

Social & Environment

39 Improving Access to Healthcare

Improving Access to Healthcare

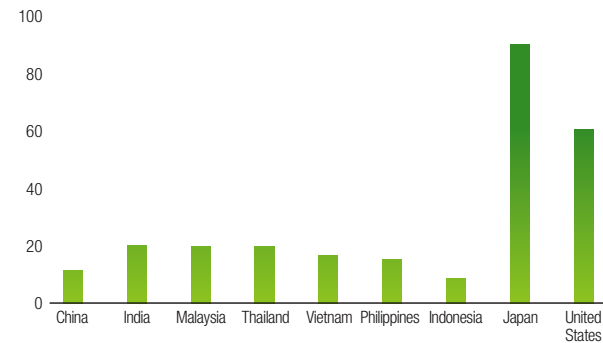
Santen is helping ophthalmologists to improve their skills in surgery and treatment, and contributing to education of ophthalmic technicians and other professionals to make appropriate care available to the patients who need it.

Improving Access to Healthcare According to Local Needs

In many emerging economies, there are not enough medical professionals, including ophthalmologists and ophthalmic technicians. This is preventing patients from receiving adequate treatment, or even being correctly diagnosed.

The number of ophthalmologists per million people is 89.6 in

■ Number of Ophthalmologists per Million People by Country



* Numbers are estimated by Santen based on information disclosed by academic societies in each country

Japan and 60.3 in the United States, but only 11.3 in China and 16.5 in Vietnam.

Santen develops socially significant products, and is striving to reduce the number of untreated patients in the world by expanding access to ophthalmic care. Our goal is to contribute to more than 60 million¹ patients by 2025.

A particular challenge is disparities in medical care, especially for medical professionals in rural or otherwise remote locations, which lack access to the latest information and surgical training systems. Santen cooperates with external partners to raise the quality of care, such as by providing opportunities for ophthalmologists to improve their skills in cataract surgery and glaucoma treatment. In addition, Santen works to expand access to care by devoting efforts to educating other medical professionals such as ophthalmic technicians.

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

Providing Education and Skill Upgrade Opportunities to Eye Care Professionals in Partnership with Orbis

Santen established a partnership in 2020 with Orbis International, a leading global non-governmental organization that has been a pioneer in the prevention and treatment of avoidable blindness for four decades.

Initiatives to Help Ophthalmologists Develop Their Expertise and Skills in Glaucoma Treatment (China, Vietnam and India)

Online Training

Cybersight, Orbis's award-winning telemedicine and e-learning platform for eye health professionals, offers opportunities for efficient learning as well as a wide variety of online learning content, including courses on various eye-disease-related topics and the latest medical information,



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thereby contributing to the development of ophthalmologists' expertise. *Cybersight* provides eye health professionals with free access to a standardized educational platform and world-class knowledge, no matter where they are on the planet. The high-quality educational content is available online in multiple languages, enabling local ophthalmologists and other medical professionals to learn effectively in their language of choice.

As of July 2022, *Cybersight* offers six online courses and over 20 educational resources on glaucoma in Chinese, and two online courses and four educational resources in Vietnamese. The number of ophthalmologists using *Cybersight* for their study totals over 1,700 in China, 1,600 in Vietnam, and 5,300 in India. They are among more than 67,000 eye care professionals across many countries and regions globally using the platform.

Development of Diagnostic and Surgical Skills

Developing skills in diagnosis and surgery requires a suitable learning environment and ample opportunities for training, including access to equipment, educational materials,

programs, and skilled trainers. To ensure efficient access to high-level professional training for as many ophthalmologists as possible, Santen has partnered with Orbis to offer innovative training programs whose features include diagnostic support assisted by AI and digital technology, online remote instruction, and surgical training using simulation kits—all through *Cybersight*. Santen will continue helping ophthalmologists in emerging economies to develop their skills in glaucoma diagnosis and surgery.

Initiative to Help Train Ophthalmology Residents (Vietnam and India)

Another key to making high-quality ophthalmic treatment more accessible is to provide ophthalmology residents with standardized, high-quality education, thereby increasing the number of fully trained ophthalmologists. Santen supports Orbis in developing and offering practical solutions for raising the level of ophthalmic education, including tools for evaluating training programs, instructor training programs, and training tools based on digital technology. These efforts lead to standardized training programs for ophthalmology

residents in Vietnam and India and help local educational institutions enhance their resident training capabilities.

