

NOTICE: This is a translation of a part of a notice issued on June 3, 2019 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.

Securities code: 4536

June 3, 2019

**CONVOCATION NOTICE
OF THE 107TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We hereby inform you of the 107th Annual General Meeting of Shareholders of the Company to be held as set forth below. Your presence at the meeting will be highly appreciated.

If you cannot attend the Meeting, you are entitled to exercise your voting right by a written form or via the Internet.* In such a case, after reviewing the attached “Reference Materials for the General Meeting of Shareholders,” please exercise your voting right by: filling up the Voting Card indicating your assent or dissent to the items on the agenda, and returning the card to us by mail before 17:30 on Monday, June 24, 2019; or accessing the website (<https://evote.tr.mufg.jp/>) designated by the Company for voting using your personal computer, and exercising your voting right before 17:30 of the aforementioned day.

Very truly yours,

Akira Kurokawa
Representative Director
Chairman & CEO

SANTEN PHARMACEUTICAL CO., LTD.

9-19, Shimoshinjo 3-chome, Higashiyodogawa-ku, Osaka, Japan

[Corporate Headquarters: 4-20, Ofuka-cho, Kita-ku, Osaka, Japan]

*Please note that shareholders outside Japan may not directly use this means outside Japan.

AGENDA

- 1. Date and Time: Tuesday, June 25, 2019 at 10:00 a.m.**
(Start of admission at 9:00 a.m.)
- 2. Place: Knowledge Capital Congrès Convention Center at the Second Basement, North Building, Grand Front Osaka**
3-1, Ofuka-cho, Kita-ku, Osaka, Japan
- 3. Agenda**
Reports:
 1. Reports on the Business Report, Consolidated Financial Statements and Financial Statements for the 107th Business Term (April 1, 2018 to March 31, 2019)
 2. Reports on the Audit Reports by the Accounting Auditors and the Board of Corporate Auditors on the Consolidated Financial Statements for the 107th Business Term (April 1, 2018 to March 31, 2019)

Items for Resolution:

- Proposal No. 1** Appropriation of Surplus
- Proposal No. 2** Appointment of Six (6) Directors
- Proposal No. 3** Appointment of Two (2) Corporate Auditors

- 4. Matters Determined concerning the Convocation***
Please see the Information regarding the Exercise of Voting Rights, etc.

*Japanese version only.

■ Disclosure via the Internet

Pursuant to laws and regulations as well as Article 16 of the Company's Articles of Incorporation, the lists described below are posted on the website of the Company (<https://www.santen.co.jp/ja/ir/document/meeting.jsp>) and hence, are not provided in the Appendices* hereto.

- (1) Matters regarding the rights to subscribe for new shares, etc. set forth in the Business Report;
- (2) Explanatory Notes to the Consolidated Financial Statements; and
- (3) Explanatory Notes to the Financial Statements.

Please be informed that the Consolidated Financial Statements and the Financial Statements that have been audited by the Corporate Auditors and the Accounting Auditors consist of documents included in the Appendices hereto as well as the matters described in (2) and (3) above posted on the website of the Company.

*Japanese version only.

- ◎ Changes in the Reference Materials for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Financial Statements, if any, shall be publicized via the Internet on the website of the Company (<https://www.santen.co.jp/ja/ir/document/meeting.jsp>).

REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and Reference Information

Proposal No. 1 Appropriation of Surplus

The Board of Directors proposes to appropriate the surplus as follows:

Matters regarding the Term-End Dividends of Profits

Basic Policy on Dividends of Profits

Our basic policy ensures management which places the greatest importance on shareholder returns with emphasis on stability and sustainability. We return profits to shareholders primarily through dividend payments, in tandem with repurchasing treasury shares as a supplemental measure, taking into consideration a comprehensive range of factors, including the medium- to long-term business environment, funding requirements, internal reserves available, and capital structure.

Term-End Dividends of Profits for the 107th Business Term

For the 107th Business Term, the Board of Directors proposes term-end dividends of profits at JPY 13 per share.

Consequently, the total dividends for the annual business term, including the interim dividends previously distributed (JPY 13 per share), will be JPY 26 per share.

In the 107th Business Term, in order to strengthen the return to shareholders and to further enhance capital efficiency, the Company acquired 8,144,000 treasury shares based on the provisions of Article 156 of the Companies Act as read pursuant to the provision of Article 165, Paragraph 3 of the same Act, and implemented the cancellation of 7,500,000 treasury shares in accordance with Article 178 of the same Act.

