

NOTICE: This is a translation of a part of the notice issued on June 5, 2023 in Japanese and is made solely for the convenience of the foreign shareholders. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

BUSINESS REPORT

(From April 1, 2022 to March 31, 2023)

1. Matters Regarding the Status of the Corporate Group

(1) Basic Policy on Management

As a specialized company dedicated to eye health, we, the Santen Group*, carry out research, development, marketing, and sales of pharmaceuticals, over-the-counter products, and medical devices, and its products now reach patients in over 60 countries and regions.

Toward realizing the “WORLD VISION” (Happiness with Vision), the world Santen Group ultimately aspires to achieve, as a “Social Innovator”, we aim to reduce the social and economic opportunity loss of people around the world caused by eye diseases and defects by orchestrating and mobilizing key technologies and players around the world.

With scientific knowledge and organizational capabilities nurtured over a 130-year history, we will work to go beyond the bounds of the pharmaceutical industry in an effort to develop and provide patient-oriented ophthalmological solutions, and provide products and services to contribute to the well-being of patients, their loved ones and consequently to society.

* The Company (Santen) and its affiliate companies.

(2) Progress and Achievement in Business

(i) Consolidated Results

(A) IFRS

(JPY millions)

	FY2021	FY2022	Year-on-year change
Revenue	266,257	279,037	4.8%
Operating profit (loss)	35,886	(3,090)	—%
Net profit (loss) for the year	27,189	(14,983)	—%
Net profit (loss) for the year attributable to owners of the company	27,218	(14,948)	—%

[Revenue]

Revenue in the fiscal year ended March 31, 2023 increased by 4.8% year-on-year to ¥279.0 billion.

In the mainstay prescription pharmaceuticals business, sales increased by 4.3% year-on-year to ¥260.2 billion partially on FX impact. Despite the strong impact of strict measures in China to prevent the spread of COVID-19 and the subsequent significant wave of infections after the measures were lifted, the Company was able to minimize the impact of drug price revisions in Japan by focusing on mainstay products including *Alesion*. It also posted stable growth in mainstay products in Asia and EMEA.

The breakdown of revenue is as follows:

Upper: Value

Lower: Year-on-year change

【】: Year-on-year change excluding FX impact

(JPY millions)

	Japan	China	Asia	EMEA	Americas	Total
Prescription pharmaceuticals	162,770	21,172	23,226	50,136	2,931	260,235
	1.9%	(22.0%)	21.1%	21.5%	26.5%	4.3%
	【-%】	【(30.6%)】	【10.3%】	【11.3%】	【8.3%】	【0.9%】
OTC pharmaceuticals	9,595	262	771	—	—	10,628
	4.5%	—	31.2%	—	—	8.7%
	—	—	—	—	—	—
Medical devices	3,264	50	9	2,377	557	6,257
	4.0%	—	—	44.2%	40.0%	20.7%
	—	—	—	—	—	—
Others	1,744	62	112	—	—	1,919
	8.7%	10.4%	112.2%	—	—	12.0%
	—	—	—	—	—	—
Total	177,373	21,546	24,118	52,513	3,488	279,037
	2.2%	(20.8%)	21.7%	22.4%	28.5%	4.8%
	【-%】	【(29.4%)】	【10.8%】	【12.1%】	【9.5%】	【1.3%】

(Note) Represents revenue from sales to external customers.

Classified into countries or regions based on customer location. China is not included in Asia.

EMEA means Europe, the Middle East and Africa.

<Prescription pharmaceuticals>

◇ Japan

Revenue in the fiscal year ended March 31, 2023 increased by 1.9% year-on-year to ¥162.8 billion. The Company was able to minimize the impact of mid-4% level drug price revisions, by focusing on mainstay products including *Alesion* and through product improvements, such as *Diquas LX* launched in November 2022, in which the number of daily application of eye drops was reduced to 3, compared to *Diquas*. Revenues of major products are as follows:

• Glaucoma and ocular hypertension

Tapros ophthalmic solution ¥7.8 Billion (YoY: - 7.7%)

Tapcom ophthalmic solution ¥2.6 Billion (YoY: - 3.2%)

Cosopt ophthalmic solution ¥4.7 Billion (YoY: - 17.3%)

Eybelis ophthalmic solution ¥3.9 Billion (YoY: + 18.2%)

• Dry eye

Diquas ophthalmic solution*1 ¥16.3 Billion (YoY: + 21.9%)

• Allergy

Alesion ophthalmic solution*2 ¥33.4 Billion (YoY: + 14.1%)

• Intravitreal VEGF inhibitor

EYLEA*3

(solution for intravitreal injection)

¥71.3 Billion (YoY: - 1.7%)

◇ **China**

On a JPY basis, revenue in the fiscal year ended March 31, 2023 decreased by 22.0% year-on-year (-30.6% excluding FX impact), to ¥21.2 billion on the impact of strict COVID-19 measures in China and the subsequent significant wave of infections after lifting these measures. Revenues of major products are as follows:

• Glaucoma and ocular hypertension

Tapros ophthalmic solution ¥1.0 Billion (YoY: - 10.7%)

• Dry eye

Diquas ophthalmic solution ¥2.8 Billion (YoY: - 32.0%)

Hyalein ophthalmic solution ¥6.4 Billion (YoY: - 28.1%)

• Bacterial conjunctivitis

Cravit ophthalmic solution ¥6.3 Billion (YoY: - 9.4%)

◇ **Asia (excluding China)**

On a JPY basis, revenue in the fiscal year ended March 31, 2023 increased by 21.1% year-on-year (+10.3% excluding FX impact), to ¥23.2 billion. Revenues of major products are as follows:

• Glaucoma and ocular hypertension

Tapros ophthalmic solution ¥2.3 Billion (YoY: + 9.6%)

Tapcom ophthalmic solution ¥1.1 Billion (YoY: + 28.9%)

Cosopt ophthalmic solution ¥6.1 Billion (YoY: + 18.5%)

• Dry eye

Diquas ophthalmic solution ¥2.0 Billion (YoY: + 37.9%)

Ikervis ¥1.5 Billion (YoY: + 40.0%)

• Bacterial conjunctivitis

Cravit ophthalmic solution ¥2.4 Billion (YoY: + 27.5%)

◇ **EMEA**

On a JPY basis, revenue in the fiscal year ended March 31, 2023 increased by 21.5% year-on-year (+11.3% excluding FX impact), to ¥50.1 billion, from growth in mainstay products in each of the countries. Revenues of major products are as follows:

• Glaucoma and ocular hypertension

Tapros ophthalmic solution ¥7.7 Billion (YoY: + 13.2%)

Tapcom ophthalmic solution ¥4.5 Billion (YoY: + 31.7%)

Cosopt ophthalmic solution ¥12.9 Billion (YoY: + 18.0%)

<i>Trusopt</i> ophthalmic solution	¥3.4 Billion (YoY: + 19.6%)
• Dry eye	
<i>Ikervis</i>	¥5.3 Billion (YoY: + 11.4%)
<i>Cationorm</i>	¥2.6 Billion (YoY: + 26.3%)
• Allergy	
<i>Verkazia</i>	¥0.7 Billion (YoY: + 28.0%)

◇ **Americas**

On a JPY basis, revenue in the fiscal year ended March 31, 2023 increased by 26.5% year-on-year (+8.3% excluding FX impact), to ¥2.9 billion.

<OTC pharmaceuticals>

Revenue in the fiscal year ended March 31, 2023 increased by 8.7% year-on-year to ¥10.6 billion.

Santen continues to focus on high-end products such as the *Sante Medical series*, *Sante Beauteye series*, and *Soft Santear series* as well as *Hyalein S*, which is a switch OTC product, *Sante FX series*, and eye drop-type eye wash, *Well-Wash EYE*, which Santen launched in the previous fiscal year.

<Medical devices>

Revenue in the fiscal year ended March 31, 2023 increased by 20.7% year-on-year to ¥6.3 billion, boosted by the strong performance of *PRESERFLO MicroShunt*. Revenues of major products are as follows:

<i>Lentis Comfort</i>	¥1.3 Billion (YoY: -6.4%)
<i>PRESERFLO MicroShunt</i>	¥2.4 Billion (YoY: + 50.6%)

<Others>

Other revenues amounted to ¥1.9 billion. This is due to sales of supplements, and cleaning of dustless and aseptic clothing at consolidated subsidiary Claire Co., Ltd.

[Operating loss]

Gross profit in the fiscal year ended March 31, 2023 increased by 6.1 % year-on-year to ¥166.1 billion.

SG&A expenses on an IFRS basis in the fiscal year ended March 31, 2023 increased by 13.9% year-on-year (+7.4% excluding FX impact) to ¥96.3 billion. R&D expenses in the fiscal year ended March 31, 2023 increased by 7.3% year-on-year (-1.1% excluding FX impact) to ¥28.3 billion.

Amortization on intangible assets associated with products in the fiscal year ended March 31, 2023 decreased by 2.2% year-on-year (-7.0% excluding FX impact) to ¥9.5 billion. This was mainly due to the amortization on intangible assets associated with products acquired from Merck & Co., Inc. (U.S.) in 2014, *Ikervis* which was launched in Europe in 2015, and *PRESERFLO MicroShunt* acquired in connection with the acquisition of InnFocus, Inc. (U.S.) in 2016 and ophthalmic products from Eyevance Pharmaceuticals Holdings Inc. (U.S.) which Santen acquired in 2020. Note that for the amortization on intangible assets associated with eye products related to the acquisition of Eyevance Pharmaceuticals Holdings Inc. (U.S.), the Company recorded an impairment loss for the full book value in the second quarter of the fiscal year under review, thus this is not applicable for the third quarter onward.

Other income amounted to ¥3.5 billion. This is mainly due to the change in fair value of the contingent consideration associated with the acquisition of InnFocus, Inc. (U.S.) in 2016.

Other expenses amounted to ¥38.6 billion. This is due to the recording of impairment losses for the total book value of fixed and intangible assets (goodwill and development and sales rights) associated with Eyevance Pharmaceuticals Holdings Inc.(U.S.) and its business unit Eyevance Pharmaceuticals LLC (U.S.), structural reforms expenses associated with efforts to maximize the streamlining of the pharmaceutical commercial business in the Americas and the recording of impairment losses on intangible assets related to STN1010904 (generic name: sirolimus) and STN1010905 (generic name: sirolimus), given a rise in the discount rate and a review of the business plan related to STN1010905.

As a result, the operating loss on an IFRS basis for the fiscal year ended March 31, 2023 amounted to ¥3.1 billion. (Operating profit of ¥35.9 billion for the same period of the previous fiscal year)

[Net loss for the year]

Finance income amounted to ¥1.2 billion.

Finance expenses amounted to ¥1.5 billion

Share of loss of investments accounted for using equity method amounted to ¥2.4 billion from Twenty Twenty Therapeutics LLC (U.S.), a joint venture with Verily Life Sciences LLC (U.S.)

Income tax expenses increased by ¥0.8 billion to ¥9.2 billion. This is mainly due to a decrease in profit before tax for the fiscal year under review, associated with the aforementioned decrease of operating profit on an IFRS basis despite a recognition of liabilities based on the estimated amount of corporate tax to be revised, during the process of negotiations with the Japanese tax authorities regarding tax audit for the period of the fiscal years ended March 2018 to March 2021.

As a result, net loss for the fiscal year ended March 31, 2023 amounted to ¥15.0 billion. (Net profit of ¥27.2 billion for the same period of the previous fiscal year)

[Net loss for the year attributable to owners of the company]

Net loss attributable to owners of the company in the fiscal year ended March 31, 2023 amounted to ¥14.9 billion. (Net profit of ¥27.2 billion for the same period of the previous fiscal year)

*1 Includes *Diquas LX*

*2 Includes *Alesion LX*

*3 Co-promoted product of Bayer Yakuhin, Ltd. (MAH).

(B) Core Basis^{*4}

(JPY millions)

	FY2021	FY2022	Year-on-year change
Revenue	266,257	279,037	4.8%
Core operating profit	46,348	44,242	(4.5%)
Core net profit for the year	35,195	33,235	(5.6%)
Core net profit for the year attributable to owners of the company	35,249	33,270	(5.6%)

[Revenue]

There are no adjustments from the IFRS basis.

