

NOTICE: This is a translation of a part of a notice issued on June 3, 2021 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, 2021

**CONVOCATION NOTICE
OF THE 109TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We hereby inform you of the 109th Annual General Meeting of Shareholders of the Company to be held as set forth below.

As there are continuing concerns about the situation regarding the spread of novel coronavirus (COVID-19) infections, you are requested to deliberate and exercise your voting right by a written form or via the Internet* in advance, and refrain from coming to the venue on the day of the General Meeting of Shareholders regardless of your health condition.

As for the exercise of your voting right in advance, 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 sending it back to reach us by mail before 17:30 on Thursday, June 24, 2021 (JST); 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 (JST).

Very truly yours,

Shigeo Taniuchi
Representative Director, President & CEO
SANTEN PHARMACEUTICAL CO., LTD.
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: Friday, June 25, 2021 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

Please be informed that the number of seats prepared will be greatly reduced to allow more space between seats to prevent the COVID-19 infections from spreading. We kindly ask for your understanding in advance.

*There may be cases where the venue above becomes unavailable due to the influence of infections of COVID-19. We kindly ask shareholders who are considering coming to the venue on the day of the General Meeting of Shareholders to check our website in advance, on the day immediately before the Meeting, where we will notify a change of the venue, if any.

The Company's website can be accessed here: <https://www.santen.co.jp/ja/>

3. Agenda

- Reports:**
1. Reports on the Business Report, Consolidated Financial Statements and Financial Statements for the 109th Business Term (April 1, 2020 to March 31, 2021)
 2. Reports on the Audit Reports by the Accounting Auditors and the Board of Corporate Auditors on the Consolidated Financial Statements for the 109th Business Term (April 1, 2020 to March 31, 2021)

Items for Resolution:

Proposal No. 1 Appropriation of Surplus

Proposal No. 2 Appointment of Six (6) Directors

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 following matters 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. 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 109th Business Term

For the 109th Business Term, the Board of Directors proposes term-end dividends of profits at JPY 14 per share.

Consequently, the total dividends for the annual business term, including the interim dividends previously distributed (JPY 14 per share), will be JPY 28 per share, which is JPY 1 higher than the previous business term.

- (1) Kind of dividend property: cash
- (2) Matters concerning the distribution of dividend property to shareholders and the aggregate amount thereof: JPY 14 per share of the common shares of the Company, which amounts to JPY 5,597,721,850 in the aggregate.
- (3) Effective date of distribution of dividends from the surplus: June 28, 2021

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 Representative Director, President & COO</p> <p>June 2008 Representative Director, President & CEO</p> <p>April 2018 Representative Director, Chairman & CEO</p> <p>April 2020 Representative Director, Chairman (incumbent)</p>	181,480 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 Representative Director, President & COO</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.</p> <p>April 2020 Representative Director, President & CEO (incumbent)</p>	33,685 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>	22,075 shares