Strategic Partnership with SNEC to Provide Innovative Educational Programs for Healthcare Professionals

We have entered a strategic partnership with the Singapore National Eye Centre (SNEC), which is widely recognized internationally as a world leader in research and education for eye care professionals. We are working to jointly develop and deploy an internationally accredited educational program that is enhanced to be offered on a combined online and offline platform to address the shortage of trained healthcare professionals, which will contribute to the development of the eye care ecosystem throughout the region.

We have begun offering the Ophthalmic Technician training program from Singapore to the region as the first initiative under the partnership and plan to expand the program to other countries and regions.



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Inclusion from the Perspective of
Medical Professionals

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Feature 2

Inclusion from the Perspective of Medical Professionals The Social Value of Disabilities

From the ESG Meeting Keynote Address by Dr. Masayo Takahashi of Vision Care Inc. and Kobe City Eye Hospital

As one of its strategies for 2030 and beyond, Santen aims to help build society that is inclusive regardless of visual impairment. We work to promote awareness and understanding of visual impairments, enable those with and without impairments to share their joys and values, and improve quality of life for people with visual impairments. At the ESG meeting Santen held in March 2022, Dr. Masayo Takahashi of Vision Care Inc. and Kobe City Eye Hospital gave an address on inclusion from an ophthalmological and medical perspective.



Masayo Takahashi,
M.D., Ph.D.
Vision Care Inc.
Kobe City Eye Hospital

Resolving Issues Relating to Visual Impairment

Vision Care Inc. is engaged in the research and development of retinal regenerative medicine technologies. We consider it essential not simply to use regenerative medicine to make products, but to also link this to treatment. Moreover, resolving issues relating to visual impairment requires consideration of aspects that cannot be addressed through medical care alone.

When considering what kind of corporation we should

be, pursuing a vision that essentially limits ourselves to being a “two-dimensional” company that simply grows cells and makes products will not enable us to realize the potential of regenerative medicine. While we have consequently worked to be a “three-dimensional” company that provides medical care encompassing patient selection, methods for measuring efficacy, and rejection test, we aspire to become a “four-dimensional” company that also resolves issues that go beyond medical care.

Form of Corporation

	2D	3D	4D
Corporation field	Cell production sales corporation (Pharmaceutical model)	Retinal cell treatment (Medical device model)	Retinal treatment general trading company (Unknown model)
Outcome	Cell	Healthcare	Society

Aiming to become a 4D corporation

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Feature 2 Inclusion from the Perspective of Medical Professionals—The Social Value of Disabilities



Kobe City Eye Hospital



Vision Park, 2nd Floor, Kobe City Eye Hospital

Based on this concept, we established the Kobe City Eye Hospital at the end of 2017. The center uses all methods available to resolve issues relating to visual impairment—it works to resolve issues using not limited to medical treatment but also measures that extend to living and working environments, social awareness and advocacy. It is a one-stop facility specializing in ophthalmology—from research, development of treatments and ophthalmological care, to low-vision care¹ and welfare. Low-vision care is a holistic medical approach² (including the provision of accurate and useful information) that is attuned to a patient's state of mind and helps that person lead a fuller life. Rapid advances in devices and technologies

necessitate a comprehensive approach encompassing advanced medical care to low-vision care and welfare.

Building a Truly Inclusive Society

Social attitudes toward people with visual impairments have changed significantly in recent years. Society as a whole is moving away from approaches that could be considered overprotective, toward establishing a truly inclusive era of living happily together. I strongly feel that welfare services should change accordingly. To date, our systems for welfare are structured to focus mainly on people with severe disabilities. However, there are various gradations of disability from mild to severe, and society functions through the

interaction of a wide range of people, with and without disabilities. One other benefit of looking at the world in terms of such gradations is that we can be reminded that, in a sense, everyone has disabilities, for example the inability to use IT or difficulty speaking a second language. With that in mind, I think society is on its way to becoming truly inclusive.

Addressing the needs of people with visual impairments can offer additional value as by doing so we are able to spur advances in society and technological innovation (i.e., transforming barriers into value), but society is not yet aware of this potential. For example, recent advances in technology have facilitated widespread digital low-vision care, which has

¹ Low-vision care is a general term for multifaceted support for people with low vision (visual function or eyesight that causes some degree of impairment in growth and development or everyday life and social participation). Typically encompassing comprehensive medical, educational, occupational, social, welfare and psychological support, the primary aims of low-vision care are to provide the necessary education and support (i.e., habilitation) for children in developmental and growth stages, and rehabilitation for people who develop impairments as adults.