[Core operating profit]

There are no adjustments to gross profit from the IFRS basis.

SG&A expenses in the fiscal year ended March 31, 2023 increased by 11.6% year-on-year to ¥93.5 billion. Note that for the previous fiscal year, expenses related to new consolidations associated with business combinations were excluded from IFRS results but for the fiscal year under review, expenses of ¥2.7 billion were incurred owing to initiatives for the resumption of growth such as productivity improvements and streamlining measures.

There are no adjustments to R&D expenses from the IFRS basis.

As a result, operating profit on a core bases in this fiscal year ended March 31, 2023 decreased by 4.5% year-on-year to ¥44.2 billion.

***4** With the adoption of IFRS in the fiscal year ended March 31, 2015, the Santen Group discloses financial information on a core basis, which is calculated by excluding certain income and expense items from the IFRS basis, as an indicator of profitability from business activities. The core basis is calculated by deducting from IFRS results the following income and expense items as well as related income tax expense adjustments.

- Amortization on intangible assets associated with products
- Other income
- Other expenses
- Finance income
- Finance expenses
- Share of profit (loss) of investments accounted for using equity method
- Expenses included in SG&A, related to acquisitions of companies and initiatives for the resumption of growth such as productivity improvements and streamlining measures

(ii) Status of Other Operations

[Research & Development Activities]

<Glaucoma and ocular hypertension area>

STN1011101 (DE-111A, generic name: tafluprost / timolol maleate) is a fixed dose combination drug of a prostaglandin F_{2α} derivative and a beta-adrenergic receptor blocker. The company filed for marketing approval in December 2022 in China.

STN1011700 (DE-117, generic name: omidenepag isopropyl) is an EP2 receptor agonist. The Company received marketing approval in September 2022 in the U.S. The product was launched in November 2018 in Japan. The Company has successively launched in Asian countries since launch in Korea in February 2021.

STN1012600 (DE-126, generic name: sepetaprost) is a dual agonist that activates both FP and EP3 receptors. An additional Phase 2 trial was completed in December 2021 in the U.S. Phase 3 trials were started in August 2022 in Japan. Phase 2 trial (exploratory study) was completed in Europe.

STN2000100 (DE-128) is a device for glaucoma. The Company launched (soft launch) in July 2022 in Japan. The device was launched in April 2019 in Europe. The Company has received approval in Singapore and other countries since September 2021, and launched in Malaysia in October 2022.

STN1013001 (DE-130A, generic name: latanoprost) is an ophthalmic emulsion of a prostaglandin F_{2α} derivative. Phase 3 trial was completed in March 2022 in Asia. The company filed for marketing approval in September 2022 in Europe.

STN1013900 (AR-13324, generic name: netarsudil mesilate) is a ROCK inhibitor. Phase 3 trial has been under way since November 2020 in Japan. Marketing approval has been received in Europe and the company launched in February 2023 in Sweden. The Company received marketing approval in January 2023 in Thailand with successive filings made for other Asian countries.

STN1014000 (PG-324, generic name: netarsudil mesilate / latanoprost) is a fixed dose combination drug of a ROCK inhibitor and a prostaglandin F_{2α} derivative. Marketing approval has been received in Europe and the company launched in January 2023 in Germany. The Company received marketing approval in January 2023 in Thailand with successive filings made for other Asian countries.

<Keratoconjunctival disease area including dry eye>

STN1007603 (DE-076C, generic name: cyclosporin) for vernal keratoconjunctivitis has been approved and launched in Europe, Asia, and Canada. Marketing approval has been received in April 2022 in China. It was launched in the U.S. in May 2022.

STN1008903 (DE-089C, generic name: diquafosol sodium) is for the treatment of dry eye. The Company launched the product in November 2022 in Japan. In Asia, the company filed for marketing approval in March 2023 in Korea.

STN1014100 (generic name: olodaterol hydrochloride) is for the treatment of dry eye. Phase 1/2a trial started in January 2023 in Japan.

STN1010904* (generic name: sirolimus) is for the treatment of Fuchs endothelial corneal dystrophy. The Company has executed a joint development agreement with ActualEyes Inc. Phase 2a trials started in U.S., France and India in May 2022. (*The development code (STN1010904) is due to be assigned to the product when Santen obtains an exclusive license upon completion of Phase 2 clinical trial.)

STN1010905 (generic name: sirolimus) is for the treatment of meibomian gland dysfunction. Phase 2a trial completed in August 2022 in Japan and the Company is considering future development plans.

STN1011402 (generic name: epinastine hydrochloride) is for the treatment of allergic conjunctivitis. The company filed for manufacturing and marketing approval in March 2023 in Japan.

<Refractive error>

STN1012700 (DE-127, generic name: atropine sulfate) is for the treatment of myopia in children. Conducting Phase 2/3 trial since August 2019 in Japan. Phase 2/3 trial was started in June 2022 in China. Phase 2 trial was completed in April 2020 in Asia.

STN1012701 (SYD-101, generic name: atropine sulfate) is for the treatment of progressive myopia in children. Sydnexis Inc., (U.S.) the licensor, is conducting Phase 3 trial in Europe and the U.S. Santen has obtained the exclusive license for Europe, Middle East and Africa.

STN1013400 (compound name: AFDX0250BS) is for the treatment of myopia. In Japan, Phase 1 trial was completed in September 2021 and the Company is preparing for Phase 2a trial.

STN1013600 (generic name: ursodeoxycholic acid) is for the treatment of presbyopia. Phase 2a trial was started in December 2022 in U.S. Phase 1 trial was completed in April 2022 in Japan.

<Others>

STN1013800 (generic name: oxymetazoline hydrochloride) is for the treatment of ptosis. Phase 3 trial was started in October 2022 in Japan.

* The numbering method for development codes has changed. Both existing development codes (DE-XXX) and new development codes (STNXXXXXXXX) are shown. AR-13324/PG-324 and SYD-101 are the development codes of Alcon Inc. (Switzerland) and Sydnexis Inc. (U.S.) respectively.

(3) Status of Capital Expenditures and Financing

Capital expenditures in the fiscal year ended March 31, 2023 amounted to ¥21.1 billion. With the aim of addressing expanding demand and reinforcing the production and supply structure, Santen has added a prescription ophthalmic solution manufacturing building on the site of its Shiga Product Supply Center. The company also commenced investment in a new factory for Santen Pharmaceutical (China) Co., Ltd. The swift move adds production capacity to proactively cater to anticipated market growth, thereby establishing Santen's competitive edge globally for even greater business growth. In addition, Santen will continue to invest in next-generation ERP, with the aim of enhancing administrative standardization and production efficiency to support global business expansion.

As for financing, for the purpose of effective financing to maximize the investment opportunity in the capital expenditures and the business development activities, we entered into an executable term loan agreement for the aggregate amount of ¥30 billion with MUFG Bank, Ltd. in March 2020, under a commitment period of four (4) years and with a maximum loan period of ten (10) years. The amount of borrowing executed during the period is ¥10 billion. We have also executed a loan of ¥5.8 billion through a syndicated loan arranged by Credit Suisse (Switzerland) Ltd. and BNP Paribas S.A. Niederlassung Deutschland for the repayment of a short-term loan for an investment in business development.

(4) Issues to be Addressed

FY 2023-FY 2025 New Medium-Term Management Plan and the Target Managerial Indicator

Since Takeshi Ito took office as President and CEO in September 2022, we have begun to promote measures for regrowth from three perspectives: improving profitability, establishing pillars for growth, and building an optimal operational and organizational structure. Under the leadership of the new CEO, we formulated a medium-term management plan for the period from FY2023 to FY 2025 (the “New Medium-Term Management Plan”).

1. Objectives of the New Medium-Term Management Plan

We will focus on maximizing our strength in the prescription pharmaceuticals business. We will fundamentally review our strategy and organization to maximize our people and patient-value contribution in the prescription pharmaceutical business.

2. Basic policy for growth

Until FY 2025, we will maximize earnings centered on two axes: structural reforms and maximizing regional sales. We will boast sales based on a clear regional strategy and strengthen commercial excellence on a global basis. We will work on business development to maximize sales of each regional business and new businesses that can generate synergies with the prescription pharmaceuticals business. From FY 2026 onward, we will leverage our revamped organizational capabilities to provide new value contribution to people and patients from its large-scale pipelines, including myopia and ptosis, and enter a new growth phase. In addition to strengthening the leadership team which takes a key role in strategy planning and execution, we will revamp our operational model and the business administration management and human resources development systems that support it so that the entire company can work together to ensure the execution of the medium-term management plan.

■ Promoting structural reforms

- Maximize streamlining of Americas: Optimize based on current situation of continued ongoing losses and pipelines
- Investment review based on financial discipline: Scrutinize investments by carefully examining IT and other large-scale investments
- Cost optimization: Control costs by means of “zero-based” budgeting
- Productivity improvement: Review the productivity of each organizational function

■ Maximizing regional sales through three pillars

- Strengthen commercial excellence on a global basis
- Develop business which maximizes sales of each regional business (including products marketed by other companies and regional products)
- Cultivate new businesses that contributes to maximizing sales in prescription pharmaceuticals business

■ Generate sales in new areas by launching large-scale pipelines (FY 2026 -)

- Create new value contribution opportunities through out-of-pocket treatments such as myopia and ptosis
- Sufficiently invest in R&D and business development to drive development and explore new pipelines

3. FY 2025 company-wide numerical targets and key performance indicators (KPIs)

We are committed to steady improvement in profitability, including growth in overseas revenue per employee, and delivering stable dividends.

Revenue	JPY 280.0 billion
Core operating profit	JPY 56.0 billion
Core operating profit margin	20%
Revenue growth ratio per overseas employee (excluding FX impact)	Growth of over 7% (CAGR for FY2022 -2025)
Core ROE (Return on Equity attributable to owners of the company)	13%
Core EPS (profit for the year per share) Growth Rate	Over 10% (CAGR for FY2022 -2025)

4. Capital allocation and shareholder return

As to our financial strategy, it is our basic approach to improve profitability by establishing superiority in the field of ophthalmology, thereby maximizing our cash generating power, and as a result, maximizing shareholder value.

In the New Medium-Term Management Plan (FY 2023-FY 2025), we will exert efforts to improve the ROE (return on equity for owners of the Company) focusing on enlarging profitability, pursuing efficiency, and ensuring soundness. We aim to especially ramp up ROE by maximizing excess earning power against capital costs.

In particular, we will enhance cash generating power concurrently with improving profits, and then allocate the cash generated to investments for future growth, prioritizing facilities, R&D and business development with good prospects for return that outweigh capital costs. In the absence of promising opportunities for growth investments, we will flexibly return profits through opportunistic share buybacks, subject to share price levels.

Also, as to dividend distribution, our basic policy is to continue a progressive dividend policy in alignment with a medium- to long-term profit growth, with the current minimum annual dividend of ¥32 per share as a floor.

5. Environmental, Social and Governance (ESG) Initiatives

As a specialized company dedicated to eye health, we will continue to contribute to patients and society through its business activities.

■ Current ESG Materiality

- (i) Development and stable supply of products and services of social significance
- (ii) Encouragement of an organizational culture that promotes value creation
- (iii) Strengthening governance, contributing to the realization of fair and equal society
- (iv) Conservation of the global environment

Of the above ESG materiality, we have identified “market penetration of products with social significance” (component (i)), which will lead to the realization of the medium-term management plan and future sustainable growth, and “human resource development and promotion” (component of (ii)), which will support and drive business growth, as the most important issues to address. We will set specific KPIs and disclose them through the Integrated Report, among other means, in future.

(5) Situation of Assets and Profit and Loss

(Transitional situation of the achievement and assets of the Corporate Group)

Classification	108th Term (April 1, 2019 to March 31, 2020)	109th Term (April 1, 2020 to March 31, 2021)	110th Term (Previous Consolidated Fiscal Year) (April 1, 2021 to March 31, 2022)	111th Term (Present Consolidated Fiscal Year) (April 1, 2022 to March 31, 2023)
Revenue (JPY millions)	241,555	249,605	266,257	279,037
Operating profit (loss) (JPY millions)	33,535	12,187	35,886	(3,090)
Net profit (loss) for the year (JPY millions)	21,714	9,126	27,189	(14,983)
Basic earnings (loss) per share (yen)	59.16	23.30	68.07	(38.60)
Total assets (JPY millions)	408,768	405,285	459,976	421,179
Total equity attributable to owners of the company (JPY millions)	302,865	310,181	337,488	293,979

(Note) The consolidated financial statement has been prepared pursuant to IFRS under the provisions of Article 120(1) of the Regulation on Corporate Accounting of Japan.

