



Santen Report 2023

Year ended March 31, 2023

Happiness with Vision





CORE PRINCIPLE

天機に参与する

Tenki ni sanyo suru

“Exploring the secrets and mechanisms of nature in order to contribute to people’s health”

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

WORLD VISION

Happiness with Vision

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



Number of People Affected Worldwide

Myopia
2.6 bil.

Ptosis
and
eyelid conditions
Approx. **1.0 bil.**

Dry eye
Approx. **1.0 bil.**

Age-related
macular
degeneration
196 mil.

Presbyopia
1.8 bil.

Glaucoma
76 mil.

Diabetic
retinopathy
146 mil.

At a Glance

Since its founding in 1890, Santen has contributed to patients and their loved ones. As a company specialized in ophthalmology with a strong global presence, Santen will continue to support people's eye health and contribute to patients with eye problems worldwide.



133-year
history



Number of patients who have benefited from our treatment¹

50 million



Countries/Regions

Over **60**



Overseas sales ratio

36%



Japan, China, Asia²

No.1



Ratio of sales from prescription pharmaceuticals (Rx)

93%



Annual production volume⁴

400 million units



Market share in Japan³

53.5%



Ratio of sales from prescription pharmaceuticals (Rx)

93%



Annual production volume⁴

400 million units



¹ As of FY2021. Estimated total no. of patients to which Santen contributed (disease areas: inflammation/allergies, cornea, glaucoma, cataracts) in FY2019 was approx. 43 million, calculated based on JMDC's estimated total no. of patients for Santen's Rx products and Santen's shipment data.

² Internal estimate based on external data, and research ³ Copyright © 2023 IQVIA. JPM 2022.4-2023.3, Santen analysis based on IQVIA data. Reprinted with permission. ⁴ 5mL unit equivalent (Where not specified, figures are as of March 31, 2023.)

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Introduction

Learn more about how we continue to tackle social issues relating to eye health, and the ways in which we leverage our strengths to contribute to patients, based on our CORE PRINCIPLE and WORLD VISION, which describe the world Santen ultimately aspires to achieve.

Target & Strategy

This section introduces Santen's strategies for creating corporate value through the new medium-term management plan, which will serve as the compass for re-growth. It also explains our financial strategies and the business foundation supporting further growth.

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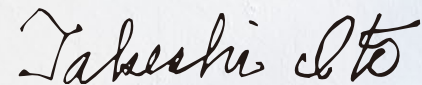
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CEO's Message

From the start of my tenure as Santen President and CEO last September, we have endeavored to improve profitability and return to growth, pursuing a mission to make a positive contribution to patients, medical professionals, and society at large.

Our mission is to contribute to the greater health of patients and others under a CORE PRINCIPLE of *Tenki ni sanyo suru*, or exploring the secrets and mechanisms of nature in order to contribute to people's health. As a company specialized in ophthalmology, we will contribute to Happiness with Vision through valuable products and services for consumers, patients, and medical professionals worldwide.



Takeshi Ito
President & CEO



• Target & Strategy

05 CEO's Message

We will refocus on growth by leveraging our strengths, particularly in the prescription pharmaceuticals business.

I want to share some of my thoughts that went into the creation of our new medium-term management plan (→Page 11) for fiscal years 2023 through 2025, announced in April this year.

We are a unique company in the world with a history of more than 130 years specialized in ophthalmology. We have grown on the strength of our ability to contribute to patients through the stable production of high-quality pharmaceutical products (→Page 30). Almost no one goes through life without experiencing an eye disease or issue. We have leveraged our R&D and technological capabilities (→Page 26) to provide value to patients through antibacterial agents in the past, and glaucoma, dry eye, and allergies in recent years. In addition to new drug development, **we also focus on latent needs identified through communications with patients and medical professionals for products already on the market.**

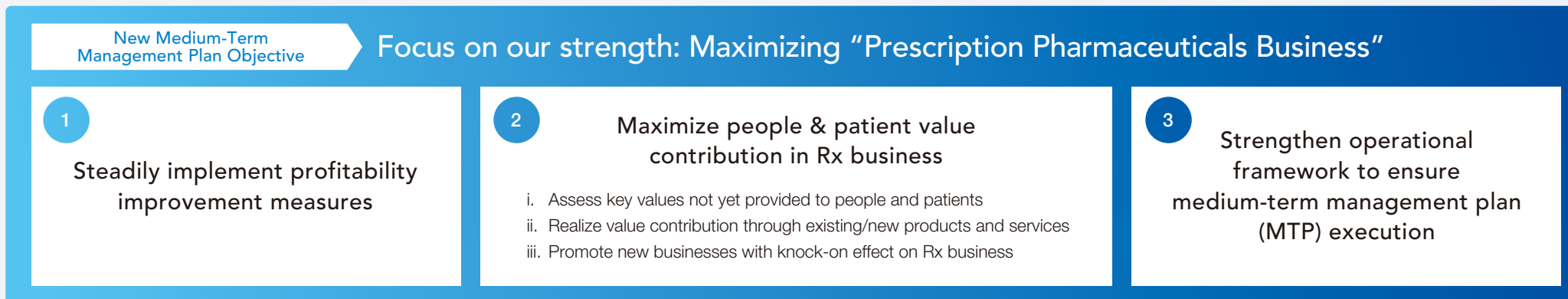
Examples of this would include improvements for single-dose formulations or reduced-frequency eye drops. **This focus is the source of our strengths today and an asset that we must leverage** (→ Page 17).

While we have never wavered in our path to serve patients, we dispersed resources across a wide range of investments over the past several years, including re-entry into the U.S. market and activities to build regional ecosystems. In addition, we proactively expanded our corporate functional reach outside of Japan ahead of earnings growth. Given this had not been yielding results, including profit generation, we had a strong sense of urgency to change our course of direction.

Reassessing the Company's resources, organizational capabilities, and assets, we formulated a new medium-term management plan that calls for improved profitability, including maximized streamlining of our business in the Americas. **The key of this strategy is to maximize our contribution to patients by concentrating heretofore dispersed resources on the prescription pharmaceuticals business and activities directly related to this business.** In addition, we will focus on strengthening the operational structure and framework of the organizations that support this growth, maintaining profit momentum, and solidifying a foothold for the next stage of growth.

• Target & Strategy

05 CEO's Message



The new medium-term management plan is designed to solidify our foothold by fiscal 2025 to make a long-term leap forward toward fiscal 2026 and beyond.

Currently, we are seeing differences in business productivity across regions. While our Japan business maintains a high level of productivity, there is room for improvement overseas.

Therefore, we have decided to implement the model of commercial excellence¹ in Japan to other countries to deliver more value to patients and medical facilities, which in turn will lead to improved productivity for the Company.

In 2012, I became responsible for our Japan business, a responsibility I held for almost 10 years. During that time, we improved productivity per person without increasing the number of medical representatives (MRs) significantly. At first, a few outstanding individuals led our businesses, but sales methods and activities had not necessarily taken root throughout the organization. I felt strongly that we must contribute to patients by creating a standard model for our organization to communicate in a unique Santen way that identified and solved issues for patients and ophthalmic care. We created this model under which all Japanese operations worked together as one, focusing on our contribution to patients. We transformed our Japan business into a highly productive organization that now provides value unique among Japanese pharmaceutical companies.

The Santen model of commercial excellence became a model of understanding the value of our products, considering the world view of how to provide the best value to patients, ensuring a deep, shared understanding of this world view, setting goals and strategies, and implementing strategies through consistent implementation of the PDCA (plan-do-check-action) cycle.

I became convinced that we could apply this model in our global expansion in the same manner, even accepting differences across countries and regions. Over the past two years, an internal project (→Page 24) to implement elements of Japanese commercial excellence has been underway in China and progressing better than expected. Seeing the results achieved to date, we reaffirmed the need to improve the productivity of regional operations through a model suited to each region, using this approach as the centerpiece of our strategy under the new medium-term management plan.

Further growth of regional businesses will require alignment with company-wide strategies and appropriate investments tailored to the needs of each region. Our corporate headquarters will work together on activities previously left largely to the discretion of each region. Alternatively, we will integrate business development and new business initiatives previously left to the corporate headquarters into regional operations. **In addition, examining the profit contribution to invested capital in detail, we will target investments leading to greater value by addressing the needs of patients and healthcare professionals while emphasizing relevance to future regional business strategies. We will also look at investments that will lead to better patient treatments and associated market development.** These are initiatives we must undertake simply because we are Santen, and we will work as one to strengthen the foundation for further growth in fiscal 2026 and beyond.

• Target & Strategy

05 CEO's Message

¹ Commercial excellence at Santen is our conviction to achieve the ideal state of ophthalmology care for patients. From product development to patient outcomes, continuous improvement of our corporate-wide capabilities will allow us to bring maximized value to patients through our products. Developing a consistent cross-functional strategic framework with tight alignment between strategy, planning and execution, underpinned by rigorous KPI monitoring and PDCA cycle management, will help us realize this ideal state.

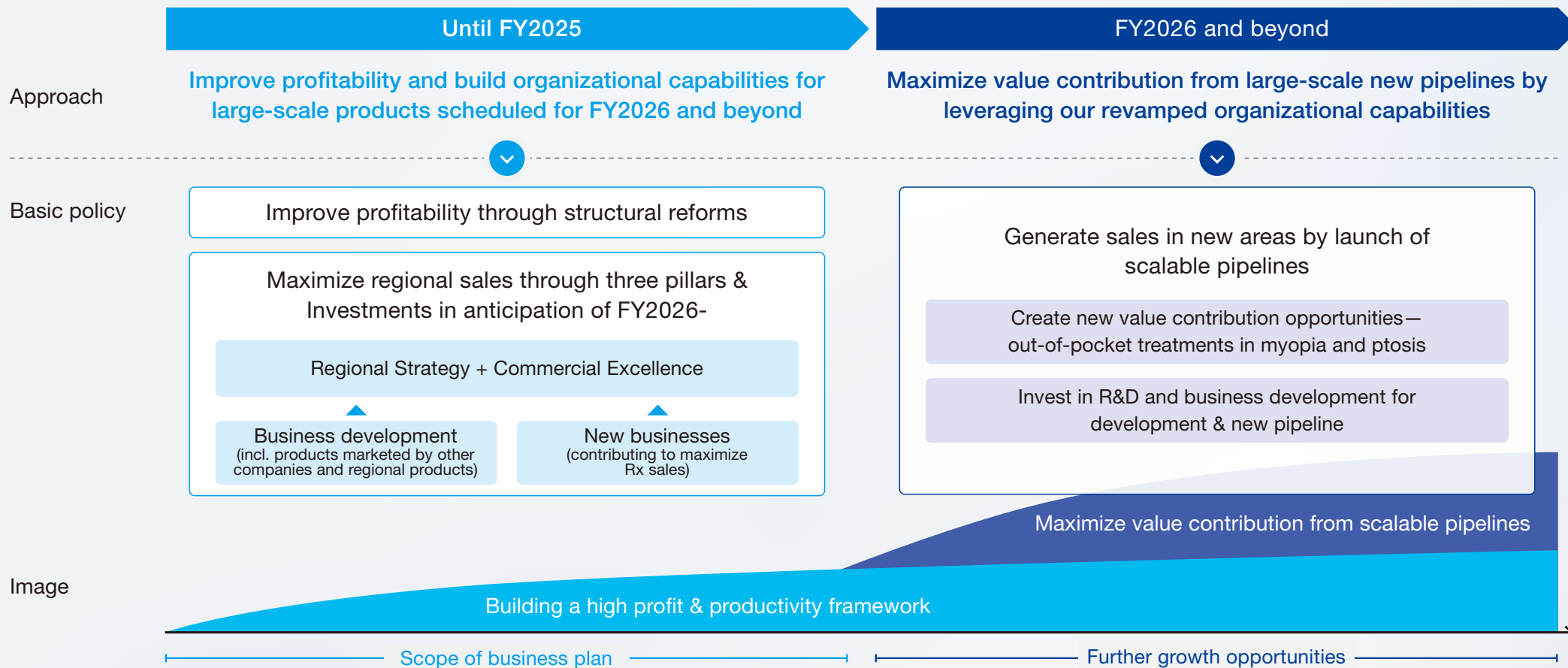
We have several promising candidates in the pipeline leading to fiscal 2026 and beyond, including products for myopia and ptosis, and we intend to contribute to patients globally through the steady market penetration of these pipeline candidates.

