

The Importance of the Eyes and Social Issues

Purpose

- 1 The Importance of the Eyes and Social Issues

A World Built on the Ability to See

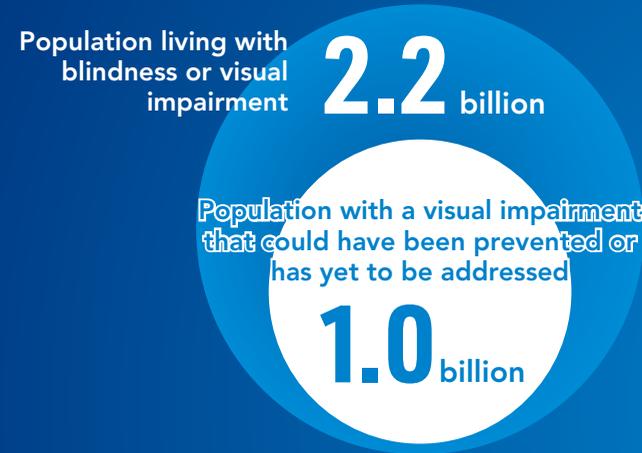
Sight has played an integral role in the evolution of social infrastructure, interpersonal communication, sports, the arts, business, education and many other human endeavors as we know them today. In a world built on the ability to see, the importance of vision can easily be taken for granted. Closing one's eyes might provide a glimpse of a world without vision, and how it completely changes our actions and lifestyles. The eyes play a critical role at every turn of life.

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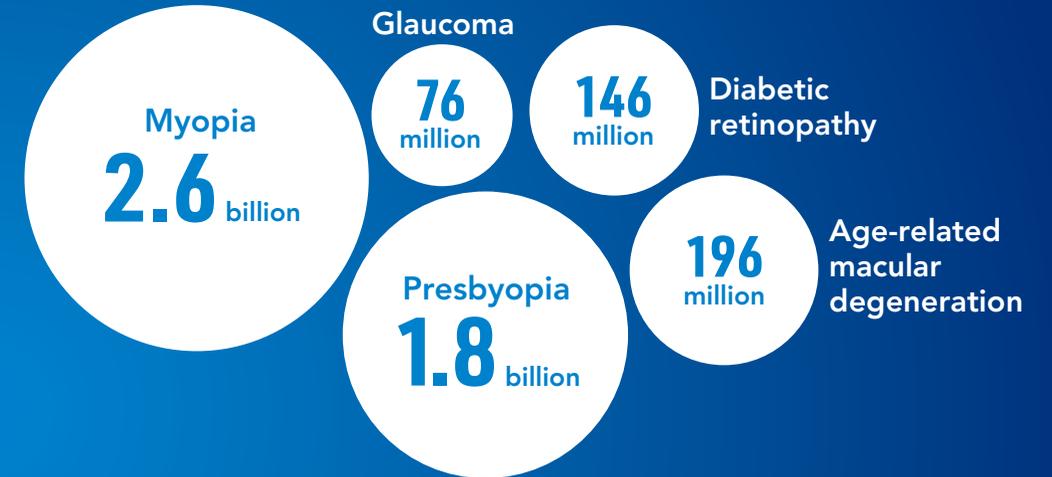
The Importance of the Eyes and Social Issues

Population with Blindness or Visual Impairment¹



At least 2.2 billion people worldwide live with blindness or a visual impairment. Of these people, at least 1.0 billion have a visual impairment that could have been prevented or has yet to be addressed. This number is expected to increase due to factors such as population growth, aging societies and changing lifestyles.

Number of People Affected Worldwide¹



People worldwide live with various eye conditions and diseases, and many of us must deal with an eye health issue at some point in our lives. Myopia is considered the world's most common eye problem, and the number of people affected is expected to increase to 3.36 billion by 2030.

Purpose

Economic Losses due to Visual Impairments

Approx. **US\$ 410.7 billion annually**²

Visual impairments, are on the rise globally, are estimated to result in annual economic losses of as much as US\$410.7 billion. Initiatives to address eye health have led to improvements in education and the workforce, making the implementation of such initiatives a key social issue for achieving a sustainable society.

