage Santen's strength in ophthalmic coverage

Channel changes:

Expansion of out-of-pocket channels & private health insurance[*1]

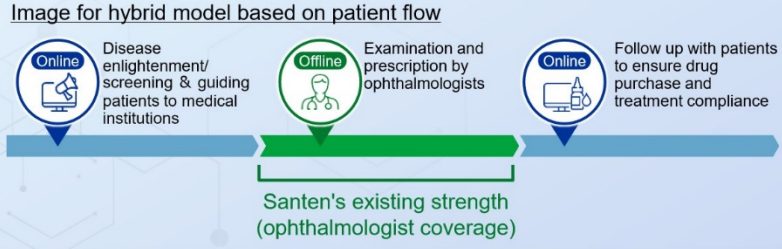
e.g. In principle, dry eye is not covered by public insurance in China[*2]

Santen's direction:

Deploy a hybrid online/offline model that leverages Santen's coverage of ophthalmologists

- Example of recent initiatives:
  Collaboration with online pharmacies has already started in China

Image for hybrid model based on patient flow

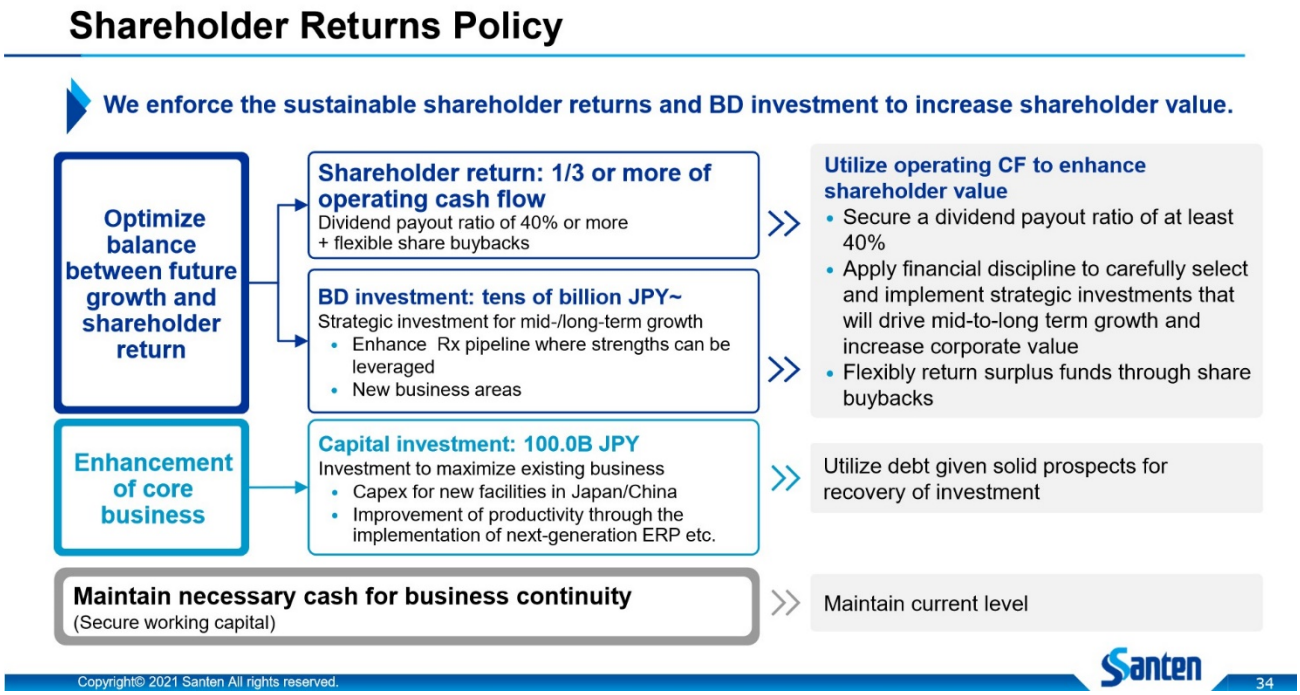


*1 Includes both narrowly defined private and corporate insurance, *2 Dry eye is already not covered by insurance except post cataract surgery. Therefore patients are required to pay based on prescriptions issued by medical institutions (Coverage by private health insurance differs according to insurance package)

Page 32, please. Finally, this is the third point.

As for channels, in new areas such as myopia and ptosis, we will establish a model that combines online and offline services. This is based on the behavioral changes of patients.

We will establish this model while utilizing our overwhelming strength of ophthalmologist coverage and capture growth from the out-of-pocket channels and private health insurance, which are expected to expand in the future.

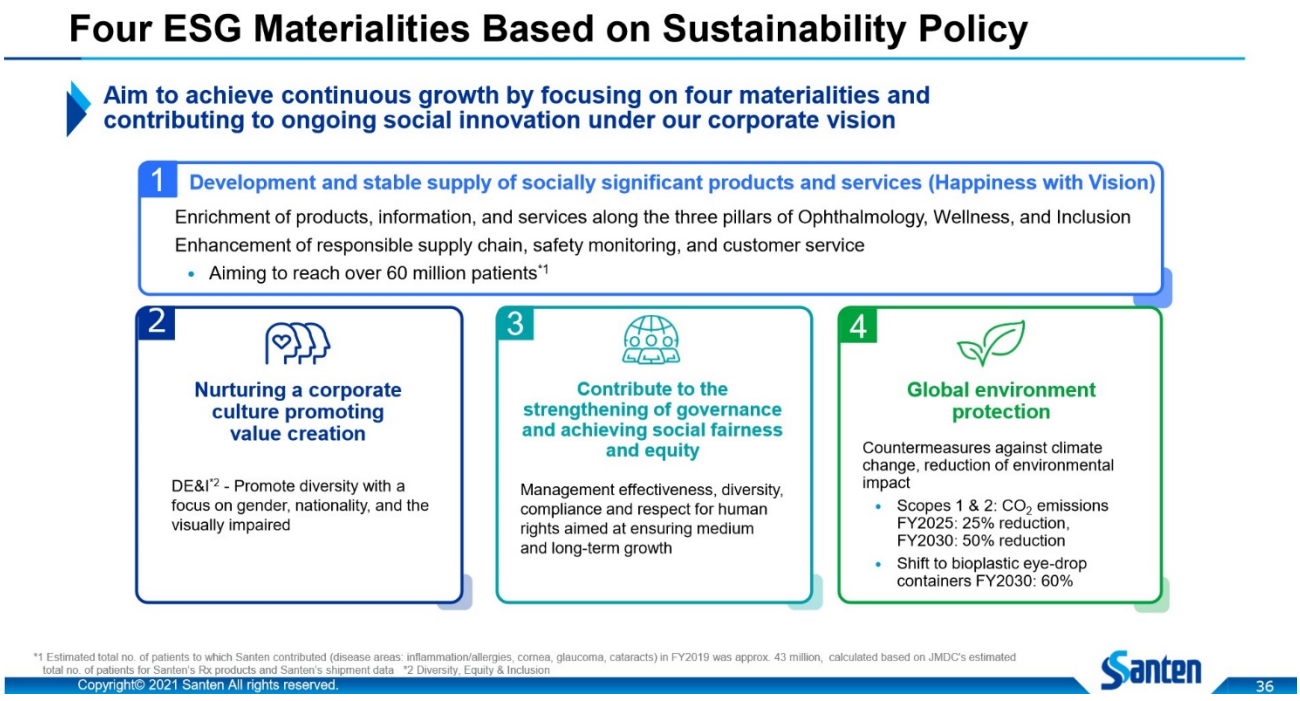


These are the main measures of the MTP. Next, on page 34, I will explain our policy on shareholder returns.

We have always tried to maintain a balance between shareholder returns and strategic investments, but we will do so in the future based on a clearer idea of shareholder returns.

First, we will ensure a dividend payout ratio of 40% or more. Next, based on strict financial discipline, we will make strategic investments that will contribute to medium- to long-term growth and enhance corporate value. In addition, we plan to invest approximately JPY100 billion over the next five years as capital investment to strengthen our foundation as a global company, which is the third major measure I mentioned. We plan to make use of debt for this as well.

On the other hand, we will maintain our cash reserves at the current level and flexibly return surplus funds through share buybacks. As a result, we will allocate more than one-third of our operating cash flow to return profits to shareholders, and we will enhance shareholder returns while firmly securing future growth.



Next, I would like to explain our ESG strategy. Please turn to page 36.

First of all, as a premise, we would like to contribute to the sustainable development of society and achieve sustainable growth by continuing to strengthen our ESG activities based on our Sustainability Policy. To achieve this goal, we have identified four specific materialities, and this page introduces typical KPIs and initiatives for each.

With regard to the first point, the provision of products and services of social significance, we will continue to contribute to eye care by providing products, information, and services that meet customer needs, aiming to contribute to the lives of more than 60 million patients.

Second, from a social perspective, we will focus on DE&I, especially gender and nationality balance and the promotion of the visually impaired.

Third, from the perspective of governance, we will aim to ensure the effectiveness of the Board of Directors and Board of Corporate Auditors, as well as to improve the diversity of the Board of Directors and Board of Corporate Auditors.

Furthermore, from the fourth point of view, the environment, we announced our environmental vision yesterday. We will strengthen our efforts to combat climate change and reduce our environmental impact. In addition to reducing CO2 emissions, we will promote the switch to bioplastic eye-drop containers and hope to increase the ratio of bioplastic containers to around 60% by FY2030.

Page 37 highlights initiatives related to DE&I.

In January, we joined the Valuable 500, an international initiative to promote the advancement of people with disabilities. Last year, Santen also signed a 10-year partnership agreement with the Japan Blind Football Association. Through blind football, we are strengthening our support for the visually impaired and developing employment and job development that only Santen, as a company specializing in eye care, can provide.

From a gender perspective, we will also strengthen our efforts through collaboration with our global partners. As disclosed on May 17, we also participated in the 30% Club Japan, a global campaign to increase the ratio of female executives. We also endorse the women's empowerment principles promoted by the United Nations and have signed a statement to act based on these principles.

For more details, please refer to the Appendix. In addition, we plan to announce the details in the integrated report and other documents in the future.