Myopia and ptosis are new areas of out-of-pocket medical treatments that differ from conventional insured treatments. The key here will be to establish a system that helps patients to recognize the disease, understand treatment needs, and encourages patients to see a doctor for ongoing treatment. **There are several bottlenecks between seeing a doctor for the first time and treatment continuation. Solving these bottlenecks will maximize the**

value of these pipeline candidates. This will be a substantial challenge, but we are preparing to deliver our pipeline candidates to as many patients as possible by taking advantage of our strengths, which include the ophthalmology networks and collaborations we have established with academic societies and other organizations in various regions around the world. Using operating centers and implementing activities in each region based on the wider adoption of commercial excellence through fiscal 2025 will provide more excellent value to patients and medium- to long-term growth for the Company.

• Target & Strategy

05 CEO's Message



We will assess risks properly, meeting and exceeding our targets for growth.

As we formulated our new medium-term management plan and numerical targets for fiscal 2023, the first year of the plan, we were particularly conscious of the need to understand and assess management and business risks properly. We were also conscious of discussing plans from the perspective of aligning our corporate headquarters, regional operations, and functions. During the corporate planning process, I fostered understanding by communicating my ideas and thoughts personally to each region and functional manager.

As we move our businesses forward, we will encounter risks (→ Page 53) that include NHI price revisions, erosion caused by generics, product supply, and product development. We assessed these risks and factored them into our planning process. Of course, aspirational goals are necessary to maximize product value. **At the same time, we do not formulate overly optimistic plans that do not reflect risks properly.** It is also true that risks and changes in the environment are difficult to predict, such as the re-emergence of COVID-19 and related restrictions in China last year. We strive to strengthen systems that ensure an

appropriate response when situations differ from expectations. Under these systems, each region and our corporate headquarters will discuss events from a shared perspective, keeping each other informed of new developments.

We also introduced a process for cost optimization to determine the necessity and appropriateness of expenses from a cross-organizational perspective. We appointed a person responsible for optimizing expenses in each category of high-impact spending, such as IT-related investments. **In addition, we are more sensitive than ever to profitability relative to invested capital, reviewing hurdle rates and strengthening financial discipline.**

By establishing and adhering to these mechanisms, we are building a solid business foundation to meet and exceed single-year goals and the overall goals of our new medium-term management plan.

Seeking greater contributions to patients and society through our businesses.

We pursue sustainability activities through our businesses. These activities include diversity, equity, and inclusion initiatives focused on the visually impaired (→ Page 38) and the use of biomass plastics for eye drop bottles.

In formulating a new strategy, we revisited the 13 materialities (→ Page 16) defined in fiscal 2020. Although we did not make any major changes, we identified two materialities as our most important priorities: (1) market penetration of products with social significance leading to the achievement of our medium-term management plan and (2) human resource development and promotion to support and drive business growth. **Our business itself is a response to**

social issues. We provide appropriate ophthalmic care to patients around the world through the wider market adoption of our products. And our global employees are the ones who ensure our return to growth. Developing and rewarding the efforts of human resources (→ Page 36) **who understand our CORE PRINCIPLE correctly and who can maintain a focus on and implement our strategy steadily is the most important thing we can do now for the sustainable growth of the Company in the future.** Clearly, management also discusses and strives to resolve issues not limited to these two materialities.

• Target & Strategy

05 CEO's Message

Maximizing shareholder value by enhancing our ability to generate cash.

We enhance our ability to generate cash by implementing the strategies I have discussed. We prioritize investments using the cash we generate in R&D and business development for future growth.

In particular, we prioritize funding for R&D at even greater levels than before, and we intend to step up investment in early-stage pipelines, such as the search for seeds, as well as in large-scale pipeline and life cycle management (LCM)¹ product development. I will assess the potential of each pipeline candidate and pursue R&D investments that, based on my past experience in R&D, I believe will lead to profitability by contributing to general patients and patients with more advanced needs.

In terms of shareholder returns, we mentioned in our new medium-term management plan that **we would eventually consider increasing dividends in line with profit growth. We established a floor of JPY 32 per share**, even in the face of various volatilities in the business environment, based on the policy of progressive dividends we have followed for some time. **We also intend to return profits to shareholders by conducting share buybacks flexibly in light of investment opportunities and capital needs (→ Page 23).**

In the wake of the recent decline in profitability and stagnant stock price performance, the Board of Directors is acting with a sense of urgency to improve execution and organizational capabilities to ensure the achievement of our business goals. The diverse members of our

Board are engaged in in-depth discussions to improve enterprise value. As CEO, I report to the Board of Directors in a timelier manner than ever before, including information on management-related risks and business progress. At the same time, we continue to strive for higher levels of corporate governance (→ Page 46).

We believe the eye health needs of people around the world will continue to increase as the global population ages and new advances are made in diagnostic and treatment technologies. Through our products and services in the prevention, diagnosis, and treatment of eye diseases, we continue to provide important value beyond what has been available in the past. We strive to regain the trust of our stakeholders by returning to a growth trajectory in the short term. To this end, we restructured our organization, clarifying the roles and responsibilities of Corporate Officers and reorganizing reporting lines. We based these changes on the need to raise the quality of management further, while making maximum use of the strengths we have cultivated over our history.

I will do my utmost to face the challenges ahead while respecting our organizational culture, and I intend to stand with our employees in greater solidarity to implement the changes forthcoming. I ask for your continued support as Santen pursues these ambitious goals.

Takeshi Ito
President & CEO

CEO Career Highlights

Joined Santen Pharmaceutical Co., Ltd. in 1982

Experienced roles as a medical representative (MR) in the Japanese pharmaceutical business, as well as positions in business development, R&D, surgical business, etc.

Served as Corporate Officer, Senior Corporate Officer, and Director

Named Representative Director, Executive Vice President, Head of Japan Business, Head of Japan Sales & Marketing Division, in April 2022

Named Representative Director, President & CEO in September 2022

Research and Development

Involved in decision-making for the selection and concentration of development projects, pursuing the optimization of management resources by leveraging the Company's strengths in the most effective way to contribute to patients

Japan Business

Focused on developing and marketing new products and services that offer new value, including products that reduce the burden of treatment on patients and offer solutions to issues in the medical field

Pursued life cycle management across core products, improving strategic execution, and expanding our organizational capabilities

Contributed to sales and profit growth by planning and executing business strategies that integrate the perspectives of patients and the medical field while strengthening the foundations of the Santen business

• Target & Strategy

05 CEO's Message

¹ Increasing product value over the long term through the use of formulation or other technologies to adapt a single compound to therapeutic needs. This may involve changing the application, dosage or dosage form, combining the compound with other compounds or other methods

FY2023–2025 New Medium-Term Management Plan

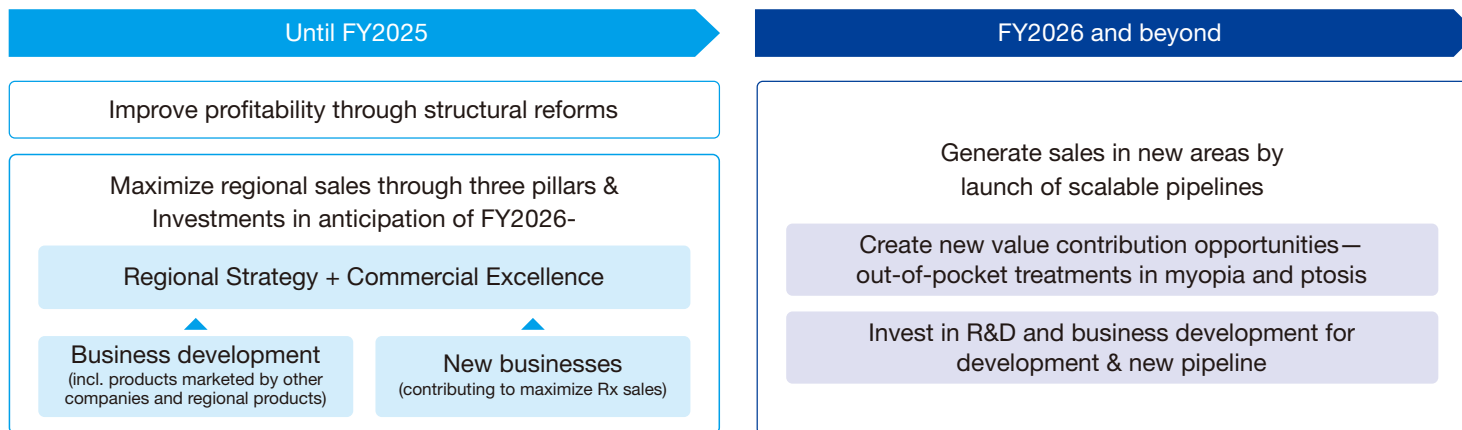
For more about the new medium-term management plan, please see the Company's website.

Santen will renew its focus on maximizing the prescription pharmaceuticals business, which is its strength. We will improve profitability, maximize our contribution to people and patients by concentrating our resources on the prescription pharmaceuticals business and directly related initiatives, and strengthen the operational structure and framework that support these endeavors. During the period of the new medium-term management plan for fiscal 2023 through fiscal 2025, we will recover to our previous profit level and prepare for maximizing the value contribution from pipeline candidates with large-scale potential in fiscal 2026 and beyond.

Basic Policy to Achieve Growth

In the period through fiscal 2025, we will work to maximize earnings from two perspectives: improving profitability through structural reforms and the maximization of regional sales, and investing with a view to fiscal 2026 and beyond. In addition, we will build an organization that can maximize the value contribution of pipeline candidates with the potential to generate large-scale sales in fiscal 2026 and beyond. In the following period from fiscal 2026, we will generate new value in the myopia and ptosis therapeutic areas, and return to significant growth.

Of the funds generated by improving profitability through structural reforms, we intend to invest a portion in early-stage research and development, which will drive long-term growth. For our operations in each region, we will consider business development and new businesses that can support the growth of those operations. To that end, rather than major investment targets with inherent major risks, we expect to take on projects that will lead to improved regional productivity, maximize regional sales, and contribute to patients.