¹ WHO, World report on vision ² The Lancet Global Health Commission on Global Eye Health: vision beyond 2020

Navigating This Document

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Published October 2022

Editorial Policy

From fiscal 2017, Santen has integrated its former Annual Report and CSR Report into an integrated report that provides a view of overall business activities based on our CORE PRINCIPLE. The integrated report is edited with the intention of informing stakeholders about the value Santen provides to customers and society and includes comprehensive coverage of financial information as well as non-financial information such as management strategies, review of operations and sustainability activities. Santen has streamlined content and simplified descriptions to allow for easier understanding by a wide range of stakeholders, starting with shareholders and investors. Detailed information is available on the corporate website.

Applicable Scope

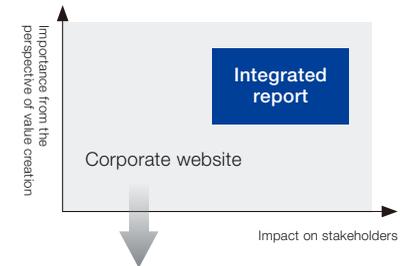
Santen Pharmaceutical Co., Ltd. and consolidated subsidiaries

Reporting Period

Fiscal 2021 (April 1, 2021 to March 31, 2022). Certain information is updated after April 1, 2022.

The Santen Report and Santen's Information Disclosure Framework

The *Santen Report* (this document) contains information based on materialities that we consider particularly useful to investors.



Detailed Information

Concerning Forward-Looking Statements

This report contains forward-looking statements regarding the Company's plans, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, adverse economic conditions, delays in new product launches, currency exchange rates, legislative and regulatory developments.
 This report contains information about pharmaceutical products (including products under development), but such information is not for the purpose of advertising or medical advice.

The following are registered trademarks of Santen's partner companies.

- Alesion (Boehringer Ingelheim)
- Cravit, Tarivid (Daiichi Sankyo Co., Ltd.)
- Livostin (Johnson & Johnson)
- LENTIS Comfort, LENTIS Comfort Toric (Teleon Holding B.V.)
- CYBERSIGHT (Project Orbis International, Inc.)

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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”

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

WORLD VISION

Happiness with Vision

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

Santen's History

Since its founding in 1890, Santen has contributed to patients and their loved ones. The spirit of our CORE PRINCIPLE, reflected in our company name, has more than 130 years of heritage. We have turned the challenges we have overcome into our strengths, and this continues to pave the way for our next growth trajectory.

Purpose

A Brief History of Santen's Product Innovation

* Major products based on year of launch

First product	Our first eye drops	First eye drop in a plastic container in Japan	World's first fluoroquinolone ophthalmic	Our first treatment for corneal disorders
				
				
1890 <i>Heburin-gan</i> (cold medication)	1899 <i>Daigaku Eye Drops</i>	1962 <i>Mydrin-P</i> (mydriatic)	1962 <i>Super Sante</i>	1987 <i>Tarivid</i>
			1991 <i>Sante FX</i>	1992 <i>Kary Uni</i> (treatment for early-stage senile cataracts)
				1995 <i>Hyalein</i>

Establishment—Laying the Foundation (1890–1989)

Growth (1990–2009)

1890

Santen kicks off by taking the challenge of contributing to people's health

Santen's origins date back to 1890, when Kenkichi Taguchi opened Taguchi Santendo. *Heburin-gan*, a cold medication, was its main product at the time. In the late 19th century, many people in Japan suffered from eye disorders, and demand for eye drops was high. The company launched *Daigaku Eye Drops* in 1899 and the product's popularity spread nationwide. From that point, Santen began taking on the challenge of contributing to eye health.

1950s

Pursuing a strategy centered on eye drops, and expanding into prescription pharmaceuticals

Due to difficulties encountered from aerial bombings during World War II, Santen shifted its business strategy focusing on eye drops. In 1958, Santen entered the prescription pharmaceutical business and in 1962 launched *Mydrin-P*, which promotes mydriasis, or dilation of the pupil. This groundbreaking eye drop used in ophthalmic surgery and diagnosis contributed significantly to the development of ophthalmology in Japan. Thereafter, product launches included an innovative antibiotic ophthalmic and a glaucoma treatment, laying the foundation to support ophthalmic treatment in Japan.

1990s

Strengthening the global production system toward internationalization and entering the European market

Upon its centennial in 1990, Santen embarked on a new growth stage with the announcement of a long-term vision to contribute to society with the best products and services focusing on the eye and health. In addition to business growth in Japan on the back of an expanding product lineup, and the completion of the Shiga Plant, Santen entered the European market and emphasized aggressive business development to contribute to patients around the world.