By proactively addressing ESG issues in this way, we aim to achieve sustainable growth while fulfilling our social responsibilities.

This is the end of my presentation. The corporate officers for Japan, China, and product development will now explain our initiatives.

Ito: Hello. I'd like to thank you for your cooperation. Now, I would like to introduce some of the initiatives of the Japan business in this Medium-Term Plan in a little more detail.

At the beginning of the presentation, Mr. Taniuchi mentioned that we are aiming for net sales in the Japan business of JPY150 billion in 2025, representing a 2% annual decline. What I am going to talk about now is partly included in that JPY150 billion figure. I would like to talk about how we can greatly exceed that number and how we would like to implement it in the future.

Pipeline Under the Medium-term Plan

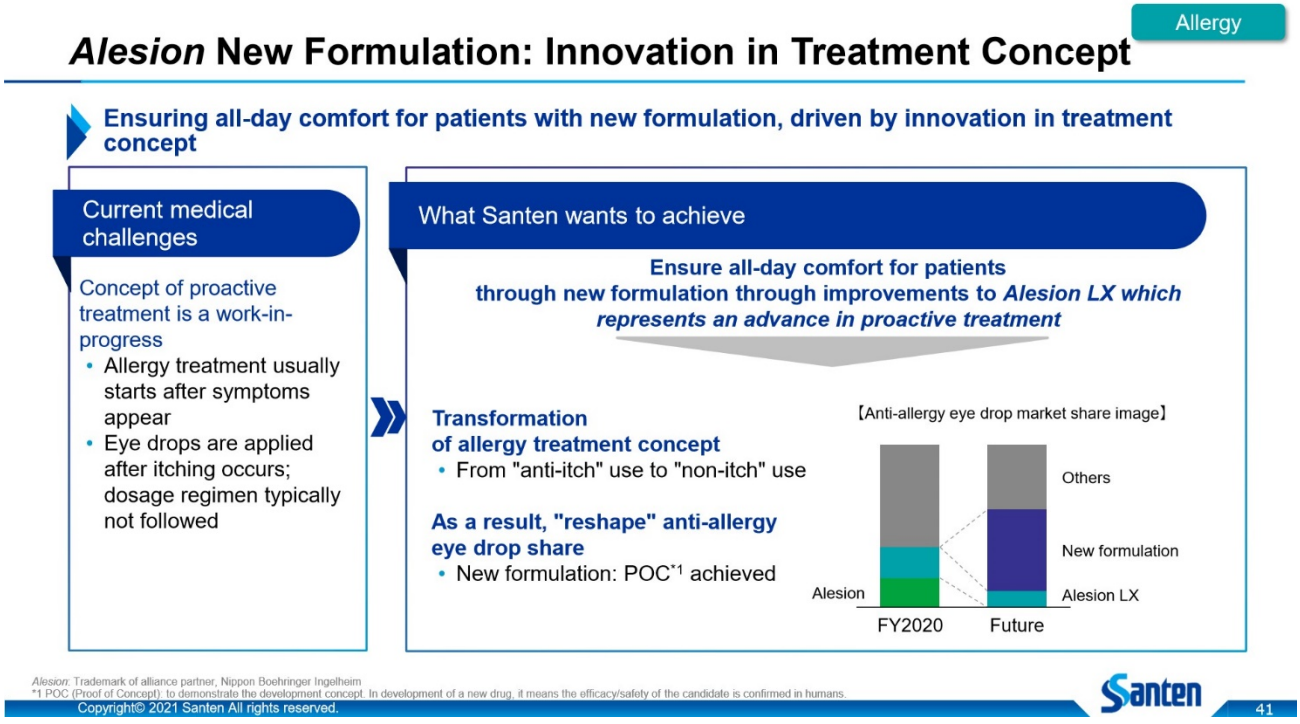
We plan to rollout an extensive range of new products/formulations and solutions which will drive growth in key disease areas

	New products/formulations (launch target)	Solutions
Allergy	• (FY2019): *Alesion LX* • (FY2024): *Alesion* new formulation	*Kayumi Dasu* app (already available)
Dry eye	• (FY2022): *Diquas* new formulation • (FY2023): STN10**135**00	(FY2022) Dry eye diagnostic support system
Glaucoma	• (FY2021): Brimonidine GE • (FY2022): *Eybelis* PFUD, STN2000100 (*PRESERFLO MicroShunt*) • (FY2023): *Tapros* with new instillation system *Tapcom* with new instillation system • (FY2024): STN10**139**00 (*Rhopressa*) • (FY2025): STN10**126**00 (Sepetaprost)	ACT Pack (already available)

Alesion: Trademark of alliance partner, Nippon Boehringer Ingelheim

This slide shows the list of new products scheduled to be launched in Japan by 2025, as well as the solutions that we are offering in the market in connection with these products, and the solutions that we will be offering in the future.

As you know, in 2024 or 2025, we are expecting to launch major new drugs. In addition, we plan to launch several other products in various disease areas and products that correspond to our current core product, LCM. Today, I would like to talk about how we can solve current medical issues and create a better world for patients by focusing on these LCM products.



This is the next page. What I'm showing you here is about the allergy market.

As you know, in 2013, we launched an ophthalmic solution called *Alesion* ophthalmic solution 0.05%, which is used four times a day. One issue we are aware of in this area is that the ideal form of treatment for allergy drugs is to use them in a way that relieves symptoms, while carefully considering the dosage and duration of the drug effect.

However, in the case of eye drops, the duration of action is still short, and as a result, they are currently being used as anti-itch medication after itching has occurred.

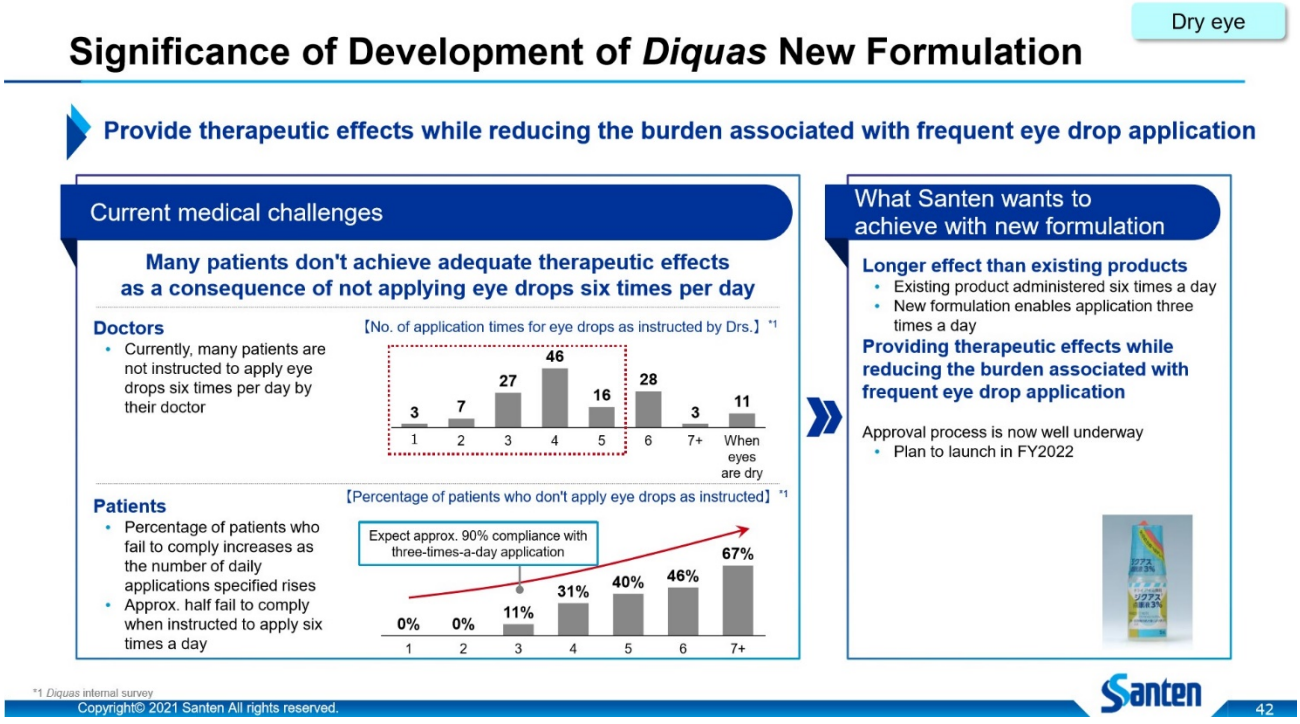
In order to improve this situation, in 2019, we launched *Alesion LX*, a twice-daily eye drop product with an eight-hour duration of effect. In the most recent fiscal year, the combined sales of both drugs on a NHI price basis already exceeded JPY40 billion, and in the most recent single month of March, *Alesion LX*, for which no generic version has yet been launched, accounted for more than 72% of the total sales, which is a very large figure.

However, these figures can be interpreted in a different way. The following chart shows the share of *Alesion* in the volume market of allergy drugs. The blue part is *LX*, but unfortunately, it is still a very small part. The majority of patients are still using the drops four times a day, and they are being used pretty much as an anti-itch treatment.

We are planning to expand the sales of this *LX* in the short term. On the other hand, we understand that there are still many patients who use *Alesion LX* as an anti-itch drug.

In order to solve these problems, we are now developing a new product, a further improved version of *LX*. We have recently completed the POC test, and the results were in line with our expectations, so we are now moving on to the next stage of development.

By 2024 at the latest, we would like to bring this product to the market, and eventually, as shown in the graph on this slide, we would like to realize a world where the majority of patients do not feel itchiness caused by allergies at any time in the day.