• Target & Strategy

11 FY2023–2025 New Medium-Term Management Plan

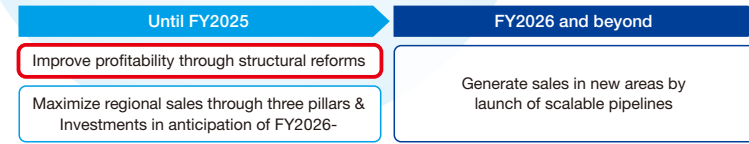


Structural Reforms

Recognizing the urgent need for a recovery in core operating profit, which has been on a downward trend since peaking at JPY 50.1 billion in fiscal 2020, we are implementing four structural reforms under the new medium-term management plan, placing top priority on improving profitability.

The first is to maximize streamlining of the Americas business. We acquired Eyevance Pharmaceuticals Holdings Inc. in fiscal 2020 as part of our re-entry to the U.S. market. However, due to product supply and other issues, we were significantly delayed in achieving profitability. As a result, we recorded an impairment loss in fiscal 2022. The launch of new products has also not proceeded according to plan, partly due to delays, which has made it difficult to achieve profitability in the short term. We therefore decided to streamline operations based on the belief that it was necessary to quickly eliminate losses in the Americas and

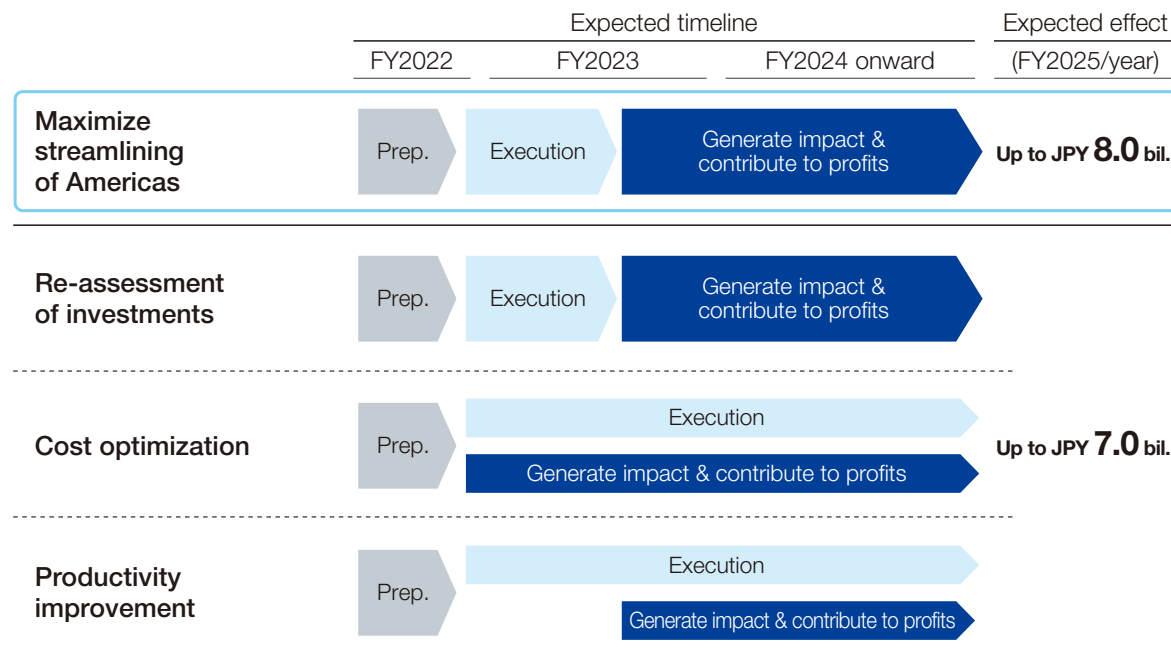
improve profitability. The second reform is re-assessment of investments. After thoroughly examining the strategic significance, cost-effectiveness, and impact on the current business plan of large-scale investment projects we have previously committed to, we decided to postpone the introduction of the next-generation enterprise resource planning (ERP) system¹ in the China and Asia regions, as well as second-phase construction at the new Suzhou Plant. Future investments will also be scrutinized according to the same criteria. Reforms in the third area (cost optimization) and the fourth area (productivity improvement) will include tightening cost operating rules and eliminating redundant functions through cross-departmental reviews. We expect these four structural reforms to improve profitability by JPY 15.0 billion in fiscal 2025.



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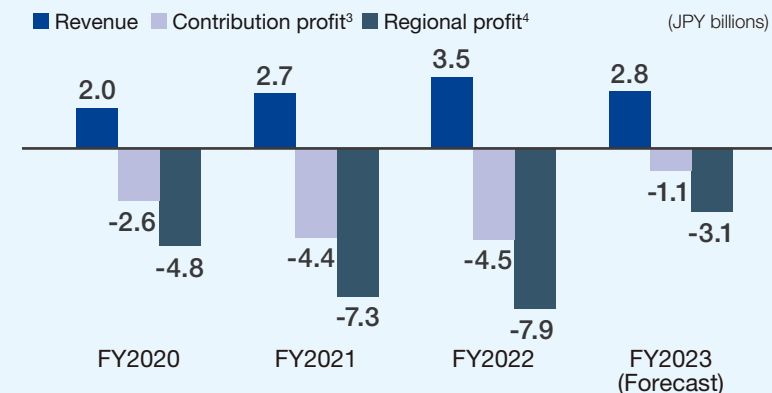
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Four Structural Reforms

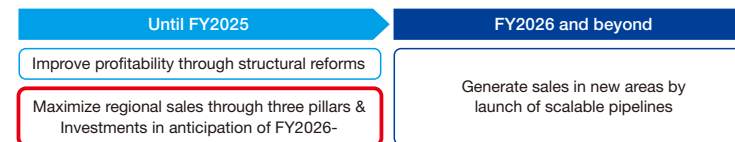


Maximize Streamlining of Americas

- Out-license or sale of products²
- Continue global R&D and medical device manufacture



¹ A system for centralized management of corporate resources and quick management decision-making ² Santen announced licensing agreements and an asset transfer agreement for its pharmaceutical products in North America in July 2023 (https://www.santen.com/en/news/2023/2023_1/20230719) ³ Amount calculated by deducting cost of sales and expenses related to revenue generation from revenue in each region ⁴ Amount calculated by deducting indirect expenses including human resource, financing, supply chain and other expenses from contribution profit in each region



Many Growth Opportunities Exist in Each Region

In each region, we identify countries, market segments and therapeutic areas where there are growth opportunities and the scope to expand our contribution to patients. In addressing each growth opportunity through activities centered on commercial excellence (→ Page 24) that integrate corporate headquarters functions and operations in each region, we will achieve growth that exceeds the market average and expand our contribution to patients. We will also consider business development and new businesses that meet the needs of patients and healthcare professionals in line with the business strategies of each region.

In Japan, although patent expirations of major products will have a significant impact, we will continue to provide products and solutions to address unmet needs, particularly by offering

improved formulations. Through these efforts, we will grow the market as a market leader and maintain and strengthen our presence. Among our overseas businesses, which are key to sustainable growth, we believe that there is ample room for productivity improvement and sales growth. By optimizing and utilizing models of commercial excellence that we have cultivated in Japan, we will improve revenue per employee at customer facing units (CFUs),¹ which is an indicator of productivity, and strengthen our organizational capability. Our organizational strength, which continues to enhance our commercial excellence, will lead to growth in new therapeutic areas from fiscal 2026 onward. Overview by Region (→ Page 65)

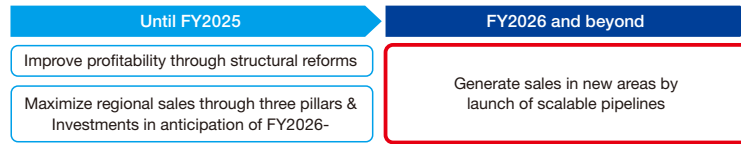
• Target & Strategy

11 FY2023–2025 New Medium-Term Management Plan

Santen’s Main Growth Opportunities

| Basic policy | | Key growth opportunities | | | | Potential patient pool | |
|-------------------|---|--------------------------|---------|---------|--------------------|---|--------------------------|
| | | Target disease | | Summary | | (Millions of people) ² | |
| Japan | Maintain and further strengthen as a base market | Glaucoma | Dry eye | Allergy | Other ³ | Address unmet needs related to QOL ⁴ (instillation burden, etc.) | Approx. 20 |
| | | Glaucoma | | | | Market development by improving rate of continued consultations | Approx. 0.6 |
| | | | Dry eye | | | Improve treatment continuation rate by improving patient satisfaction | Approx. 5 |
| China | Focus with long-term perspective on market expansion | | Dry eye | | | Channel expansion into out-of-pocket medical treatment | Approx. 200 ⁵ |
| | | | Dry eye | | Other ³ | Channel expansion beyond large hospitals | Approx. 10 ⁶ |
| | | Glaucoma | Dry eye | Allergy | Other ³ | Early detection of undiagnosed patients and guidance for appropriate medical care | Approx. 200 ⁷ |
| Asia | Build on further the strong South Korean market, and nurture the 2nd largest market in the region | Glaucoma | | | | Market development through a higher rate of continued consultations | Approx. 0.2 |
| | | | Dry eye | | | Market development for potential patients who have yet to undergo treatment | Approx. 30 ⁷ |
| | | | Dry eye | | | Expand prescription of ciclosporine for patients with inflammation | Approx. 3 |
| | | | Dry eye | | | Capture the self-medication market | Approx. 40 ⁸ |
| EMEA ⁹ | Build on market presence by strategic prioritizations and productivity improvements | Glaucoma | | | | Maintain and expand prescription opportunities in Rx area | Approx. 3 |
| | | Glaucoma | | | | Capture untreated patients in the surgical field | Approx. 0.2 |
| | | | Dry eye | | | Maximizing prescription opportunities of cyclosporin | Approx. 2 |
| | | | Dry eye | | | Expansion in eye care segment utilizing digital tools | Approx. 60 ⁸ |

¹ Departments that interact directly with customers in each country and region ² Estimated by Santen; rounded to one significant figure ³ Retinal diseases, infectious diseases, etc. ⁴ Quality of life ⁵ Includes OTC users in optometry/pharmacy. OTC users calculated as the sum of potential patients (population × total prevalence, excluding patients receiving prescription pharmaceutical treatment) and patients who discontinued treatment. ⁶ Includes patients of hospitals other than Tier 3 (the highest Chinese hospital classification) in the relevant area. ⁷ Includes potential patients ⁸ Target OTC users ⁹ Europe, the Middle East and Africa



Toward Dramatic Growth in Fiscal 2026 Onwards

In the period through fiscal 2025, performance enhancement will be primarily supported by improved formulations and new products with new added value for patients in the therapeutic areas we currently serve, such as glaucoma, dry eye and allergies. During this period, we will also work to develop products in new areas with the potential to generate large-scale sales in fiscal 2026 and beyond.