- (1) Kind of dividend property: cash
- (2) Matters concerning the distribution of dividend property to shareholders and the aggregate amount thereof: JPY 13 per share of the common shares of the Company, which amounts to JPY 5,188,619,592 in the aggregate.
- (3) Effective date of distribution of dividends from the surplus: June 26, 2019

Proposal No. 2 Appointment of Six (6) Directors

The term of office of all the Directors will expire at the close of this Annual General Meeting of Shareholders. Under this Proposal, the Board of Directors proposes the appointment of six (6) Directors as specified below.

The Board of Directors passed a resolution on the selection of candidates for Director after a deliberation thereon was made by the Nominating Committee, which is a voluntary committee comprised of inside Directors and Outside Directors.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Profile (Positions and responsibilities in the Company/other entities, and material posts concurrently held in other juridical persons)	Number of Santen shares owned
1	Akira KUROKAWA (September 5, 1952)	<p>April 1977 Joined the Company</p> <p>April 1997 General Manager, Head of the Office of Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>June 1997 Director</p> <p>June 1998 Deputy Head of Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>May 2001 Head of Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>June 2001 Corporate Officer</p> <p>July 2004 Senior Corporate Officer</p> <p>June 2006 President & COO</p> <p>June 2008 President & CEO</p> <p>April 2018 Chairman & CEO (incumbent)</p>	160,274 shares
2	Shigeo TANIUCHI (December 10, 1973)	<p>April 1996 Joined the Company</p> <p>October 2007 Deputy General Manager, Chinese Business Management Group, Asia Division</p> <p>November 2008 Head of Marketing & Sales Division, Santen Pharmaceutical (China) Co., Ltd.</p> <p>April 2011 General Manager, Business Planning & Administration Group, Asia Division</p> <p>April 2012 General Manager, Corporate Planning Group, Corporate Development Division</p> <p>January 2014 Deputy Head of Corporate Development Division</p> <p>April 2015 Corporate Officer, Head of Santen Europe (currently EMEA), and President of Santen Holdings EU B.V.</p> <p>April 2016 Senior Corporate Officer, Head of Santen Europe (currently EMEA), and President of Santen Holdings EU B.V.</p> <p>June 2017 Director</p> <p>April 2018 President & COO (incumbent)</p> <p>October 2018 Head of Asia Division, President & CEO of Santen Inc.</p> <p>April 2019 Head of North America Business, President & CEO of Santen Inc. (incumbent)</p>	11,974 shares
3	Takeshi ITO (July 16, 1959)	<p>April 1982 Joined the Company</p> <p>July 1999 General Manager, Business Development Group, Business Development Division</p> <p>May 2001 General Manager, Corporate Development Group, R&D Strategic Integration Department</p> <p>December 2002 Head of R&D Integration Department, R&D Division</p> <p>April 2007 Head of Surgical Division</p> <p>April 2012 Corporate Officer, Head of Prescription Pharmaceuticals Sales Department, Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>April 2014 Senior Corporate Officer, Head of Japan Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>April 2016 Executive Corporate Officer (incumbent), Japan Business, Head of Japan Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>June 2017 Director (incumbent)</p> <p>April 2019 Head of Japan Business, Head of Japan Sales & Marketing Division (incumbent)</p>	15,860 shares

4	<p>Kanoko OISHI (March 24, 1961)</p>	<p>January 1993 Partner, McKinsey & Company, Inc. June 2000 Established Mediva Inc. Representative Director (incumbent) July 2000 Established Seinan Mediva Co., Ltd. (currently, Seeds 1 Co., Ltd.); Representative Director (incumbent) August 2004 Established Platanus Medical Corporation; COO (incumbent) June 2010 Outside Director of Astellas Pharma Inc. June 2015 Outside Director of the Company (incumbent) June 2015 External Board Member of Ezaki Glico Co., Ltd. (incumbent) June 2015 Outside Director of Suruga Bank Ltd. March 2016 External Director of Shiseido Company, Limited (incumbent)</p> <p>Material posts concurrently held in other juridical persons: Representative Director of Mediva Inc. Representative Director of Seeds 1 Co., Ltd. External Board Member of Ezaki Glico Co., Ltd. External Director of Shiseido Company, Limited</p> <p>Total term of office until the close of this Meeting: Four (4) years Number of attendance at Board of Directors' meetings: 17 out of 17 meetings</p>	0 share
5	<p>Yutaro SHINTAKU (September 19, 1955)</p>	<p>June 2005 Executive Officer of Terumo Corporation June 2006 Director and Executive Officer, President of Cardiac & Vascular Products Group of Terumo Corporation June 2007 Director and Senior Executive Officer in charge of the R&D Center, Intellectual Property Department and Legal Department of Terumo Corporation June 2009 Director and Managing Executive Officer, General Manager of Strategy Planning Department, and General Manager of International Business in charge of the Human Resources Department and Accounting & Finance Department of Terumo Corporation June 2010 Representative Director, President and CEO of Terumo Corporation April 2017 Director and Corporate Advisor of Terumo Corporation June 2017 Corporate Advisor of Terumo Corporation June 2017 External Director of J-Oil Mills Inc. (incumbent) June 2017 Outside Director of the Company (incumbent) March 2018 Outside Director of Kubota Corporation (incumbent) April 2018 Visiting Professor, Business Administration, Hitotsubashi University Business School April 2019 Project Professor, Business Administration, Hitotsubashi University Business School (incumbent)</p> <p>Material posts concurrently held in other juridical persons: External Director of J-Oil Mills Inc. Outside Director of Kubota Corporation Project Professor, Business Administration, Hitotsubashi University Business School</p> <p>Total term of office until the close of this Meeting: Two (2) years Number of attendance at Board of Directors' meetings: 17 out of 17 meetings</p>	0 share
6	<p>Kunihito MINAKAWA (August 15, 1954)</p>	<p>October 1997 Senior Vice President and Chief Financial Officer, Ricoh Americas Corporation April 2010 Corporate Vice President, and General Manager of Finance and Accounting Division, Ricoh Company, Ltd. June 2010 Outside Audit & Supervisory Board Member, Ricoh Leasing Company, Ltd. April 2012 Corporate Senior Vice President, and General Manager of Finance and Accounting Division, Ricoh Company, Ltd. June 2013 Audit & Supervisory Board Member, Ricoh Company, Ltd. June 2017 Outside Director of Sony Corporation (incumbent) June 2018 Outside Director of the Company (incumbent)</p>	1,000 shares