(Transitional situation of the achievement and assets of the Company)

Classification	108th Term (April 1, 2019 to March 31, 2020)	109th Term (April 1, 2020 to March 31, 2021)	110th Term (Previous Fiscal Year) (April 1, 2021 to March 31, 2022)	111th Term (Present Fiscal Year) (April 1, 2022 to March 31, 2023)
Net sales (JPY millions)	182,610	186,112	190,828	196,589
Ordinary income (JPY millions)	34,862	25,324	22,525	27,068
Net income (loss) for the year (JPY millions)	27,402	21,754	17,433	(59,379)
Per share net income (loss) (yen)	68.63	54.44	43.59	(153.18)
Total assets (JPY millions)	340,007	353,603	363,763	282,904
Net assets (JPY millions)	283,522	294,231	297,507	199,261

(Notes) 1. Prepared pursuant to the Japanese accounting standard.

2. In this fiscal year, a loss on the valuation of the stocks of subsidiaries and associates was recorded for the shares in Santen Holdings EU B.V., in the amount of JPY 77,779 million. Among stocks held by the Company in its subsidiaries and associates, the real value of which significantly declined from its carrying amount. There is no impact to the consolidated income, because such loss will be eliminated in the consolidation closing.

(6) Outline of the Major Business

The Santen Group manufactures and sells prescription pharmaceuticals, OTC pharmaceuticals and medical devices, the major products of which are as follows:

Category	Name of Major Products
Prescription Pharmaceuticals	EYLEA solution for IVT inj, ALESION ophthalmic solution* ¹ , COSOPT ophthalmic solution, DIQUAS ophthalmic solution* ² , TAPROS ophthalmic solution, Hyalein ophthalmic solution, Cravit ophthalmic solution, TAPCOM ophthalmic solution, Ikervis, TRUSOPT ophthalmic solution, EYBELIS ophthalmic solution
OTC Pharmaceuticals	Sante FX NEO, Soft Santear, Sante FX V +, Sante Medical 12, Sante Medical Active, Sante Medical Guard EX, Sante Beautéye, Soft Santear Hitomi Stretch, Well-Wash EYE, Sante PC
Medical Devices	PRESERFLO MicroShunt, LENTIS Comfort, Eternity

*1 Includes ALESION LX ophthalmic solution.

*2 Includes DIQUAS LX ophthalmic solution.

(7) Major Business Locations, etc.**(i) The Company**

Corporate Headquarters	Kita-ku, Osaka
Business Locations	Tokyo Branch (Chuo-ku, Tokyo), Shin Osaka Office (Yodogawa-ku, Osaka), Hokkaido-Tohoku Area Office (Aoba-ku, Sendai), Kanto Area-1 Office (Chuo-ku, Tokyo), Kanto Area-2 Office (Chuo-ku, Tokyo), Chubu Area Office (Naka-ku, Nagoya), Kansai Area Office (Yodogawa-ku, Osaka), Chugoku-Shikoku Area Office (Naka-ku, Hiroshima), Kyushu Area Office (Hakata-ku, Fukuoka), and 78 other offices
Plants	Shiga Product Supply Center (Taga-cho, Inukami-gun, Shiga), Noto Plant (Houdatsushimizu-cho, Hakui-gun, Ishikawa)
Laboratories	Nara Research and Development Center (Ikoma-shi, Nara)

(ii) Subsidiaries and Affiliated Companies

Santen Holdings U.S. Inc. (Emeryville, U.S.)
 Santen Inc. (Emeryville, U.S.)
 Santen Holdings EU B.V. (Amsterdam, the Netherlands)
 Santen SA (Geneva, Switzerland)
 Santen China Investment Co., Ltd. (Shanghai, P.R.C.)
 Santen Pharmaceutical (China) Co., Ltd. (Suzhou, P.R.C.)
 Santen Pharmaceutical Asia Pte. Ltd. (Singapore)
 And 29 other companies

(8) Situation of Employees

(i) Situation of Employees of the Santen Group

Number of Employees	Year to Year Change
4,144	Decreased by 171

(Note) The number of employees means the number of working employees excluding temporary personnel. The number of part-timers is included from this consolidated fiscal year.

(ii) Situation of Employees of the Company

Number of Employees	Year to Year Change	Average age	Average years of being employed
1,807	Decreased by 32	44 years 3 months	17 years 2 months

(Note) The number of employees means the number of working employees excluding employees seconded to other companies and temporary personnel, but including employees seconded from other companies. The number of part-timers is included from this fiscal year.

(9) Situation of Material Subsidiaries

Company Name (country where it is located)	Capital	The Company's Equity Ratio () shows indirect holding	Major Business
Santen Holdings U.S. Inc. (U.S.)	\$24,784 (thousands)	(100.0%)	Management and control of the subsidiaries in North America
Santen Inc. (U.S.)	\$8,765 (thousands)	(100.0%)	Clinical development of prescription pharmaceuticals and business development
Santen Holdings EU B.V. (the Netherlands)	€50 (thousands)	100.0%	Pure holding company of Santen SA
Santen SA (Switzerland)	Fr.22,565 (thousands)	(100.0%)	Management, finance, control, manufacture and sale of prescription pharmaceuticals in the EMEA regions
Santen China Investment Co., Ltd. (P.R.C.)	RMB 449,439 (thousands)	100.0%	Management of investment/fund administration and support of business administration of the group companies in China
Santen Pharmaceutical (China) Co., Ltd. (P.R.C.)	RMB 692,293 (thousands)	(100.0%)	Manufacture and sale of prescription pharmaceuticals and clinical development
Santen Pharmaceutical Asia Pte. Ltd. (Singapore)	S\$24,177 (thousands)	(100.0%)	Management and control of the Asia region, manufacture and sale of prescription pharmaceuticals

(10) Major Lenders

Borrower Company	Lender	Outstanding Borrowings (JPY millions)
Santen Pharmaceutical Co., Ltd.	MUFG Bank, Ltd.	20,000
Santen SA	Syndicated loan	5,829

(Note) The syndicated loan is co-financed by multiple lenders arranged by Credit Suisse (Switzerland) Ltd. and BNP Paribas S.A. Niederlassung Deutschland.

(11) Other Material Items regarding the current status of the Corporate Group

Situation of Major Business Alliances

◆ Technical Alliances (License-In)

Alliancing Company	Particulars
DAIICHI SANKYO COMPANY, LIMITED (Japan)	Manufacture and sale of ophthalmic pharmaceuticals containing Ofloxacin
DAIICHI SANKYO COMPANY, LIMITED (Japan)	Manufacture and sale of ophthalmic pharmaceuticals containing Levofloxacin
Eisai Co., Ltd. (Japan)	Manufacture and sale of ophthalmic pharmaceuticals containing Bunazosin Hydrochloride
AGC Inc. (Japan)	Manufacture and sale of ophthalmic pharmaceuticals containing Tafluprost
Merck & Co., Inc. (U.S.)	Manufacture and sale of ophthalmic pharmaceuticals containing Diquafosol Sodium
Boehringer Ingelheim Japan, Inc. (Japan)	Development, manufacture and sale of ophthalmic pharmaceuticals containing Epinastine Hydrochloride
UBE Corporation (Japan)	Development, manufacture and sale of ophthalmic pharmaceuticals containing Omidenepeg Isopropyl
Teleon Surgical B.V. (the Netherlands) *1	Manufacture and sale of “LENTIS Comfort” intraocular lens
jCyte, Inc. (U.S.)	Right to develop and sell jCell in Japan, Europe and Asia, being developed as a first-in-class treatment for retinitis pigmentosa.
Osmotica Pharmaceuticals plc (U.S.)	Right to develop, apply for approval and commercialize in Japan, China and other Asian countries, North Americas and EMEA countries RVL-1201, oxymetazoline hydrochloride ophthalmic solution 0.1%, which is the first and only treatment for adult’s acquired blepharoptosis approved in the U.S.
Alcon Inc. (Switzerland) *2	Right pertaining to exclusive development and sale of Rhopressa® and Rocklatan® in Japan, Europe, China, Asian countries and others.
Sydnexis Inc. (U.S.)	Exclusive sale of low-dosage Atropine preparation (SYD-101), a novel investigational treatment under development for progressive childhood myopia, in Europe, Middle East and Africa regions (EMEA).

* 1 Upon the transfer of business from Oculentis IP B.V. to Teleon Surgical B.V., the name of such alliancing company has changed.

*2 Upon the acquisition of Aerie Pharmaceuticals, Inc. by Alcon Inc., the name of such alliancing company has changed.

◆ Technical Alliances (License-Out)

Alliancing Company	Particulars
Bausch & Lomb Incorporated (U.S.)	Manufacture and sale of “Eternity” intraocular lens in areas other than Japan
Thea Pharma Inc. (U.S.)	Manufacture and sale of tafluprost, a treatment for glaucoma and ocular hypertension, in the U.S.

Glaukos Corporation (U.S.)	Collaboration in the development and commercialization of STN2000100 (DE-128, PRESERFLO MicroShunt) in the Americas (North, Central, and South America), Australia, and New Zealand
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♦ Sales Alliance

Alliancing Company	Particulars
Janssen Pharmaceutical K.K. (Japan)	Sale of ophthalmic pharmaceuticals containing Levocabastine Hydrochloride in Japan
Bayer Yakuhin, Ltd. (Japan)	Exclusive sale of Aflibercept solution for IVT inj. in Japan
Mitsubishi Tanabe Pharma Corporation (Japan)	Joint sales promotion of “ALESION ophthalmic solution” and “ALESION LX ophthalmic solution”, anti-allergy ophthalmic

♦ Contingent consideration pursuant to business combination

The Company acquired InnFocus, Inc. on August 19, 2016 (Eastern Time, U.S.). Under a contingent consideration agreement, which provides for milestone payments upon progress in the development of STN2000100 (DE-128, PRESERFLO MicroShunt) and sales achievements thereof.

♦ Joint-venture Agreement

Partner	Particulars
Chongqing Kerui Pharmaceutical Co., Ltd. (P.R.C.)	Established a joint venture (Chongqing Santen Kerui Pharmaceutical Co., Ltd.) in August 2016 for the purpose of providing high-quality prescription pharmaceuticals to patients in China at an appropriate price.
Verily Life Sciences LLC (U.S.)	Established a joint venture (Twenty Twenty Therapeutics LLC) in August 2020 to develop and commercialize unique ophthalmic devices.

♦ Others

Alliancing Company	Particulars
International Telecommunication Union (Switzerland)	The Company supports “Be He@lthy, Be Mobile” in ophthalmology, an initiative of digital health put in place by the International Telecommunication Union and World Health Organization.
Orbis International (U.S.)	An alliance for the purpose of developing a digital training tool to continuously support the strengthening of skills for ophthalmologists.
	The ten-year partnership to alleviate the burden of eye diseases that is expected to further increase in the future in low and middle-income countries (especially in Asia)
Plano Pte. Ltd. (Singapore)	A strategic alliance to tackle the burden of myopia patients worldwide.
Shanghai Airdoc Medical Technology Co., Ltd. (China)	Partner to improve diagnostic rate of fundus ocular diseases with AI device in China.
Singapore National Eye Centre (Singapore)	A strategic partnership to develop and deploy internationally an innovative educational programme for development of the eye care ecosystem in Asia.
ActualEyes Inc. (Japan)	A joint development on Phase II clinical trial (Phase II a/Proof of Concept study) toward global development for sirolimus eye drops for treating Fuchs endothelial corneal dystrophy.