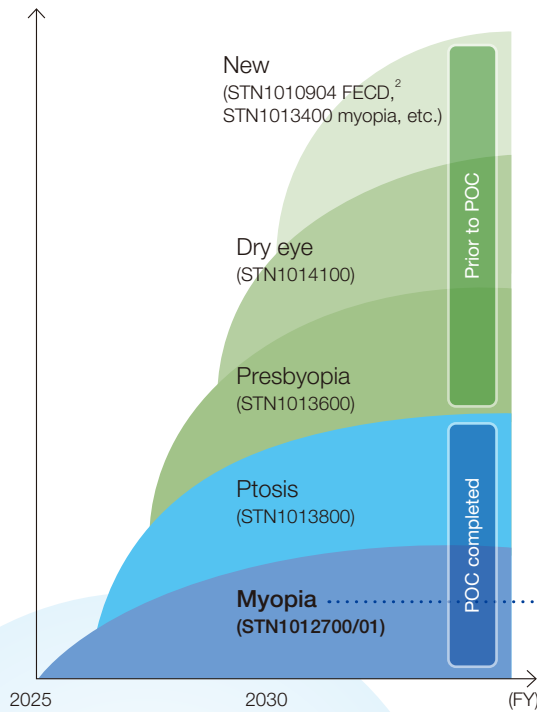
We are also developing drugs for the treatment of diseases (such as myopia, ptosis, and presbyopia) for which there are no common medicine-based preventive or treatment options. We anticipate sales in emerging areas including out-of-pocket treatment for myopia and ptosis, areas where we have pipeline candidates for which we have already shown proof of concept (POC), and we have begun considering how to build acceptance of new treatment

concepts among healthcare providers and patients. For each disease, there are many bottlenecks in the provision of diagnosis and treatment. The organizational strength with which we have firmly established our commercial excellence, will enable us to effectively implement initiatives to eliminate these bottlenecks, turn them into leverage points,¹ and pursue the maximization of product value. Moreover, we are taking on the challenge of developing a pipeline of highly competitive candidates that we also seek to launch in the U.S. These include drugs for presbyopia, new dry eye treatments, and next-generation myopia drugs, which although in the early clinical trial or pre-POC stages, have the potential to contribute to patients in the future. Steady progress in the development of these candidates will lead to dramatic growth in fiscal 2026 onwards.

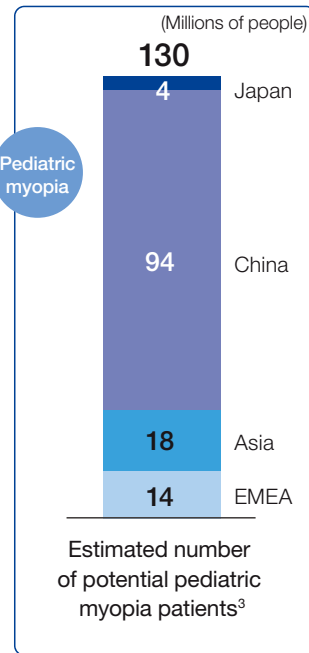
• Target & Strategy

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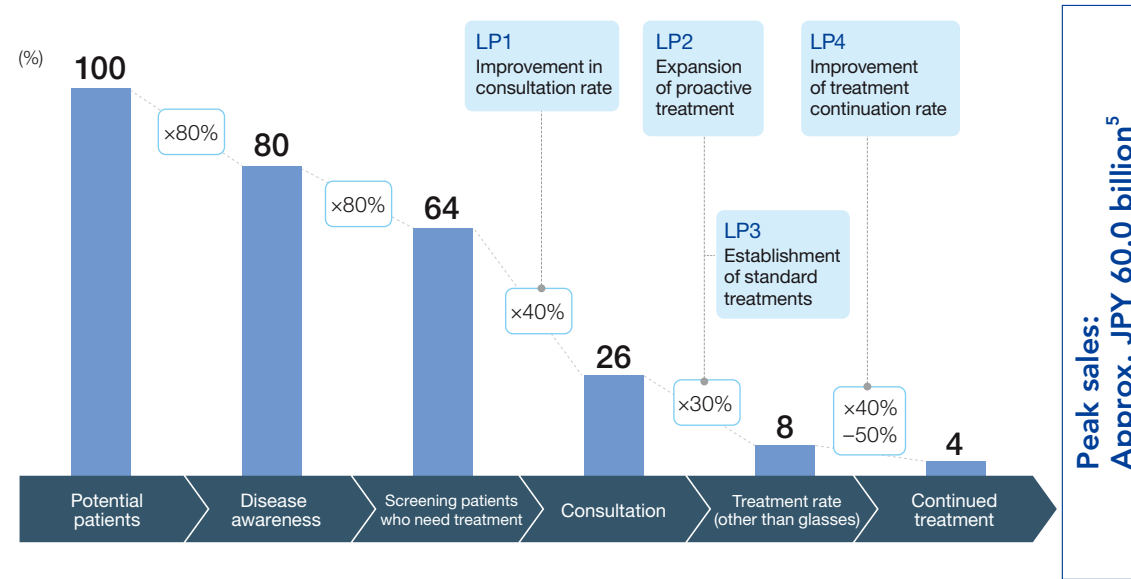
Major Pipeline Candidates



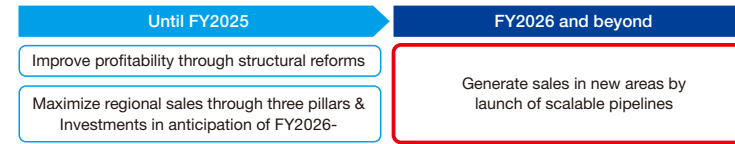
Market Potential of Pediatric Myopia and Leverage Points (LP)



Opportunities to maximize product contribution value by fixing bottlenecks from consultation to continued treatment⁴



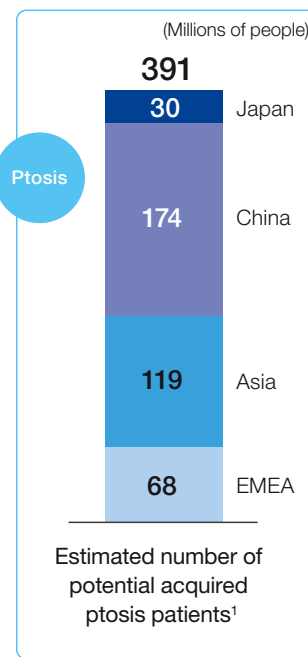
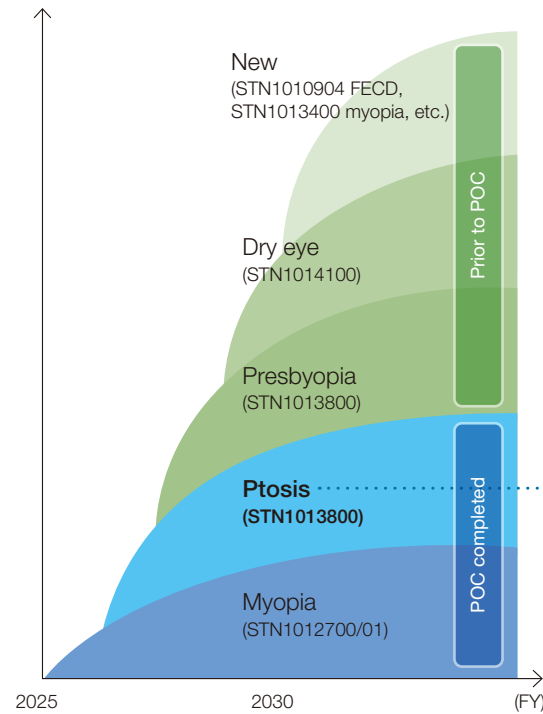
¹ Leverage point refers to the elements to be considered in order to maximize the product value in relation to the gap between the ideal form of medical care and the current situation. ² Fuchs endothelial cornea dystrophy
³ Santen estimate. Asia: South Korea, Taiwan, Singapore, Thailand, Philippines, Hong Kong, Indonesia, Vietnam, Malaysia. EMEA: U.K., France, Germany, Spain, Italy, Switzerland, Austria, Netherlands, Denmark, Norway, Sweden, Finland, Ireland, Portugal.
⁴ Figures are based on survey results from Japan and China. ⁵ Upside forecast



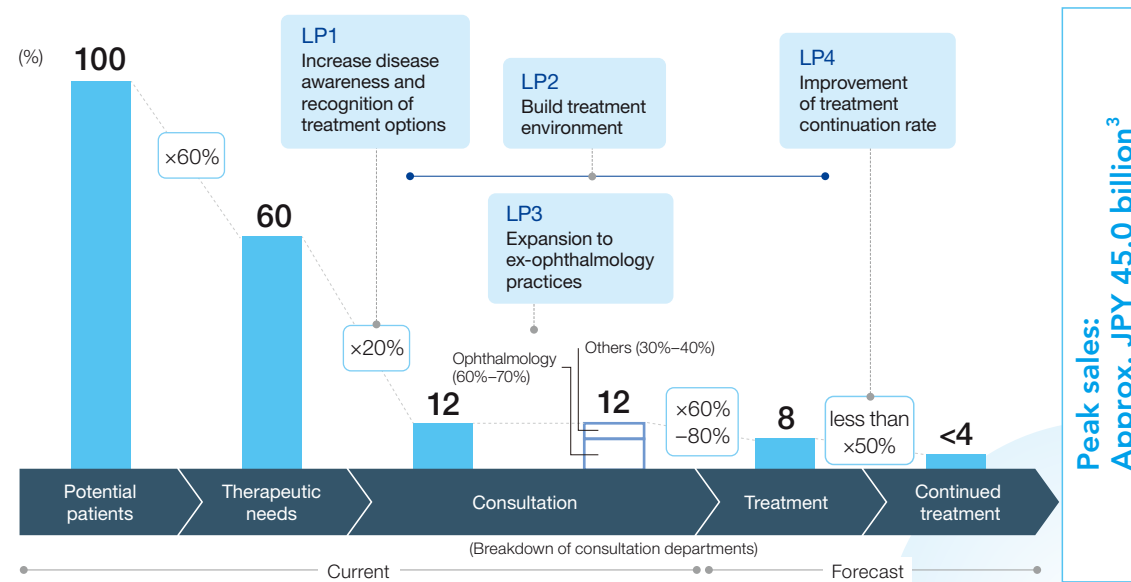
Major Pipeline Candidates

Market Potential of Ptosis and Leverage Points (LP)

Target & Strategy



Underdeveloped market due to lack of promising products; opportunity to create a market with new product launch²



11 FY2023–2025 New Medium-Term Management Plan

¹ Santen estimate. Asia: South Korea, Taiwan, Singapore, Thailand, Philippines, Hong Kong, Indonesia, Vietnam, Malaysia.
 EMEA: U.K., France, Germany, Spain, Italy, Switzerland, Austria, Netherlands, Denmark, Norway, Sweden, Finland, Ireland, Portugal.
² Figures are based on survey results from Japan, China, South Korea, Singapore, Taiwan, and EU5 ³ Upside forecast



Sustainability at Santen

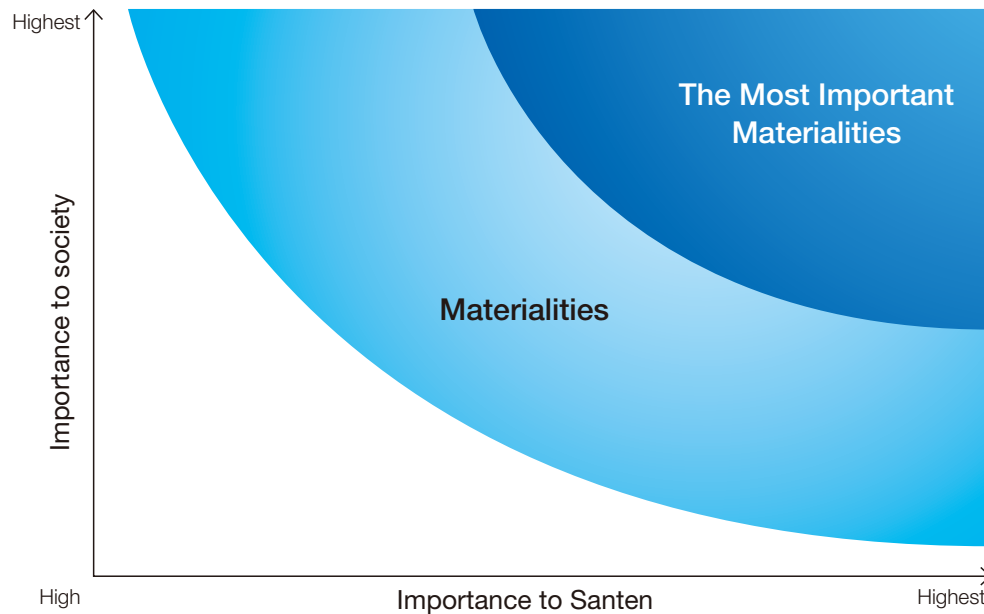


Contributing to Society through Our Business

In addition to contributions to society through our business, we have promoted sustainability activities such as inclusion with a focus on the visually impaired and the use of biomass plastic for eye-drop bottles and others. We will continue contributing to society through our business activities as a company specialized in ophthalmology.