Purpose

5 Santen's History

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Santen's History



Growth (1990–2009)

2000s

Expanding solutions and building a business foundation in Asia

Santen focused on meeting the needs of more people by providing a wide range of treatment options including intraocular lenses and supplements in addition to ophthalmic solutions for eye diseases. At the same time, the Company worked to build a business foundation in Asia, which included building a direct sales network in China as well as completing the Suzhou Plant, and establishing Group company in South Korea.

Transformation (2010–)

2010s

Rapidly accelerating globalization to contribute to eye health worldwide

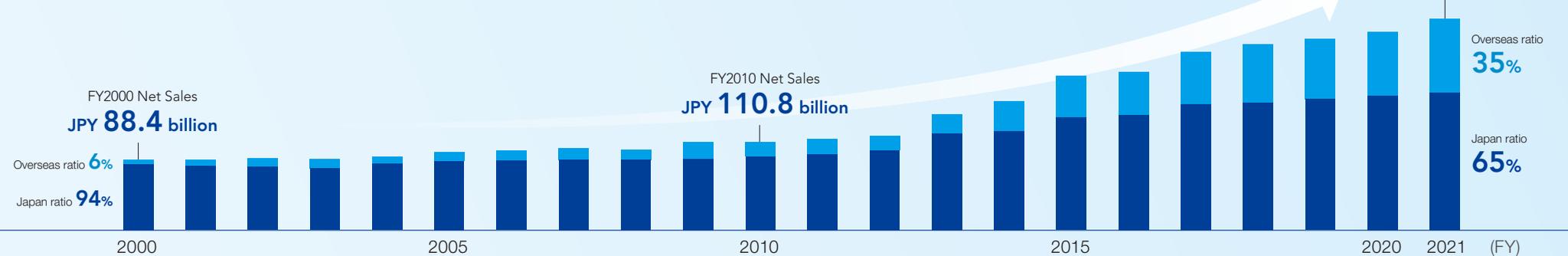
Aiming to become a specialized pharmaceutical company with a global presence as its long-term vision up to 2020, Santen rapidly accelerated its globalization, centered on China, Asia and EMEA. In 2015, Santen sold its anti-rheumatic pharmaceuticals business to AYUMI Pharmaceutical Corporation to specialize in ophthalmology and concentrate its management resources in the field.

2020s

Aspiring to Become A Social Innovator to deliver happiness through vision

Aiming to resolve eye-related social issues, the Company announced Santen 2030, a long-term vision toward 2030 and beyond. To realize "The Happiest Life for every individual through the Best Vision Experience," Santen continues to take on challenges worldwide to provide products and services with true value by bringing together knowhow and expertise through partnerships with external organizations, M&A and other approaches.

Net Sales/Revenue



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7 At a Glance

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At a Glance

Countries/Regions

Over **60** 

Number of patients who have benefited from our treatment¹

48 million 

Overseas sales ratio²

35 % 

Japan and China / Asia³

No.1 

Annual production volume⁴

Approx. **400** million units 

Phase III study success rate⁵

Over **83** % 

Outside Director ratio⁶

71 % 

Woman manager ratio

37 % 

CO₂ emissions (vs. 2019)⁷

-14 % 

¹ Estimated total no. of patients to which Santen contributed (disease areas: inflammation/allergies, cornea, glaucoma, cataracts) in FY2020, calculated based on JMDC's estimated total no. of patients for Santen's Rx products and Santen's shipment data
² Based on FY2021 data ³ Internal estimate based on external data, and research ⁴ 5mL unit equivalent ⁵ FY2010-FY2021 results ⁶ As of September 30, 2022 ⁷ Scope 1 and 2

Purpose

8 Value Creation Story

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Value Creation Story (Value Creation Model)

Santen specializes in ophthalmology and develops products and services from the patient's perspective. We will contribute to people's lives and achieve corporate growth, leveraging our strengths in industrialization, commercialization and internationalization, and incorporating digital technologies.