		Material post concurrently held in another juridical person: Outside Director of Sony Corporation	
		Total term of office until the close of this Meeting: One (1) year Number of attendance at Board of Directors' meetings: 14 out of 14 meetings	

(Note 1) While a consulting agreement has been executed between the Company and Mediva Inc., represented by Kanoko Oishi as its Representative Director, the amount of annual payment to Mediva Inc. is below the base amount specified by the criteria of independence established by the Company, and the transaction value between them is less than 1% of either the sales of Mediva Inc. or the consolidated sales of the Company in the previous fiscal year, and thus *de minimis* in the light of both of the above sales. None of the other candidates for Director have a special interest in the Company.

(Note 2) Among the candidates for Director, Kanoko Oishi, Yutaro Shintaku and Kunihiro Minakawa are candidates for Outside Director.

(Note 3) Among the candidates for Director, the Company designated Kanoko Oishi, Yutaro Shintaku and Kunihiro Minakawa as Independent Officers pursuant to Article 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc., and has filed their names therewith.

(Note 4) Reasons for the appointment of the candidates for Director:

- (1) As regards Akira Kurokawa, he has assumed command of overall management as the Representative Director, President & CEO of the Company since June 2008 and the Representative Director, Chairman & CEO of the Company since April 2018 and has achieved a sustained enhancement of the corporate value of the Company. Furthermore, at the Board of Directors, he has fulfilled his responsibilities concerning matters for resolutions and reports as the Chairman & CEO as well as taken the chair thereof as the Representative Director, appropriately conducted the meetings thereof, and contributed in the making of decisions thereat by gaining the understanding of each Director. Considering the foregoing, the Board of Directors proposes his continuous appointment as a Director.
- (2) As regards Shigeo Taniuchi, he has an understanding of Santen's Values and the underlying ethos thereof, and besides that, he has experience in various divisions including the China business, corporate development and the European business, and has served as the Corporate Officer, Head of Santen Europe (currently EMEA) since 2015, and as the Senior Corporate Officer, Head of Santen Europe (currently EMEA) since 2016, and, as the Representative Director, President & COO of the Company since April 2018, he has contributed to the enhancement of the corporate value of the Company. Furthermore, he has contributed to enhance the quality of the discussions in the Board of Directors by expressing his opinions actively throughout the proceedings at meetings, and he has contributed in the making of decisions thereat. Considering the foregoing, the Board of Directors proposes his continuous appointment as a Director.
- (3) As regards Takeshi Ito, he has an understanding of Santen's Values and the underlying ethos thereof, and besides that, he has experience in various divisions including R&D, surgical, sales & marketing, prescription pharmaceuticals, and has served as a Corporate Officer since 2012, the Senior Corporate Officer, Head of Sales & Marketing Division, Prescription Pharmaceuticals since 2014, and the Executive Corporate Officer, Japan Business, Head of Japan Sales & Marketing, Prescription Pharmaceuticals since 2016; and he has contributed to the enhancement of the corporate value of the Company. Furthermore, he has contributed to enhance the quality of the discussions in the Board of Directors by expressing his opinions actively throughout the proceedings at meetings, and he has

contributed in the making of decisions thereat. Considering the foregoing, the Board of Directors proposes his continuous appointment as a Director.