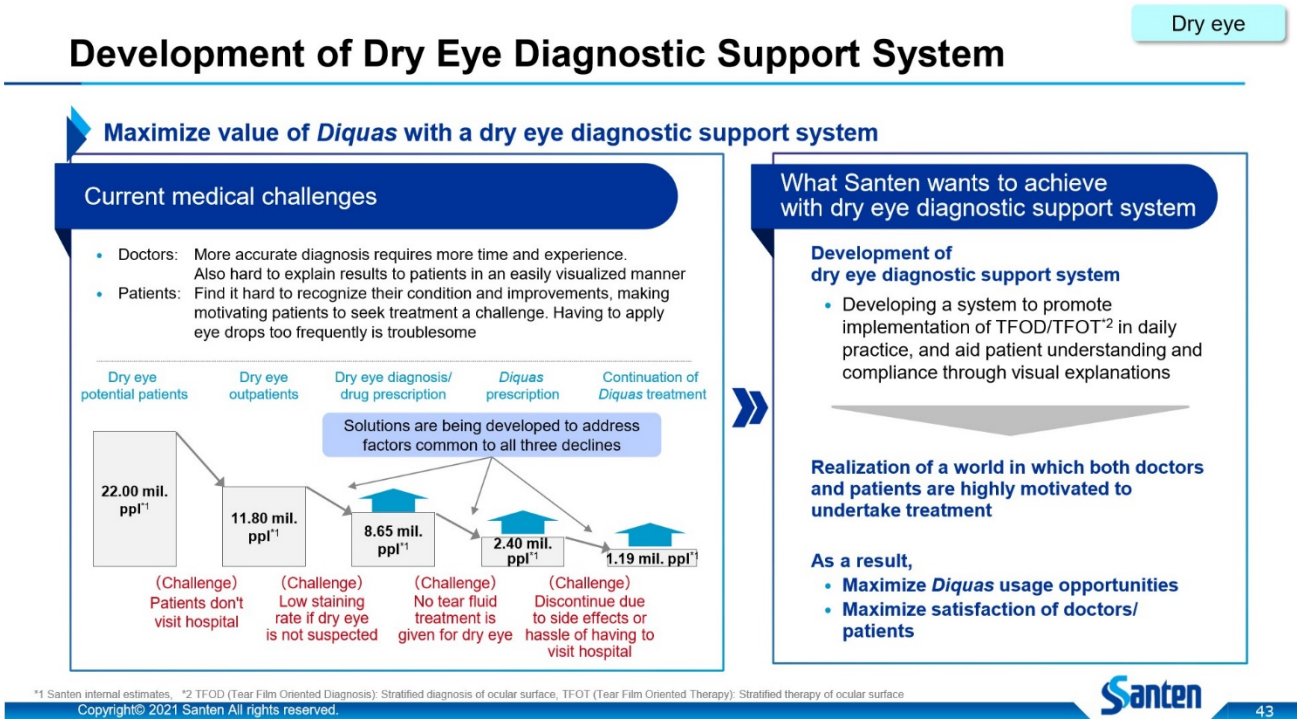
Next is the market for dry eyes.

We now have a product called *Diquas*, which is used six times a day. What we are showing you is the current usage of this product. The above chart shows how many times doctors instruct patients to use this product. Unfortunately, only a small percentage of patients are instructed to use six drops, and the majority use less than that.

On the other hand, to what extent can the patient comply with the instructions? This is a look at the ratios that cannot be complied with here. If eye drops are supposed to be used more than four times a day, a large number of patients will not be able to comply. This means that the effectiveness of the current product, *Diquas*, has not been fully demonstrated in actual clinical trials.

In light of this situation, we would like to develop a formulation of *Diquas* that can be used three times a day. Another issue with *Diquas* that is sometimes pointed out by patients is that they don't like it because it can be uncomfortable to use. At the same time, we are developing a new formulation that will improve this irritating sensation and solve these problems.

The top line of the latest clinical trial has recently come out, and we have successfully achieved the primary endpoint, and we hope to bring these products to the market in 2022.



There is one more issue that we are aware of in the dry eye market.

Based on the results of epidemiological surveys, we estimate that there are 22 million dry eye patients in Japan today. About 11.8 million people visit ophthalmology clinics with some form of eye disease.

However, only about 8.65 million of these people have been diagnosed as having dry eyes, leaving a gap of about 3 million people. In addition, among these patients, the number of patients who receive the tear fluid treatment drug, *Diquas*, is currently around 2.4 million, so there is a gap of nearly 6 million patients here.

Also, about half of patients stop coming to the hospital or using *Diquas* as soon as their symptoms improve temporarily. We have been thinking for a long time that we would like to change this situation for the better.

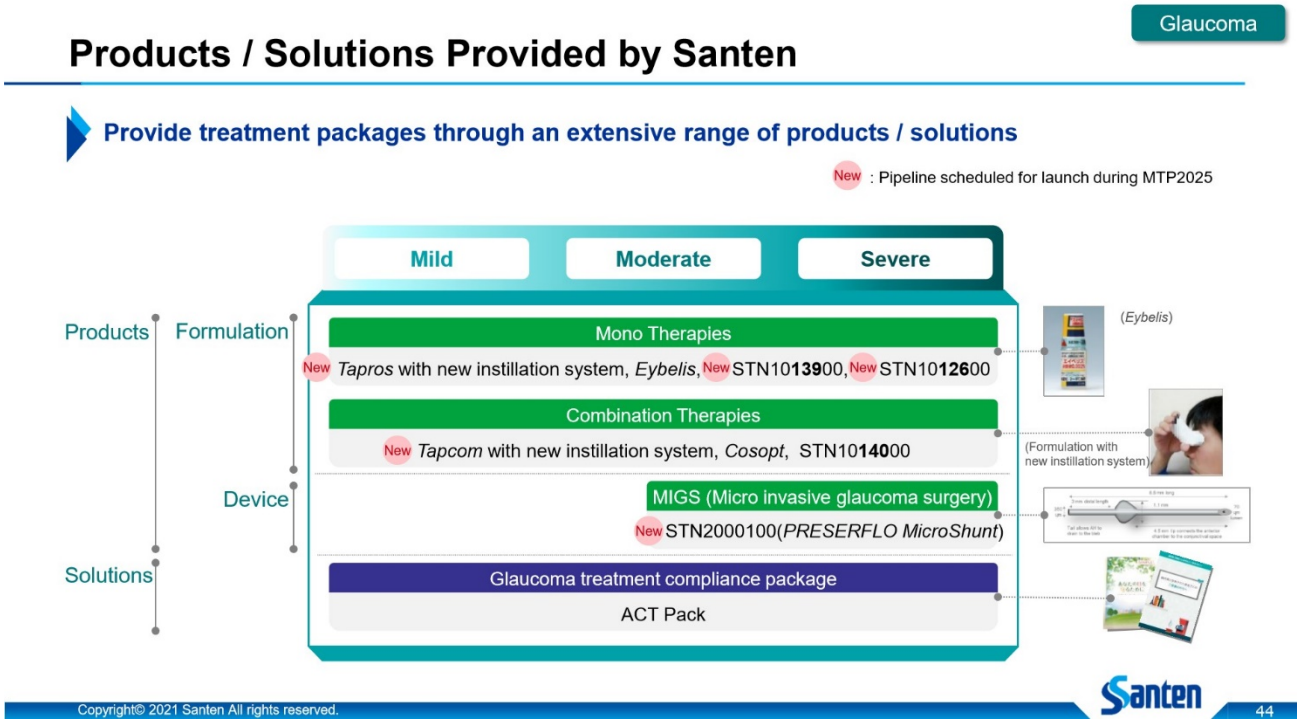
One way to think about it is on the right side here. At present, doctors and especially KOLs dealing with dry eye are working to classify dry eye based on the cause of the condition, rather than simply saying that it is dry eye. In recent years, there has been a great deal of progress in research on the causes and pathogenesis of these diseases, and on what mechanism of drugs are best suited to treat them.

This is the concept of TFOD/TFOT. Many ophthalmologists already have a good understanding of this concept. However, the truth is that this is not always the case. It takes some time and effort to perform this kind of diagnosis. It can also take experience to judge. Also, even if we do this, we cannot visualize and fully explain it to the patients.

As a result, patients can understand the diagnosis of dry eye, but it is difficult for them to understand what is going on with their own tear secretion. As a result, patients are not motivated to receive treatment, and doctors are not motivated to diagnose.

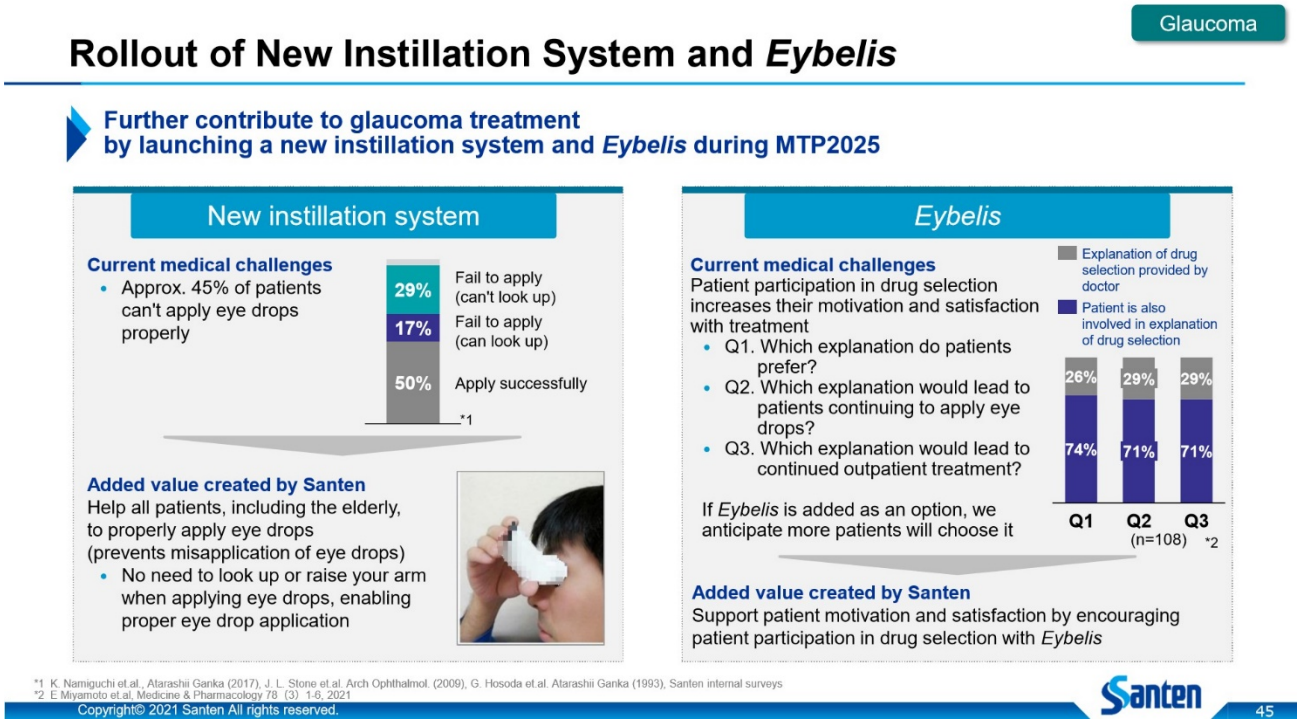
In order to solve this situation, a diagnosis based on TFOD can be implemented very easily and visualized to explain to patients and get their understanding. We are now developing these solutions, and together with the new formulation of *Diquas*, we would like to provide these solutions to the market by 2022.