Specific strengths



Industrialize

- Ability to create products through formulation development technologies based on an unparalleled understanding of the characteristics of the eyes as a specialized company with a history of more than 130 years
- Commitment to patient ease of use, from pharmaceuticals to eye drop containers
- World-class manufacturing volume capability of ophthalmic products that have contributed to patients worldwide



Internationalize

- Rollout of our broad lineup of ophthalmic products, in-depth ophthalmology expertise and thoroughgoing patient perspective to more than 60 countries/regions and covering major cities worldwide
- A network of more than 120,000 ophthalmologists and wide-ranging partnerships, from ophthalmology research institutes to IT companies
- Strong presence as a unique global company specialized in ophthalmology, backed by our track record



Unmet needs

Products and services specialized in ophthalmology
Contribution to the development of ophthalmology
Resolution of eye-related social issues



Commercialize

- A broad lineup of more than 70 products,¹ extensive and in-depth expertise in ophthalmology and proposal capabilities based on the patient's perspective
- High customer satisfaction (No. 1 in Japan²), resulting in steady product uptake
- Contribution to the development of ophthalmology in each country and region we serve through measures such as support for the establishment of diagnostic criteria for eye diseases and provision of training for medical professionals

¹ Number of Rx products sold in Japan

² Percentage of ophthalmologists rating Santen the first among companies providing ophthalmic prescription pharmaceuticals. Santen calculations based on external data.

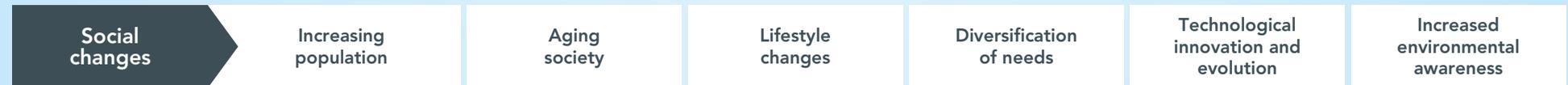
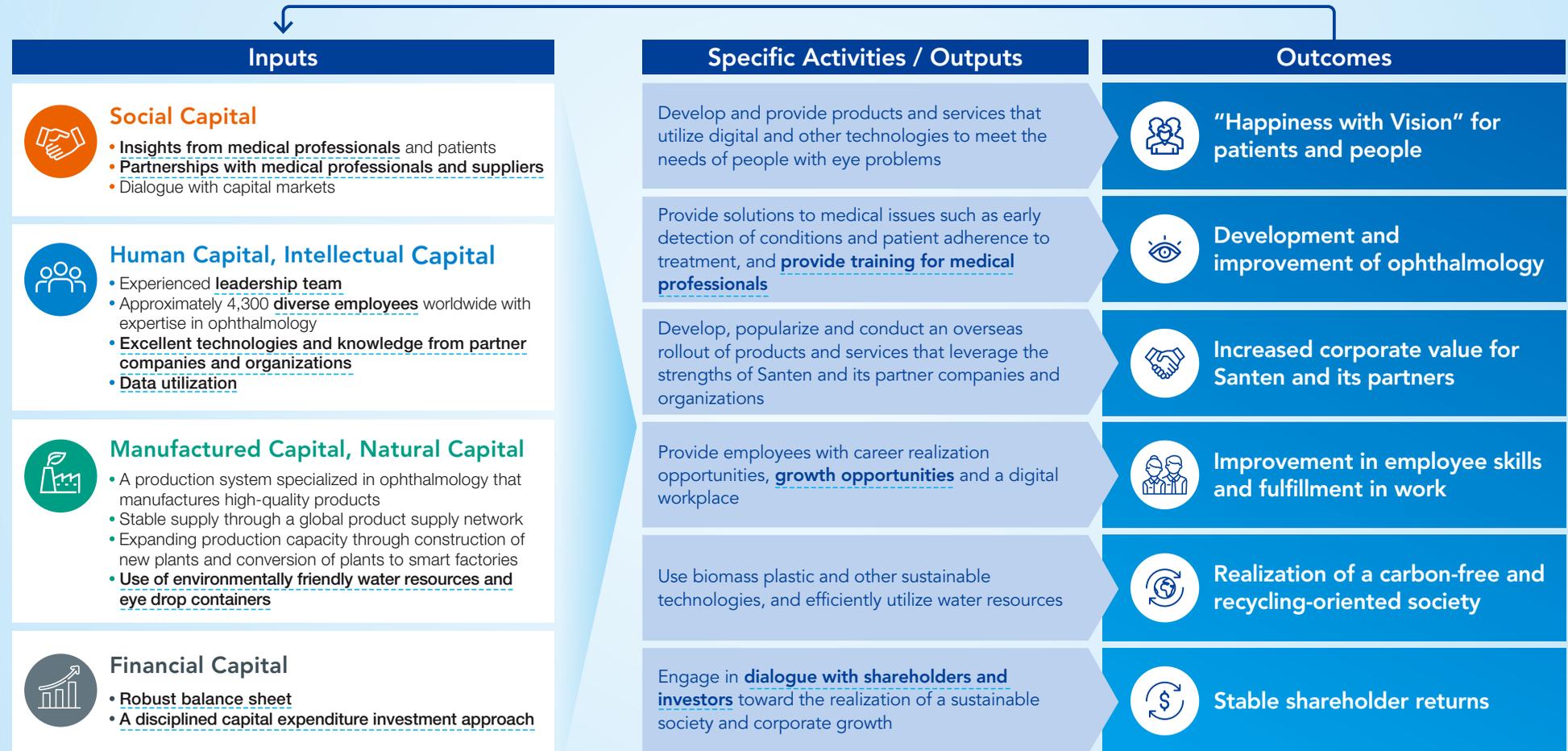
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Value Creation Story (Creating Shared Value)