- (4) As regards Kanoko Oishi, considering that she has extensive knowledge and experience amassed through long years of involvement in management in the country and overseas, and that she has contributed to enhance the quality of the discussions in the Board of Directors by expressing her opinions actively throughout the proceedings at meetings, the Board of Directors believes that she is well-qualified to be an Outside Director, and proposes her continuous appointment as such.
- (5) As regards Yutaro Shintaku, considering that he has extensive knowledge and 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, and that he has contributed to enhance the quality of the discussions in the Board of Directors by expressing his opinions actively throughout the proceedings at meetings, the Board of Directors believes that he is well-qualified to be an Outside Director, and proposes his continuous appointment as such.
- (6) As regards Kunihiro Minakawa, considering that he has 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, and that he has contributed to enhance the quality of the discussions in the Board of Directors by expressing his opinions actively throughout the proceedings at meetings, the Board of Directors believes that he is well-qualified to be an Outside Director, and proposes his continuous appointment as such.

(Note 5) Facts regarding cases of unjust execution of business of another stock company during the preceding five (5) years where candidates for Outside Director were in his or her office as a director or corporate auditor at such company:

- (1) Suruga Bank Ltd., in which Kanoko Oishi assumed her office as an outside director from June 2015 to June 2018, underwent administrative depositions (*i.e.*, a partial business suspension order and a business improvement order) in October 2018 by the Financial Services Agency, which pointed out problems including its wrongful acts regarding loans for share houses and other loans for real estate, its operation of business in a manner that harms the interests of customers and making inappropriate loans for its family companies. She did not recognize these facts until they were revealed and the investigation report by the third party panel reported that no legal responsibility was found on her part. Also, she had been regularly providing advice as an outside director of the said company from the standpoint of legal compliance, and called attention to legal compliance by the said company. Once the aforementioned facts were revealed, she performed her duties appropriately, including, at the meetings of the board of directors of the said company, determining such facts, and seeking to strengthen and ensure thorough compliance and to take appropriate measures towards the prevention of a recurrence of these situations, and endeavored to restore confidence in the said company.
- (2) Kubota Corporation, in which Yutaro Shintaku has held an office as an outside director since March 2018, announced publicly in September 2018 that inappropriate conduct had been made regarding the inspection report for consumable parts (*i.e.*, mill roll) used in facilities for production of steel sheets, etc. While he had not recognized such fact until this issue was discovered, he had been regularly making suggestions on various occasions, including the meetings of the board of directors, from the standpoint of general and legal compliance. Once he recognized such facts, he carried out his duties, including giving instructions to conduct an exhaustive investigation to determine the cause and to prevent

recurrence as well as readjustment of the inspection system.

(Note 6) Agreement with the Outside Directors to limit their 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, it is provided in Article 27 of the Company's current Articles of Incorporation that the Company may enter into an agreement with any Outside Director to limit his or her liability for any damage that may be caused by his or her negligence in the performance of his or her duty. Pursuant to such provision, the Company has previously entered into agreements with Kanoko Oishi, Yutaro Shintaku and Kunihiro Minakawa respectively, the candidates for Outside Director, to limit their liability for any such damage. Upon the approval of the reappointment of these Outside Directors under this Proposal, the foregoing agreements are planned to be renewed. The outline of such agreement is as follows:

- In case the Outside Director becomes 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 the Outside Director shall be allowed only if he or she performed his or her duty, which caused the damages, in good faith and without gross negligence.

Proposal No. 3 Appointment of Two (2) Corporate Auditors

The term of office of the Corporate Auditors, Yutaka Mizuno and Seiichiro Adachi, will expire at the close of this Annual General Meeting of Shareholders. Under this Proposal the Board of Directors proposes the appointment of two (2) Corporate Auditors as specified below.

The Board of Directors passed a resolution on the selection of the candidates for Corporate Auditor with the consent of the Board of Corporate Auditors after discussion on recommendation of such candidates were made by the Nominating Committee, which is a voluntary committee comprised of inside Directors and Outside Directors.

The candidates for Corporate Auditor are as follows:

The candidates who will be newly appointed are shown with an asterisk (*) next to their names.