		<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>	
4	<p>Kanoko OISHI (March 24, 1961)</p>	<p>January 1993 Partner, McKinsey & Company, Inc.</p> <p>June 2000 Established Mediva Inc. Representative Director (incumbent)</p> <p>July 2000 Established Seinan Mediva Co., Ltd. (currently, Seeds 1 Co., Ltd.); Representative Director (incumbent)</p> <p>August 2004 Established Platanus Medical Corporation; COO (incumbent)</p> <p>June 2010 Outside Director of Astellas Pharma Inc.</p> <p>June 2015 Outside Director of the Company (incumbent)</p> <p>June 2015 External Board Member of Ezaki Glico Co., Ltd. (incumbent)</p> <p>June 2015 Outside Director of Suruga Bank Ltd.</p> <p>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: Six (6) years Number of attendance at the Board of Directors' meetings: 14 out of 14 meetings</p>	0 share
5	<p>Yutaro SHINTAKU (September 19, 1955)</p>	<p>June 2005 Executive Officer of Terumo Corporation</p> <p>June 2006 Director and Executive Officer, President of Cardiac & Vascular Products Group of Terumo Corporation</p> <p>June 2007 Director and Senior Executive Officer in charge of the R&D Center, Intellectual Property Department and Legal Department of Terumo Corporation</p> <p>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</p> <p>June 2010 Representative Director, President and CEO of Terumo Corporation</p> <p>April 2017 Director and Corporate Advisor of Terumo Corporation</p> <p>June 2017 Corporate Advisor of Terumo Corporation</p> <p>June 2017 External Director of J-Oil Mills Inc. (incumbent)</p> <p>June 2017 Outside Director of the Company (incumbent)</p> <p>March 2018 Outside Director of Kubota Corporation (incumbent)</p> <p>April 2018 Visiting Professor, Business Administration, Hitotsubashi University Business School</p> <p>April 2019 Project Professor, Business Administration, Hitotsubashi University Business School (incumbent)</p> <p>September 2019 Outside Director of KOZO KEIKAKU ENGINEERING Inc. (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 Outside Director of KOZO KEIKAKU ENGINEERING Inc.</p> <p>Total term of office until the close of this Meeting: Four (4) years Number of attendance at the Board of Directors' meetings: 14 out of 14 meetings</p>	0 share

6	Kunihito MINAKAWA (August 15, 1954)	October 1997	Senior Vice President and Chief Financial Officer, Ricoh Americas Corporation	2,000 shares
		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	
		June 2018	Outside Director of the Company (incumbent)	
		April 2019	Financial Services Agency, Certified Public Accountants and Auditing Oversight Board, Commissioner (incumbent)	
		July 2020	External Director of Nippon Sheet Glass Co., Ltd. (incumbent)	
		Material posts concurrently held in another juridical persons: Financial Services Agency, Certified Public Accountants and Auditing Oversight Board, Commissioner External Director of Nippon Sheet Glass Co., Ltd.		
Total term of office until the close of this Meeting: Three (3) years Number of attendance at Board of Directors' meetings: 14 out of 14 meetings				

(Note 1) Among the candidates for Director, Kanoko Oishi, Yutaro Shintaku and Kunihito Minakawa are candidates for Outside Director.

(Note 2) Among the candidates for Director, the Company designated Kanoko Oishi, Yutaro Shintaku and Kunihito 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 3) 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, the Representative Director, Chairman & CEO of the Company since April 2018 and the Representative Director, Chairman of the Company since April 2020 and has achieved a sustained enhancement of the corporate value of the Company. Furthermore, at the Board of Directors, he has taken the chair thereof as the Chairman, 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 he has contributed to the enhancement of the corporate value of the Company as the Representative Director, President & COO of the Company since April 2018, and, as the Representative Director, President & CEO of the Company since April 2020. Furthermore, he has fulfilled his responsibilities concerning matters for resolutions and reports as the President & CEO as well as 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, the Executive Corporate Officer, Japan Business, Head of Japan Sales & Marketing, Prescription Pharmaceuticals since 2016, and the Head of Japan Business, Head of Japan Sales & Marketing Division since 2019; 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, we expect that she will fulfil her function of assistance and supervision based on her extensive knowledge and experience amassed through long years of involvement in management in the country and overseas. Considering 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, we expect that he will fulfil his function of assistance and supervision based on his 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. Considering 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 Kunihito Minakawa, we expect that he will fulfil his function of assistance and supervision based on his 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. Considering 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 4) 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 5) 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.

(Note 6) The Directors and Officers (D&O) 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 damages, litigation expenses and the like will be indemnified. Provided, however, that there are a certain exclusions, *e.g.*, any loss arising out of an act committed knowing that it is an illegal act shall not be indemnified.

Upon the approval of this Proposal without any amendment, and if candidates are reappointed, each candidate shall be included as an insured in the said insurance policy, which is expected to be renewed during the period of his or her office. The outline of the said insurance policy is as described in the Business Report.