Santen's vision for 2030 and beyond is becoming a Social Innovator that orchestrates and mobilizes key technologies and players around the world to deliver happiness through vision. We are working to create shared value in collaboration with various stakeholders to resolve eye-related social issues and achieve sustainable company growth.



Value Creation Story (Initiatives for Medium-to-Long-Term Value Creation)

Enhance corporate value

Purpose

8 Value Creation Story

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MTP2025

Profit ratio improvement in core businesses

	Japan	China	Asia	EMEA
FY2025 revenue	JPY 150.0 billion	JPY 40.0 billion	JPY 35.0 billion	JPY 50.0 billion
Contribution profit ratio	+2pt (41%)	+1pt (42%)	+3pt (40%)	+3pt (30%)

(Figures in parentheses are contribution profit ratios for FY2020)

Expansion of new areas

Americas	New Disease
FY2025 revenue JPY 24.0 billion Contribution profit ratio 54%	Start of contribution to profit from new areas including ptosis (STN1013800)

Strengthening of foundation as a global company

Strengthening of product development capabilities	Strengthening of product supply infrastructure	Reflect strategies in company-wide financial KPIs and business KPIs	Establishing global platform
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ESG

<p style="text-align: center;">Development and Stable Supply of Socially Significant Products and Services</p> <ul style="list-style-type: none"> • Aiming to reach over 60 million patients¹ 	<p style="text-align: center;">Encouragement of an Organizational Culture that Promotes Value Creation</p> <ul style="list-style-type: none"> • Promote diversity with a focus on gender, nationality and the visually impaired
<p style="text-align: center;">Strengthening Governance, Contributing to the Realization of Fair and Equal Society</p> <ul style="list-style-type: none"> • Management effectiveness, diversity, compliance and respect for human rights 	<p style="text-align: center;">Conservation of the Global Environment</p> <ul style="list-style-type: none"> • Reduction of CO₂ emissions • Efficient use of water resources • Shift to biomass plastic eye drop containers

Implement strategic investments and shareholder returns of one-third or more of operating cash flow²

Financial KPIs
(FY2025)

Revenue ≥ JPY 315.0 billion

Operating profit ratio (IFRS basis) ≥ 21%

Operating profit ratio (core basis) ≥ 24%

ROE ≥ 13%

Overseas sales ratio ≥ 50%

Santen
2030
Become
A Social
Innovator

¹ Estimated total no. of patients to which Santen has contributed (disease areas: inflammation/allergies, cornea, glaucoma, cataracts) in FY2019 was approx. 43 million, calculated based on JMDC's estimated total no. of patients for Santen's Rx products and Santen's shipment data

² Secure a dividend payout ratio of at least 40%, and flexibly return surplus funds through share buybacks

For details on Santen 2030, please see the Company's website.