2. Matters regarding the Shares

(1) **Total Number of the Authorized Shares:** 1,100,000,000 shares

(2) **Total Number of the Outstanding Shares:** 375,885,854 shares (including 303,156 treasury shares)

(Note) A total increase of 60,800 issued shares was made through issue of 11,000 shares pursuant to the exercise of the right to subscribe for new shares granted to Directors of the Company under Articles 361, 238, and others, of the Companies Act of Japan (“Companies Act”), and 49,800 shares pursuant to the exercise of the same granted as Stock-based Remuneration type stock option to Directors (excluding Outside Directors) and Corporate Officers of the Company. Also, a decrease by 24,869,700 shares was made through retirement of treasury shares pursuant to the resolution of the Board of Directors.

(3) **Number of Shareholders:** 30,507 shareholders (increased by 6,606 as a year-to-year change)

(4) Major Shareholders

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	73,458	19.6
Custody Bank of Japan, Ltd. (Trust account)	31,135	8.3
BNYM AS AGT/CLTS NON TREATY JASDEC (Standing agent: MUFG Bank, Ltd.)	17,410	4.6
STATE STREET BANK AND TRUST COMPANY 505223 (Standing agent: Settlement & Clearing services Department, Mizuho Bank, Ltd.)	13,033	3.5
Nippon Life Insurance Company (Standing agent: The Master Trust Bank of Japan, MUFG Bank, Ltd.)	10,662	2.8
MUFG Bank, Ltd.	9,318	2.5
GOVERNMENT OF NORWAY (Standing agent: Citibank, N.A., Tokyo Branch)	7,421	2.0
Custody Bank of Japan, Ltd.as trustee for Eisai Co., Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	6,863	1.8
Ono Pharmaceutical Co., Ltd.	6,722	1.8
STATE STREET BANK AND TRUST COMPANY 505103 (Standing agent: Settlement & Clearing services Department, Mizuho Bank, Ltd.)	5,202	1.4

(Notes)

- The holding ratio is computed excluding the number of treasury shares (303,156 shares).
- Among the numbers of shares owned as described in the above, respective numbers of shares related to trust services are as follows (unit: 1,000 shares):

The Master Trust Bank of Japan, Ltd. (Trust account)	73,458
Custody Bank of Japan, Ltd. (Trust account)	31,135
- The number of shares owned by Custody Bank of Japan, Ltd. as trustee for Eisai Co., Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd. represents Santen’s shares which had been owned by Eisai Co., Ltd. and entrusted to Mizuho Trust & Banking Co., Ltd., which re-entrusted to Custody Bank of Japan, Ltd., the voting rights of which have been reserved by Eisai Co., Ltd.
- While the large shareholding report made available for public inspection as of October 20, 2021 states

that Black Creek Investment Management, Inc. holds the following shares as of October 15, 2021, the number of shares substantially owned thereby as of March 31, 2023 have not been confirmed, and thus it is not included in the Major Shareholders described in the above.

The holding ratio is computed excluding the number of treasury shares (303,156 shares).

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
Black Creek Investment Management, Inc.	20,839	5.5

5. While the large shareholding report (change report) made available for public inspection as of May 10, 2022 states that Sumitomo Mitsui Trust Bank, Limited and its two (2) joint holders, respectively hold the following shares as of April 29, 2022, the respective numbers of shares substantially owned thereby as of March 31, 2023 have not been confirmed, and thus they are not included in the Major Shareholders described in the above.

The holding ratio is computed excluding the number of treasury shares (303,156 shares).

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	14,169	3.8
Nikko Asset Management Co., Ltd	11,017	2.9

6. While the large shareholding report (change report) made available for public inspection as of June 6, 2022 states that BlackRock Japan Co., Ltd. and its six (6) joint holders respectively hold the following shares as of May 31, 2023, the respective numbers of shares substantially owned thereby as of March 31, 2023 have not been confirmed, and thus BlackRock Japan Co., Ltd. is not included in the Major Shareholders described in the above.

The holding ratio is computed excluding the number of treasury shares (303,156 shares).

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
BlackRock Japan Co., Ltd.	6,197	1.7
BlackRock Asset Management Ireland Limited	957	0.3
BlackRock Fund Advisors	4,021	1.1
BlackRock Institutional Trust Company, N.A.	2,922	0.8
BlackRock Investment Management (UK) Limited	405	0.1
Aperio Group, LLC	712	0.2
BlackRock Fund Managers Limited	749	0.2

7. While the large shareholding report (change report) made available for public inspection as of April 3, 2023 states that Mitsubishi UFJ Financial Group, Inc. and its four (4) joint holders respectively hold the following shares as of March 27, 2023, the numbers of shares substantially owned by Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd. and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as of March 31, 2023 have not been confirmed, and thus Mitsubishi UFJ Trust and Banking Corporation is not included in the Major Shareholders described in the above.

The holding ratio is computed excluding the number of treasury shares (303,156 shares).

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
MUFG Bank, Ltd.	9,318	2.5

Mitsubishi UFJ Trust and Banking Corporation	12,462	3.3
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	2,858	0.8
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	430	0.1

8. While the large shareholding report (change report) made available for public inspection as of April 6, 2023 states that Nomura Securities Co., Ltd. and its two (2) joint holders respectively hold the following shares as of March 31, 2023, the respective numbers of shares substantially owned thereby as of March 31, 2022 have not been confirmed, and thus Nomura Asset Management Co., Ltd. is not included in the Major Shareholders described in the above.

The holding ratio is computed excluding the number of treasury shares (303,156 shares).

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
Nomura Asset Management Co., Ltd.	26,119	7.0
Nomura Securities Co., Ltd.	1,915	0.5
Nomura International plc	(30)	(0.0)

9. While the large shareholding report made available for public inspection as of April 7, 2023 states that MFS Investment Management K.K and Massachusetts Financial Services Company, its joint holder, hold the following shares as of March 31, 2023, the respective numbers of shares substantially owned thereby as of March 31, 2023 have not been confirmed, and thus Massachusetts Financial Services Company is not included in the Major Shareholders described in the above.

The holding ratio is computed excluding the number of treasury shares (303,156 shares).

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
MFS Investment Management K.K.	1,058	0.3
Massachusetts Financial Services Company	18,607	5.0

(5) Situation of Shares Issued to the Company's Officers During the Business Term as Compensation for the Execution of Their Duties

	Kind and Number of shares	Number of Recipients of the Issuance
Directors (excluding Outside Directors)	The Company's Common Shares: 52,333 shares	Three (3)

(Note) The aforementioned shares were granted as compensation under the Restricted Stock-Based Remuneration System.

3. Matters Regarding Corporate Officers

(1) Status of Directors and Corporate Auditors

(As of March 31, 2023)

Position in the Company	Name	Responsibilities in the Company and material posts concurrently held
Representative Director Chairman	Akira KUROKAWA	–
Representative Director President and Chief Executive Officer	Takeshi ITO	–
Director	Kanoko OISHI	Material posts concurrently held: Representative Director of Mediva Inc. Representative Director of C's one Co., Ltd. External Board Member of Ezaki Glico Co., Ltd. External Director of Shiseido Company, Limited
Director	Yutaro SHINTAKU	Material posts concurrently held: Outside Director of Kubota Corporation Project Professor, Business Administration, Hitotsubashi University Business School Outside Director of KOZO KEIKAKU ENGINEERING Inc.
Director	Kunihito MINAKAWA	Material posts concurrently held: Financial Services Agency, Certified Public Accountants and Auditing Oversight Board, Commissioner External Director of Nippon Sheet Glass Co., Ltd.
Director	Noboru KOTANI	Material posts concurrently held: Representative Director of Vehicle Inc. Outside Director of JINS HOLDINGS Inc. External Director of SanBio Company Limited External Director of Medley, Inc.
Director	Tamie MINAMI	–
Standing Corporate Auditor	Hiroshi ISAKA	–
Corporate Auditor	Hirofumi YASUHARA	Material posts concurrently held: Outside Audit & Supervisory Board Member of Sumitomo Rubber Industries, Ltd. Outside Corporate Auditor of Hitachi Zosen Corporation
Corporate Auditor	Yumiko ITO	Material posts concurrently held: Representative of Ito Law Office Independent Director of Kobe Steel, Ltd. Outside Director of NIPPON EXPRESS HOLDINGS, INC.
Corporate Auditor	Masahiko IKAGA	Material posts concurrently held: Representative of Masahiko Ikaga Certified Public Accountant Office Representative Director of PrajnaLink Co., Ltd. External Audit & Supervisory Board Member of Morinaga Milk Industry, Co., Ltd. Outside Director of RYOBI LIMITED

(Note) 1. Shigeo Taniuchi resigned from his office as Director effective on September 12, 2022.

2. Noboru Kotani and Tamie Minami took their offices as Corporate Auditor effective on June 24, 2022.

3. Yasuyuki Miyazawa resigned his office as Corporate Auditor effective on June 24, 2022.

4. Masahiko Ikaga took his office as Corporate Auditor effective on June 24, 2022.

5. Hirofumi Yasuhara, Corporate Auditor, has extensive knowledge and experience in finance and accounting amassed through long years of involvement in management in Japan and overseas.

6. Masahiko Ikaga is qualified as a certified public accountant and has extensive knowledge and experience in finance and accounting.

7. Among the Directors, Kanoko Oishi, Yutaro Shintaku, Kunihito Minakawa, Noboru Kotani and Tamie Minami are Outside Directors.

8. Among the Corporate Auditors, Hirofumi Yasuhara, Yumiko Ito and Masahiko Ikaga are Outside Corporate Auditors.

9. The Company has registered the names of Kanoko Oishi, Yutaro Shintaku, Kunihito Minakawa, Noboru Kotani and Tamie Minami, Directors, and names of Hirofumi Yasuhara, Yumiko Ito and Masahiko Ikaga, Corporate Auditors, as Independent Officers pursuant to Article 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc.
10. The Company has introduced a corporate officer system to further strengthen management while improving the quality and speed of strategic decision-making processes. Effective from April 1, 2022, with an aim to enhance its competitiveness as a global company as well as to increase the capability of strategy implementation and realize even greater growth over the medium to long-term, the Company has formed its Executive Management Team (hereinafter, “EMT”) and changed to a leadership system centering on the said team.

(2) Outline of the Contents of the Directors and Officers Liability Insurance Policy

The Company has entered into a D&O liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, whereby the loss to be incurred by the insured due to claims for damages made (including legal damages, litigation expenses, expenses to cooperate to secure reimbursement) will be indemnified. Provided, however, there are certain exclusions, *e.g.*, any loss arising out of an act committed knowing that it is an illegal act shall not be indemnified.

- Companies covered: The Company and all of its subsidiaries under the Companies Act, as well as judicial persons which existed in the past and have been liquidated or absorbed in association with the Company’s business activities and do not currently exist as an entity holding legal status.
- Insureds: Directors, Auditors, employees (*e.g.*, those sued as a joint co-defendant with an officer in the position of a manager/supervisor), and spouses of the insured, including retired officers, of the companies covered.

The Company bears all of the premium costs for all of the insureds described above.

(3) Aggregate Amount of Remunerations for Directors and Corporate Auditors

(Amount of Remuneration)

Classification		Number of Recipients	Amount	
Director	Basic compensation (Outside Directors)	8 (5)	¥270 million (¥80 million)	Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 26, 2018: Annual ¥400 million for four (4) Directors excluding Outside Directors. Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 24, 2022: Annual ¥100 million for five (5) Outside Directors
	Annual bonus (Outside Directors)	2 (-)	¥37 million (-)	Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 26, 2018: Annual ¥200 million for four (4) Directors excluding Outside Directors.
	Performance Share Unit (PSU) system (Outside Directors)	3 (-)	¥6 million (-)	Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 26, 2018: ¥100 million per year multiplied by number of years for four (4) Directors excluding Outside Directors.
	Restricted Stock (RS) system (Outside Directors)	3 (-)	¥79 million (-)	Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 26, 2018: Annual ¥100 million for four (4) Directors excluding Outside Directors.
Sub Total (Outside Directors)			¥392 million (¥80 million)	

Corporate Auditor	Basic compensation (Outside Corporate Auditors)	5 (4)	¥66 million (¥38 million)	Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 27, 2006: Annual ¥80 million for four (4) Corporate Auditors.
Total (Outside Directors and Outside Corporate Auditors)			¥458 million (¥118 million)	

- (Notes) 1. The number of recipients is the total number of officers holding office during this business year, which includes a Director who retired from office by resignation effective from September 12, 2022, and a Corporate Auditor who retired upon the expiration of the term of office thereof at the close of the General Meeting of Shareholders held on June 24, 2022.
2. The amount and number of the recipients of “basic compensation” for Directors includes Outside Directors.
3. The amount and number of the recipients of “basic compensation” for Corporate Auditors includes Outside Corporate Auditors.