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 inside 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 inside 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 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 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 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 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 Group amounting to 2% or more of the annual sales of the Santen 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 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 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 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.

Results of the Evaluation of the Board of Director's Effectiveness

The Company's Board of Directors has conducted an evaluation of its effectiveness in the fiscal year of 2020, with the aim of further enhancing the role and function of the Board of Directors. The overview of the results of the same is as follows:

(Evaluation Method)

At first, the assessment questionnaire to Directors and Corporate Auditors were conducted on the items described below. The said questionnaires took a form that allows a four-level quantitative evaluation of each question and also allows the free inscription of comments. Additionally, in order to further understand in more depth the contents of the responses to the questionnaires, individual interviews of all of the Outside Directors and Outside Corporate Auditors were made; based on the foregoing, the evaluation results were discussed at the meeting of the Board of Directors held in March 2021.

[Major Categories of the Questionnaire Items]

- Function of managerial decision-making
- Function of managerial monitoring
- Support system for Outside Directors

(Summary of Results)

The Company's Board of Directors has assessed that its effectiveness was ensured for the fiscal year of 2020. The reason therefor is that the overall average evaluation mark response was "mostly effective," and responses for each questionnaire item indicated "effective" and "mostly effective" at high rates. Among all the responses, the following items obtained a high evaluation in the questionnaire and individual interviews:

- The composition of the Directors is well balanced.
- There is a well-organized environment in which multifaceted, free and open exchange of views can take place including a climate where opinions of Outside Directors are accepted, and such exchange of views actually take place.
- Provision of information to Outside Directors is made in a proactive and appropriate manner.

Also, it was evaluated that improvement occurred in the following items:

- As for the material matters for deliberation in the meetings of the Board of Directors, appropriate time was secured and sufficient discussions were made.
- As for the resolved matters, the monitoring of subsequent progress was appropriately conducted.

We recognize that, in addition to our continuing efforts, the result of our efforts to improve the issues we recognized in the evaluation of the effectiveness of the Board of Directors in the last fiscal year has contributed to this evaluation.

More specifically, to realize fruitful deliberations in the meetings of the Board of Directors, as for material strategic matters as well as research and development matters, the Board of Directors endeavored to hold organic collaboration for medium- and long-term strategies, business and development portfolio discussions handled by the "Corporate Strategy Committee," a voluntary committee, and the individual agenda items proposed to the Board of Directors. Concurrently therewith, the Board of the Directors endeavored to clarify the positioning of the individual agenda items in the overall strategies, and made an effort to organize issues. Also, the Board of Directors implemented a mechanism to perform regular and continuous monitoring to steadily link the resolutions at the meetings of the Board of Directors with their outcomes, and concurrently therewith, as for the construction of an internal control system, endeavored to report on material items such as CSR and compliance more fully.

(Initiatives Going Forward)

On the other hand, the necessity of making continuous efforts was discussed from the viewpoint of further enhancing the effectiveness, and further enriching the quality, of decision-making at the Board of Directors, as well as strengthening supervisory functions. Specific issues and the outline of actions to be taken towards improvement were acknowledged as follows:

- Further enhancement of discussions regarding risk evaluation

Based on Santen 2030 and the new medium-term management plan, the Company will expand its business globally and in a wide scope in the field of ophthalmology, which will bring challenges in areas where the Company has no built-up experience. Considering this, the Board of Directors recognizes it is important to further enhance the evaluation of risks when engaging in decision-making that accompanies appropriate risk-taking. Based on the foregoing, the Board of Directors decided to make efforts as follows:

- ✓ Performance of objective and multifaceted risk evaluations by way of clarifying achievement targets in investment projects where the Company has little experience, as well as strengthening the utilization of independent advisers in the course of evaluating risk
 - ✓ Certain feedback to the Board of Directors regarding discussions of risk evaluation and countermeasures on the executive side
 - ✓ Thorough evaluation using objective financial indicators including cost of capital
- Strengthening of monitoring research and development projects
- Considering that a basic framework for monitoring has been gradually developed as aforementioned, this effort shall be continuously developed in principle. However, based on the recognition that there is room for improvement in the monitoring of the research and development projects which take a long time and are highly technical, the Board of Directors decided to make efforts as follows:
- ✓ Strengthening of confirmation of progress from a long-term viewpoint including investment profitability
- Sharing of the status of internal and external stakeholders with Outside Directors
- Based on a recognition that it is crucially important, from both the perspective of appropriate decision-making and monitoring, to timely share the status of internal and external stakeholders with Outside Directors under the various internal and external environmental changes which the Company may confront in the future, the Board of Directors decided to make efforts as follows:
- ✓ Promptly report and share the shareholders' voices and reactions from the executive to Outside Directors
 - ✓ Increase opportunities for internal on-site personnel, including sales and marketing, production, development and the like, to have a point of contact with Outside Directors.

In this fiscal year, Santen will focus on the three points above as key initiatives, and, concurrently therewith, continuously review measures to enhance the effectiveness of the Board of Directors.

Santen believes that, for continued enhancement of Santen's corporate value while it addresses internal and external changes and to complete Santen 2030 and the medium-term management plan, it is crucial to improve the governance of the Board of Directors and other corporate organs.

Based on these evaluation results, Santen endeavors to continuously improve the function of the Board of Directors.

Skill Matrix of Directors and Corporate Auditors

The Company believes that, upon nomination of its candidates for Director and Corporate Auditor, it is important to establish its effective governance system towards the sustainable enhancement of its corporate value through both of the following: (i) in the meetings of the Board of Directors, Directors and Corporate Auditors that attend are engaged in multifaceted deliberations on the appropriateness of business strategies, risks upon realization thereof and other aspects, and also they appropriately supervise the status of execution thereof; and (ii) the Board of Corporate Auditors conducts the audit from the perspective of not only legality but also appropriateness and effectiveness of the Board of Directors and other executive divisions, and thereby fully exerts its function.

Meanwhile, based on the WORLD VISION “Happiness with Vision” and new long-term vision “Santen 2030,” the Company endeavors to solve social issues through vision by standing by medical professionals and patients and providing innovative value as a Social Innovator beyond the borders of the pharmaceutical industry. Also, in these efforts, the Company will exercise leadership globally allowing us to contribute to people around the world based on ophthalmologic medical needs which differ depending on countries and areas.

The Company considers that, in addition to planning and carrying out corporate strategies as well as appropriate business administration, the knowledge, experience and ability described in the schedule below are specifically important from the viewpoint of the aforementioned principles and business orientation of the Company. In addition to the life science business and global viewpoint, the Company will continuously place emphasis on fields such as ESG and service to society. Upon appointment of Directors and Corporate Auditors, the Company shall ensure balance and diversity by appointing personnel from various backgrounds, including those with expert knowledge and experience, to allow them to provide advice to and supervision of the management from a multifaceted point of view, and shall place importance on valuing individuals without any other limitations. Moreover, the Company respects the balance between inside and Outside Directors to secure the objectiveness of discussions, and concurrently therewith, especially with regard to the Board of Corporate Auditors, it has been stipulated that a majority of its offices shall be taken by Outside Corporate Auditors who satisfy the criteria of independence to enhance the independence and neutrality of the audit.