Candidate No.	Name (Date of birth)	Profile (Positions and responsibilities in the Company/other entities and material posts concurrently held in other juridical persons)	Number of Santen shares owned
1	* Hirofumi YASUHARA (August 28, 1956)	<p>June 2008 Director, PanaHome Corporation (currently, Panasonic Homes Co., Ltd.)</p> <p>June 2012 Representative Director, PanaHome Corporation</p> <p>June 2014 Senior Audit & Supervisory Officer, Automotive & Industrial Systems Company, Panasonic Corporation</p> <p>June 2015 Senior Audit & Supervisory Board Member, Panasonic Corporation (incumbent) (expected to resign from office on June 27, 2019)</p>	0 share
2	* Yumiko ITO (March 13, 1959)	<p>April 1984 Legislation Staff (<i>Sanji</i>), The Legislative Bureau of the House of Representatives of Japan</p> <p>April 1987 Legal Apprentice, The Legal Training and Research Institute of Japan, Supreme Court of Japan</p> <p>April 1989 Admitted to the bar in Japan; Joined Sakawa Law Office</p> <p>July 1991 Joined Tanabe & Partners</p> <p>April 2001 General Counsel, Legal & Patent Operation, GE Yokogawa Medical Systems, Ltd. (currently GE Healthcare Japan Corporation)</p> <p>May 2004 Staff Counsel, Legal & Intellectual Property, IBM Japan, Ltd.</p> <p>March 2007 Executive Officer, Legal & Corporate Affairs, Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)</p> <p>April 2013 Executive Officer and General Counsel, Sharp Corporation</p> <p>June 2013 Director, Executive Officer and General Counsel, Sharp Corporation</p> <p>April 2014 Director, Executive Managing Officer and General Counsel, Sharp Corporation</p> <p>June 2016 Executive Managing Officer and General Counsel, Sharp Corporation</p> <p>April 2019 Established Ito Law Office, Representative (incumbent)</p> <p>Material post concurrently held in another juridical person: Independent Director of Kobe Steel, Ltd. (expected to assume office in the late June, 2019)</p>	0 share

(Note 1) The above candidates for Corporate Auditor have no special interest in the Company.

(Note 2) Hirofumi Yasuhara and Yumiko Ito, the candidates for Corporate Auditor, are candidates for Outside Corporate Auditor.

(Note 3) The Company, through a filing, has informed the Tokyo Stock Exchange, Inc. that, upon the

approval of the appointment of Hirofumi Yasuhara and Yumiko Ito under this Proposal, they will become Independent Officers pursuant to Article 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc.

(Note 4) Reasons for the appointment of the candidate for Corporate Auditor:

- (1) As regards Hirofumi Yasuhara, considering that he has extensive knowledge and experience amassed through long years of involvement in management in the country and overseas, and engaged in auditing duties as a senior & supervisory board member of several companies listed on the 1st Section of the Tokyo Stock Exchange, Inc. and he is expected to express appropriate audit opinions based on a managerial perspective from the company-wide point of view at the meetings of the Board of Corporate Auditors and the Board of Directors, the Board of Directors believes that he is well-qualified to be an Outside Corporate Auditor, and proposes his appointment as such.
- (2) As regards Yumiko Ito, considering that she is a legal expert qualified as an attorney-at-law in Japan and the U.S. and has extensive knowledge and experience amassed through long years of involvement in management as an officer of several global companies, and she is expected to express appropriate audit opinions from the company-wide point of view at the meetings of the Board of Corporate Auditors and the Board of Directors, the Board of Directors believes that she is well-qualified to be an Outside Corporate Auditor, and proposes her appointment as such.

(Note 5) Agreement with the Outside Corporate Auditors to limit its 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 Corporate Auditor, it is provided in Article 35 of the Company's current Articles of Incorporation that the Company may enter into an agreement with any Outside Corporate Auditor to limit his or her liability for any damage that may be caused by his or her negligence in the performance of his or her duty. Pursuant to such provision, upon the approval of the appointment of Hirofumi Yasuhara and Yumiko Ito, who are candidates for Outside Corporate Auditor under this Proposal, such agreement is planned to be concluded between each of them and the Company as well. The outline of such agreement is as follows:

- In case the Outside Corporate Auditor becomes 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 the 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.

For Your Reference:

1. The Company's Policy and Procedures for the Appointment of Candidates for Director and Corporate Auditor

(1) Appointment of Candidates for Director

In the Company, the Nominating Committee, which is a voluntary committee comprised of inside Directors and Outside Directors, deliberates on the selection of candidates for Director, and based on its recommendation, the Board of Directors determines the candidates for Director. Upon deliberation by the Nominating Committee, on the premise that each nominee has an understanding of Santen's Values and the underlying ethos thereof, the guiding principle for the selection of candidates for Director is that each nominee must have credentials such as superb expertise, ability to participate in decision-making from a managerial standpoint and supervise execution of the duties by directors, while the guiding principle for the selection of candidates for Outside Director is that each nominee must have credentials such as being capable of contributing to enhance the quality of the discussions in the Board of Directors with experience in managing companies or a specialized understanding of corporate management, and satisfies the criteria of independence established by the Company.