(The System of Remuneration for Directors and Corporate Auditors)

	Basic compensation	Annual bonus	PSU	RS
Directors excluding Outside Directors	Eligible	Eligible	Eligible	Eligible
Outside Directors	Eligible	-	-	-
Corporate Auditors	Eligible	-	-	-

(4) Matters Regarding the Decision of the Amount of Remunerations and the Like for Directors and Corporate Auditors and the Calculation Method of Such Amount

(Remuneration Philosophy)

The Company has determined the following basic policies regarding decisions on the amount of remuneration and the like for Directors, Corporate Auditors and Corporate Officers. Effective from April 1, 2022, with an aim to enhance its competitiveness as a global company as well as to increase the capability of strategy implementation and realize even greater growth over the medium to long-term, the Company has formed EMT and changed to a leadership system centering on the said team. As such, with regards to Inside Directors and Corporate Officers who are carrying out the operations of the Company, this philosophy will become the policy on remuneration and the like for the EMT.

<Inside Directors and EMT/Corporate Officers>

- Ensure effectiveness that contributes to Santen’s suitable growth and enhancement of medium-long term corporate value to enable them to be engaged in the achievement of Santen’s VISION “Santen 2030” and the New Medium-Term Management Plan (FY2023-FY2025), as well as in strengthening ESG management with high motivation.
- Deepen the sharing of values with broad-ranging stakeholders.
- Objectiveness is secured through a highly transparent process for making decisions on remunerations to ensure high accountability to stakeholders.
- Provide a competitive level of compensation capable of recruiting global and other outstanding human resources in various countries and regions.
- Under the globally unified system of evaluation and compensation, further foster a performance culture equipped with a strict discipline, and share the results with all EMT members including the CEO.

<Outside Directors and Corporate Auditors>

- To support Santen’s sustainable growth from their independent positions which are distinct from EMT, set a level of remuneration appropriate to their prominent roles, and through a system which is not indicative of an achievement target in common with EMT, encourage fulfillment of their

functions efficiently in supervising the management.

(Determination Policy on particulars of individual remuneration and the like for Directors)

- (i) The method to decide the Determination Policy on particulars of individual remunerations and the like for Directors

In accordance with the philosophy described above, the determination policy on particulars of individual remuneration and the like for Directors (“Determination Policy”) was adopted at the meeting of the Board of Directors based on the Executive Compensation Committee’s report.

- (ii) The outline of the Determination Policy

Please refer to “Particulars of the individual remunerations and the like for Directors (excluding Outside Directors),” “Particulars of the individual remunerations and the like for Outside Directors,” and “Matters regarding the decision of the particulars of individual remunerations and the like for Directors” described below.

- (iii) The reason why the Board of Directors considers the particulars of individual remunerations and the like for Directors for this business year to be in line with the Determination Policy

Upon deciding the particulars of individual remunerations and the like for Directors, the Executive Compensation Committee conducted a multifaceted review on the original proposal, including consistency with the Determination Policy, and the Board of Directors validated the contents of its report and considered it to be in line with the Determination Policy.

(Particulars of the individual remunerations and the like for Directors (excluding Outside Directors))

The remunerations for the Company’s Directors (excluding Outside Directors) are comprised of, in principle, basic compensation, annual bonus and stock-based remuneration. The component ratio in the base aggregate amount shall be: 1/0.25/0.5 respectively for basic compensation/annual bonus/stock-based remuneration, and the level of the aggregate remuneration is decided in reference to the results of pharmaceutical company benchmarks and the like. The outline of the above are as described below (Schedules 1 and 2). Provided, however, that there may be cases where individual adjustment is made in accordance with an individual’s role, responsibility and the like.

Schedule 1: Purpose and outline of the system

Category of remuneration		Purpose and outline
Fixed	Basic compensation	<ul style="list-style-type: none"> Monthly fixed compensation which is graded based on job evaluation
Variable	Annual bonus (Annual Incentive)	<ul style="list-style-type: none"> Performance-based remuneration encouraging the steady accumulation of results towards an achievement of targets for every fiscal year, whereby the base amount is set in the ratio of 0.25 against basic compensation. The annual bonus is comprised of three evaluation factors: single-year consolidated “Financial” performance metrics, “Non-Financial” performance metrics, and “Individual” metrics based on divisional performance and individual targets. Performance metrics for CEO and Chairman consist of only two evaluation factors: Financial and Non-Financial. The consolidated “Financial” performance metrics is linked to, and the payout ratio thereof is determined pursuant to, the level of the achievement of the target indices for revenue, operating profit ratio, and ROE. The assessment of each metrics is weighed at 25:50:25 (revenue: operation profit ratio: ROE). The payout ratio of the “Non-Financial” metrics will be determined after the establishment of the ESG-related targets and the evaluation thereof at the end of the fiscal year by the Executive Compensation Committee. For the portion based on divisional performance and individual targets performance (“Individual”) for the EMT members other than the Chairman and CEO, the payout ratio will be determined after the establishment of the initial targets at the beginning of the fiscal year and the evaluation thereof at the end of the fiscal year in the interview of each EMT member with the CEO. The final payout is calculated by multiplying the target amount for each position by the payout ratio for each evaluation factor. The maximum payment ratio against the base amount will be 275% for the CEO, 220% for the Chairman and 248% for the EMT. The payment amount will be determined within the range of the payment ratio of 0% up to these figures, and paid after the end of every fiscal year.
	Stock-based remuneration (Medium- and long-term incentive)	<ul style="list-style-type: none"> For the purposes of encouraging the target Directors to proactively engage in achieving the Company’s vision and strategy and further sharing value with the shareholders, it is comprised of the following two systems, and each base

		<p>amount, as the base number of shares to be issued under the respective systems, shall be decided at the ratio of 0.25 against basic compensation.</p> <p>(The Performance Share Unit System)</p> <ul style="list-style-type: none"> • A performance-linked stock remuneration system in which the number of stocks to be issued fluctuates in accordance with the level of achievement of the target achievement indexes for a certain period (“Performance Evaluation Period”) to be determined from time to time such as the period of the medium-term plan. • The ratio of the grant of stocks shall be determined in the range of 0% to 200% in accordance with the level of achievement of the relative TSR (weighted on 80%), which was established by referring to global life-science companies as a peer group, and indices in relation to ESG (weighted on 20%). • To be paid in a lump sum after the end of the Performance Evaluation Period, subject to conditions including that the grantee remains in the position of the eligible Director (“Target Director”) at the time of the expiry of the Performance Evaluation Period. <p>(The Restricted Stock-based Remuneration System)</p> <ul style="list-style-type: none"> • A stock-based remuneration system in which restricted shares shall be granted every fiscal year • The restriction shall be released subject to fulfillment of conditions such as that the grantee remains in the position of the Target Director.
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(Note 1) The results of single-year “Financial” performance metrics of this fiscal year pertaining to the annual bonus described above are: revenue of ¥279,037 million; operating profit ratio (full base) of -1.1%; and ROE (full base) of -4.7% (the targeted values of which were, ¥264,000 million; 13.0%; and 7.4%, respectively). Also, “Non-Financial” performance metrics (ESG-related targets) [for fiscal 2022] include strengthening the system for stable supply, promoting DE&I through wider participation in the Blind Experience program, conducting initiatives to enhance employee engagement, reinforcing global risk management, and reducing environmental impact through measures such as switching to electrified vehicles, for which an evaluation will be implemented at the Executive Compensation Committee to be held in May 2023. After deliberation of the Executive Compensation Committee, it has been determined that the annual bonus will not be paid to a Director who retired by resignation effective from September 12, 2022.

(Note 2) The companies to be referred to as the comparison for the relative TSR pertaining to the Performance Share Unit System are the following 21 companies:

Companies and other entities the head office of which is located in Japan	Companies and other entities the head office of which is located in Europe	Companies and other entities the head office of which is located in the Americas
Astellas Pharma Inc.	Alcon AG	Abbott
Chugai Pharmaceutical Co., Ltd.	Bayer AG	AbbVie Allergan
Daiichi Sankyo Co., Ltd.	GlaxoSmithKline plc.	Bausch Health Companies Inc.
Eisai Co., Ltd.	Novartis International AG	Glaukos Corporation
Kyowa Kirin Co., Ltd.	Novo Nordisk Pharma Ltd.	Johnson & Johnson
Takeda Pharmaceutical Company Limited	F. Hoffiman-La Roche Ltd	Merck & Co., Inc.
Terumo Corporation	Sanofi S.A.	Pfizer Inc.

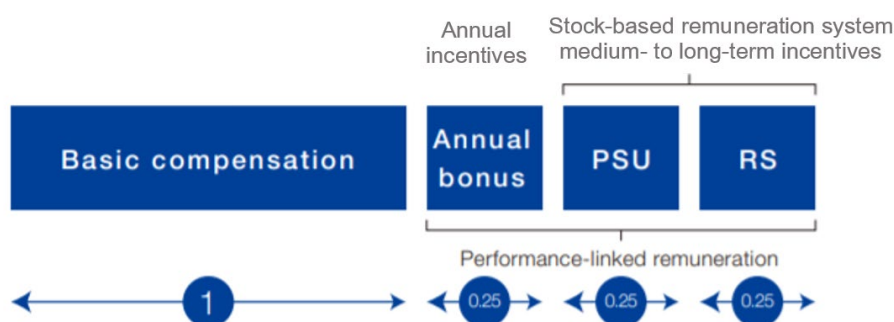
To promote the fulfillment of the aims of our Medium-term Management Plan, the rate of the provision is stipulated as 100% for cases where the rank is in the top one half (50th percentile) amongst the companies used for comparison; the rate of the provision is stipulated as 200% for cases where the rank is in the top one quarter (75th percentile). The threshold is the bottom one quarter (25th percentile), above which the rate of the provision will be 50%. In cases where the performance is lower than that threshold, the rate of the provision will be 0%.

Index for the target in relation to ESG shall be the degree of improvement of the score on the Dow Jones Sustainability Indices (DJSI), whereby the evaluation is made using five grades comprising the rates of provision of: 200% by the inclusion in “World Index” or equivalent score; 150% by the inclusion in “Asia Pacific Index” or equivalent score; 100% by the increase in score of 10 points or more; 50% by the increase in score of 5-9 points; and 0% by the increase in score of 4 points or less.

(Note 3) The actual number of the Company’s shares for the Performance Share Unit System and the achieved value of the evaluation metrics to be used in the calculation of the amount of money pertaining thereto were not fixed at the time of this report because they will be calculated at the time of the expiry of the Performance Evaluation Period.

(Note 4) The status of the grant of shares under the Stock-Based Remuneration System is as described in “(5) Situation of Shares Issued to the Company’s Officers during the Business Term as Compensation for the Execution of Their Duties” of “2. Matters regarding the Shares.”

Schedule 2: Comparison of base amounts of respective remunerations (composition ratio is the same for each classification)



With the aim of preventing any incentive remuneration from causing excessive risk taking and to ensure the soundness of the executive compensation system, the Company has provided a clause that requires an officer to return, or claw back, all or part of the incentive remuneration pursuant to a decision of the Board of Directors after deliberations of the Executive Compensation Committee, regardless of whether it is applied before or after the payment or release of such remuneration (the so-called malus and clawback clause), upon the occurrence of certain events, such as misconduct or a retroactive adjustment of the financial statements due to accounting fraud.

(Particulars of the individual remunerations and the like for Outside Directors)

Remuneration for Outside Directors, who are independent from business execution, consists only of fixed monthly compensation, and are decided in reference to the results of pharmaceutical company benchmarks and the like. Also, an allowance is paid to the Outside Director who serves as the chair of a voluntary committee, including the Executive Compensation Committee.

Performance-linked remuneration is not paid stemming from the perspective of encouraging proper demonstration of Outside Directors’ supervisory functions.