Directors and Corporate Auditors (both incumbent and candidates)		Corporate management	Life science business	Understanding medical field and patients	Global leadership	Finance and accounting	Legal affairs and risk control	ESG and service to society
Director	Akira KUROKAWA (Representative Director)	●	●	●				
	Shigeo TANIUCHI (Representative Director)	●	●		●			
	Takeshi ITO (Director)		●	●				
	Kanoko OISHI (Outside Director)	●		●				●
	Yutaro SHINTAKU (Outside Director)	●	●		●			
	Kunihito MINAKAWA (Outside Director)				●	●	●	
Corporate Auditor	Hiroshi ISAKA (Standing Corporate Auditor)		●	●				
	Yasuyuki MIYASAWA (Outside Corporate Auditor)					●	●	
	Hirofumi YASUHARA (Outside Corporate Auditor)	●			●	●		
	Yumiko ITO (Outside Corporate Auditor)				●		●	●

*Among skills respectively held, two to three skills (maximum three skills), which are specifically advantageous or those with strong relevance to the business of the Company, are described.

(Significant Subsequent Events)

Postponement of Transition to a Holding Company Structure through Sole-share Transfer and Change in Fiscal Year

While the Company's transition to a holding company structure effective from April 1, 2022 and the change of fiscal year period starting January 1, 2022 was expected, the Board of Directors has passed a resolution at its meeting held on May 11, 2021 to postpone them.

Reasons for the Postponement

In order to solidly implement its long-term vision, the Company had prepared for this matter with the aim of establishing and enhancing a management and organizational system to enable swift and efficient execution, while dynamically managing businesses in transition as a result of ongoing geographic and business domain expansion. However, the Company has made the decision to concentrate management resources on maximizing business value through the steady growth of its current business and the implementation of the next mid-term plan under the current corporate structure and fiscal year period. This is based on a comprehensive assessment of the short-term changes in the business environment in connection with the recording of an impairment loss mainly related to the development of STN2000100 (DE-128, PRESERFLO MicroShunt).

Regarding the implementation of this initiative, the Company will monitor the business environment as it considers the optimal timing on an ongoing basis. Also, the Company will continue to further enhance the globalization of its business and organization as well as group governance.

Consolidated statement of income (IFRS*)

(Millions of yen)

	Year to March 31, 2021	(Reference) Year to March 31, 2020
Revenue	249,605	241,555
Cost of sales	(98,221)	(94,831)
Gross profit	151,384	146,724
Selling, general and administrative expenses	(79,554)	(73,360)
Research and development expenses	(24,112)	(23,341)
Amortization on intangible assets associated with products	(9,920)	(9,898)
Other income	16,007	390
Other expenses	(40,889)	(6,980)
Operating profit	12,917	33,535
Finance income	1,346	950
Finance expenses	(1,488)	(2,393)
Share of loss of investments accounted for using equity method	(358)	—
Profit before tax	12,418	32,091
Income tax expenses	(5,773)	(10,377)
Net profit for the year	6,645	21,714
Profit attributable to		
Owners of the company	6,830	23,618
Non-controlling interests	(185)	(1,904)
Net profit for the year	6,645	21,714

(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, 2021	(Reference) Year ended March 31, 2020
Assets		
Non-current assets		
Property, plant and equipment	39,489	35,601
Intangible assets	112,876	119,850
Financial assets	31,903	30,848
Retirement benefit asset	1,619	—
Investments to which equity method has been applied	5,162	—
Deferred tax assets	2,824	2,100
Other non-current assets	2,249	1,813
Total non-current assets	196,122	190,212
Current assets		
Inventories	41,575	35,282
Trade and other receivables	95,992	86,999
Other financial assets	527	452
Other current assets	5,248	4,392
Cash and cash equivalents	62,888	91,430
Total current assets	206,231	218,556
Total assets	402,353	408,768

(Figures are rounded to the nearest million yen)

(Millions of yen)