Review and Revise Materialities

We assessed the challenges we face currently based on the assumptions of our new medium-term management plan. We identified *market penetration of products with social significance* and *human resource development and promotion* as the most important issues in continuing to contribute to society over the medium to long term.



Our 13 Materialities

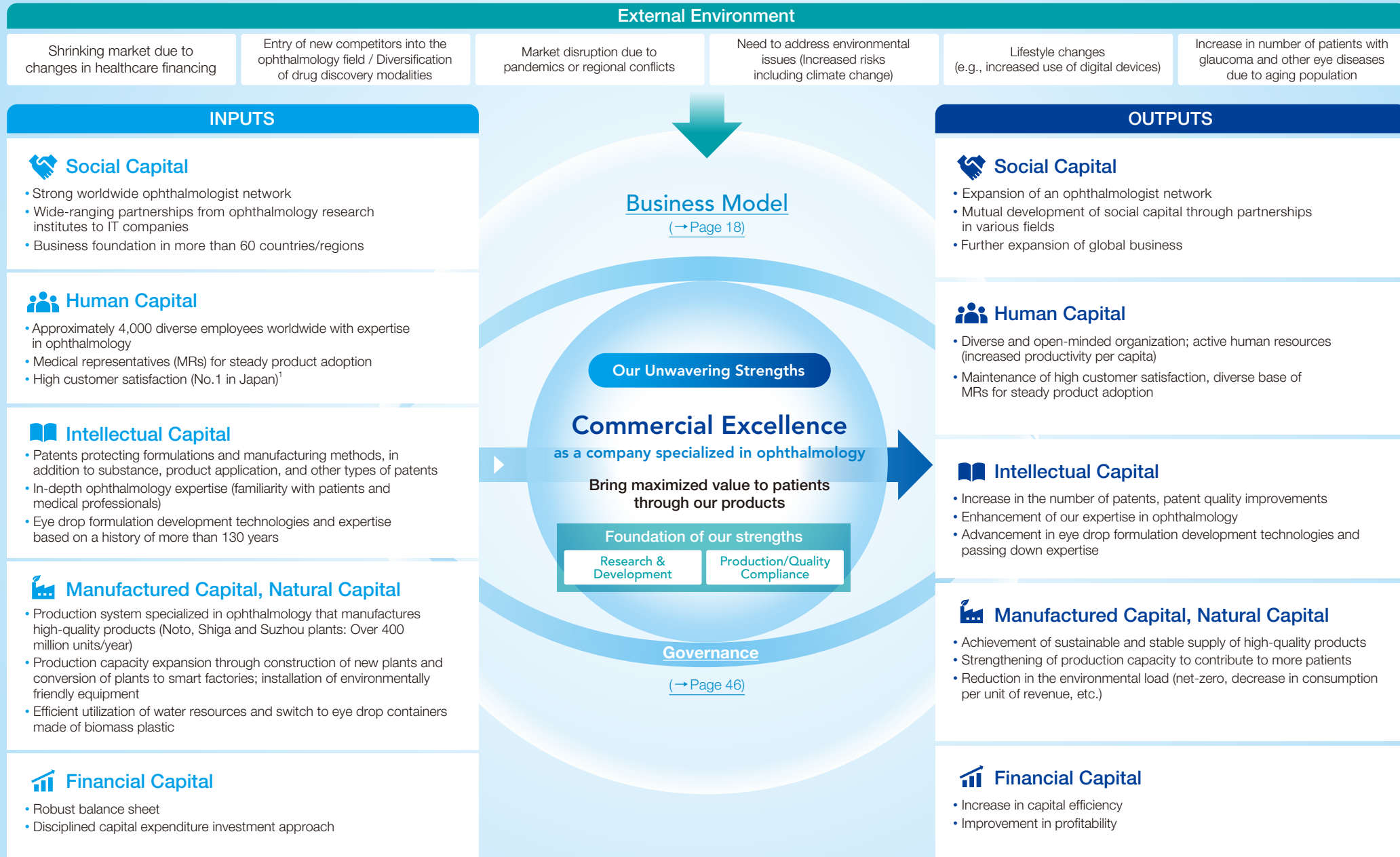
| | |
|---|---|
| Development and stable supply of socially significant products and services | 1. Market penetration of products with social significance 2. Evaluation and management of the supply chain 3. Assurance of quality and safety, and establishment of an appropriate supply system 4. Providing appropriate information on products and services |
| Encouragement of an organizational culture that promotes value creation | 5. Promoting diversity, equity, and inclusion 6. Building a high-value-added and highly productive work environment 7. Human resource development and promotion |
| Strengthening governance, contributing to the realization of fair and equal society | 8. Corporate governance 9. Compliance 10. Risk management 11. Respect for human rights |
| Conservation of the global environment | 12. Measures against climate change 13. Environmental load reduction |

• Target & Strategy

11 FY2023–2025 New Medium-Term Management Plan

For more about Sustainability at Santen, please see the Company's website.

Value Creation Process



• Target & Strategy

17 Value Creation Process

¹ Percentage of ophthalmologists rating Santen the first among companies providing ophthalmic prescription pharmaceuticals. Santen calculations based on external data.

Value Creation Process (Business Model)

CORE PRINCIPLE

天機に参与する
Tenki ni sanyo suru

STRATEGY AND RESOURCE ALLOCATION

(→ Page 11) (→ Page 20)

RISKS AND OPPORTUNITIES

(→ Page 53)

Globalization

(→ Page 24)

Our Unwavering Strengths

Commercial Excellence
as a company specialized in ophthalmology

Aiming to achieve the ideal state of ophthalmology care for patients

- Development of a consistent cross-functional strategic framework
- Tight alignment between strategy, planning and execution, underpinned by rigorous KPI monitoring and PDCA cycle management
- Continuous improvement of our corporate-wide capabilities

Ophthalmic drugs, eye care services

OUTPUTS

OUTCOMES
Happiness with Vision

The Santen Business Model

As a company specialized in ophthalmology, properly understand the needs of patients and doctors, and apply this understanding to product development, sales, and expansion into new businesses. Continue to provide patients with Happiness with Vision through the stable supply of high-quality products.

INPUTS

Bring maximized value to patients through our products

Foundation of our strengths

Research & Development

- Deploying existing API into ophthalmology
- R&D and business development specialized in ophthalmology
- Improvements based on the patient perspective

Production/Quality Compliance

- Large-scale manufacturing facilities and expertise
- Achieving both high-value-added and mass production
- Stable supply of high-quality products

PERFORMANCE

(→ Page 73)

Governance

(→ Page 46)

OUTLOOK

(→ Page 14)

• Target & Strategy

17 Value Creation Process

Initiatives for Medium- to Long-Term Value Creation

Enhance Corporate Value

FY2023–2025

FY2026 and beyond

Basic Policy

Improve profitability through structural reforms

Maximize regional sales through three pillars & Investments in anticipation of FY2026-

Generate sales in new areas by launch of scalable pipelines

Financial KPIs

| | | |
|--|---|---|
| Revenue JPY 280.0 bil. | Core operating profit/margin JPY 56.0 bil. / 20% | |
| Revenue growth ratio per overseas employee ¹ Over 7% ² | Core ROE 13% | Growth rate of core EPS Over 10% ² |

Cash Allocation

Growth investments
Actively invest in growth opportunities by profitability improvement & cash generation

Shareholder returns
Goal to increase annual dividend with current JPY 32 as the floor + Opportunistic share buybacks as capital adjust.

- Create new value contribution opportunities—out-of-pocket treatments in myopia and ptosis
- Invest in R&D and business development for development & new pipeline

(JPY billions)

| Sales Targets by Region | Japan | China | Asia | EMEA |
|-------------------------|-------|-------|------|------|
| Revenue ³ | 150.0 | 36.0 | 32.0 | 61.0 |

Santen 2030

• Target & Strategy

17 Value Creation Process

Sustainability

Market Penetration of Products with Social Significance (→ Page 34)

Contribute to more than **50** million patients⁴

Human Resource Development and Promotion (→ Page 35)

- Restructure and implement human resource development program
- Evaluate and coach all managers in key positions⁵
- Clarify successor candidates for key positions and implement specific measures to systematically secure, train, and assign successor candidates
- Raise the ratio of female managers in Japan to at least 20%

Measures Against Climate Change (→ Page 42)

Environmental Load Reduction (→ Page 42)
Other

¹ China, Asia and EMEA. Excluding foreign exchange (FX) impact. ² CAGR for FY2022 Forecast (announced February 7, 2023) - FY2025 ³ Other sales include royalty income and others of JPY 1.0 bil.

⁴ Estimated total no. of patients to which Santen has contributed (disease areas: inflammation/allergies, cornea, glaucoma, cataracts) in FY2019 was approx. 43 million, calculated based on JMDC's estimated total no. of patients for Santen's Rx products and Santen's shipment data. We revised the previously announced target when the new medium-term management plan was formulated.

⁵ Major roles in the formulation and execution of business strategy and major roles in each function and region.

CFO's Message Financial Strategies to Improve Profitability and Support Sustainable Growth

FY2022 Results and FY2023 Outlook

We view FY2022 as a year of major milestones, including a change in top management in September. In the second half, in particular, we endeavored to restore profitability and clean up a negative legacy as part of our agenda for re-growth.

On a core basis, which indicates recurring profitability, we recorded higher revenue and profits year on year in overseas regions except China, which was affected by a resurgence of the COVID-19 pandemic. We also made progress in containing costs in our administrative departments. On a consolidated basis, however, we could not make up for the decline in our business in China. While revenue rose 5% year on year to JPY 279.0 billion, core operating profit declined 5% year on year to JPY 44.2 billion.

We recorded an operating loss of JPY 3.1 billion in part due to disappointing performance at Eyevance in the U.S., which we acquired in FY2020. We also recorded an impairment loss related to the STN10109 pipeline under development and a one-time charge associated with the streamlining of operations in the U.S.

In FY2023, the first year of the new medium-term management plan announced in April 2023, we intend to continue to improve profitability, including structural reforms. While we expect revenue to decrease 2% year on year to JPY 273.0 billion, we expect core operating profit to increase 4% year on year to JPY 46.0 billion. Although we have conservatively factored in the impact of generics in Japan, our core business, we aim to optimize our overall profit structure through structural reforms.