² Medical care that not only treats diseases but also provides comprehensive disease prevention, diagnosis and treatment from all angles, including the psychological and social aspects of patients.

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Feature 2 Inclusion from the Perspective of Medical Professionals—The Social Value of Disabilities

Disability Gradation



eliminated impediments to work for people with mild impairments. History has shown that resolving issues relating to visual impairment will help to spread technologies throughout society and make everyone's lives more convenient.

I usually advise patients that even successful regenerative therapy will not result in complete restoration of sight, and they should prepare to accept some degree of impairment. However, I also tell them that although their vision may not be fully restored, there are things they can change or do to fulfill their desire to be able to enjoy reading again, for example through the use of a magnifying glass or text-to-speech generation. There are often misunderstandings over what is possible in terms of restoration and rehabilitation, so simply resolving these misunderstandings makes a

major difference in patients' lives. Loss of eyesight cannot yet be completely eliminated, but I believe despair can be.

Regenerative medicine is a promising and, at the same time, a highly challenging field that may have the potential to cure central nervous system diseases that have been thought to be incurable. I believe that reaching a point where there is a broad understanding that some fates cannot be changed in spite of these initiatives, and full acceptance that there is nothing unusual about having a disability, will be the most admirable development for society as a whole. With this conviction, I will continue to work with all stakeholders to build a truly inclusive society where everyone can live happily together.



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Talent Strategy

Aiming for sustainable growth founded on high-level talent, leadership for the next decade, and ongoing development of organizational capabilities and culture

1 Strategic Pillars

Our people are the driving force for achieving growth as a sustainable company and increasing our corporate value. We have set four items as the pillars of our Human Resources Strategy in the runup to 2025 as we evolve into a truly global company.

1	Reinforcement of organizational capabilities
2	A strong, diverse talent pipeline
3	Common global personnel infrastructure
4	Corporate brand (EVP: Employee value proposition)

In order to realize true globalization and the deeper potential of the ophthalmology business, ongoing business transformation is necessary.

One pillar of that is strengthening organizational capabilities. This includes establishing a global leadership team, reinforcing corporate headquarters and R&D functions, promoting diversity, equity and inclusion, and building the management skills of those responsible for transformation-related leadership and training.

The second pillar is enhancement of the talent pipeline to support future business. We will develop the human resources necessary to accelerate Santen's next decade of growth by strategically and systematically implementing inclusive development for senior leadership candidates. Particular focus will be placed on globally-minded leaders, female leaders and local talent familiar with the countries and

regions in which we operate.

The third pillar is building a Group-wide HR infrastructure suitable for an organization that does business globally. Believing that we need a platform that is consistent throughout the world, we introduced a suite of new systems in April 2022 to attract and develop talent. We will also efficiently handle cross-border team management, which has become an increasingly important theme in recent years.

Fourth is the strength of our employer brand. We want Santen to be an attractive proposition for people around the world, not only in terms of the satisfaction of our 4,300 or so employees, but also in terms of our ability to recruit high-level talent. To that end, we will define, visualize and communicate an EVP that leverages Santen's unique strengths, tradition and heritage, and that sets expectations for future growth and evolution.