	Year ended March 31, 2021	(Reference) Year ended March 31, 2020
Equity		
Share capital	8,525	8,366
Capital surplus	8,954	8,746
Treasury shares	(934)	(1,033)
Retained earnings	270,757	273,422
Other components of equity	20,283	13,364
Total equity attributable to owners of the company	307,585	302,865
Non-controlling interests	(535)	(305)
Total equity	307,050	302,560
Liabilities		
Non-current liabilities		
Financial liabilities	10,141	27,592
Retirement benefit liabilities	1,210	1,738
Provisions	600	570
Deferred tax liabilities	3,290	7,228
Other non-current liabilities	1,514	1,483
Total non-current liabilities	16,754	38,611
Current liabilities		
Trade and other payables	38,106	32,578
Other financial liabilities	23,739	18,777
Income tax payable	5,458	6,848
Provisions	819	633
Other current liabilities	10,428	8,761
Total current liabilities	78,549	67,597
Total liabilities	95,303	106,208
Total equity and liabilities	402,353	408,768

(Figures are rounded to the nearest million yen)

Consolidated statement of changes in equity (IFRS)

Year to March 31, 2021

(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, 2020	8,366	8,746	(1,033)	273,422	—	11,150
Comprehensive income						
Net profit for the year				6,830		
Other comprehensive income					1,573	45
Total comprehensive income for the year	—	—	—	6,830	1,573	45
Transactions with owners						
Issuance of new shares	160	160				
Acquisition of treasury shares			(4)			
Retirement of treasury shares		(20)	102			
Dividends				(11,187)		
Share-based payments		68				
Other				1,692	(1,573)	(119)
Total transactions with owners	160	208	98	(9,495)	(1,573)	(119)
Balance at March 31, 2021	8,525	8,954	(934)	270,757	—	11,075

	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, 2020	1,529	686	13,364	302,865	(305)	302,560
Comprehensive income						
Net profit for the year			—	6,830	(185)	6,645
Other comprehensive income	7,161		8,778	8,778	(45)	8,734
Total comprehensive income for the year	7,161	—	8,778	15,609	(230)	15,379
Transactions with owners						
Issuance of new shares		(167)	(167)	152		152
Acquisition of treasury shares			—	(4)		(4)
Retirement of treasury shares			—	82		82
Dividends			—	(11,187)		(11,187)
Share-based payments			—	68		68
Other			(1,692)	—		—
Total transactions with owners	—	(167)	(1,859)	(10,888)	—	(10,888)
Balance at March 31, 2021	8,689	518	20,283	307,585	(535)	307,050

(Figures are rounded to the nearest million yen)

Non-consolidated balance sheets (J-GAAP*)

(Millions of yen)

	Year ended March 31, 2021	(Reference) Year ended March 31, 2020
Assets		
Current assets	140,651	166,709
Cash and deposits	24,691	58,122
Trade notes receivable	335	357
Trade accounts receivable	79,784	75,855
Merchandise and finished goods	21,001	18,958
Work in process	49	85
Raw materials and supplies	5,144	5,292
Other	9,880	8,275
Allowance for doubtful receivables	(232)	(235)
Fixed assets	212,952	173,298
Tangible assets	23,903	21,558
Buildings	7,755	8,395
Structures	70	78
Machinery and equipment	3,017	3,397
Vehicles	11	20
Tools, furniture and fixtures	1,122	1,162
Land	6,880	6,880
Leased assets	14	18
Construction in progress	5,032	1,608
Intangible assets	36,995	40,108
Manufacturing and marketing approval	29,903	35,643
Software	2,460	2,049
Other	4,633	2,416
Investments and other assets	152,054	111,632
Investment securities	26,429	27,371
Investments in subsidiaries	116,233	77,513
Deferred tax assets	5,967	3,770
Prepaid pension costs	1,253	671
Other	2,172	2,307
Total assets	353,603	340,007

(Figures are rounded to the nearest million yen)

* Generally Accepted Accounting Principles in Japan

(Millions of yen)