Kazuo Koshiji

Chief Financial Officer (CFO)
& Chief Risk Officer



• Target & Strategy

20 CFO's Message

Financial Direction of the New Medium-Term Management Plan

Our basic direction under the new medium-term management plan remains the same as before: we aim to increase profitability by specializing in ophthalmology, maximize our ability to generate cash, improve capital efficiency (ROE and ROIC), and ultimately maximize shareholder value. However, in light of our stagnant stock price performance in recent years and deterioration in ROE and other capital efficiency indicators, we are working towards a recovery with a sense of urgency. As announced, the minimum target thresholds in FY2025 consist of a 13% ROE and a 10% EPS average annual growth rate during the period of the new medium-term management plan.

1 Improving Profitability

Our first and most fundamental task is to improve profitability. We target a recovery in core operating profit margin from 16% in FY2022 to 20% in FY2025. While certain factors may put pressure on profits, including patent expirations in mainstay products, NHI drug price reductions, and inflation, we plan to reduce our SG&A ratio from 34% in FY2022 to 30% by FY2025. We intend to accomplish this through cost optimization and structural reforms, including structural reforms in our Americas business. We also plan to improve profitability on a core operating profit basis, while maintaining R&D expenses at current levels to secure future growth. While we expect revenue to remain effectively unchanged from FY2022, we target an increase in core operating profit from JPY 44.2 billion to JPY 56.0 billion, or an average of 8% annual growth over the period. We aim to grow Core EPS by an average of 10% or more over the period.

• Target & Strategy

Sales Targets by Region

Business growth in each region that outperforms local market growth

| | Japan | China | Asia | EMEA | Total |
|--|-------|-------|------|------|-------|
| Revenue¹ (JPY billions) | 150.0 | 36.0 | 32.0 | 61.0 | 280.0 |
| CAGR² (FY2022–2025) | -5% | 18% | 12% | 6% | 1% |
| Contribution profit ratio (FY2025) | 43% | 40% | 40% | 33% | — |
| Market CAGR³ (FY2022–2025) | -5% | 2% | 2% | 2% | 0% |

Core operating profit
JPY **56.0** billion

Core operating profit margin
20%

[vs. FY2022 (forecast)]
+ 5 pt

¹ Other revenue includes JPY 1.0 billion in royalty income and others. ² Based on forecast for FY2022 as of February 7, 2023. Calculated based on exchange rates for each fiscal year. ³ Based on Santen estimate using FY2022 forecast. Calculations for China, Asia, and EMEA exclude the retinal disease area. Calculations for Asia and EMEA are based on main sales countries.

2 Strengthening Cash Generating Capacity and Reducing the Cost of Capital

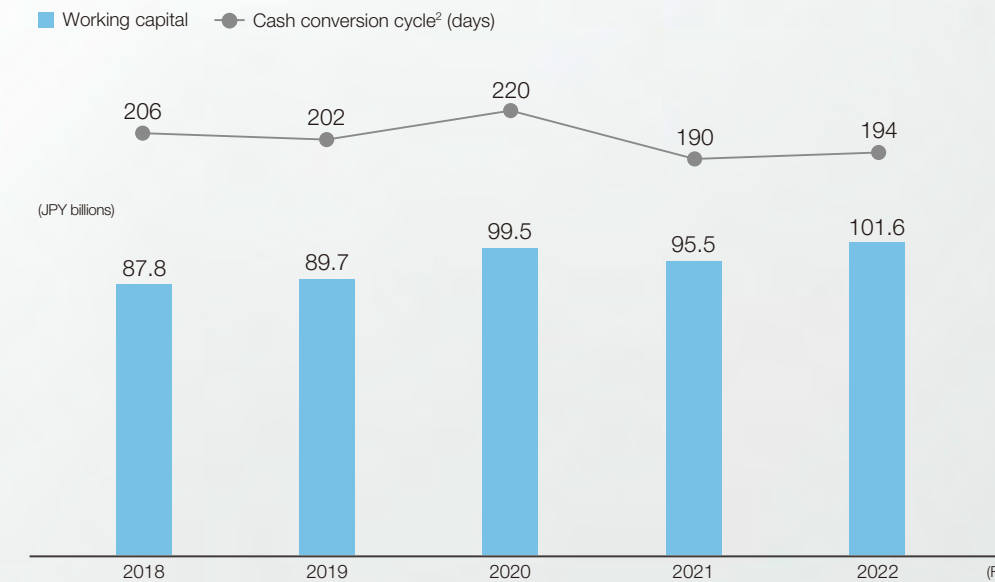
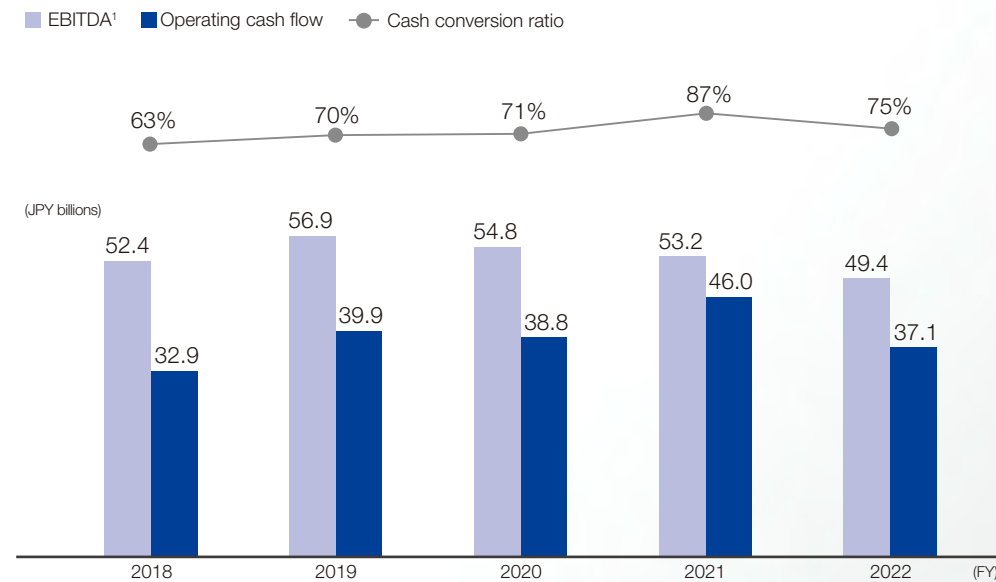
Recognizing that the capacity to generate cash is the source of corporate value enhancement, we have maintained operating cash flow on a growth trajectory, even during periods of earnings volatility. To maximize our investment capacity for future growth, we intend to strengthen our ability to create and manage our assets more efficiently.

We plan to manage the cash generated centrally under the International Financial Headquarters (IFHQ) in Switzerland, including management over currency structure and

interest rates. Through a cash management system meeting the cash needs of each region, we will work to improve capital efficiency and reduce the cost of capital.

The cash conversion cycle (CCC), in particular, is an area in which we have room for improvement. Given the nature of pharmaceuticals, we must avoid any situation in which reduced inventory prevents us from fulfilling our responsibilities to supply products. However, we aim to reduce invested capital, mainly through increasing the liquidity of accounts receivable, and thereby improve return on invested capital (ROIC).

Stable Cash Generation



¹ EBITDA = (Operating profit) - (Other income) + (Other expenses) + (Depreciation) ² Cash conversion cycle: Based on turnover period of trade and other receivables, inventories, and business operation related expenses.

• Target & Strategy

3 Capital Allocation for Sustainable Growth

To achieve these aforementioned improvements in our stock price and capital efficiency as rapidly as possible, we intend to mobilize our balance sheet and cash flows driven by a recovery in profitability, conducting upfront investments for future growth while returning profits to shareholders at the same time.

Following FY2019 and FY2020, we recorded impairment losses on assets acquired from previous investments in FY2022. We also believe expectations of shareholders, and the capital markets more broadly, are for value creation through investments in business opportunities upon which only Santen can capitalize. Investments remain our top priority in capital allocation.

In particular, we will prioritize R&D investments for future growth, and we intend to allocate more than JPY 100.0 billion over three years. At the same time, we have kept capital investment at high levels over the past several years as part of an investment cycle that occurs once every 20 years. These investments include expanding production capacity in Japan and China, as well as upgrading to a next-generation ERP system. The peak of the investment cycle is behind us, and we expect capital expenditures during the medium-term management plan to be JPY 26.0 billion, less than half of the JPY 54.7 billion in accumulated capital expenditures from FY2020 through FY2022.

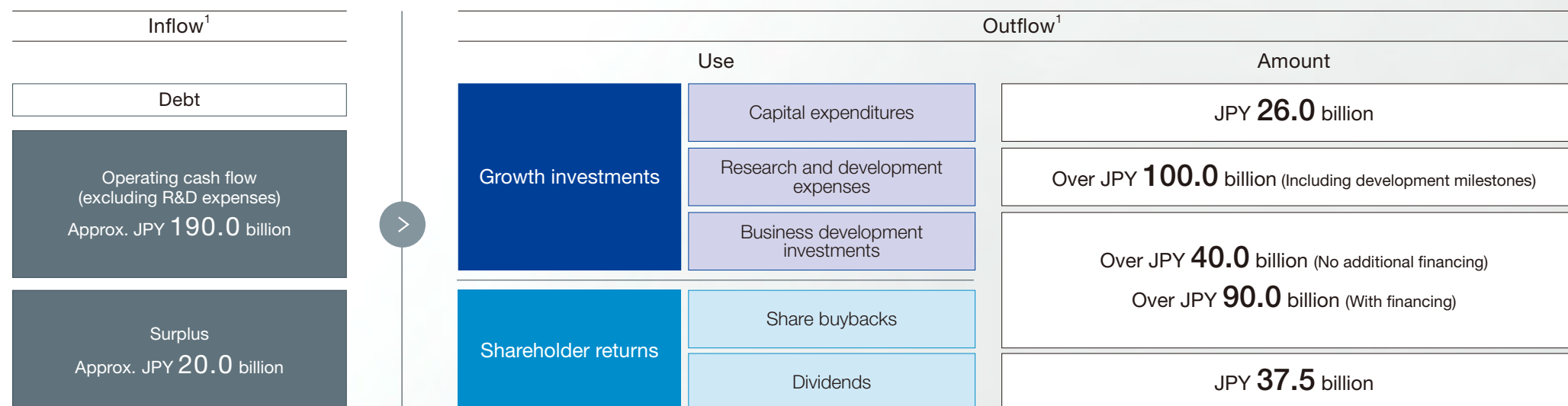
In accordance with our policy of progressive dividends, we have not reduced dividends, while increasing dividends in conjunction with profit growth. We will maintain this policy throughout our medium-term management plan period, keeping current JPY 32 dividends per share as the floor, considering a potential increase in the future as a function of profit growth.

In addition, we have been returning profits to shareholders through share buybacks of JPY 25.7 billion (representing 6.6% of outstanding shares) in FY2022 and scheduled buybacks of JPY 24.5 billion (5.0% of outstanding shares expected) in FY2023. Over the two years, we expect to have retired shares representing a total of 11.3% of outstanding shares (FY2023 figures are tentative). In the absence of investment opportunities in the future, we will prioritize share buybacks over retained earnings, subject to equity market conditions.

To increase shareholder value, we strive to meet the expectations of shareholders, investors, and securities analysts who have an interest in Santen. To this end, we are committed to listening to feedback from the capital markets and engaging in appropriate information disclosures and dialogue to ensure Santen shareholder value is evaluated in the most appropriate manner.