If we can do that, I think we can move the leverage point written in blue like this to a large extent, and I would not be surprised if the current sales volume of *Diquas* increases by a factor of two or even more. I would like to create such a world.



The last area is glaucoma.

In this area, we are already marketing various drugs for mild, moderate, and severe glaucoma, and we are also continuing to develop new devices and drugs.



There are two medical issues that we are focusing on in this field. One is shown on the left. This is to see if a patient is able to apply a single dose of eye drops. In fact, about one in two people are not able to successfully apply eye drops in a single session.

As you know, in glaucoma, prostaglandin FP agonists have side effect of pigmentation, when adhered to the skin, or DUES and PAP, which decrease the fat around the eye, causing the eye to become sunken. So, patients are currently doing their best with these drugs which could unintentionally stick to the eyelids.

For these patients, we would like to introduce products such as *Tapros* and *Tapcom*, which are also FP agonists, with an ophthalmic function that can ensure positive, one-time success, as shown in this photo.

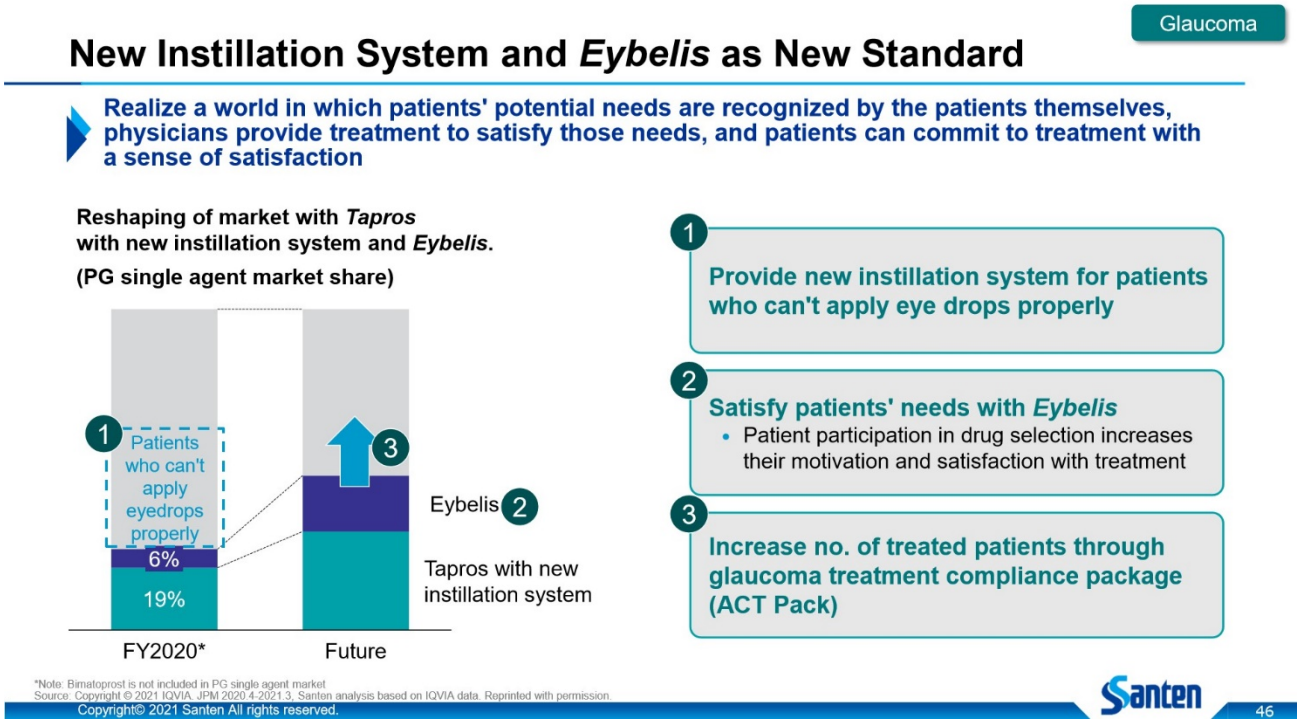
Another issue, and this is related to *Eybelis*, is that the choice of glaucoma drugs is mostly made by doctors.

On the other hand, this slide shows how patients would react if doctors presented multiple choices of drugs to them, and the advantages and disadvantages of each.

More than 70% of patients strongly prefer to receive treatment that offers such options, and they say that this increases their motivation to continue using the drug or to continue treatment.

We also believe that if we were to include Eybelis in this list of options, there is a good chance that this product would be chosen even more than it is now.

We would like to expand this new way of thinking about drug selection.

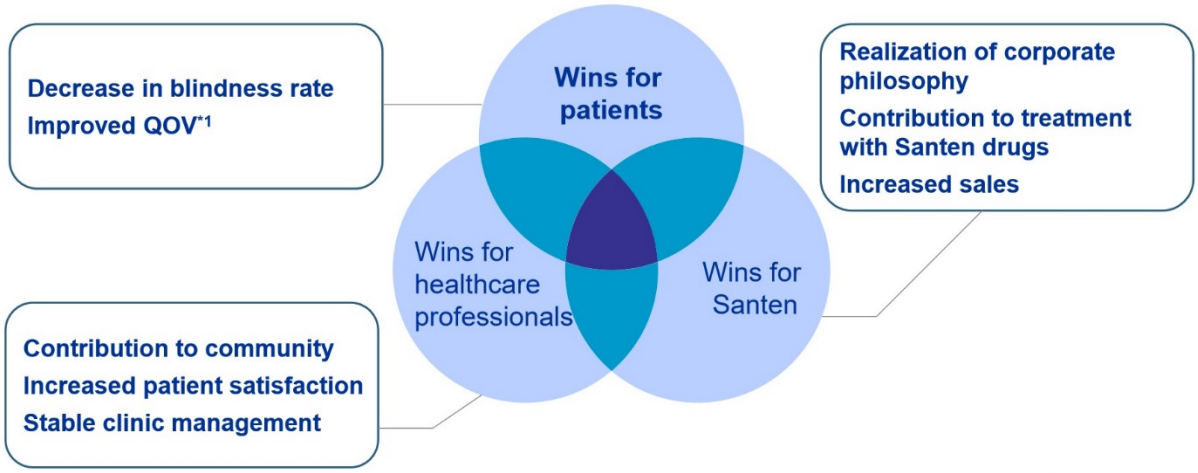


As I mentioned earlier, *Tapros* currently comprises 19% of the single-agent prostaglandin drug market. The figure for *Eybelis* is 6%*. (*Post-script revision by Santen) The rest of the patients are using other prostaglandins, and one out of two of them can't actually get the eye drops to work properly in one session.

We would also like to expand the sales of *Eybelis* by spreading the new concept of drug selection, and we would like to contribute to the market by use of ACT Pack, which is a treatment continuation program that we have already launched, so that more doctors can use it.

Propose New Treatment Standard to Patients / Healthcare Professionals

Make a much greater contribution to treatment by proposing new, more patient-oriented treatments and practices to healthcare professionals



*1 Quality of Vision

Everything I have talked about today is based on the idea of what we can do to help patients achieve better treatment by using our products.

I believe that we can certainly increase the success rate of treatment for patients. Naturally, this will be of great value to medical professionals, and I believe it will lead to a win-win situation for all involved.

I believe that increasing this success rate will lead to the realization of our management philosophy, the expansion of our products' ability to contribute to more patients, and the expansion of sales and profits. We will continue to work on these initiatives during this mid-term plan. Thank you very much.

China: New Channels and New Products for Sustainable Growth

Given ongoing reform of the healthcare system, we aim to achieve sustainable growth in China by shifting our focus from Tier 3 hospitals to multi-channel sales, and expanding sales of new products leveraging digitech and scientific approach

Efforts to achieve plan	
Channel development outside of Tier 3 hospitals	**Expand sales by developing and penetrating channels such as private hospitals and retail, which are expected to expand going forward as a result of healthcare system reforms** • Cooperation with online pharmacies • Rebuilding of sales structure
New product sales expansion	**Expand sales of new products starting with *Diquas* and *Tapros*** • Diversification of activities and expansion of coverage using digitech • Strengthening of scientific approach • Steady building of a locally-optimized medical affairs capability
Cooperation with local partners	**Contribute to establishment/development of ophthalmology ecosystem in China in alliance with local partners**

Yamada: I am Mr. Yamada, and I am in charge of the China business segment. I would like to explain about our Medium-Term Plan for China up to 2025.

As Mr. Taniuchi explained earlier, we are determined to further expand our business in China over the next five to 10 years. In this context, we are considering a variety of measures to achieve further sustainable growth.

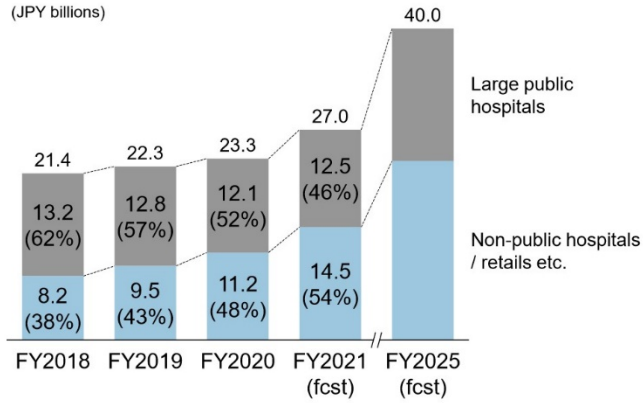
In particular, with the recent changes in the patient journey and the ongoing reform of the healthcare system, we would like to expand our business by accurately grasping these opportunities.