(Particulars of the individual remunerations and the like for Corporate Auditors)

Remuneration for Corporate Auditors consists only of fixed monthly compensation, and are decided through consultations with the Corporate Auditors within the limitation of remuneration for the Corporate Auditors resolved at the General Meeting of Shareholders, in reference to the results of pharmaceutical company benchmarks and the like and in accordance with recommendations from the Executive Compensation Committee.

Performance-linked remuneration is not paid stemming from the perspective of encouraging proper demonstration of Corporate Auditors' auditing functions.

(Matters regarding the decision of the particulars of individual remunerations and the like for Directors)

The Company has established the Executive Compensation Committee as an advisory body for the Board of Directors to ensure independence and objectivity upon deliberations and determinations by the Board of Directors on basic policy regarding remunerations, the remuneration system, level of remunerations and other items, as well as to strengthen the Board of Directors' supervisory function and its ability to fulfill accountability.

The Executive Compensation Committee is to be composed by members, the majority of which is Outside Directors, and the chairperson of the Executive Compensation Committee is appointed from the members who are Independent Outside Directors to ensure effective operation of the committee from the viewpoint of strengthening its independence, objectivity and ability to fulfill accountability.

The Company's Executive Compensation Committee appointed Willis Towers Watson ("WLTW"), an independent compensation consulting company, as an advisor. In accordance with the "Management Compensation Database" run by WLTW, the Executive Compensation Committee sets a benchmark every year concerning companies or other entities of a business size and business category / business field analogous to those of the Company, verifies the appropriateness of the level of remuneration and the ratio of the performance-linked remunerations for Directors of the Company, and concurrently therewith, engages in appropriate deliberations based on necessary and sufficient information provided by WLTW.

As to determination of remuneration for Directors, individual payment amounts are determined within the scope of each remuneration limitation as per resolutions of the General Meeting of Shareholders by the Board of Directors, and upon deliberation by the Executive Compensation Committee. In the event an unforeseeable event such as a change in business environment or some misconduct has occurred in the course of the determination of individual amounts for respective Directors, the Board of Directors may make adjustments on a discretionary basis regarding the same after deliberations, as needed, by the Executive Compensation Committee.

(The constitution of the Executive Compensation Committee, attribution of the Chairperson, and particulars of its activities and the like)

The Executive Compensation Committee, the majority of which is composed of Outside Directors, consists of six (6) Directors including four (4) Outside Directors.

The chairperson of the Executive Compensation Committee is appointed from the members who are Independent Outside Directors to ensure effective operation of the committee from the viewpoint of strengthening its independence, objectivity and ability to fulfill accountability.

The constituents of the Executive Compensation Committee as of the date of preparation of this Business Report are as follows:

Name of the Committee	Names of the members	Title and name of the chairperson
Executive Compensation Committee	Inside: Akira KUROKAWA, Takeshi ITO Outside: Kanoko OISHI, Yutaro SHINTAKU, Kunihito MINAKAWA, Tamie MINAMI	Kanoko OISHI, Outside Director

The major matters to be deliberated at the Executive Compensation Committee are as follows:

Major matters to be deliberated and approved by the Executive Compensation Committee	<ul style="list-style-type: none"> • Compensation systems for Directors including CEO and the amount to be paid to each individual Director • Outline of the compensation system and performance management for the EMT • Particulars of the advice concerning the compensation systems for Corporate Auditors • Outline of the disclosure of compensation • Matters concerning stock-based compensation plans for the Group as a whole
Major matters to be reported to the Executive Compensation Committee	<ul style="list-style-type: none"> • Outline of the status of operation of the performance management for the respective EMT members and the amount of the payment for each individual member • Outline of the human resources system throughout the world

In the course of deciding the amount of remuneration for this business year, twelve (12) meetings in total of the Executive Compensation Committee were held (on April 28, May 13, June 6, June 24, July 21, September 12, October 4, November 29 and December 1 of 2022, and February 21, April 5 and April 27 of 2023), whereat recommendations to the Board of Directors or advice to the Board of Auditors were provided. Also, responding to such recommendations, the meetings of the Board of Directors conducted deliberations and made decisions on the matters relevant thereto.

Major matters of the deliberations conducted at the meetings of the Executive Compensation Committee are as described in Schedule 3.

Schedule 3: Major particulars of the deliberations

Major matters of the deliberations
<ul style="list-style-type: none"> • Determination of the draft remuneration philosophy • Scope of the role of the Executive Compensation Committee • Amendment of the rules of the Executive Compensation Committee • Amendment of the regulations of the Executive Compensation • Treatment of remuneration for newly appointed executives and retired executives • Remuneration package for the Representative Director, Vice President • Remuneration level and composition for Directors • Detailed design of the annual bonus in FY 2022 • Establishment of targets for “Non-Financial” metrics (i.e., ESG targets) for the annual bonus in FY 2022 • Outline of the stock-based compensation system in FY 2022 (including an outline of the stock-based compensation system for employees) • Number of grants of stock-based compensation in FY 2022 • Introduction of the malus and clawback clause • Measures to address the resignation of the Representative Director, President and CEO • Revision of the amount of remuneration in accordance with the assumption of the office of the Representative Director, President and CEO by the Representative Director, Vice President • Treatment of annual bonus in accordance with the mid-term assumption of the office of the Representative Director, President and CEO • Draft disclosure of remuneration for officers in the Business Report

(5) Matters Regarding Outside Officers

(i) Status of material position concurrently held

Classification	Name	Name of the other juridical persons or other entity in which the position is concurrently held	Position concurrently held in the other juridical persons or other entity	Relationship between the Company and the other juridical persons or other entity in which the position is concurrently held
Outside Director	Kanoko OISHI	Mediva Inc.	Representative Director	-
		C's one Co., Ltd.	Representative Director	-
		Ezaki Glico Co., Ltd.	Outside Director	-
		Shiseido Company, Limited	External Director	-
	Yutaro SHINTAKU	Kubota Corporation	Outside Director	-
		Business Administration, Hitotsubashi University Business School	Project Professor	-
		KOZO KEIKAKU ENGINEERING Inc.	Outside Director	-
	Kunihito MINAKAWA	Financial Services Agency, Certified Public Accountants and Auditing Oversight Board,	Commissioner	-
		Nippon Sheet Glass Co., Ltd.	External Director	-
	Noboru KOTANI	Vehicle Inc.	Representative Director	-
		JINS HOLDINGS Inc.	Outside Director	-
		SanBio Company Limited	External Director	-
		Medley, Inc.	External Director	-
	Outside Corporate Auditor	Hirofumi YASUHARA	Sumitomo Rubber Industries, Ltd.	Outside Audit & Supervisory Board Member
Hitachi Zosen Corporation			Outside Corporate Auditor	-
Yumiko ITO		Ito Law Office	Representative	-
		Kobe Steel, Ltd.	Independent Director	-
		NIPPON EXPRESS HOLDINGS, INC.	Outside Director	-
Masahiko IKAGA		Masahiko Ikaga Certified Public Accountant Office	Representative	-
		PrajnaLink Co., Ltd.	Representative Director	-
		Morinaga Milk Industry, Co., Ltd.	External Audit & Supervisory Board Member	-
		RYOBI LIMITED	Outside Director	-

(ii) Status of major activities

Classification	Name	Status of major activities
Outside Director	Kanoko OISHI	We expect that she will fulfil her function of assistance and supervision based on extensive knowledge and experience amassed through long years of involvement in management in the country and overseas. In addition to attendance at all 14 meetings of the Board of Directors held during this fiscal year, she has served as a member of the “Corporate Strategy Committee” and the “Nominating Committee,” and as a chair of the “Executive Compensation Committee” which are voluntary committees established by the Company, and attended all of the meetings of these committees. She expressed her opinions appropriately as required in deliberation of the proposed items from the viewpoint described above.
	Yutaro SHINTAKU	We expect that he will fulfil his function of assistance and supervision based on extensive knowledge and global experience amassed through long years of involvement in management in the country and overseas including as a management executive of a major company manufacturing and distributing medical equipment and pharmaceutical products. In addition to attendance at all 14 meetings of the Board of Directors held during this fiscal year, he has served as a member of the “Corporate Strategy Committee” and the “Executive Compensation Committee,” and as a chair of the “Nominating Committee” which are voluntary committees established by the Company, and attended all of the meetings of these committees. He expressed his opinions appropriately as required in deliberation of the proposed items from the viewpoint described above.
	Kunihito MINAKAWA	We expect that he will fulfil his function of assistance and supervision based on extensive knowledge and global experience amassed through long years of involvement in management in the country and overseas, as well as extensive insight and business experience in finance and auditing. In addition to attendance at all 14 meetings of the Board of Directors held during this fiscal year, he has served as a member of the “Corporate Strategy Committee,” “Nominating Committee,” and “Executive Compensation Committee” which are voluntary committees established by the Company, and attended all of the meetings of these committees. He expressed his opinions appropriately as required in deliberation of the proposed items from the viewpoint described above.
	Noboru KOTANI	We expect that he will express appropriate opinions from the company-wide viewpoint based on his in-depth understanding of the Company’s ophthalmic business, its strategy, governance, decision making and the like amassed through his office as Outside Director of the Company for ten years from 2005 to 2015 as well as his extensive knowledge and experience concerning company management as management consultant. In addition to attendance at all 10 meetings of the Board of Directors held after the assumption of office on June 24, 2022 (among the 13 meetings of the Board of Directors held in this fiscal year), he has served as a member of the “Corporate Strategy Committee” and “Nominating Committee” which are voluntary committees established by the Company, and attended all of the meetings of these committees. He expressed his opinions appropriately as required in deliberation of the proposed items from the viewpoint described above.
	Tamie MINAMI	We expect that she will express appropriate opinions from a global point of view based on her abundant business experience overseas such as experiencing being a head of business divisions in multiple regions in a globally expanding company. In addition to attendance at all 10 meetings of the Board of Directors held after the assumption of office on June 24, 2022 (among the 13 meetings of the Board of Directors held in this fiscal year), she has served as a member of the “Corporate Strategy Committee” and “Executive Compensation Committee” which are voluntary committees established by the Company, and attended all of the meetings of these committees. She expressed his opinions appropriately as required in deliberation of the proposed items from the viewpoint described above.
Outside Corporate Auditor	Hirofumi YASUHARA	He attended all 13 meetings of the Board of Directors held during this fiscal year and all 11 meetings of the Board of Corporate Auditors held during this fiscal year, and expressed appropriate opinions required to ensure the fairness and appropriateness of the decision-making by the Board of Directors based on extensive knowledge and experience amassed through long years of involvement in management in the country and overseas. Also, he exchanged opinions with Representative Directors, Corporate Officers and other officers and engaged in other activities pursuant to audit policies and plans determined by the Board of Corporate Auditors.
	Yumiko ITO	She attended all 13 meetings of the Board of Directors held during this fiscal year and all 11 meetings of the Board of Corporate Auditors held during this fiscal year, and expressed appropriate opinions required to ensure the fairness and appropriateness of the decision-making by the Board of Directors based on being a legal expert qualified as an attorney-at-law in Japan and the U.S. and extensive knowledge and experience amassed through

		involvement in management as an officer of global companies. Also, she exchanged opinions with Representative Directors, Corporate Officers and other officers and engaged in other activities pursuant to audit policies and plans determined by the Board of Corporate Auditors.
	Masahiko IKAGA	He attended all 10 meetings of the Board of Directors held after the assumption of office as Corporate Auditor on June 24, 2022 and all 8 meetings of the Board of Corporate Auditors held after the said assumption of office, and expressed appropriate opinions required to ensure the fairness and appropriateness of the decision-making by the Board of Directors based on his expertise in has extensive expertise as a certified public accountant in Japan and extensive international experience and insight amassed through involvement in promotion of globalization as a business entrepreneur. Also, he exchanged opinions with Representative Directors, Corporate Officers and other officers and engaged in other activities pursuant to audit policies and plans determined by the Board of Corporate Auditors.

(iii) Matters regarding Agreement with Outside Directors and Outside Corporate Auditors to limit liability

To further ensure the Company's objective and transparent management through the invitation and appointment of capable and competent persons for the post of Outside Director and Outside Corporate Auditor as well as to further strengthen the audit system, it is provided under the Company's current Articles of Incorporation that the Company may enter into an agreement with Outside Director and Outside Corporate Auditor to limit his or her liability for damages suffered by the Company within a certain scope. Pursuant to such provision, the Company has entered into such agreements with Outside Directors and Outside Corporate Auditors to limit their liability for damages.