	Year ended March 31, 2021	(Reference) Year ended March 31, 2020
Liabilities		
Current liabilities	53,320	50,482
Electronically recorded obligations	1,336	1,552
Trade accounts payable	20,577	17,492
Current portion of long-term loans payable	—	3,000
Other payables	22,788	17,871
Income taxes payable	3,775	5,493
Consumption taxes payable	1,272	1,712
Reserves for bonuses	3,000	2,835
Other	572	527
Non-current liabilities	6,051	6,004
Long-term loans payable	5,486	4,992
Derivative obligations	104	419
Asset retirement obligations	169	168
Other	292	424
Total liabilities	59,372	56,485
Net assets		
Shareholders' equity	282,557	271,552
Common stock	8,525	8,366
Capital surplus	9,241	9,061
Additional paid-in capital	9,220	9,060
Other capital surplus	21	1
Gain on retirement of treasury shares	21	1
Retained earnings	265,725	255,158
Earing reserve	1,551	1,551
Other retained earnings	264,174	253,606
Reserve for retirement benefit	372	372
General reserve	89,109	89,109
Retained earnings carried forward	174,693	164,125
Treasury shares	(934)	(1,033)
Valuation, translation adjustments	11,156	11,284
Unrealized gains on securities, net of taxes	11,156	11,284
Stock subscription rights	518	686
Total net assets	294,231	283,522
Total liabilities and net assets	353,603	340,007

(Figures are rounded to the nearest million yen)

Non-consolidated statement of income (J-GAAP)

(Millions of yen)

	Year to March 31, 2021	(Reference) Year to March 31, 2020
Net sales	186,112	182,610
Cost of sales	81,391	78,476
Gross profit	104,721	104,134
Selling, general and administrative expenses	81,108	69,700
Operating income	23,614	34,434
Non-operating income	2,216	1,308
Interest and dividend income	600	691
Dividend income of life insurance	156	161
Gain on valuation of derivative	414	—
Asset rental income	901	280
Other	146	175
Non-operating expenses	506	880
Interest expenses	126	125
Loss on valuation of derivative	—	165
Foreign exchange losses	342	1
Other	38	589
Ordinary income	25,324	34,862
Extraordinary income	2,307	2,557
Gain on disposal of fixed assets	6	0
Gain on sales of investment securities	2,300	2,557
Gain on sales of golf club memberships	1	—
Extraordinary losses	214	3
Loss on disposal of fixed assets	41	3
Loss on valuation of investment securities	173	—
Income before income taxes	27,417	37,416
Income taxes - current	7,804	10,000
Income taxes - deferred	(2,141)	14
Net income	21,754	27,402

(Figures are rounded to the nearest million yen)

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

Year to March 31, 2021

(Millions of yen)

	Shareholders' equity								
	Common stock	Capital surplus			Earning reserve	Retained earnings			
		Additional paid-in capital	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
					Reserve for retirement benefit	General reserve	Retained earnings carried forward		
Balance at April 1, 2020	8,366	9,060	1	9,061	1,551	372	89,109	164,125	255,158
Changes of items during period									
Issuance of new shares	160	160		160					—
Dividends of surplus				—				(11,187)	(11,187)
Net income				—				21,754	21,754
Acquisition of treasury shares				—					—
Retirement of treasury shares			20	20					—
Net changes of items other than shareholders' equity				—					—
Total changes of items during period	160	160	20	179	—	—	—	10,568	10,568
Balance at March 31, 2021	8,525	9,220	21	9,241	1,551	372	89,109	174,693	265,725

	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, 2020	(1,033)	271,552	11,284	11,284	686	283,522
Changes of items during period						
Issuance of new shares		319		—		319
Dividends of surplus		(11,187)		—		(11,187)
Net income		21,754		—		21,754
Acquisition of treasury shares	(4)	(4)		—		(4)
Retirement of treasury shares	102	122		—		122
Net changes of items other than shareholders' equity		—	(129)	(129)	(167)	(296)
Total changes of items during period	98	11,005	(129)	(129)	(167)	10,709
Balance at March 31, 2021	(934)	282,557	11,156	11,156	518	294,231

(Figures are rounded to the nearest million yen)