(2) Appointment of Candidates for Corporate Auditor

In the Company, the Nominating Committee, which is a voluntary committee comprised of inside Directors and Outside Directors, discusses the recommendation of candidates for Corporate Auditor, and then the Board of Directors determines the nominees as candidates for Corporate Auditor after it obtains the consent of the Board of Corporate Auditors. Upon consent by the Board of Corporate Auditors, on the premise that each nominee has an understanding of Santen's Values and the underlying ethos thereof, the guiding principle for the selection of candidates for Corporate Auditor is that each nominee must have credentials such as having ethical values and a sense of fairness, while being experienced in performing high-level duties in any field, while the guiding principle for the selection of candidates for Outside Corporate Auditor is that each nominee must have credentials such as being experienced in academic pursuits, the legal profession, accounting or management as well as having a wealth of experience and high expertise in each field, and satisfies the criteria of independence established by the Company.

2. Criteria of Independence of Outside Directors and Outside Corporate Auditors

From the viewpoint of further strengthening corporate governance as well as enhancing the transparency and objectiveness of management, the Company has established the following criteria in determining that each of the Outside Directors and Outside Corporate Auditors has no interest in the Company and its affiliate companies (collectively, the "Santen Pharmaceutical Group"), and that each of them is "independent."

- (1) In the past, the relevant director/corporate auditor has never been a director, corporate auditor or employee of the Santen Pharmaceutical Group.
- (2) The relevant director/corporate auditor is not a consultant, accounting expert or legal expert, regardless of whether he/she/it is an individual or a juridical person, who has ever been directly involved in the business of the Santen Pharmaceutical Group, and has never obtained money or other assets in an amount of JPY 10 million or more per year therefrom, during the past three (3) years.
- (3) During the past three (3) years, the relevant director/corporate auditor has never been a director and the like (including a corporate officer or other person equivalent thereto; hereinafter, the same shall apply) of a company with sales to the Santen Pharmaceutical Group amounting to 2% or more

of the annual sales of such company. Also, during the past three (3) years, the relevant director/corporate auditor has never been a director and the like of a company with sales by the Santen Pharmaceutical Group amounting to 2% or more of the annual sales of the Santen Pharmaceutical Group.

- (4) The relevant director/corporate auditor is not a director and the like of a company, 10% or more of the aggregate number of outstanding shares of which is held by the Santen Pharmaceutical Group, or a company holding 10% or more of the aggregate number of outstanding shares of the Company.
- (5) The relevant director/corporate auditor has never taken office as a director and the like of the Santen Pharmaceutical Group's main bank, lead managing securities companies, main life insurance company or main non-life insurance company.
- (6) The relevant director/corporate auditor is not a director/corporate auditor of the Santen Pharmaceutical Group, a spouse or another relative within the third degree of kinship of any person classified under any of items (1) to (5) above.
- (7) There is no matter concerning the relevant director/corporate auditor that may raise a material conflict of interest in his/her performing the duties of an Outside Director/Outside Corporate Auditor, or any relationship that may affect his/her judgment as an Outside Director/Outside Corporate Auditor.

Consolidated statement of income (IFRS*)

(Millions of yen)

	Year to March 31, 2019	(Reference) Year to March 31, 2018
Revenue	234,026	224,942
Cost of sales	(90,764)	(86,378)
Gross profit	143,262	138,564
Selling, general and administrative expenses	(71,273)	(68,788)
Research and development expenses	(23,759)	(24,398)
Amortization on intangible assets associated with products	(6,988)	(6,740)
Other income	4,028	417
Other expenses	(172)	(364)
Operating profit	45,098	38,691
Finance income	901	1,004
Finance expenses	(2,881)	(434)
Profit before tax	43,117	39,261
Income tax expenses	(11,174)	(4,000)
Net profit for the year	31,943	35,261
Profit attributable to		
Owners of the company	31,954	35,247
Non-controlling interests	(11)	14
Net profit for the year	31,943	35,261

(Figures are rounded to the nearest million yen)

* International Financial Reporting Standards

Consolidated statement of financial position (IFRS)

(Millions of yen)

	Year ended March 31, 2019	(Reference) Year ended March 31, 2018
Assets		
Non-current assets		
Property, plant and equipment	31,699	29,706
Intangible assets	131,110	134,495
Financial assets	30,044	35,775
Deferred tax assets	1,771	2,264
Other non-current assets	1,819	2,855
Total non-current assets	196,444	205,095
Current assets		
Inventories	35,235	30,636
Trade and other receivables	84,618	78,654
Other financial assets	267	472
Other current assets	3,826	4,322
Cash and cash equivalents	70,796	69,283
Total current assets	194,742	183,367
Total assets	391,186	388,463