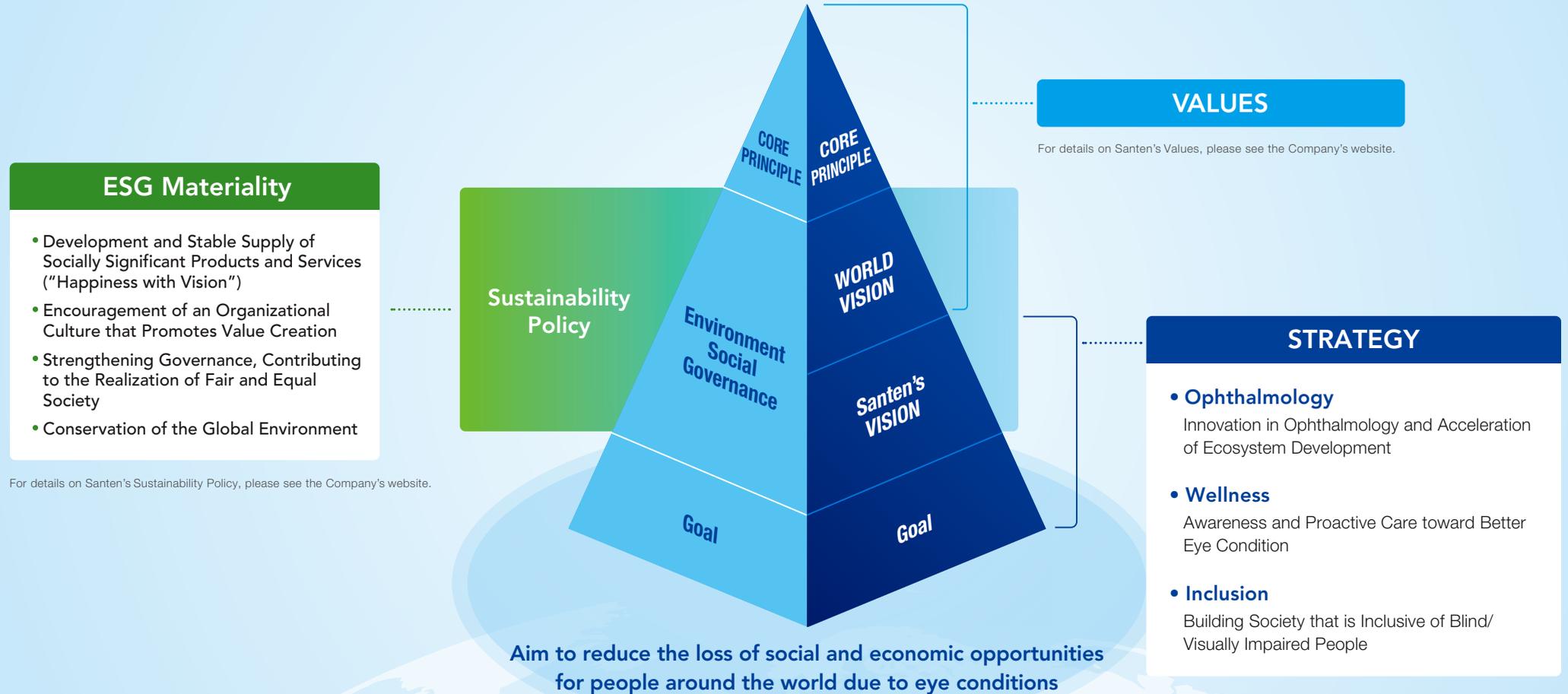
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11 Materiality

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Materiality

Santen is pursuing the three strategies set forth in its STRATEGY to resolve social issues. Additionally, the four ESG materialities aim at improving medium-to-long-term corporate value. These seven areas constitute the key issues and materialities to be addressed by Santen's management.



Relevant SDGs



Starting with contributing to achieving Goal 3, "Ensure healthy lives and promote well-being for all at all ages," Santen is contributing to the achievement of the above United Nations' Sustainable Development Goals (SDGs) through its materiality-related initiatives.