In addition, we would like to contribute to the development of the ophthalmology ecosystem in China with various local partners, while expanding from Tier 3 hospitals to new sales routes.

Details of Initiatives 1: Marketing Activities in China

Net sales by channels

Shift sales resources away from large public hospitals to expand channels, aiming to achieve stable sales expansion



Enlightenment and marketing activities to expand channels

Steadily conducting enlightenment and marketing activities through explanatory meeting, training, etc.

Key sales activities (Jan 2021~)

- Regional marketing training: 30 times
- Medical institution meetings, scientific meetings: 200 times
  - Already covered 2,000 HCPs and 2,000 pharmacists, etc.

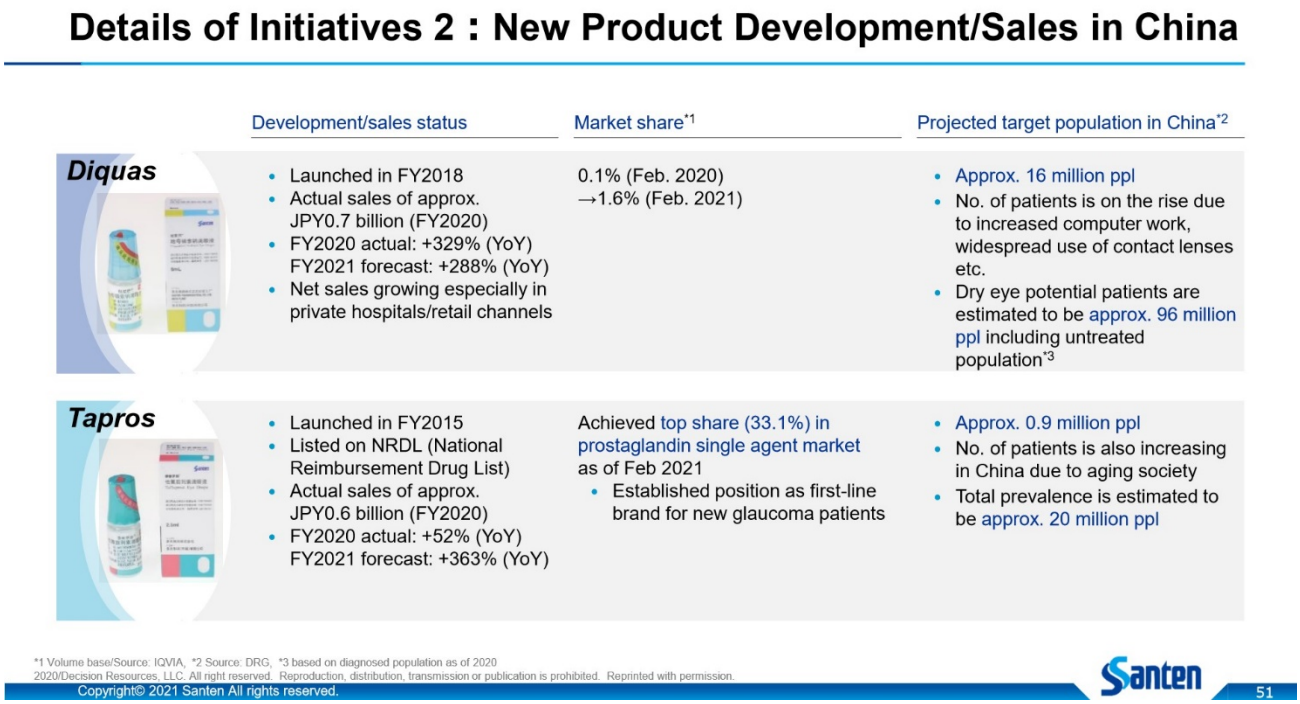
As one of our major initiatives, we would like to further promote the expansion of our sales channels as was mentioned earlier.

Up to now, we have been developing our business with approximately 400 MRs and associated management resources, focusing on national and public hospitals at Tier 3 level and above. However, in response to the changes I mentioned earlier, such as changes in patients, medical system reform, and classified medical care, we decided to implement a major organizational reform in November last year in order to seize this market opportunity.

In line with this, we have expanded our coverage from large hospitals to include pharmacy chains, hospitals in regional cities, and private hospitals, and the results of these efforts became visible in the fourth quarter of last fiscal year. We have a very good feeling about this, and we would like to further accelerate our efforts in this area and expand the ratio of such channels toward FY2025.

At the same time, our activities in these markets will become more diversified. Ophthalmology is our strength. By conducting educational activities on diseases, developing academic activities, and providing educational opportunities on ophthalmological diseases in pharmacy chains, we hope to raise the level of ophthalmology as a whole.

Through these activities, we will not only secure and expand sales of *Cravit* and *Hyalein*, which have been the core of our sales, but also accelerate sales of new products that will support our business in the future.



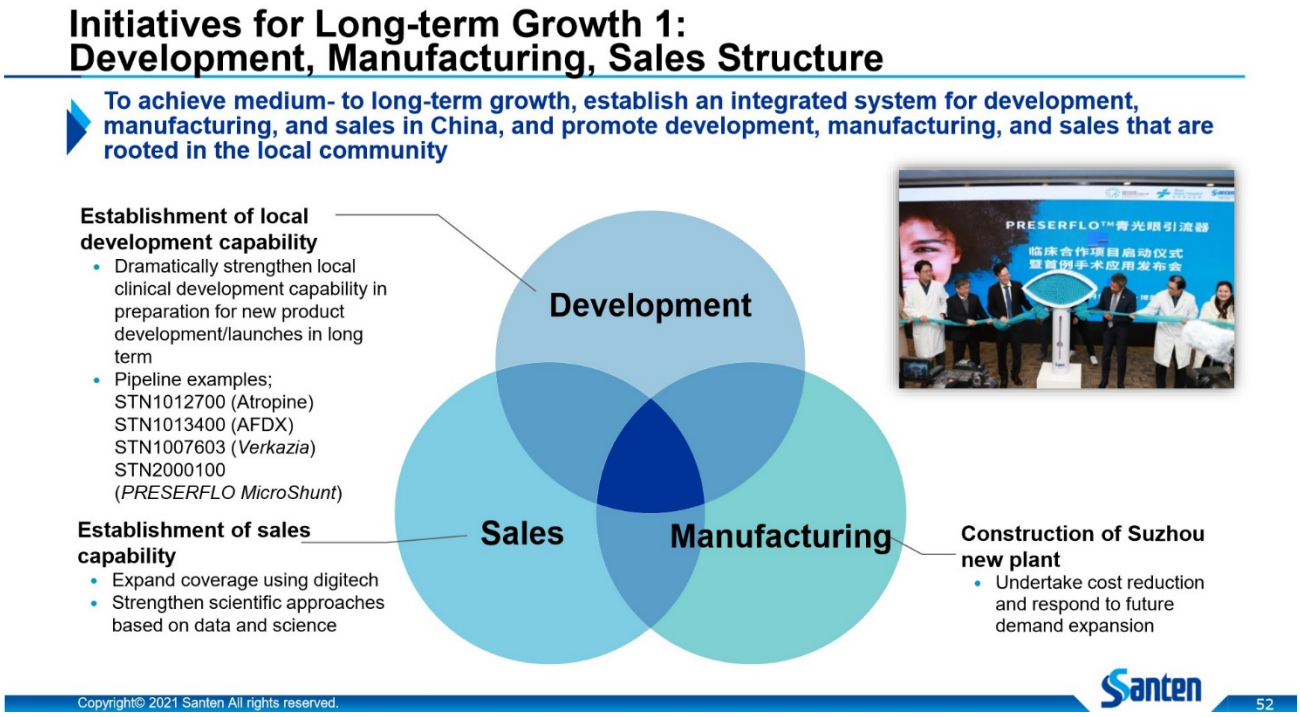
At the center of this will be *Diquas* and *Tapros*.

In the case of Diquas, the causes of various diseases are expanding, such as changes in the quality of life of Chinese people, diversification of smart devices, progression of dry eye due to computer work, and aging of the population.

We believe that *Diquas* is a product that can accurately meet the needs of such patients and provide them with a solid treatment option. In particular, the trend among such patients is to visit private hospitals and retail channels. In order to respond to the needs of such patients, we would like to expand the sales of *Diquas* to such sales channels and develop activities to meet those needs.

Tapros will be included in the list of drugs to be covered by medical insurance in 2020, and from there, listings are being developed in various authorities and hospitals. Fortunately, we were able to capture the top share of the single-agent prostaglandin market in February 2021, and from there we hope to further expand our presence in the market.

In particular, we would like to focus our efforts on expanding the glaucoma market itself, and at the same time, we would like to promote glaucoma detection by actively conducting screening activities and providing educational opportunities on glaucoma together with academic societies.



In addition to such sales measures, we would like to strengthen our development, manufacturing, and sales systems in order to achieve medium- to long-term growth.

In particular, in the area of development, we are deploying clinical development personnel throughout Japan with the aim of steadily introducing products currently in the pipeline to the market. We are also working to enhance the system to ensure that clinical development designs are properly implemented.

Of course, we also want to improve the efficiency of our sales system by utilizing digital and other resources, rather than the human-oriented resources we have used in the past. We are aiming to respond to the increasingly diverse needs of patients and doctors. We are currently building a new plant in Suzhou, China, in order to accurately capture the expansion of such demand.