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4.4 Talent Strategy

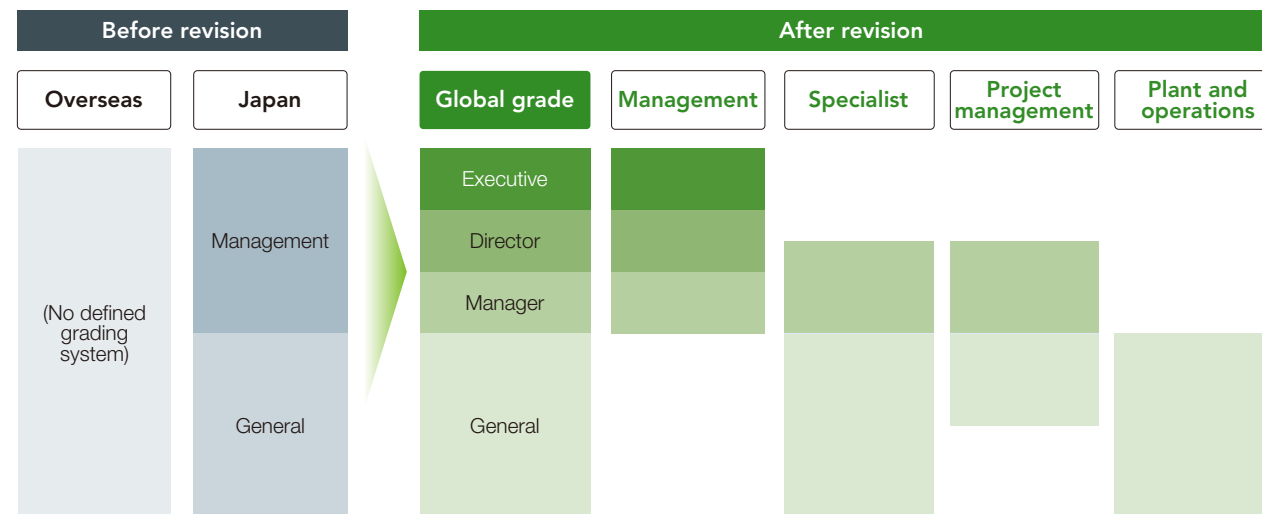
Talent Strategy

2 Introduction of a Human Resources System Suited to the Changing Business Environment

The COVID-19 pandemic has significantly changed the way we work. With the spread of virtual work, the old idea of working at the office is no longer the de facto standard. Introduced in fiscal 2021, our Work from Anywhere Guideline has already taken root. The globalization of our business has increased the need for a system that enables all employees to work toward stretch goals, be fairly evaluated, recognized and rewarded for high performance, and grow through their work, no matter where in the world they are based. At the same time, in order to accelerate the development of globally

mindful talent to support Santen's future growth, a personnel system premised on gaining practical experience across countries and regions has become necessary.

With that in mind, in April 2022, we made our HR systems consistent throughout the world, and introduced new job grading, evaluation and compensation systems. Grade definitions, which varied by country or region, were also clarified, making it possible to quickly determine what talent we have and where.



3 Actions to Date and Approach Going Forward

We are making steady progress in promoting diversity. In terms of gender diversity, our global woman manager ratio was 37% as of March 31, 2022. On the other hand, in Japan, where about half of our employees are located, women are still underrepresented in management, although the woman manager ratio has increased from 13% (as of March 2021) to 15%. We have set and are working toward the goal of raising that ratio to 25% by 2025. As for the diversity among senior management, the ratio of women is greater than 20%, and the ratio of non-Japanese nationals is about 50%. The gender pay gap is a social issue that has been receiving attention recently. At the Santen Group, among senior management in particular, there is no significant gap, which reflects the relatively high percentage of women in management outside Japan.

In human resource development, we believe it is necessary to foster an inclusive mindset as the diversity of the organization increases. We implemented neuroscience-based microlearning practices as part of DE&I training for managers worldwide in fiscal 2021, and will roll out a program for all employees, beginning in fiscal 2022. We are also taking action to promote conversations about diversity and inclusion. For example, on International Women's Day, we invited Caroline Casey, President of the International Agency for the Prevention of Blindness (IAPB), for an online session for all employees on intersectionality and inclusion.

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4.4 Talent Strategy

Talent Strategy

Regarding employment of people with disabilities, Santen special subsidiary Claire Co., Ltd.¹ became certified under the Ministry of Health, Labour and Welfare’s MONISU Certification System in September 2021. Given our specialization in ophthalmology, we also emphasize employment and occupational development for people with visual impairments. As of March 31, 2022, five employees with visual impairments are active in a variety of roles, including in HR and CSR, with a particular focus on activities to raise awareness within and outside the Company, such as the Blind Experience program, which aims to deepen participants’ understanding of visual impairments.

In the process of globalizing our organization, and taking into account current exchange rates, rising prices and other trends, we recognize the need to respond to increased recruiting and labor costs and increased workforce mobility. In addition, we must take a firmer stance in addressing issues such as

consideration for human rights, promotion of health and productivity management, and retention of employees. We are always mindful of the need to secure the best talent, including the recruitment of specialists in digital transformation and new business areas.

In Japan and EMEA in fiscal 2021, we implemented an employee engagement survey, which targeted a narrowed scope of themes, and plan to conduct it worldwide this year. In other achievements, our Netherlands branch (Santen SA) was certified as a top employer by the Top Employer Institute² in fiscal 2021, and Santen Pharmaceutical Spain and Santen UK Limited were each certified as a Great Place To Work[®].