The outline of such agreement is as follows:

- In case an Outside Director and/or Outside Corporate Auditor become(s) liable for damages suffered by the Company due to his or her negligence in the performance of his or her duty, he or she shall be liable for such damages only up to the maximum amount set forth in Article 425, Paragraph 1 of the Companies Act.
- The aforementioned limitation on liability of an Outside Director and Outside Corporate Auditor shall be allowed only if he or she performed his or her duty, which caused the damages, in good faith and without gross negligence.

(iv) Aggregate amount of remunerations and other payments

Classification	Number of the recipients	Amount of remunerations, etc.
Outside Director	Five (5) recipients	¥80 million
Outside Corporate Auditor	Four (4) recipients	¥38 million
Total	Nine (9) recipients	¥118 million

5. Situation Regarding Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Amount of Remuneration and the Like of the Accounting Auditor in this Fiscal Year

	Paid Amount
(i) Amount of remuneration and the like for the services of auditing under the Companies Act and the Financial Instruments and Exchange Act among auditing services under Article 2, Paragraph 1 of the Certified Public Accountants Act	¥114 million
(ii) Amount of remuneration and the like paid other than those described in (i)	¥5 million
(iii) Total amount payable to the Accounting Auditor by the Company and its subsidiaries	¥118 million

- (Notes) 1. As to (i) above, the Company’s Board of Corporate Auditors conducted necessary review on the appropriateness of the content of the Accounting Auditor’s audit plan, the status of execution of its accounting audit duties and the grounds for calculation of the estimated remuneration, and deemed that this amount of remuneration for audit is at a reasonable level for the Accounting Auditor to perform a proper audit, and it consented to the amount of remuneration and the like for the Accounting Auditor under Article 399, Paragraph 1 of the Companies Act.
2. The audit agreement executed between the Company and the Accounting Auditor does not distinguish between remuneration for audit under the Companies Act and under the Financial Instruments and Exchange Act, nor is it practical to make such distinction, so the amount of remuneration and the like described in (i) above includes the amount of remuneration and the like for audit under the Financial Instruments and Exchange Act.
3. The remuneration described in (ii) above represents remuneration for the advisory service which is not specified as auditing services under Article 2, Paragraph 1 of the Certified Public Accountants Act.

(3) The Company’s Policy of Dismissal/Non-reappointment of an Accounting Auditor

In cases where the Company’s Board of Corporate Auditors deems that it would be difficult for the Accounting Auditor to properly perform its auditing duties due to any event enumerated in items of Article 340, Paragraph 1 of the Companies Act, the Accounting Auditor shall be dismissed by unanimous consent of all Corporate Auditors. In such case, the Corporate Auditor appointed by the Board of Corporate Auditors shall report the dismissal of the said Accounting Auditor with the reason therefor at the earliest General Meeting of the Shareholders to be convened after the dismissal.

Also, the Company’s Board of Corporate Auditors evaluates every fiscal year whether the Accounting Auditor falls under any situation enumerated in items of Article 340, Paragraph 1 of the Companies Act, as well as the independence, attitude in and quality of audit, effectiveness and efficiency of the audit services and the like, and if it deems that appointment of another prospective accounting auditor would be better able to further perform a proper audit, it shall determine the details of the dismissal or non-appointment of such Accounting Auditor.

6. Corporate Governance

(1) Basic Approach to Corporate Governance

The Company believes that it is vital to upgrade and strengthen corporate governance systems in order to achieve and enhance corporate value, and thus returns to shareholders.

The Company has adopted a “Company with Board of Company Auditors” system as defined in the Companies Act. The Company will continuously be working to upgrade and strengthen corporate governance by making the most of the current system.

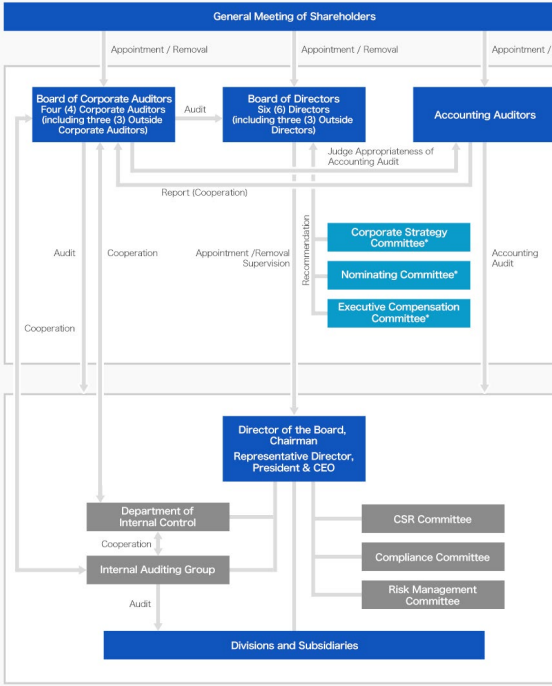
First, the functions of the Board of Directors are to make decisions concerning the vital execution of the business as well as to monitor the execution of the business by the management and Directors. The Company will operate in a manner to maximize both of the above functions.

The Company expects its Outside Directors to be actively involved in the Board of Directors in decision making on individual managerial issues, taking advantage of their wide range of experience and knowledge. Concurrently therewith, the Company shall also ask for their opinions and recommendations from the view of strengthening the function of monitoring its management.

Furthermore, the Company established the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, which are all voluntary committees made up of Inside and Outside Directors, with the aim of improving management transparency and objectivity. Moreover, the Company will go forward to strengthen management and improve the speed of business execution through the introduction of a corporate officer system centering around the EMT.

Corporate Auditors audit the Board of Directors and executive sections by utilizing the Office of Corporate Auditors or collaborating with the Internal Auditing Group, bringing into view not only the legality but also the appropriateness and effectiveness of the performance of their duties, and shall endeavor to strengthen the function of the Board of Directors and executive sections.

(As of April 1, 2023)



* These committees are voluntary and not part of the statutory "Company with a Nominating Committee" at

(2) The Board of Directors

The Company's Board of Directors multilaterally deliberates and makes decisions mainly on material execution of business such as corporate strategies aiming to promote enhancement of the Company's sustained growth and its medium- and long-term corporate value, and concurrently therewith, supervises whether execution of business by the management and directors is properly performed from an independent and objective standpoint. It features a well-balanced mix of knowledge and experience, and the ability to effectively fulfill its roles and responsibilities with a structure that satisfies both diversity and an appropriate number of members. Outside Directors are provided with opportunities necessary to fulfill their roles, in various ways including the provision of the necessary information and knowledge.

(3) The Board of Corporate Auditors

The Company has appointed as its Corporate Auditors persons with the expertise and capability necessary to properly perform audits, especially including one or more person with sufficient knowledge in financial matters and accounting. Outside Corporate Auditors are provided with opportunities necessary to fulfill their roles, in various ways including the provision of the necessary information and knowledge.

(4) Voluntarily Established Committees

The Company has established the "Corporate Strategy Committee", the "Nominating Committee" and the "Executive Compensation Committee", which are all voluntary committees, composed of Inside and Outside Directors.

The Corporate Strategy Committee aims to deliberate in a concentrated manner on key strategic issues such as business strategies, and is composed of seven (7) Directors, including five (5) Outside Directors.

The Nominating Committee aims to deliberate on the selection of candidates for Directors and Corporate Officers and submit recommendations therefor, as well as to provide advice in response to consultations concerning the selection of candidates for Corporate Officers. This committee is composed of six (6) Directors, including four (4) Outside Directors.

The Executive Compensation Committee aims to deliberate on the compensation of Directors and Corporate Officers and submit recommendations therefor to the Board of Directors, as well as to provide advice to the Board of Corporate Auditors with respect to the compensation of Corporate Auditors with reference to market levels. This committee is composed of six (6) Directors, including four (4) Outside Directors.

The majority of the Nominating Committee and the Executive Compensation Committee are composed of Outside Directors, and their respective chairpersons are elected from constituent members thereof who are Independent Outside Directors, to ensure effective operation of each committee from the viewpoint of independence, objectivity and strengthening the ability to fulfill accountability.

The names of constituent members of respective committees and the names/titles of their chairpersons are as follows:

Committee	Name of the Constituent Members		Name/Title of the Chairpersons
Corporate Strategy Committee	Inside:	Akira KUROKAWA; Takeshi ITO	Takeshi ITO Representative Director President and CEO
	Outside:	Kanoko OISHI; Yutaro SHINTAKU; Kunihito MINAKAWA; Noboru KOTANI; Tamie MINAMI	
Nominating Committee	Inside:	Akira KUROKAWA; Takeshi ITO	Yutaro SHINTAKU Outside Director
	Outside:	Kanoko OISHI; Yutaro SHINTAKU; Kunihito MINAKAWA; Noboru KOTANI	

Executive Compensation Committee	Inside:	Akira KUROKAWA; Takeshi ITO	Kanoko OISHI Outside Director
	Outside:	Kanoko OISHI; Yutaro SHINTAKU; Kunihito MINAKAWA; Tamie MINAMI	

(5) Meetings Solely Comprised of Independent Outside Directors

The Company regularly holds meetings solely comprised of Independent Outside Directors as a place where information can be exchanged and awareness shared.

(6) Collaboration between Independent Outside Directors and Corporate Auditors

The Company regularly holds meetings comprised of Independent Outside Directors and Corporate Auditors to exchange information for the purpose of providing information necessary for the Board of Directors to further improve the quality of discussion and deepen mutual cooperation.

7. System to Ensure Appropriateness of the Business and Status of the Operation of the Same

In accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act, Santen Pharmaceutical Co., Ltd. (hereinafter, “Santen”) has passed the resolution to maintain the basic policy on a system to ensure the appropriateness of business (internal control) of its corporate group consisting of Santen and its subsidiaries (in this section, the “Santen Group”), and Santen endeavors according to the details contained therein.

(1) The Santen Group’s CORE PRINCIPLE and WORLD VISION

- (i) The Santen Group’s core principle and WORLD VISION are formulated as described below:

Santen’s CORE PRINCIPLE

“*Tenki ni sanyo suru*”

- ♦ Exploring the secrets and mechanisms of nature in order to contribute to people’s health

WORLD VISION

- ♦ Based on the Santen Group’s core principle, we set up “Happiness with Vision” as a WORLD VISION which is the world Santen ultimately aspires to achieve, and aims to realize the happiest life for every individual, through the Best Vision Experience.
- (ii) The Santen Group always put “people” at the center of every action to help people in the world achieve happy lives through improved “vision”, in accordance with the Santen Group’s core principle and WORLD VISION.

[Status of operation of the system]

- The Company endeavors to increase exposure of the core principle and WORLD VISION through various ways, including always referring to them in officers’ messages, and also to confirm that every activity is performed in accordance with the core principle and WORLD VISION through various ways, including confirmation thereof at material internal meetings.

(2) System to Ensure that the Execution of Duties of the Directors and Employees of Santen Group Complies with Laws, Regulations and the Articles of Incorporation

- (i) The Santen Group’s Directors and Employees shall consider as norms Santen’s core principle and the Santen Code of Practice, which provides the behavioral guidelines for all of the corporate activities to be conducted by all of the constituents.
- (ii) To promote Santen’s core principle and the Santen Code of Practice by the Santen Group as a whole, Santen shall endeavor to ensure the proper recognition thereof and thorough compliance therewith under the direction of officers dedicated thereto.
- (iii) The Santen Group shall stipulate in the Santen Code of Practice that it will never respond to any demand by an anti-social force; and concurrently, cooperate with the relevant authorities, as necessary, to eliminate any relationship with such anti-social forces.
- (iv) As regards any suspected compliance violation within the Santen Group entities, the Santen Group shall endeavor to ensure the presence of measures that would allow the seeking of direct advice and reporting through the maintenance of an internal and external help desk; and concurrently, Santen Group entities shall handle the said advice and reporting in collaboration with the relevant departments of Santen.
- (v) To strengthen and enhance the function of monitoring management, Santen shall appoint multiple highly independent Outside Directors; and concurrently, it shall endeavor to enhance the audit by Corporate Auditors as well as the internal audit system of the Internal Auditing Group under the direct control of the President.