Initiatives for Long-term Growth 2: Construction of New Plant in Suzhou

Promote business growth in China by meeting the ever-increasing demand for products, and strengthening future global product supply structure

- **Competitive advantage**
  - Even as of FY2021, Suzhou Plant is the only plant operated by a pharmaceutical company specializing in ophthalmology to obtain EU-GMP in China, and is unparalleled in its high level of **technological capabilities, quality and production capacity (finished products)**
  - Further strengthen our competitive advantage through **construction of Suzhou new plant as one of the world's largest eye drop factories equipped with the latest equipment**
- **Start of operations**
  - 2025 (Gradual ramp-up)
- **Cost improvement initiatives**
  - Automation/manpower saving, etc.
- **Environmental considerations**
  - CO_2 emission reduction
  - Improvement of water and electricity consumption efficiency

*Image of completed building

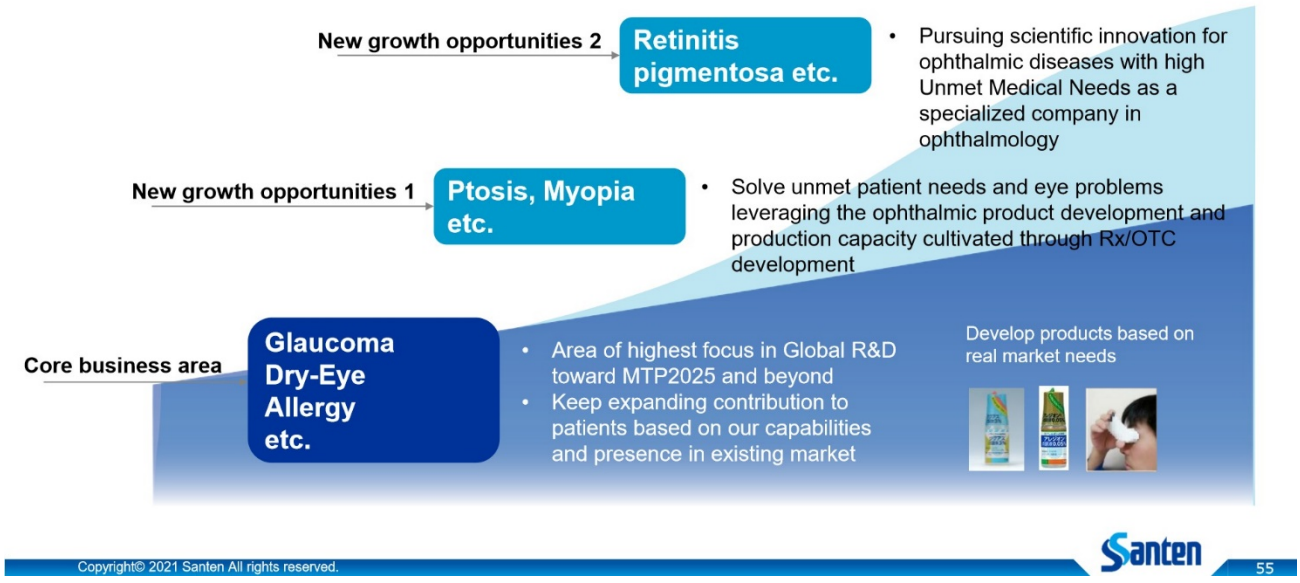
*As of Apr. 2021

The construction of the new plant in Suzhou is currently progressing smoothly.

The government of Jiangsu Province and the city of Suzhou have high expectations of us, and we are building the plant with great support from them.

We are determined to build one of the world's largest and most advanced factories in the ever-growing Chinese market in order to have an overwhelming production capacity and to secure Santen's competitive advantage.

With that, I would like to conclude my presentation. Thank you very much for your attention.



Sallstig*: Hello, everyone. This is Peter Sallstig, Global Head of Product Development Division and Corporate Officer.

I am pleased to be able to share with you my vision for R&D in achieving the 2025 Medium-Term Plan, not only in well-known disease areas such as glaucoma, but also in future areas such as cell therapy and other new areas. We will use solid science and operational excellence, and these will be managed by a group with extensive experience in the industry. Let me explain the details.

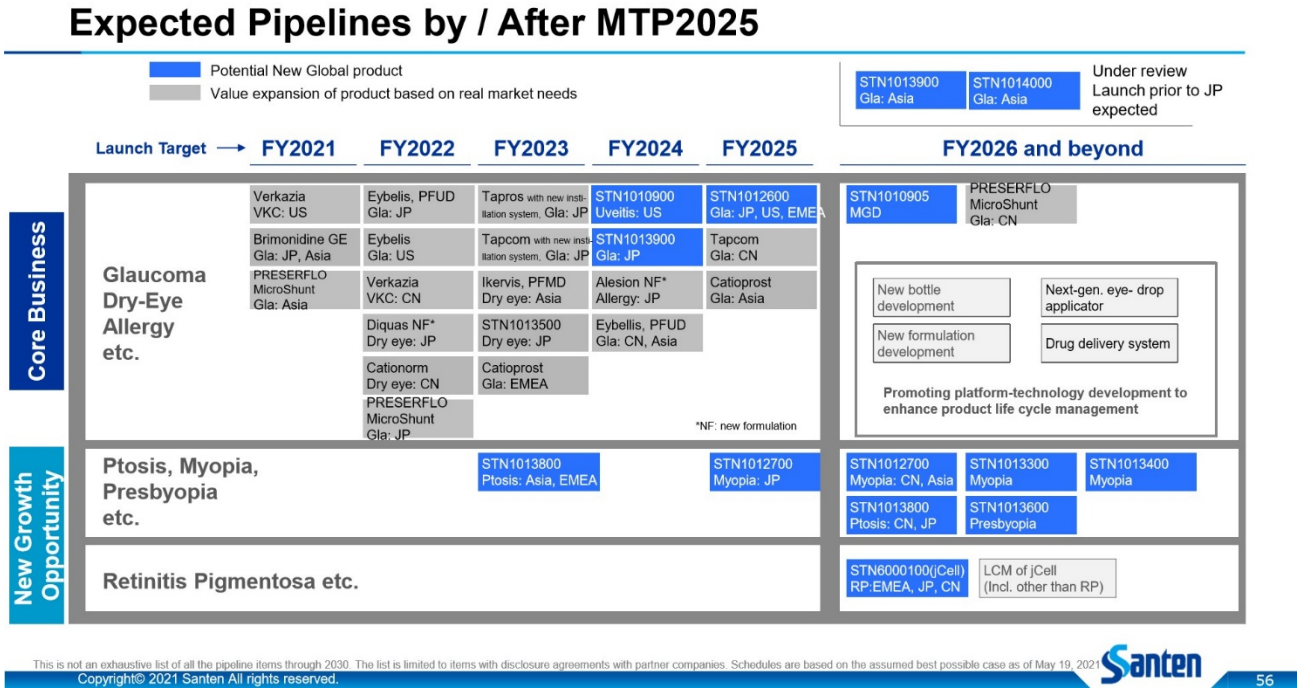
With over 130 years of experience since the founding of Santen, we have unparalleled insight into the needs of our patients. There is no place that understands our patients better than Santen. We have focused on our core business areas of glaucoma, dry eye, and allergies, but there are several shifts.

New treatment options are required due to demographic changes, increasing patient numbers, and an aging population. For example, with new lifestyle changes, Santen's R&D is ready to deliver a patient-oriented pipeline, as it has done for the past 130 years.

Looking at future growth areas such as ptosis and myopia, which affect hundreds of millions of children in China and throughout Asia, Santen has already begun to prepare for this social challenge and has a product pipeline in place.

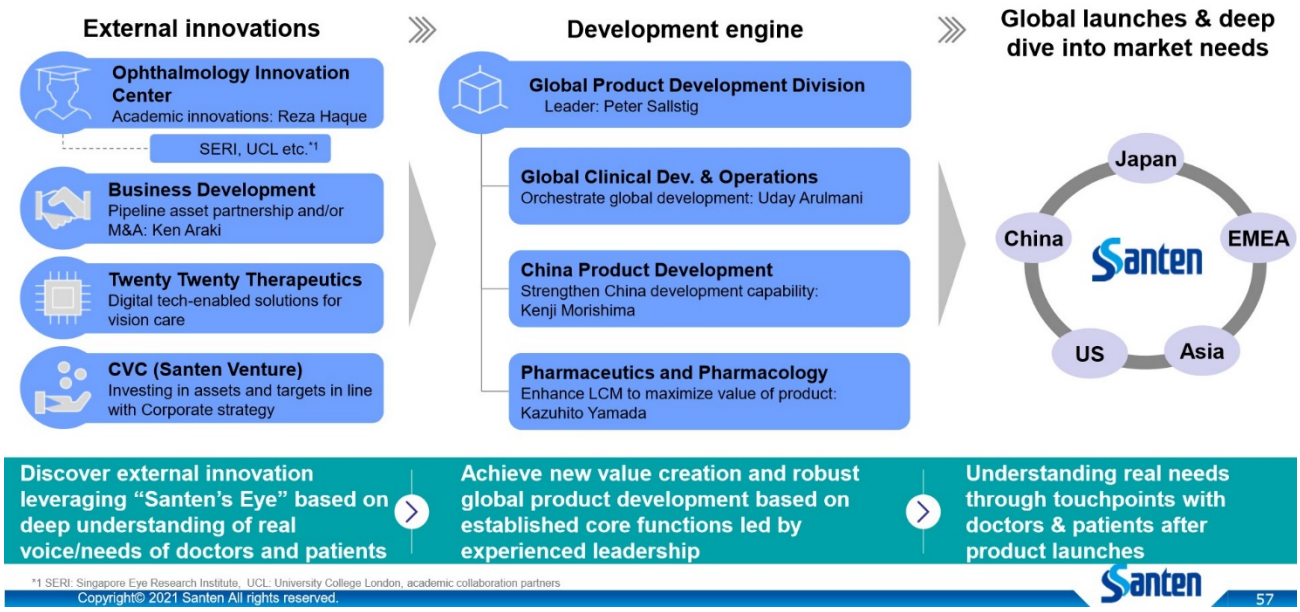
When we look at more complex and challenging disease areas, such as cell therapy, our collaboration with jCyte demonstrates our commitment to this area. In addition to treating retinitis pigmentosa, which is a serious disease, we will also consider applying it to other similar diseases in the future.

We understand that patients are depending on these treatments. In order to most effectively meet patient expectations, Santen applies an unparalleled level of rigorous planning, analysis, and execution, leveraging technology to deliver virtual and hybrid clinical trials, as well as providing technology to patients. For example, we are experimenting with home care, ePROS, and devices to provide newer, better, and smarter products.