At Santen, “People Centricity” is the core of our Values, and as such we will continue our transformation into a company that achieves true global growth.



Top Employer certification (Netherlands)



Great Place to Work[®] certification (UK)



Great Place to Work[®] certification (Spain)



Operations at Claire Co., Ltd.



Members of Santen UK

¹ Claire’s main line of business is cleaning services for clothing used in sterile and dust-free environments. Its main clients are Santen’s Shiga Product Supply Center and Noto Plant, but services under contract are also available to companies outside the Group.

² A European organization headquartered in the Netherlands, recognizes companies that achieve high scores in employee satisfaction based on surveys of workers. It evaluates companies’ workplace systems and employment practices across six categories.

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4.4 Talent Strategy

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Talent Strategy (Human Resource Development)

1 Professional Development of Medical Representatives

With a history of more than 130 years, Santen has built a strong presence in the field of ophthalmology. That presence is rooted in our culture that emphasizes thorough training and education of medical representatives (MRs).

In fiscal 2020 and 2021, when the COVID-19 pandemic significantly limited our normal business activities and brought changes to the way we work, we set up an online training environment and spent more time than ever on in-house education. In addition to learning the basic conduct and knowledge required to maintain their qualifications and communicate pharmaceutical information, MRs need expertise in ophthalmology as well as wide-ranging knowledge about medicines and eye clinic management. Given our

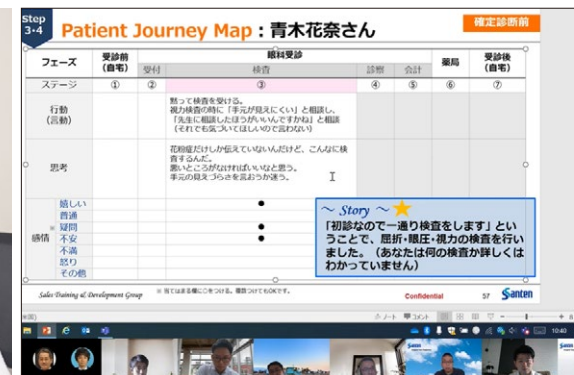
specialization, our MRs must have the ability to respond to the needs of ophthalmologists and healthcare professionals. This in turn is the source of our competitive advantage.

Particularly in our Japan business, where we hold a market share of more than 50%, throughout the year we provide a wide variety of training to a degree that external parties would find unexpected. In fiscal 2021, the average training per MR totaled about 100 hours. All MRs, whether recent university graduates or mid-career hires, undergo a half year of rigorous training after joining Santen, and even after being assigned to a department they continue to expand their knowledge of diseases, pathophysiology and Santen's products through monthly strategy-based training. In skills development, we provide them with ongoing training on basic mindset as a business person. Moreover, we have been enhancing specialized training based on the type of facility that they are

responsible for, such as for university hospitals. The expanding use of telework due to the pandemic has increased the importance of good communication, so we also conduct one-on-one training to improve dialogue skills for management-level employees. In addition, we place great importance on "people-centric" thinking based on Santen's Values, and are enhancing programs tailored to this approach. For example, role-playing exercises are conducted as part of output-oriented training every month. This practical learning program covers how to correctly convey information to ophthalmologists and what kind of communication is required in interactions with general medical professionals and patients. Through such ongoing training programs, MRs hone these communication skills that enable them to engage deeply with doctors on issues in medical care.



Role-playing as an MR and a doctor



Online training to learn the customer's point of view



Product training at a plant

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Talent Strategy (Human Resource Development)

2 Conducting Neuroscience-Based DE&I Training Globally



To promote inclusion in everyday work, we conduct organization-wide learning with a neuroscientific focus that opens up opportunities for all leaders. Santen partnered with the NeuroLeadership Institute (NLI), a global research and consulting firm that provides neuroscientific methodologies and frameworks, to facilitate positive and sustainable behaviors based on “shared everyday habits.”

Together with NLI, we launched INCLUDE: The Neuroscience of Smarter Teams®, a learning program for leaders and people managers at Santen. The program focuses on the habits of collaboration and inclusive team interactions with the goal of building high-performing teams. Since its launch in November 2021, 75% of Santen’s global leaders and people managers have taken part in the program and learned the habits of inclusion based on the latest neuroscientific research.