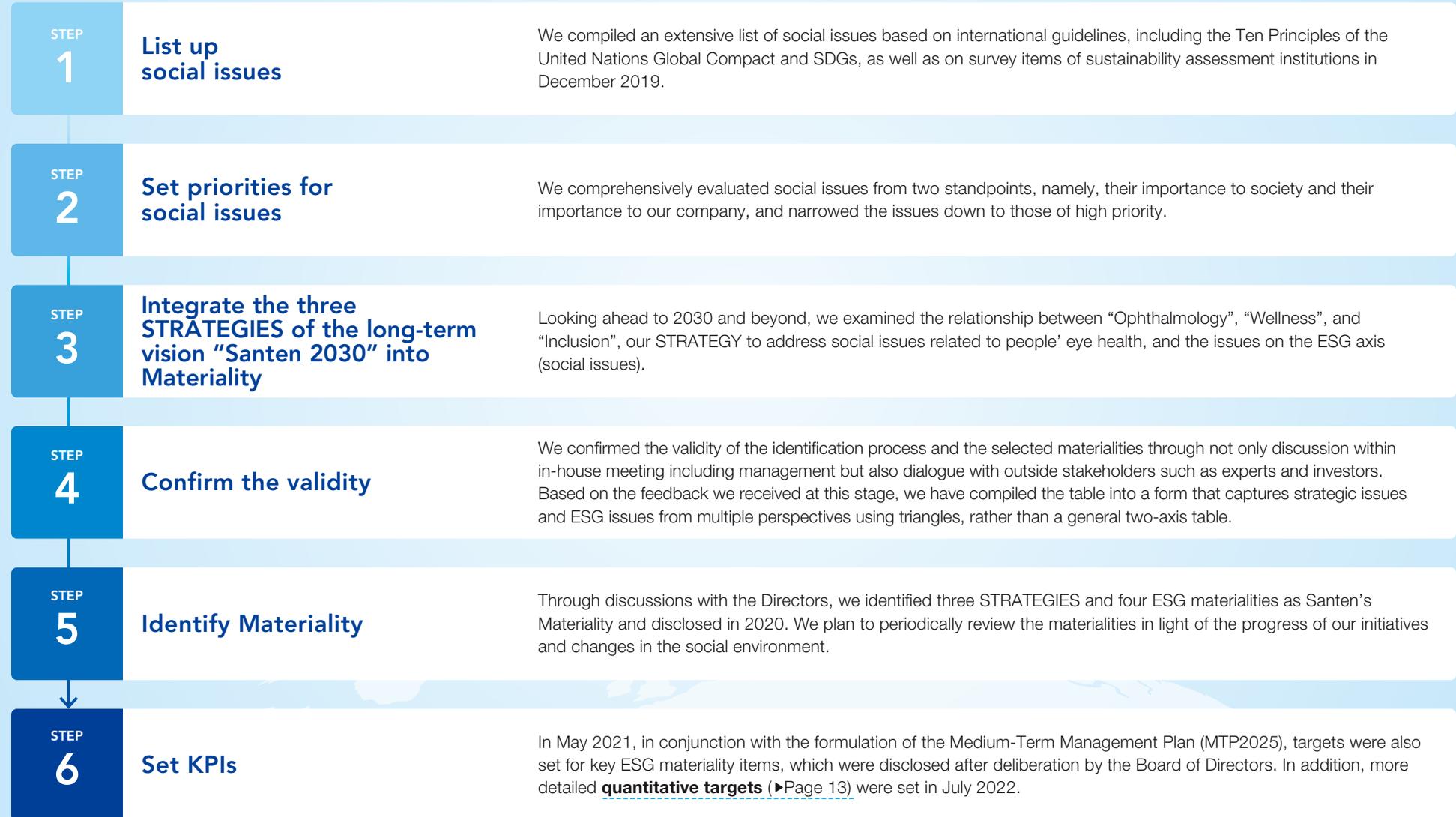
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Materiality (Identification Process)

We have identified Santen’s Materiality based on international guidelines and demands from society, taking into account the opinions of experts, investors and other external stakeholders.