Our focus on our core business in the past has allowed us to build an unrivaled pipeline. By launching these products in specific key areas, we were able to gain early insights, which we are now expanding globally to maximize product value.

Toward 2026, new growth areas will emerge, such as STN1012700, which is currently in Phase II and Phase III trials in Japan. We are also looking into ways to improve the lives and daily burdens of our patients. The Pharmaceutical and Pharmacology Group is working to improve the bottle design features for convenience, as well as the drug delivery system and formulation design.



Of course, behind all of this is strategy. Santen's strength lies in our patient insights, physician insights, and the integration of these. In addition to focusing on these issues, we are also focusing on external collaboration, such as gaining insights through academia and business development activities.

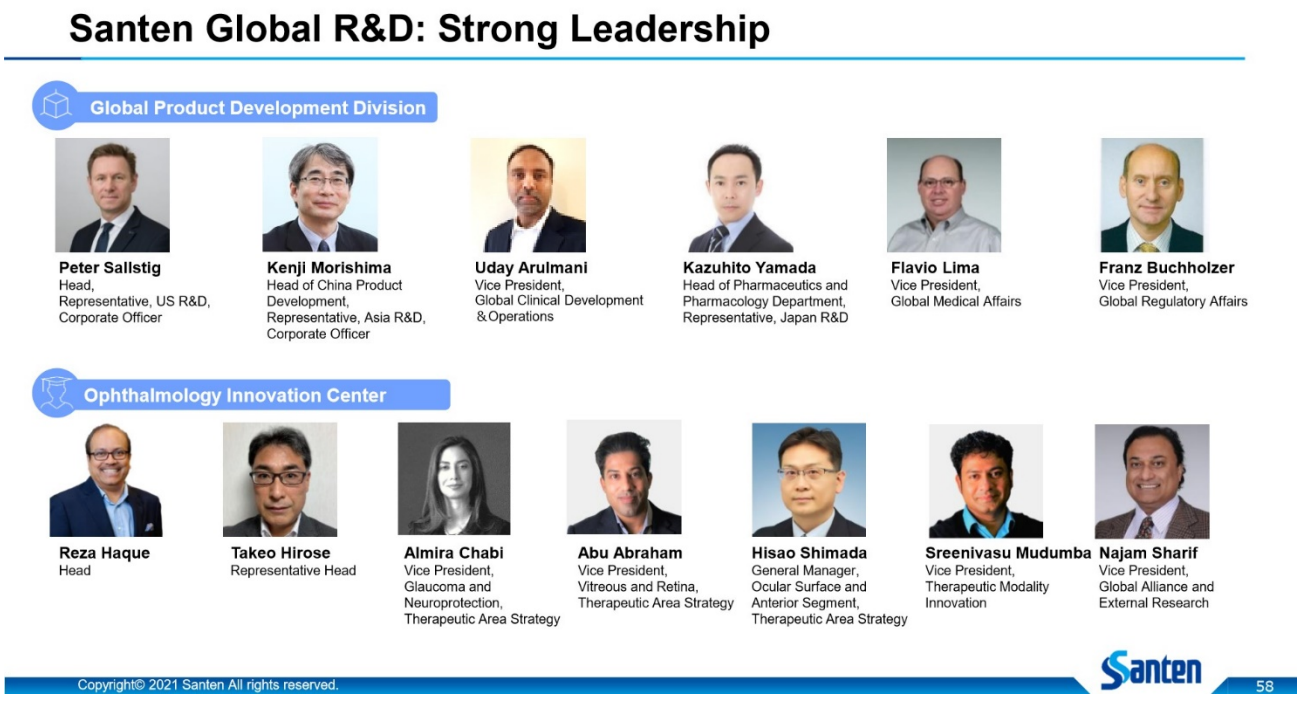
Santen has established partnerships with prominent academic hubs, such as SERI and UCL, which have excellent technology and disease insights, especially when considering new treatment options and new disease areas with previously unknown pathological mechanisms.

When we combine them with Santen's patient insights, we believe we will have a significant pipeline of potential blockbusters.

In addition to academic collaborations, we are also looking at external assets. Santen's Business Development Group, which is focused on investing in external assets that align with our strategic focus, and Santen Ventures, Inc. are acquiring assets through their own networks.

Today, all of these are brought together under the umbrella of Development, which has a global reach, demonstrating superior execution of clinical trials, and supporting successful launches. As part of MTP2025, the Development Division is working to build a state-of-the-art development organization that will maximize the value of Santen's assets.

In terms of urgent next steps, as part of the Development Group's Medium-Term Plan, the GCDO Group (Global Clinical Development & Operations) will focus on further developing capabilities relating to methodology of modern clinical trials, digitalization, and data integration. This will aid in supporting the value proposition, while Pharmaceutical and Pharmacology Group will increase the speed of formulation and maximize the lifecycle of potential assets.



We recognize that it is important to have the right people in place to achieve results. We are designing the next generation system with our goals firmly in mind. We aim to leverage our excellent experience and knowledge in Japan, as well as attract outside talent with extensive experience in the industry.

In the development department, for example, what we have here now are industry veterans with experience in large organizations such as Novartis, Abbott, and Genentech. Before I started my current position more than a year ago, I had been working for Novartis for more than 12 years, not only in Switzerland where the Company is headquartered, but also in the US where I am now. I then went on to lead the Pharmaceutical Development franchise at Alcon.

Mr. Morishima is well known in the industry and used to lead Santen's Pharmaceutical Pharmacology Department and is now in charge of China product development. Uday Arulmani, who recently joined Santen, has experience in Switzerland and here in the US and has worked for Abbott and Genentech.

In the research department, Reza Haque was previously the Therapeutics Area Head for Shire. Najam Sharif has over 20 years of experience at Alcon and is a renowned scientist.

We have the right people in place, the best talent available.

In R&D, we have a clear vision of where we are going in MTP2025. As we look at what we're trying to accomplish, we're going to make the best use of our own assets and leverage the best assets externally. At the same time, we aim to leverage our internal lifecycle management capabilities and drive development through technology, without losing sight of understanding patient insights.

We believe that if we can use all of our talents, we will be able to achieve our vision of Happiness with Vision for patients and doctors. Thank you very much.

Taniuchi: Thank you very much. Finally, I would like to wrap up with a summary.

First of all, Santen is committed to long-term growth and management from a long-term perspective, as we look toward the future envisioned in Santen 2030 and beyond, while working to solve various social issues related to eye disease.

In this Medium-Term Plan, which is the first five years of the plan, as I mentioned today, we will tackle two major issues.

First, we will further accelerate our global expansion, which has progressed over the past 10 years, and steadily promote earnings growth in our core businesses. The other is to deepen our business model by making upfront investments, expanding into new areas, and improving our organizational structure to accelerate our future growth.

Through these efforts, we aim to become a Social Innovator that can realize Happiness with Vision by 2030.

First of all, by steadily achieving MTP2025, we will continue to contribute to patients and healthcare professionals, and at the same time, we will improve our corporate value and meet the expectations of our shareholders and investors.

On behalf of the entire Santen Group, I would like to thank you for your continued support. Thank you very much for your kind attention today.

Question & Answer

Q1-1

I think it would help us to understand the value of this plan better if you could explain in detail what has changed between the today's announcement and what was planned in April. From your company's point of view, can you tell us about any changes that you feel are particularly important? Particularly in the past month?

A1-1

Taniuchi: Yes, thank you for your question. I will answer this question. Basically, the announcement from April formed the basis for what I talked about this time.

The first point is that we reviewed the contents, priorities, and resource allocation of our US business, including the MicroShunt business.

As Mr. Yamada mentioned earlier, there was a turnaround in the current situation in January, February, and March, so we carefully assessed the situation here and linked it to innovation in the area of growth in China.

The third is our Japan business. As I mentioned today and in the previous session, we have made some important progress in product development, so we have improved the footing of our business by carefully assessing the situation here.

Based on the overall results, we reviewed the figures, including those for shareholder return.

Q2-1

You have disclosed various figures, but what is your position on the level of operating income for FY2025? Is it a strong commitment? I would like to know how you view these figures.

The word flexible is used every time you talk about share buybacks, but what is the level of certainty that this will take place? Sorry, I think it became one and a half questions.

A2-1

Taniuchi: Yes, let me give you my answer. I'll take it. I honestly believe that the level of operating income, including the sales that form the basis of operating income, will include a variety of factors, including a very solid element, a flexible element, and a part that depends on the external environment.

This is not an easy target to achieve, but on the other hand, the flexible element is quite limited, and I am of the understanding that it is feasible and achievable. We are also determined to implement various measures to achieve this goal.

In the future, we will continue to monitor our cash flow situation and our investment situation, and although we have done so in the past, we will do so based on the clear flow I mentioned today. Thank you.

Q3-1

I think the assumption is that the core operating profit margin will improve quite a bit. I was under the impression that there were areas that required quite a bit of investment and that R&D would also increase to a certain extent. Where do you expect this improvement in margins of 4% to come from?

A3-1

Koshiji: Thank you. That's the reason for the 4% improvement. I'll explain this from two perspectives.

From a P&L perspective, the cost ratio is currently 39%, and this will be reduced by about 4% over the period to 2025. This is mainly due to the product mix, and in the latter half of the year, the completion of some new factories. We believe that this can be reduced by absorbing depreciation and amortization associated with capital investment.

SG&A expenses are flat to negative 1%. We will give priority to research and development expenses, but we will limit them to about 10% of sales. That is how we intend to achieve this 4% improvement.

On the other hand, from the perspective of each of our businesses in each region, one typical example is our US business, which, as we disclosed to you on May 11th, is currently showing a loss of about JPY2.5 billion in the Fact Book. So, today's explanation is a 54% contribution margin on JPY24 billion, which means a profit of about JPY13 billion. This is a factor of about JPY15 billion in the bottom line, just in the US business.

In the other businesses, as I explained earlier, we have a CAGR of 3% in the other regions as a cruising speed, and core operating profit is roughly JPY75 billion at that rate. Thank you.