3 A Skill Development Program on AI in Business

To enhance our customer value proposition and productivity, we promote the use of data in business through online training that teaches the basics of how to leverage data to a wide range of employees at business sites in Japan. In the first two-day session, 247 employees from 18 departments participated. The first day covered the basic history and concepts of digital transformation, AI and other technologies that form the foundation for leveraging data. On the second

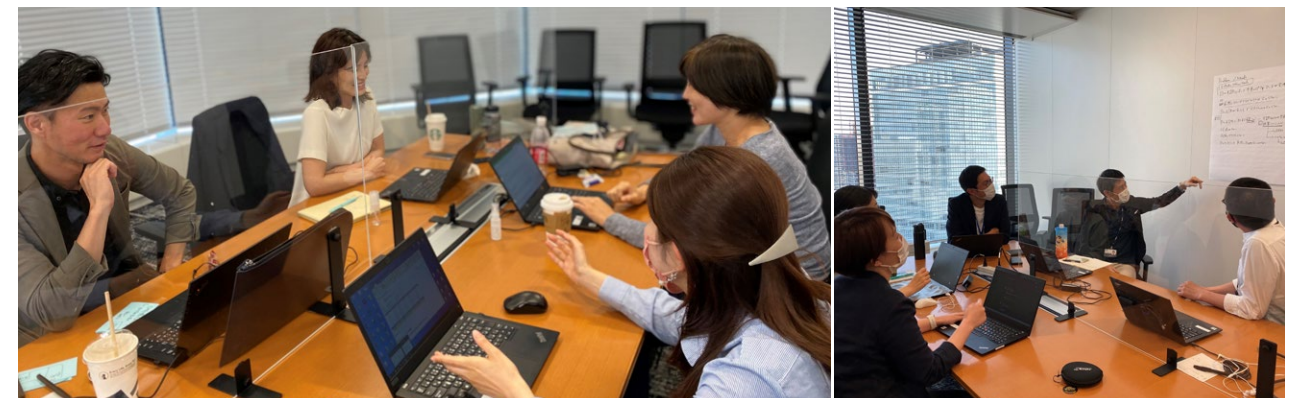
day, participants gained a more practical grasp of technologies and deepened related understanding by contributing their own ideas for how to use AI in actual business and engaging in discussions with lecturers.

In fiscal 2022, we are offering similar training at overseas locations, and will strengthen initiatives to promote the use of data in business globally.

4 Strategic Planning Training for Selected Employees

Santen selected mid-level employees from various divisions, including R&D, marketing and corporate functions, to receive strategic planning training for approximately 60 hours over half

a year. Participants split into five teams to draft new business proposals. As a final report, they made presentations to their supervisors, including the executives.



Strategic planning training

Disclosures Based on the TCFD Recommendations

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Santen has established the “Santen Vision for the Earth 2050” (hereinafter, environmental vision) as its environmental vision toward 2050, and is actively committed to implementing measures against climate change and reducing the environmental load of its business activities. In addition, in June 2022, the Company declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (hereinafter, TCFD). Since we have conducted scenario analysis and assessed risks and opportunities to measure the financial impact of climate change on us, we will disclose related information appropriately in line with the TCFD recommendations.

Governance

Issues of ESG Materiality including climate change are reported to and discussed by the CSR Committee, which is chaired by the President and CEO and usually meets twice a year. Important discussion contents and decisions are proposed as “Reports & Deliberations” to the Board of Directors.

Since we launched an interdivisional TCFD project in 2021, we have held discussions on the identification of climate-related risks and opportunities, assessment of financial impacts and measures to address to them. After consultation was sought from the CSR Committee regarding discussion contents, they were proposed as “Reports & Deliberations” to the Board of Directors.

After the risks are identified, the department in charge of risk management and the division responsible for addressing the risks hold discussions to devise a policy and specific measures in response to the risks. To address the identified opportunities, we monitor and assess changes in the external and internal environments and incorporate the monitoring and assessment results in our business strategy according to necessity.

We have also included ESG metrics in our evaluation methods used to determine the level of compensation for executives in order to promote and enhance our

environmental efforts, including efforts to combat climate change issues.

Strategy

As a result of analysis and assessment under a 1.5°C scenario and a 4°C scenario,¹ we have identified climate-related risks and opportunities and their financial impacts, and have devised measures to address them as follows.