(Figures are rounded to the nearest million yen)

(Millions of yen)

	Year ended March 31, 2019	(Reference) Year ended March 31, 2018
Equity		
Share capital	8,252	8,032
Capital surplus	8,661	8,657
Treasury shares	(1,131)	(11)
Retained earnings	258,659	249,225
Other components of equity	16,461	19,921
Total equity attributable to owners of the company	290,900	285,823
Non-controlling interests	1,672	1,734
Total equity	292,572	287,557
Liabilities		
Non-current liabilities		
Financial liabilities	23,520	21,244
Net defined benefit liabilities	1,992	1,804
Provisions	1,255	1,367
Deferred tax liabilities	9,389	12,909
Other non-current liabilities	1,795	1,380
Total non-current liabilities	37,951	38,704
Current liabilities		
Trade and other payables	32,079	29,743
Other financial liabilities	12,116	14,404
Income tax payable	7,185	7,656
Provisions	717	1,508
Other current liabilities	8,566	8,890
Total current liabilities	60,663	62,201
Total liabilities	98,614	100,905
Total equity and liabilities	391,186	388,463

(Figures are rounded to the nearest million yen)

Consolidated statement of changes in equity (IFRS)

Year to March 31, 2019

(Millions of yen)

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets Measured at fair value through other comprehensive income
Balance at April 1, 2018	8,032	8,657	(11)	249,225	—	14,364
Comprehensive income						
Net profit for the year				31,954		
Other comprehensive income					9	(3,289)
Total comprehensive income	—	—	—	31,954	9	(3,289)
Transactions with owners						
Issuance of new shares	152	152				
Acquisition of treasury shares		(148)	(13,911)			
Cancellation of treasury shares		(12,791)	12,791			
Transfer to Capital surplus from Retained earnings		12,791		(12,791)		
Dividends				(10,581)		
Share-based payments	67	(1)				
Other				853	(9)	(844)
Total transactions with owners	220	4	(1,120)	(22,519)	(9)	(844)
Balance at March 31, 2019	8,252	8,661	(1,131)	258,659	—	10,230

	Other components of equity			Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Subscription rights to shares	Total			
Balance at April 1, 2018	4,583	975	19,921	285,823	1,734	287,557
Comprehensive income						
Net profit for the year			—	31,954	(11)	31,943
Other comprehensive income	845		(2,435)	(2,435)	(51)	(2,486)
Total comprehensive income	845	—	(2,435)	29,519	(62)	29,456
Transactions with owners						
Issuance of new shares		(173)	(173)	132		132
Acquisition of treasury shares			—	(14,059)		(14,059)
Cancellation of treasury shares			—	—		—
Transfer to Capital surplus from Retained earnings			—	—		—
Dividends			—	(10,581)		(10,581)
Share-based payments			—	67		67
Other			(853)	—		—
Total transactions with owners	—	(173)	(1,025)	(24,442)	—	(24,442)
Balance at March 31, 2019	5,428	802	16,461	290,900	1,672	292,572

(Figures are rounded to the nearest million yen)

Non-consolidated balance sheets (J-GAAP*)

(Millions of yen)

	Year ended March 31, 2019	(Reference) Year ended March 31, 2018
Assets		
Current assets	144,059	137,272
Cash and deposits	40,689	39,579
Trade notes receivable	275	252
Trade accounts receivable	71,796	68,317
Merchandise and finished goods	20,066	19,038
Work in process	62	37
Raw materials and supplies	4,481	3,678
Other	6,932	6,376
Allowance for doubtful receivables	(243)	(5)
Fixed assets	177,864	183,556
Tangible assets	21,584	23,135
Buildings	8,575	9,749
Structures	88	104
Machinery and equipment	3,437	3,725
Vehicles	21	29
Tools, furniture and fixtures	1,163	1,401
Land	6,880	6,880
Leased assets	21	12
Construction in progress	1,400	1,235
Intangible assets	44,182	50,006
Manufacturing and marketing approval	41,384	47,124
Software	2,308	2,347
Other	491	535
Investments and other assets	112,098	110,416
Investment securities	27,003	33,823
Investments in subsidiaries	77,513	69,575
Deferred tax assets	4,174	2,666
Other	3,409	4,573
Allowance for doubtful receivables	—	(221)
Total assets	321,924	320,828

(Figures are rounded to the nearest million yen)

* Generally Accepted Accounting Principles in Japan

(Millions of yen)