Q3-2

Thank you very much. The second thing I would like to confirm is that MicroShunt is not part of this plan, so if it is approved in some way, and if it starts contributing in some way, then this amount will be in addition to the figure that you mentioned earlier. Is that correct?

A3-2

Taniuchi: Thank you. First of all, we are planning for areas other than the United States, such as Europe. As I mentioned earlier, the US portion of the plan has been removed, so I would like to talk about the related plan again if it becomes more concrete in the future, but indeed, it is not currently included.

Q4-1

I will start with the Americas. In response to Mr. Yamaguchi's question, you mentioned that the Americas alone is expected to contribute JPY15 billion to profits, so you are predicting an increase in profits. If you look at the slide on page 22, the existing portion for the Americas was JPY2 billion in the fiscal year just ended, and this is expected to increase to JPY14 billion, with an additional JPY10 billion to be added for development products.

The first question is, specifically, what do you think will be the one or two main drivers of this significant growth? Thank you.

A4-1

Suzuki: Yes, this is Suzuki from the Planning Division. Of course, the product line of Eyevance, which we acquired, will reach a total level of nearly JPY4 billion in this fiscal year. In addition to that, we are currently targeting the approval of 117, *Eybelis*, this fiscal year. The results are expected in November, and we consider this is another growth driver. We believe that we will be able to achieve this level of sales with the addition of *Verkazia* and other products. That's all.

Q4-2

What do you think is the biggest part of the JPY10 billion in developed products?

A4-2

Suzuki: The products that we have just developed are equivalent to *Eybelis*, so I hope you can understand them in that way.

Q4-3

Okay, thank you very much.

The second question is about Japan. I think you mentioned an annual rate of decline of 2%. I think the patents for *Alesion, Diquas, Tapros*, and *Eylea* will probably expire in the near future, but I also think you are working on high-dose formulations and ophthalmic supplement bottles.

Looking at the sales figures here, it seems that you don't expect a large drop in sales due to the patent expiration. Is it correct to say that you don't expect such a large decrease in sales?

A4-3

Ito: I would like to respond to your question. We have already factored in the fact that there will be a biosimilar to *Eylea*. As for the patent expiration of our products, we consider we will be able to fully recover from it with the new LCM products that have been introduced today. That is all.

Q5-1

In the table on page 28, you are expecting to treat ptosis and myopia to some extent from 2025 onward, but I think that this area will probably have a large portion of out-of-pocket expenses for patients, such as paying for clinic appointments and so on.

Of course, this is after 2025, so I don't think it is reflected in this numerical target. How do you plan to market and monetize these, what could perhaps be called, cosmetic areas?

A5-1

Taniuchi: Yes, we are currently conducting various studies on this topic. As you said, each country has its own regulations with respect to this. For example, in countries such as China, various companies are already operating in the out-of-pocket market in areas other than ophthalmology and are developing the online and offline models that I mentioned earlier. One of the things we are trying to do is to learn from the models in the field of dermatology, for example.

In addition, we are planning to sell the ptosis drops first in Asia. This has already been approved in the US, so there is a relatively short time frame to regulatory approval. In particular, we are planning to launch a model that uses digital channels first in Asian countries, and then use the learning from that model to expand the model to China, Japan, and other large markets.

When the time frame becomes clearer, I would like to talk more about how we are going to do this, what our MRs are going to do, and what we are going to do through channels other than ophthalmology.

Also, since we are here, I would like to ask Mr. Yamada from China to give us a few comments about the current activities, including the out-of-pocket market. Mr. Yamada, please go ahead.

Yamada: Yes, this is Yamada. Thank you very much.

In the Chinese market, not only ptosis and myopia, but also dry eyes, for example, have already become out-of-pocket treatments, and there are already a large number of patients seeking such treatments out of pocket.

In terms of the behavior of such patients, many of them visit private hospitals to find the right treatment for them. As a result, our business has been changing recently, and we are now in a position to capture this a market smoothly.

In addition, treatment via online pharmacies and online diagnosis and treatment is also becoming a form of out-of-pocket treatment, and the market for this is expanding rapidly. Therefore, we would like to expand what we are currently doing for dry eyes to future products as well. That's all.

Q5-2

Understood. Sorry, just one follow-up question. In the end, China is a mixture of positive and negative factors, and in the case of your company, it seems to me that you are only factoring in the positive factors, but the negative or risk factor is naturally how volume based purchasing will change in the future.

Also, I think that political risk is something that is difficult to read, but is it correct to say that this figure of JPY40 billion is not a stretch, but it is a figure that incorporates positive factors, and that this is JPY40 billion and a CAGR of 11%?

A5-2

Yamada: Yes, of course, we took such risks into consideration when making these figures, but as I explained earlier in the presentation, we believe that by expanding our business from a single channel and product to a wider range, we can reduce such risks. However, as I explained earlier in the announcement, by expanding our business from a single channel or product to a wider range of businesses, we will be able to reduce such risks.

The market needs for *Cravit* and *Hyalein*, which have been the pillars of our business up to now, remain strong, so we are now introducing measures to make them more widely available to the market.

Therefore, although the numbers may look very positive, we believe that the numbers are absolutely achievable on the basis of realistic assumptions.

Taniuchi: First of all, the 0.1 for *Cravit* and *Hyalein* has already been factored into the current figures, so this is just the amount that will increase in new channels. In other words, there will be no further negative impact.

As for *Hyalein 0.3*, the sales of this product for VBP in large hospitals were originally small, but we have factored in the fact that it is expected to come during this mid-term plan period, which is the reason for the negative factor mentioned earlier.

Currently, it was not included in the items covered in the recent section, but we are rather proactively factoring in negative risks there on the assumption that it may eventually be included.

As for the other products, such as *Diquas* and *Tapros*, they are still new products, so there is some time remaining in the patent period. They are expected to grow rapidly as new products. We understand that such negative factors have been factored in as far as we can see.

The figures I presented do of course depend on our success in executing our measures.

Q6-1

Looking at the China business, I have the impression that the impact of volume based purchasing on the VBP is quite small. When you explained in February that half of *Cravit* and 30% of *Hyalein* might be affected, but it seems to be quite limited. Could you please tell us about the actual effects that have been observed so far and if your view of the effect has changed since the previous announcement?

A6-1

Taniuchi: As I mentioned earlier, the negative impact of VBP in the graph is what would happen if the 0.3 hyaluronic acid were added. Since a large percentage of *Hyalein* 0.3 products are already sold in markets other than those covered by the VBP, we understand that the future impact of *Hyalein* 0.3 will be limited.

As for other *Cravit* and *Hyalein* items, we have already received orders from large hospitals since November, and *Hyalein* is also being sold through channels other than those mentioned above, so we have already factored in the current figures. As we have been talking about since February, we are within this range, and it is our understanding that it will not exceed this range. Mr. Yamada, do you have anything to add here?

Yamada: Yes, as Mr. Taniuchi just mentioned, the effects on *Cravit* and *Hyalein* have been factored in. In addition to that, our activities at private hospitals and pharmacy chains have been very limited in the past, so we are currently working to increase our activities there. In fact, we are starting to see the results of these efforts.

Of course, our resources will be allocated to the continuation of these efforts in the future, but the background to these figures is that we will reduce the impact of VBP by factoring in these other measures.

Q6-2

Thank you very much. If that is the case, I would say that each of these will have been affected from the middle of last year, or mainly from the latter half of last year.

A6-2

Yamada: Yes, we have already factored in the impact. As I mentioned earlier, the number of adoptions by pharmacy chains and private hospitals is also increasing. In addition to that, sales of *Tapros* and *Diquas* have been very strong so far, and they have started to grow to become one of the pillars of our business.

We expect the percentage of this to increase more and more over the next few months. In the case of *Tapros*, it has been adopted by a large hospital in Beijing in the past few months, and we believe that the influence of this hospital will increase adoption nationwide. We believe that sales will continue to increase from there.

Q7-1

This will be a follow-up question on the degree of conviction in the figures of this mid-term plan. You just explained that there are flexible and rigid elements, but it would be helpful if you could be more specific.

For China, as you just explained, the figures are decided, but for example, for *Alesion* in Japan and 117 in the US, are the figures rigid, or are they flexible? It would be helpful if you could be more specific about this point. That's all.

A7-1

Taniuchi: Regarding the flexible factors, the premise is that we are considering measures to achieve these goals given a fair degree of stretch. In this context, the current figures are based on solid strategic assumptions and hypotheses, and we are taking firm measures to achieve them.

If we look at it from a different perspective, one of the risks that we will be able to see in the second half of this year is the status of 117 in the US. There are risks related to the approval, and the timeline of the approval. I hope to talk about that later this year.

In addition, in the area of product development, there are naturally parts that are based on current estimates, so if the schedule were to be different or if the results were not as expected, that would naturally be a risk to achieving our figures. However, I believe that there is a certain degree of certainty for other sales measures.

In terms of overall earnings, as you asked earlier about operating income, I think the question is whether we are capable of firmly controlling costs on a global basis, or of firmly implementing the PDCA cycle to increase profitability. I think these are important factors.

We will continue to implement global management policies and business management to mitigate risks, and when risks emerge, we will promptly implement contingency plans. We would like to overcome risks while taking advantage of any stretch points. Mr. Koshiji may have something to add.

Koshiji: As I explained earlier, looking at past Medium-Term Plans and other data, if we look at the trends of our company, we have achieved or exceeded the sales figures announced in our Medium-Term Plans.

As for the reasons for not achieving the target, in the current Medium-Term Plan, amortization expenses related to the acquisition of so-called intangible assets, impairment losses, and reserves had a negative impact, and as a result, the ROE target was not achieved in the previous Medium-Term Plan.

In this regard, in this Medium-Term Plan, we will not only focus on sales growth but also on expenses, and we will also secure profits after depreciation and amortization not only on a core basis but also on a full basis. To this end, we will pay special attention to ROIC and return on capital as KPIs and make commitments not only at the P&L level, but also at the B/S level, in order to secure earnings and achieve a balance between the two.

In this regard, we will pay special attention to the risks that we have not achieved in the past, and we will tackle them with financial discipline. That's all I have to say.

[END]