Details about climate-related risks and resilience

We have judged that only the risk entailed by the accelerated shift to low-carbon energy will have a major financial impact. However, for Santen, there is also the risk of plastics such as eye drops which are the core of Santen’s business, and water which is indispensable for the production of eye drops. Below are the details of the risks and the countermeasures considered.

Accelerated shift to low-carbon energy

The production of eye drops and other products involves the use of steam. Amid the accelerated shift to low-carbon energy, we are planning to introduce hydrogen boilers and hydrogen fuel storage facilities to replace fossil fuel used to fuel the

boilers with a low-carbon energy source. We have estimated the financial impacts on the supposition that hydrogen boilers and hydrogen fuel storage facilities will be installed at the following Santen’s production sites: the Noto Plant, the Shiga Product Supply Center (both in Japan), and the Suzhou Plant (in China). Despite many uncertainties, including fluctuations in fuel prices toward 2050, technological issues, and the need to ensure a necessary area of land, we have conservatively calculated that the related financial impacts will be worth JPY 3.0 billion or more, which we have judged as “major” impacts.

To reduce the risk, we will consider minimizing the investment amount by utilizing novel technologies and other means. Through this fuel shift, we also aim to achieve zero greenhouse gas emissions as envisioned in our environmental vision, in order to decarbonize our products and services and contribute to a sustainable society and business.

¹ 1.5°C scenario: Scenario postulating the maximum climate-related transition risks for Santen, constructed using the very low emissions scenario SSP1-1.9 in the Intergovernmental Panel on Climate Change (IPCC) *Sixth Assessment Report (AR6)*, the International Energy Agency (IEA) *Net Zero Emissions by 2050 Scenario (NZE)*, and other information

4°C scenario: Scenario postulating the maximum climate-related physical risks for Santen, constructed using the high greenhouse gas emissions scenario RCP8.5 in the IPCC’s *Fifth Assessment Report (AR5)* and other information

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Disclosures Based on the TCFD Recommendations

■ Climate-related risks and opportunities and financial impacts

Scenario	Risks / Opportunities	Change in external environment (from present to around 2050)	Risks / Opportunities for Santen	Financial impacts ¹	Method of assessing impacts
1.5°C scenario	Transition risks	Accelerated shift to low-carbon energy	Experiencing an increase in investments in and the cost of shifting to low-carbon energy	Major	<ul style="list-style-type: none"> Calculating conservatively in consideration of a certain level of technological uncertainties
		Imposition of the obligation to shift to bioplastic and biomass plastic and related regulations	Experiencing an increase in the cost of procuring container and packaging materials	Minor	<ul style="list-style-type: none"> Assessing the impacts by calculating the cost increase on the supposition of an ambitious sales growth rate
		Sharp rise in ingredient prices due to a decreased supply of plant-based ingredients	Experiencing an increase in the cost of procuring plant-based ingredients	Minor	<ul style="list-style-type: none"> Judging the price rise risk not to be high because plant-based ingredients, which account for a large part of the ingredient procurement costs, do not rely on particular animals or plants and can be procured easily
4°C scenario	Physical risks	Floods and droughts due to changes in rainfall patterns	Delaying or suspending product supply due to floods or restrictions on water use, which will cause difficulty in plant or laboratory operations	Minor	<ul style="list-style-type: none"> Judging in consideration of water usage in production processes and other factors based on whether or not rivers exist near each plant or laboratory and the result of the assessment of drought risks at each location using Aqueduct,² which is water risk assessment tools
	Opportunities	Increase in the number of myopia patients due to more frequent indoor activities in extreme weather events	Contributing to treating an increasing number of myopia patients by increasing the production and supply of new myopia and other drugs	Financial impacts are hard to identify at the present.	<ul style="list-style-type: none"> Assessing the impact of climate change on eye diseases referring to published research Judging that it is hard to calculate the monetary value of the impact because it is difficult to determine what part of the increase in the number of myopia patients³ is accounted for by climate change
		Increase in the number and activity of allergens, such as pollen, and pathogenic organisms due to climate change	Contributing to treating allergies and infectious diseases of the eyes by increasing the production and supply of existing drugs, such as allergy and infectious disease treatments	Financial impacts are hard to identify at the present.	<ul style="list-style-type: none"> Assessing the impact of climate change on eye diseases referring to published research Judging that it is hard to calculate the monetary value of the impact because it is difficult to determine what part of the increase in the number of eye allergy and infectious disease patients, which is predicted to occur due to a rise in the average temperature, will be accounted for by climate change

¹ Judged by how much the impacts on profits or costs would be worth annually or by the total amount of investments. "Major" impacts are worth JPY 3.0 billion or more, while "Minor" impacts are worth less than JPY 3.0 billion.