	Year ended March 31, 2019	(Reference) Year ended March 31, 2018
Liabilities		
Current liabilities	46,644	50,190
Electronically recorded obligations	1,376	1,896
Trade accounts payable	18,386	18,454
Current portion of long-term loans payable	500	4,098
Other payables	16,537	15,190
Income taxes payable	5,724	6,374
Consumption taxes payable	794	1,148
Reserves for bonuses	2,937	2,666
Other	389	364
Non-current liabilities	9,880	4,873
Long-term loans payable	8,411	3,500
Provision for retirement benefits	704	713
Asset retirement obligations	165	235
Other	600	425
Total liabilities	56,524	55,063
Net assets		
Shareholders' equity	254,201	250,240
Common stock	8,252	8,032
Capital surplus	8,946	8,726
Additional paid-in capital	8,946	8,726
Retained earnings	238,135	233,493
Earing reserve	1,551	1,551
Other retained earnings	236,584	231,942
Reserve for retirement benefit	372	372
General reserve	89,109	89,109
Retained earnings carried forward	147,103	142,461
Treasury shares	(1,131)	(11)
Valuation, translation adjustments	10,396	14,550
Unrealized gains on securities, net of taxes	10,396	14,550
Stock subscription rights	802	975
Total net assets	265,400	265,765
Total liabilities and net assets	321,924	320,828

(Figures are rounded to the nearest million yen)

Non-consolidated statement of income (J-GAAP)

(Millions of yen)

	Year to March 31, 2019	(Reference) Year to March 31, 2018
Net sales	176,208	171,872
Cost of sales	75,222	70,205
Gross profit	100,986	101,667
Selling, general and administrative expenses	68,137	70,369
Operating income	32,849	31,298
Non-operating income	1,066	1,020
Interest and dividend income	545	613
Dividend income of life insurance	191	154
Asset rental income	189	140
Other	141	113
Non-operating expenses	724	629
Interest expenses	37	24
Commission fee	—	171
Loss on valuation of derivative	255	—
Foreign exchange losses	120	107
Commission for acquisition of treasury shares	213	—
Depreciation	58	91
Provision of allowance for debtful accounts	—	221
Other	41	15
Ordinary income	33,191	31,689
Extraordinary income	4,808	1,413
Gain on disposal of non-current assets	3,592	—
Gain on sales of investment securities	1,215	1,406
Gain on sales of golf club memberships	0	—
Gain on reversal of special retirement expenses	1	8
Extraordinary losses	40	104
Loss on disposal of non-current assets	40	26
Impairment loss	—	77
Loss on valuation of golf club memberships	—	0
Income before income taxes	37,960	32,999
Income taxes - current	9,628	8,433
Income taxes - deferred	317	(869)
Net income	28,014	25,435

(Figures are rounded to the nearest million yen)

Non-consolidated statement of changes in net assets (J-GAAP)

Year to March 31, 2019

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Retained earnings				
		Additional paid-in capital	Other capital surplus	Total capital surplus	Earning reserve	Other retained earnings			Total retained earnings
					Reserve for retirement benefit	General reserve	Retained earnings carried forward		
Balance at April 1, 2018	8,032	8,726	—	8,726	1,551	372	89,109	142,461	233,493
Changes of items during period									
Issuance of new shares	220	220		220					—
Dividends of surplus				—				(10,581)	(10,581)
Net income				—				28,014	28,014
Acquisition of treasury shares				—					—
Cancellation of treasury shares			(12,791)	(12,791)					—
Transfer to Capital surplus from Retained earnings			12,791	12,791				(12,791)	(12,791)
Net changes of items other than shareholders' equity				—					—
Total changes of items during period	220	220	—	220	—	—	—	4,642	4,642
Balance at March 31, 2019	8,252	8,946	—	8,946	1,551	372	89,109	147,103	238,135

	Shareholders' equity		Valuation, translation adjustments		Stock subscription rights	Total net assets
	Treasury shares	Total shareholders' equity	Unrealized gains on Securities, net of taxes	Total valuation, translation adjustments		
Balance at April 1, 2018	(11)	250,240	14,550	14,550	975	265,765
Changes of items during period						
Issuance of new shares		439		—		439
Dividends of surplus		(10,581)		—		(10,581)
Net income		28,014		—		28,014
Acquisition of treasury shares	(13,911)	(13,911)		—		(13,911)
Cancellation of treasury shares	12,791	—		—		—
Transfer to Capital surplus from Retained earnings		—		—		—
Net changes of items other than shareholders' equity		—	(4,154)	(4,154)	(173)	(4,326)
Total changes of items during period	(1,120)	3,961	(4,154)	(4,154)	(173)	(365)
Balance at March 31, 2019	(1,131)	254,201	10,396	10,396	802	265,400

(Figures are rounded to the nearest million yen)