• Target & Strategy

20 CFO's Message



¹ Cumulative total for FY2023-2025

Establishing Commercial Excellence in All Regions

Under the new medium-term management plan, we are working to establish “Optimized Commercial Excellence” in each region, while leveraging the expertise we have accumulated in Japan in order to realize further growth in each region. The forerunner of this approach was a project to establish Santen’s commercial excellence in China centered on the implementation of a business model that had been successful in Japan. This project focused in particular on commercial excellence activities for strengthening the PDCA (plan-do-check-action) cycle.

The project was evaluated as a successful cross-regional project that directly connects to the provision of value to patients, consumers, and healthcare professionals, as outlined in our CORE PRINCIPLE, and was selected for the *Tenki ni sanyo suru* Grand Prize in the Santen Value Award 2022 (our annual company-wide President’s award program).

Expanding our contribution to patients through the market penetration of *Tapros* by applying Japan business best practices in China

Santen’s Japan business has been able to achieve sustainable growth and high performance through a variety of efforts and initiatives while also maintaining a constant number of medical representatives (MRs). A project was launched to adapt the business model used by the Japan business to commercial activities in China, integrating it with activities to expand contribution to glaucoma patients through the market penetration of *Tapros*.

The Japan business has thoroughly implemented a system for the detailed monitoring of the progress and outcomes of sales activities and for strengthening the PDCA cycle. Applying these best practices to commercial activities in China, project members as a first step sought to approach 300 doctors with the aim of providing *Tapros* to a greater number of patients.

New initiatives succeed when goals and perceptions are carefully aligned

Even prior to the launch of this project, the information to be emphasized for each product was clearly defined in the China business; nevertheless, the procedures used in Japan were more meticulous in detail as was the organization for its implementation. Studying the successes in the Japan business, the project team carefully devised a system of procedures that would enable MRs in China to make proposals tailored to the needs of doctors, while taking into account the market environment and the situation of their MR colleagues.

In addition to ensuring that each MR could fully understand the content of the sales procedures and execute them precisely, the project team also sought to strengthen the mechanism for monitoring the status of sales activities and outcomes, and then utilizing that information to accurately determine optimal actions to take or improvements to make. To this end, the project team reviewed key goal indicators (KGIs) and key performance indicators (KPIs) for sales activities, developed training programs for MRs, formulated a management plan that

clearly indicates who does what and when, and set up meetings at key milestones throughout the sales journey to ensure that the entire organization including MRs could implement an effective PDCA cycle. A dashboard to visually represent data was also developed so that KGIs and KPIs were shared among the members. Previous MR training programs had been conducted separately by each department, but the new developed program was designed cross-functionally so as to enhance interdepartmental collaboration.

Positive outcomes strengthen our sense of purpose and collaborative spirit

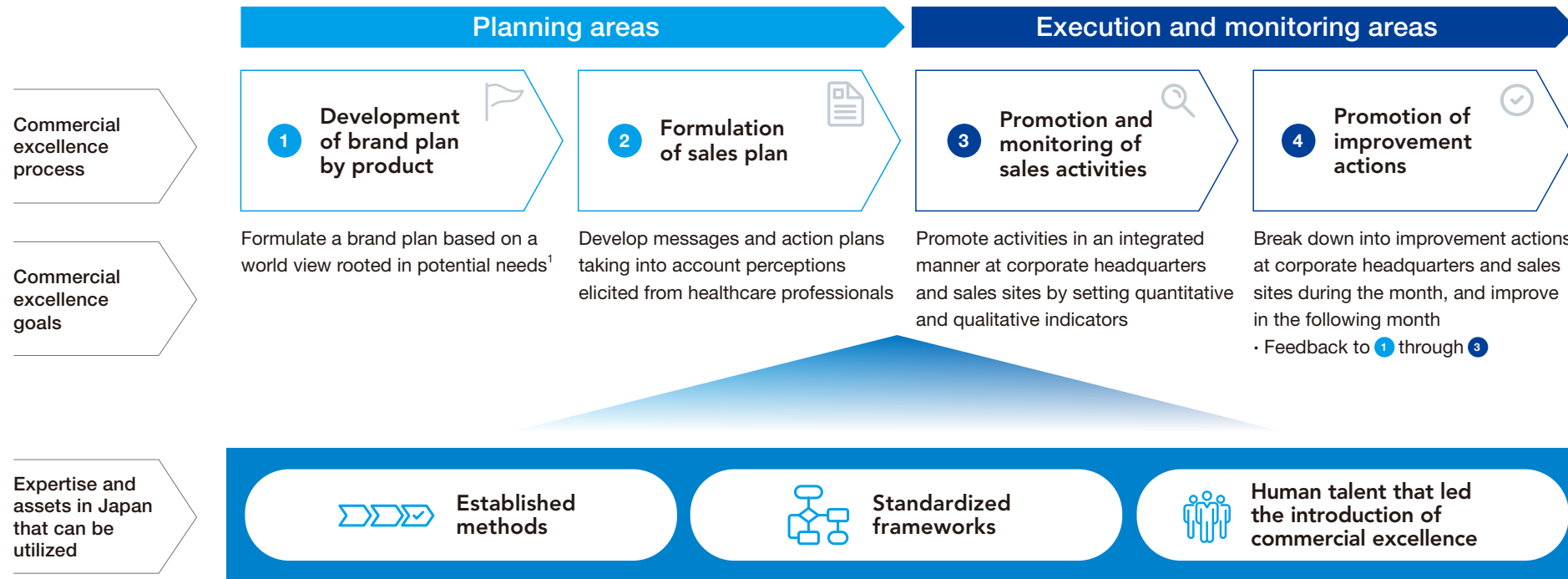
Through this project, the team was able to improve the quality of communication between MRs and doctors, and to build a foundation for effective management of the PDCA cycle. As a result, sales of *Tapros* outperformed the market by achieving growth.¹ The project also resulted in additional positive impacts, such as raising awareness of good PDCA management, which in turn is fostering a mindset of cross-functional collaboration—not just for sales processes, but across the China business.

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24 Establishing Commercial Excellence in All Regions

¹ Copyright © 2023 IQVIA. IQVIA MIDAS 2020-2022. Santen analysis based on IQVIA data. Reprinted with permission.

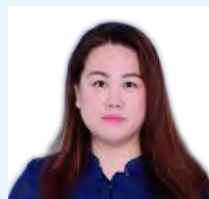
Santen's Commercial Excellence



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24 Establishing Commercial Excellence in All Regions

Messages from Project Members



Xiaoyan Zou

Senior Director
Santen Pharmaceutical
(China) Co., Ltd.

The China business operates in a complex market environment, and in the process of learning new methods and putting them into practice, we encountered challenges as a result of COVID-19 and national policy reforms. Nevertheless, our colleagues in Japan have been providing insights and suggestions, and we have been able to overcome many obstacles.

We will continue to drive this project to achieve higher business goals, as we aim to build an organization as efficient as that in Japan.



Kazumasa Fujio

Team Manager,
Sales Promotion Team
Japan Sales and
Marketing Division

Helping to establish commercial excellence in China gave me a valuable opportunity to reflect on the activities of the Japan Sales & Marketing Division, and our discussions with members from the China business provided insights for continuous improvement.

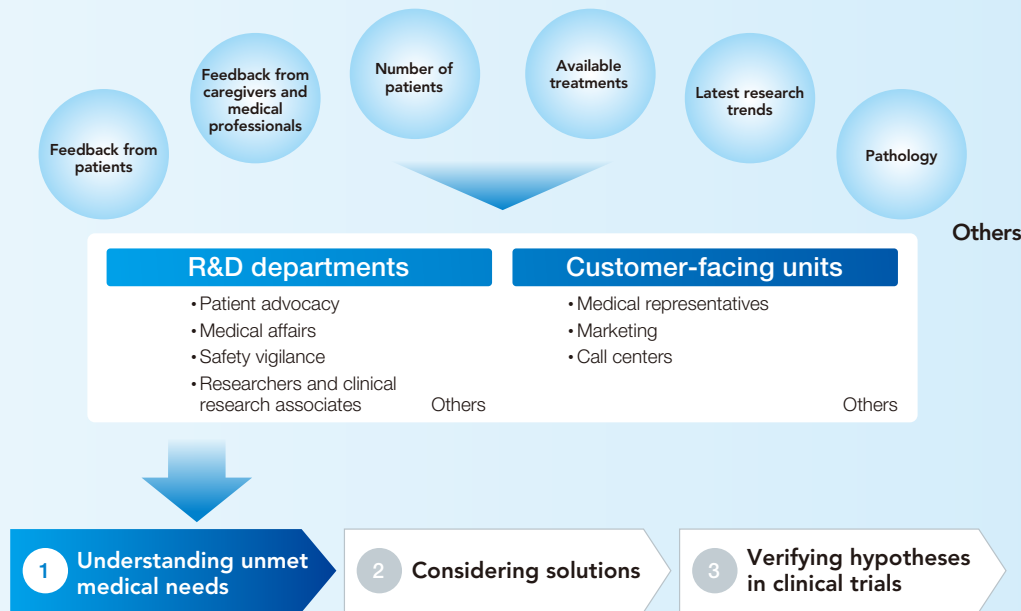
We will continue to strive for commercial excellence not only in Japan but in all of Santen's operations.

¹ The gap between the ideal treatment and the status quo based on Santen products

Product Development Aimed at Providing Value to Patients

For each disease and in each region, there are various unmet medical needs related to the maintenance and promotion of eye health. Among these are many latent needs that can be discovered by listening to patients, caregivers, and medical professionals. As a company specialized in ophthalmology, we are striving to increase our contribution to patients worldwide by identifying these needs as the basis for providing new therapeutic options.

Santen's Product Development



Our product development begins by understanding unmet medical needs. The R&D departments review literature as well as presentations at academic meetings, conduct research on disease pathology and patient numbers, and hold direct patient interviews. In addition, we aggregate data on needs seen by the medical affairs department and medical representatives in their day-to-day operations, from telephone and online feedback from patients, caregivers, and medical professionals, and from information gathered through post-marketing safety monitoring and pharmacovigilance (safety vigilance activities). Based on this data, we comprehensively evaluate needs in terms of magnitude, feasibility of solutions, and degree of contribution to patients when addressed, and select priority themes.

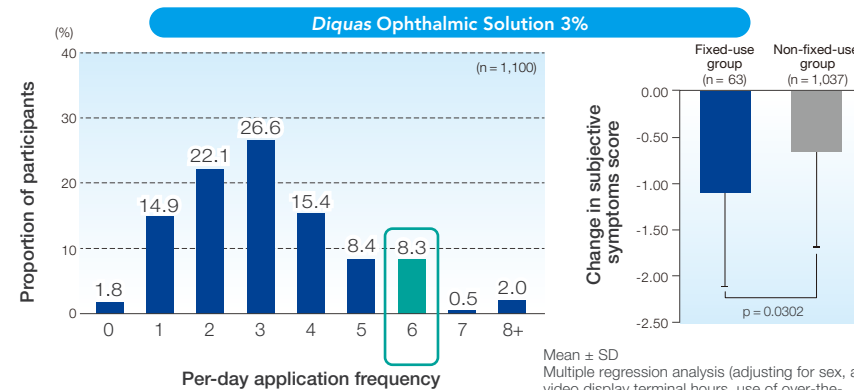
Product Case Study: *Diquas LX* Ophthalmic Solution 3%



1 Understanding unmet medical needs

It has been reported that 59.8% of patients prescribed with dry eye medications do not instill with the frequency specified on the label.¹ An analysis of a survey² of patients with dry eye showed that 8.3% of those that were prescribed *Diquas* adhered to the application frequency (six times a day) specified on the label. In addition, there was a significant difference in the change in subjective symptom score between patients who adhered to the application frequency specified on the label and who regularly instilled the eye drops regardless of the presence or absence of subjective symptoms (fixed-use group) and patients not included in the fixed-use group (non-fixed-use group). These results suggest the possibility that patients who do not instill *Diquas* according to the specified dosage regimen do not demonstrate the therapeutic effect.