² Water risk assessment tools made open to public use by the World Resources Institute (WRI)

³ An article [*Ophthalmology*, 123; 1036-1042, 2016] estimates that the number of myopia patients will increase to approximately 5.0 billion by 2050, around 3 times higher than the figure for 2000.

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Disclosures Based on the TCFD Recommendations

Imposition of the obligation to shift to bioplastic and biomass plastic and related regulations

Santen uses plastic as a material of eye drop containers and a wrapping and packaging material for various products. If regulations are imposed on the use of current fossil-based plastic or if the obligation to use bioplastic and biomass plastic is imposed on us, procurement costs will increase because the unit prices of bioplastic and biomass plastic containers and packages are higher than those of conventional plastic containers and packages.

We have assessed the related financial impacts by estimating the cost increase on the supposition of a more ambitious sales growth rate than the current forecast of sales growth rate. We estimate that the impacts will be worth less than JPY 3.0 billion, which we have judged as “minor.”

We have already launched an initiative to achieve the target of replacing 60% of conventional plastic eye drop containers with biomass plastic containers by 2030 to realize our environmental vision. By the end of FY2021, we had started replacing the containers of five eye drop products with biomass plastic containers, and three of five products replacement had been completed. We are also striving to achieve the target of reducing the use of plastic as a wrapping and packaging material by 15% from the 2019 level by 2030.

Floods and droughts due to changes in rainfall patterns

The production of eye drops necessitates the use of water. If climate change causes changes in rainfall patterns or radical changes in weather patterns, floods and droughts will occur more often. Such a weather event is predicted to damage plants physically or lead to restrictions on the use of industrial water and consequently make it difficult for plants to operate, resulting in the suspension or delay of product supply and a resulting decrease in sales and profits. Therefore, we have assessed the risks of our plants and laboratories being affected by floods and droughts.

We have judged flood risks to be low because there are no rivers that could flood the areas near our plants.

Regarding drought, the degree of drought risks at each factory and laboratory specified by Aqueduct, and the opportunity loss (impact on sales) in the event of current and future water usage and water intake restrictions at the site are taken into consideration. As a result, we have determined that the relevant financial impacts of climate change will be minor on our production facilities in the Noto Plant, the Shiga Product Supply Center (both in Japan), the Suzhou Plant (in China) and Advanced Vision Science, Inc. (in the U.S.), and research facilities in Nara Research and Development Center (in Japan) and Santen S.A.S. (in France).

Risk Management

Santen conducts scenario analysis and identifies climate-related risks and opportunities to monitor and assess the impacts of climate change on its business. The identified risks and opportunities are regularly reported to the CSR Committee for discussions. To address a risk that has proven serious based on the results of Company-wide risk assessment, the department in charge of risk management under the leadership of the Chief Risk Officer selects a department to be responsible for addressing the risk by implementing measures to prevent the realization of the risk, formulating a business continuity plan, confirming that the business continuity plan is capable of functioning effectively in the event of an emergency, and reviewing the plan as needed.

Metrics and Targets

Santen has established the “Santen Vision for the Earth 2050” as its environmental vision toward 2050. The Company has also set environmental targets for 2030, including a CO₂ emission reduction target, and is promoting activities to achieve the targets. As a measure to combat climate change, we have set a target of reducing Scope 1 and Scope 2 emissions¹ by 50% on a CO₂-ton basis from the 2019 level by 2030, and a target of reducing Scope 3 Category 1 emissions² (non-consolidated) by 15% on a CO₂-ton basis from the 2019 level by 2030. The Science Based Targets initiative (SBTi)³ has approved the former target as a 1.5°C target and the latter as a 2°C target.

¹ Scope 1: Direct greenhouse gas emissions from sources owned or controlled by a company (fuel combustion and industrial processes) / Scope 2: Indirect greenhouse gas emissions from the generation of purchased energy, such as electricity, heat, and steam

² Indirect greenhouse gas emissions, other than Scope 1 and 2 emissions, resulting from a company's value chain activities, which are not owned or controlled by the company. Among them, Category 1 emissions are emissions from all purchased goods and services.

³ A joint initiative to encourage companies to set and achieve science-based targets for GHG emissions reduction in line with the Paris Agreement