ESG Materiality

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11 Materiality

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ESG Materiality	Issue	KPI for FY2025	Progress in FY2021
Development and Stable Supply of Socially Significant Products and Services	Market Penetration of Products with Social Significance	<ul style="list-style-type: none"> Aiming to contribute to more than 60 million patients¹ 	<ul style="list-style-type: none"> Contributed to around 48 million patients in FY2020
	Evaluation and Management of the Supply Chain	<ul style="list-style-type: none"> CSR survey evaluation rate: 85% or higher Supplier training implementation rate: 80% or higher ESG education in the procurement department: 100% 	<ul style="list-style-type: none"> Conducted a survey of 77 secondary suppliers, resulting in an evaluation rate: 68% (survey of primary suppliers was conducted in the previous year)
	Assurance of Quality and Safety, and Establishment of an Appropriate Supply System	<ul style="list-style-type: none"> Production and supply capacity: 500 million or more OTIF (on-time and in-full) shipping²: 100% Japan, 97% EMEA, 97% Asia, 97% U.S. 	<ul style="list-style-type: none"> Production and supply results: 390 million OTIF shipping: 100% Japan, 96% EMEA, 96% Asia, 100% U.S.
	Providing Appropriate Information on Products and Services	<ul style="list-style-type: none"> Thorough education of Medical Representatives (MRs): 100% 	<ul style="list-style-type: none"> Education of MRs: 100%
Encouragement of an Organizational Culture that Promotes Value Creation	Promoting Diversity, Equity & Inclusion	<ul style="list-style-type: none"> Increased diverse representation in Senior Management globally Increase representation percentage of Woman Managers to 25% in Japan 	<ul style="list-style-type: none"> Percentage of Woman Managers in Japan: 15%
		<ul style="list-style-type: none"> Philosophy is permeated into all employees by implementation of the BLIND EXPERIENCE 	<ul style="list-style-type: none"> Percentage of taking BLIND EXPERIENCE basic course: 77%
	Building a High-Value-Added and Highly Productive Work Environment	(Quantitative targets are disclosed from next term on the basis of FY2022 survey.)	<ul style="list-style-type: none"> Prepared to conduct an engagement survey in FY2022
Human Resource Development	<ul style="list-style-type: none"> In-house training on ophthalmology knowledge: 100% 	<ul style="list-style-type: none"> The aggregate length of training sessions in Japan: 48,612 hours 	
Strengthening Governance, Contributing to the Realization of Fair and Equal Society	Corporate Governance	<ul style="list-style-type: none"> Outside Director ratio: Maintain at over 50% 	<ul style="list-style-type: none"> Outside Director ratio: 50%
	Compliance	<ul style="list-style-type: none"> Implementation of annual compliance education: Continue at least 95% Major compliance violations: 0 	<ul style="list-style-type: none"> Annual compliance education implementation rate: 99% Major compliance violations: 0
	Risk Management	<ul style="list-style-type: none"> Development of Group risk management system, development and penetration of related regulations, strengthening of cooperation with the risk management department and internal control defense line-related departments Business continuity: Disaster recovery plan (IT area) completed Major information security related incidents to be resolved and controlled with clear SLA/OLA³ (90% or more) 	<ul style="list-style-type: none"> The online IT security awareness training completion rate: 96%
	Respect for Human Rights	<ul style="list-style-type: none"> Implementation rate of human rights education: 100% (in-house) 	<ul style="list-style-type: none"> Ongoing survey of human rights initiatives at business partners
Conservation of the Global Environment	Measures against Climate Change	<ul style="list-style-type: none"> Shift of company-owned vehicles to electric vehicles (HEVs, PHEVs, EVs, and FCVs): 100% Facilitating wider use of transportation means with low environmental loads, including railroads, for commuting and business trips, and encouraging remote work and meetings Reduction of CO₂ emissions (compared to FY2019) <ul style="list-style-type: none"> Scope 1 and 2: 25% reduction Scope 3 Category 1 (non-consolidated): 8% reduction 	<ul style="list-style-type: none"> Shift of company-owned vehicles to electric vehicles (HEVs, PHEVs, EVs, and FCVs) in Japan: 92.3% Completed conversion to renewable energy at plants and the laboratory in Japan, on February 2022 CO₂ emissions <ul style="list-style-type: none"> Scope 1 and 2: 13.7% reduction (30,012 t-CO₂) Scope 3 Category 1: 12.2% increase (165,569 t-CO₂)
	Environmental Load Reduction	<ul style="list-style-type: none"> Water consumption per unit of production: 12.4 m³/10,000 bottles or less Recycling rate: 98% or higher 60% of plastic eye drop containers being produced from biomass plastic in FY2030 10% reduction in plastic used for wrapping and packing materials (compared to FY2019) 	<ul style="list-style-type: none"> Water consumption per unit of production: 13.4 m³/10,000 bottles Recycling rate: 98.5% Replacing to biomass plastic eye drop container: started replacing the container of five eye drop products and three of five products replacement had been completed Investigating alternative means of plastic materials for wrapping and packing materials

¹ Estimated total no. of patients to which Santen contributed (disease areas: inflammation/allergies, cornea, glaucoma, cataracts) in FY2019 was approx. 43 million, calculated based on JMDC's estimated total no. of patients for Santen's Rx products and Santen's shipment data

² OTIF (on-time and in-full) shipping: a KPI for logistics or delivery performance within the supply chain, meaning on-time and in-full delivery

³ SLA/OLA: SLA is a promise made between the service provider and the service recipient; OLA is a promise made between the parties involved in providing the services