[Status of operation of the system]

- As for the “Santen Code of Practice”, stipulated as behavioral guidelines for all of the corporate activities to be conducted from a common viewpoint under the core principle which is “*Tenki ni sanyo suru*,” the Company implements measures to ensure proper recognition thereof, and thorough compliance therewith, through transmission of information to and trainings of all constituents including foreign subsidiaries.
- The Company established the position of Chief Compliance Officer (CCO) and thereby has propelled the further improvement of the Group’s compliance system and activities.
- The Company is continually aware of anti-social forces’ actions, cooperates with relevant authorities opposed thereto, and blocks any relationship with, anti-social forces which threaten social order and security.
- As to advice by and reporting to an internal and external help desk, the Company has performed necessary investigations including interviews in collaboration with independent specialists in Japan and abroad and takes appropriate action.
- The Company endeavors to strengthen its managerial supervisory function through appointment of five (5) highly independent Outside Directors, and the audit performed by four (4) people consisting of three (3) highly independent Outside Directors and a standing Corporate Auditor. Also, the Company established the Internal Auditing Group under the direct control of the President, members of which endeavor to enhance their expertise.

(3) System on Retention and Management of Information on the Execution of Duties of the Directors

- (i) As to the treatment of information concerning the execution of the duties of Directors of Santen, Santen shall appropriately maintain and administer such information based on internal rules such as for information security, internal approvals and document control.

[Status of operation of the system]

- As to the information including records and document concerning the execution of duties of Directors, the Company has been performing appropriate maintenance and administration thereof based on internal rules such as for information security, internal approvals and document control.
- The Company has established a code of conduct for officers with the aim of strengthening its governance functions as well as maintaining and enhancing the corporate value of the Group. It has also revised the rules concerning voluntary committees in accordance with the changes to the desired roles to be fulfilled by the committees.

(4) Rules on the Management of Risk of Loss of the Santen Group and Other Systems

- (i) For Santen Group to respond appropriately to assumable major risks of loss related to its business activities, in accordance with the rules on risk management, each of its business corporations and organizations shall endeavor to comprehend and manage risk of loss from normal times, construct systems that will formulate policies / countermeasures and gather information, and endeavor to avoid or minimize risk of loss. Specifically, Santen’s risk management division shall, collaborating with its subsidiaries, comprehend and evaluate the Santen Group’s risks, and formulate and implement necessary countermeasures.
- (ii) Upon the occurrence of any event that may evolve into a material risk or if such an event is reported, the Crisis Management Committee chaired by Santen’s Representative Director, President & CEO shall be established within Santen, which will endeavor to address the matter and settle the situation, and concurrently therewith, institute measures to prevent a recurrence.
- (iii) Santen’s Internal Auditing Group shall conduct internal audit of the status of management of the risk of loss within the Santen Group from an independent viewpoint.

[Status of operation of the system]

- The Company, even in ordinary times, endeavors to perceive and control risks of loss. It has established a system to plan policies and measures to address the same, as well as to perform collection of information in an expeditious manner.
- The Company has clarified the responsible person as a leader of risk management, and promotes further improvement of the Group's risk management system and promotes its activities.
- The Company has formulated the Rules on Reporting Critical Incidents as a global set of rules to maintain a framework that facilitates prompt reporting upon the occurrence of a crisis.
- The Company has built an administrative structure where the occurrence or reporting of an incident that is potentially capable of developing into a major crisis will trigger an assessment by the Risk Evaluation Committee of the degree of such incident. If the Committee determines that the event is a major crisis that needs to be addressed, the matter is then escalated to the Crisis Response Committee Representative for the convocation of the meeting of the Crisis Response Committee. The Crisis Response Committee will provide centralized management of information upon the occurrence of the crisis and shall take the necessary measures as well as resolve the crisis.
- The Company's Internal Auditing Group performs validation of the status of risk management through the business operations audit, from its independent standpoint.

(5) System to Ensure the Efficient Execution of Duties of the Directors of the Santen Group

- (i) Santen shall establish a global management system centering on the EMT, appointed by the Board of Directors. The EMT shall implement optimum decision-making speedily and on a company-wide basis, and thereby strengthen the Company's governance system for the conduct of its business.
- (ii) Santen shall hold meetings of the Board of Directors at least once a month in principle, and shall hold special meetings of the Board of Directors as necessary.
- (iii) Santen shall establish the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, which are all voluntary committees made up of Inside and Outside Directors, to deliberate on prescribed matters and submit recommendations to Santen's Board of Directors.
- (iv) Santen shall establish various meeting bodies in order to swiftly and efficiently decide on important matters concerning the Santen Group's management policies and conduct of the business.
- (v) Santen shall establish the Rules of the Board of Directors and the rules for Corporate Officers clarifying their duties and powers. Furthermore, Santen shall maintain rules and standards concerning internal approvals and clarify procedures for decision-making.
- (vi) For each of the Santen Group entities to promote its global business operation, a personnel and organizational system shall be maintained to clarify its role and implement strategies with more certainty and to enable further contribution to customers. Furthermore, rules and standards concerning the organization shall be established to clarify the authority and responsibilities of each organization and subsidiary.

[Status of operation of the system]

- The Company has established an executive system centering on the EMT that facilitates a global management system, which implements optimum decision-making speedily and on a company-wide basis, and thereby strengthens its governance system for the conduct of its business.
- The Company's Board of Directors held twelve (12) ordinary meetings and one (1) extraordinary meeting. Also, the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, which are all voluntary committees made up of Inside and Outside Directors, held meetings and engaged in deliberations six (6) times, eight (8) times and ten (10)

times respectively.

- The Company established the Rules of the Board of Directors and the Rules for Corporate Officers clarifying their duties and powers, and performs appropriate operations thereof. Also, the Company established the Rules for Decision Making (“Kessai”) , whereby the procedures for decision making are clarified and appropriately operated.
- The Company defined the management framework to enable it to perform its business effectively and efficiently, clarifying the role of the global organization and performs optimization and standardization as a whole.

(6) System to Ensure Proper Operating Controls Within the Santen Group

- (i) Santen shall, centering on its internal control divisions, establish a managerial system to make recommendations and instructions to enhance the appropriateness of corporate activities within the Santen Group.
- (ii) Santen shall maintain rules on control of subsidiaries to clarify matters necessary to ensure proper operation of its subsidiaries and shall apply the same to all entities within the Santen Group and strengthen the auditing function of its key subsidiaries. Concurrently, Santen shall establish a system whereby developments and applications of its subsidiaries’ internal control systems are ascertained.
- (iii) To ensure the credibility of financial reports, a system shall be established whereby each of Santen’s relevant divisions and subsidiaries will perform a self-check concerning the appropriateness of its business, and then Santen’s Internal Auditing Group will verify the adequacy thereof.

[Status of operation of the system]

- The Company has operated the rules on control of subsidiaries and the “Regional Person in Charge”, “Corporate CFO” and “Region Finance Head” take, in principle, respective offices as directors of major subsidiaries, through which it endeavors to strengthen its function to supervise subsidiaries, and concurrently therewith, such officers of subsidiaries attend the Santen Group Corporate Auditors’ meeting, pursuant to the auditing plan of the Board of Corporate Auditors, to endeavor to share issues.
- To enhance appropriateness of business activities within the Santen Group, the Company has established and been operating a managerial system whereby advice and guidance are given mainly by the internal control divisions of the Company.
- To ensure the proper operation of its subsidiaries, the Company prepared a management book (a support tool for internal control) and endeavored to keep the management personnel of all subsidiaries informed about it.
- As to the consolidation and operation of the internal control systems in its subsidiaries, the Company has identified major risk factors and selected a department to be responsible for addressing such factors. It has also established a system to periodically implement and verify risk assessments in the respective regions.
- As to ensuring the credibility of financial reports, at relevant divisions of the Company and its subsidiaries, self-checks have been performed concerning the status of improvement and operation, and internal audits have been conducted.

(7) Matters Regarding an Employee, when the Board of Corporate Auditors Seeks to Adopt Him or Her as an Assistant, Matters Regarding the Independence of such Employee from Directors, and Matters Regarding Ensuring the Effectiveness of Directions to such Employee

- (i) A full-time staff, who will provide assistance to Santen’s Corporate Auditors as well as discharge other duties as necessary, and who does not belong under the line of supervision and direction of

the management, shall be employed.

- (ii) Personnel transfers of the staff of the Corporate Auditors shall be made by Santen's Representative Director in accordance with the internal rules and with the consent of the Corporate Auditors. As to the evaluation thereof, the contents thereof examined and determined by the Corporate Auditors in accordance with the internal rules shall be duly respected.

[Status of operation of the system]

- The Company established the Internal Auditing Group, comprised of three (3) dedicated members including the head of the group, which provides assistance to its Corporate Auditors as well as other duties as necessary, and which does not belong under the line of supervision and direction of the management.
- As to personnel transfers and the evaluation of the staff of the Corporate Auditors, they have been made in accordance with the internal rules and in consideration of the evaluation by the Corporate Auditors.

(8) System for Directors and Employees of the Santen Group to Report to Corporate Auditors, System Regarding Other Reports to Corporate Auditors, and System to Ensure that the Person who Reported to Corporate Auditors Will Not Receive Any Adverse Treatment by Reason of Such Reporting

- (i) In the event the Directors and employees of the Santen Group come to know of any specific matter that may cause any tremendous damage to the company, they shall report the same to Santen's Corporate Auditors and Board of Corporate Auditors without delay.
- (ii) Santen's Corporate Auditors may seek reports from the Santen Group's Directors and employees as needed and as necessary even for matters other than those described in item (i) above.
- (iii) Santen's Internal Auditing Group and the auditing divisions in key subsidiaries shall regularly report to Santen's Board of Corporate Auditors their audit policies and plans, and the results of their internal audits as well as exchange information therewith.
- (iv) No disadvantageous treatment shall be suffered by any employee of the Santen Group on the ground that such employee blew the whistle to the Corporate Auditors concerning any internal suspicious compliance violation and the like within the Santen Group entities, regardless of whether or not it was made through an internal or external help desk.

[Status of operation of the system]

- The Company is well equipped with and operated under the system of reporting to the Corporate Auditors and the Board of Corporate Auditors with respect to important matters.
- The Company's Corporate Auditors obtain monthly operating reports as well as minutes of meetings and other various materials as necessary from respective divisions of the Company and key subsidiaries, and also seek, from time to time, Directors and employees of the Group to submit reports as necessary.
- The Company's Internal Auditing Group holds monthly regular meetings with standing Corporate Auditors and reports its audit results.
- The Company has stipulated the protection of whistle blowers under its internal rules concerning any internal suspicious compliance violation and the like and extended efforts to avoid any possible disadvantageous treatment due to whistle-blowing.

(9) Other Systems to Ensure the Effective Conduct of the Audit by the Corporate Auditors

- (i) Santen's Corporate Auditors and Board of Corporate Auditors shall hold meetings regularly or as needed with not only Santen's Representative Director, but also with the Santen Group's Directors and employees as deemed necessary, to exchange opinions on issues such as issues that the

companies must address and substantial issues relating to audit, and enhance mutual awareness and the fiduciary relationship.

- (ii) Santen's Corporate Auditors may attend meetings that they wish to attend upon consultation with Santen's Representative Director, and state their opinion on procedures regarding substantial decision-making and the state of the conduct of the business.
- (iii) Santen shall bear the expenses necessary for Santen's Corporate Auditors to perform their duties.

[Status of operation of the system]

- The Company's Corporate Auditors and the Board of Corporate Auditors hold meetings regularly or as needed with Directors, Corporate Officers and other officers, whereat opinions on substantial issues and the like are exchanged.
- The Company's Corporate Auditors attend internal substantial meetings as needed, whereat they state their opinions on procedures of substantial decision-making and the state of the conduct of business.
- The Company bears the expenses necessary for its Corporate Auditors to perform their duties.

(Note) The amount and number of shares stated in this Business Report the amount of which is less than the presented unit are, unless otherwise notified, rounded to the nearest integral number.