In order for patients to obtain the therapeutic effect through instillation as specified on the label, we considered reducing the application frequency to be an important approach.



¹ K. Inagaki et al.: *Medical Journal of Nantan General Hospital* 17(1): 31-36, 2015
² Limitations of this research: The survey was administered via an online questionnaire and its subjects were limited to online users, and so results should not form the basis for broader generalizations.

Mean ± SD
Multiple regression analysis (adjusting for sex, age, video display terminal hours, use of over-the-counter eye drops, application frequency of eye drops for dry eye during the study and subjective symptoms score before treatment)
Source: Uchino M, et al.: *J Clin Med* 11: 367, 2022

• Target & Strategy

26 Product Development Aimed at Providing Value to Patients



We examine specific solutions for each theme across a broad range of options that include searching for new compounds, improving on existing formulations, and developing container designs. Furthermore, based on the knowledge we have cultivated as a company specialized in ophthalmology, we identify essential technologies and compounds held outside the Company and use them in combination with our R&D capabilities to create new therapeutic options. At the early stages of development, we define target product profiles of the products we want to deliver to patients, and as a team we work toward firm goals over the long course of development.

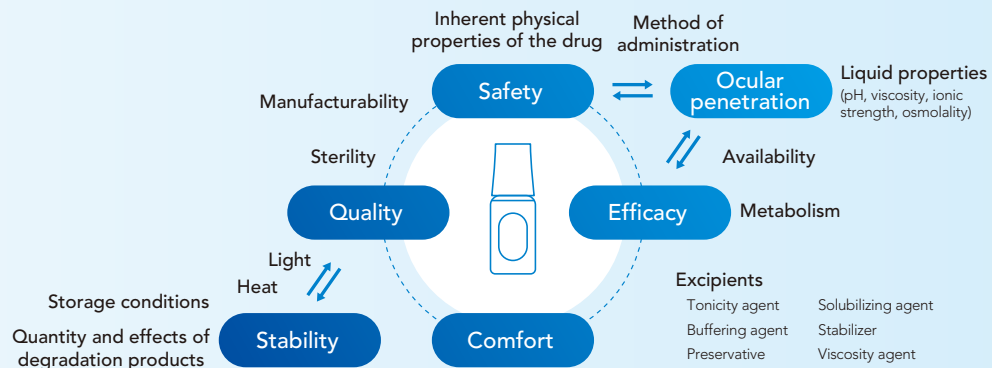
Close-up

Formulation Design for Ophthalmic Solutions

In formulation design for ophthalmic solutions, in addition to efficacy and safety, we examine the quality and application comfort of ophthalmic solutions, which is important for supporting proper treatment adherence. Furthermore, the development of global products requires that a single formulation must meet the differing quality standards of various countries and regions. We aim to develop optimal formulations that meet the above requirements, leveraging the know-how we have cultivated over many years while also utilizing new technologies. For example, we consider how to achieve a balanced combination of buffering, tonicity, and viscosity agents that improves patient comfort after instillation.



Naoki Matsumoto
Head of Pharmaceutical Development, Pharmaceutics and Pharmacology Department, Product Development Division

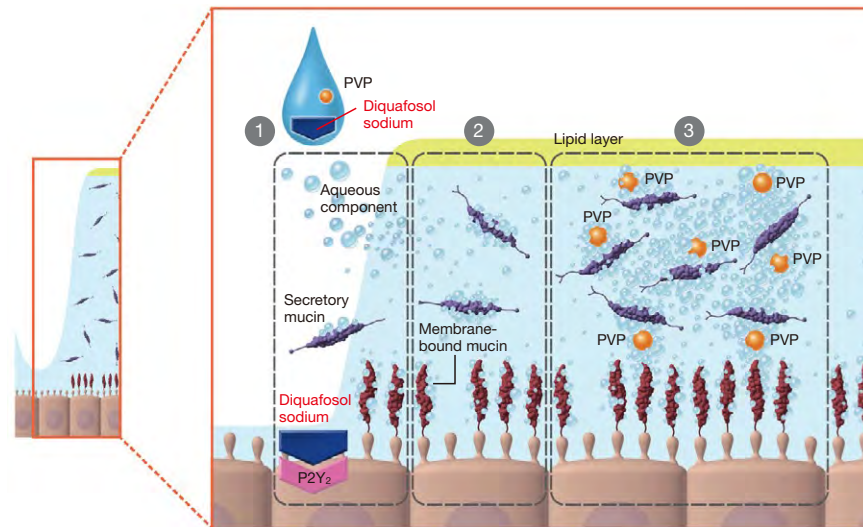


2 Considering solutions



The new formulation, *Diquas LX* reduced the application frequency from six to three times a day through the addition of polyvinylpyrrolidone (PVP; also known as povidone) as an excipient. Tear fluid is composed of aqueous tears and mucins. The active ingredient of *Diquas* (diquafosol sodium) acts on corneal and conjunctival tissues to stimulate the secretion and production of aqueous tears and mucins. The combination of secreted aqueous tears and mucins, and PVP, may form a complex, which stimulates the retention of tear fluid on the ocular surface.

In the past, we have attempted to reduce the application frequency through technologies that increase drug exposure in target tissues, such as increasing the concentration of the active ingredient or increasing the retention of the drug by compounding a polymer that gels the drug on the ocular surface. ***Diquas LX* achieves a reduction in the per-day application frequency without increasing drug exposure through a novel approach and technological development.**



- I. Active ingredient acts on the corneal and conjunctival tissues to stimulate the secretion and production of aqueous tears and mucins.
- II. Secreted aqueous tears and mucins form a complex and stay on ocular surface.
- III. Furthermore, the combination of secreted aqueous tears and mucins, and PVP, form a complex and promotes the production of tear fluid that stays on the ocular surface.

Takaoka-Shichijo Y, et al.: *Journal of the Eye* 28 (7): 1029-1033, 2011
 Takaoka-Shichijo Y, et al.: *Journal of the Eye* 28 (4): 543-548, 2011
 Fujihara T, et al.: *J Ocul Pharmacol Ther.* 18 (4): 363-370, 2002
 Takaoka-Shichijo Y, et al.: *Journal of the Eye* 28 (3): 425-429, 2011
 Sakamoto A, et al.: *Extra Number BIO Clinica.* 4 (3): 114-117, 2015

Efficacy of 3% DE-089C ophthalmic solution on lipids in tear fluid, in-house data of Santen Pharmaceutical Co., Ltd.
 Website of Japan Dry Eye Society (<https://dryeye.ne.jp/en/tfot-en/>)
 Sukuntha K, et al.: *Drug Dev Ind Pharm.* 37 (4): 408-418, 2011
 Baszkin A, et al.: *Biomaterials.* 5 (3): 175-179, 1984

Supervised by Dr. Norihiko Yokoi, Kyoto Prefectural University of Medicine

• Target & Strategy

26 Product Development Aimed at Providing Value to Patients



Clinical trials are conducted to assess efficacy and safety in humans. Going beyond the minimum requirements for regulatory approval, we also verify the product's potential to adequately meet unmet medical needs and achieve high competitiveness. When conducting clinical trials, we take advantage of Santen's global R&D system to select the most suitable region and study design, so that we can provide value to patients as quickly as possible. In developing new drugs, we conduct proof of concept (POC) trials at an early stage, as well as translational research¹ to improve the probability of success of POC trials and larger clinical trials in later stages.

¹ Bridging research that links basic research, clinical research, and medical treatment to efficiently and effectively commercialize results that contribute to medical development

Close-up

Patents in Ophthalmology

The business, R&D and intellectual property departments work together to add new intellectual property to Santen's portfolio, particularly that relate to ophthalmology. At the same time, we strategically utilize intellectual property to maximize the value of Santen products from a global perspective. In addition to substance patents protecting active ingredients, we also strategically apply for patents protecting ophthalmic use of such active ingredients, as well as formulations, manufacturing methods, optimal dosage regimens, eye drop containers and other discoveries made during the development process.

These patents enable us sustain product value after the substance patent has expired.



Masakazu Hatano

Global Head of Intellectual Property

Substance patent:
[Compound X]

Medical use patent:
Therapeutic agent for [Disease Y] containing [Compound X] as the active ingredient

Formulation patent:
Ophthalmic composition containing [Compound X] and [Additive Z]



Process patent:
Method for manufacturing an ophthalmic composition containing [Compound X]

Dosage regimen patent:
Therapeutic agent for [Disease Y] containing [A%] [Compound X] characterized by being instilled [B times a day]

Other patents:
Eye drop container (mechanism/structure, design, material), etc.

3 Verifying hypotheses in clinical trials

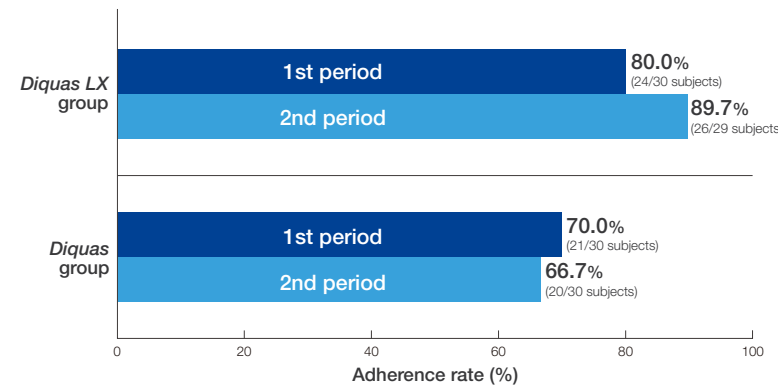


In a verification trial in dry eye patients, we confirmed the efficacy and safety of a new formulation, *Diquas LX*, which is instilled three times per day, and obtained approval. In addition to this trial, we also assessed the degree to which the formulation offered substantial added value to patients. Dry eye patients self-administered *Diquas* six times a day or *Diquas LX* three times a day for two weeks, respectively, and the adherence rate was compared. The results are shown in the graph below.

Since its launch in November 2022, *Diquas LX* has widened our contribution to patients as a product with the lowest per-day application frequency among eye drops approved in Japan for dry eye, and can be expected to make it easier to adhere to eye drop regimens.

Open-Label Cross-Over Comparative Study in Dry Eye Patients: Phase IIIb, Exploratory Study²

Adherence rate to the ophthalmic solution in each drug group from the day after the start of application to the day before the next visit in each period



Participants: 60 dry eye patients aged 20 years or older with a history of topical dry eye medication

Design: In the 1st period, group A used *Diquas LX* ophthalmic solution 3% (one drop at a time, three times per day) and group B used *Diquas* ophthalmic solution 3% (one drop at a time, six times per day) for two weeks. In the 2nd period, each group used the other ophthalmic solution for two weeks.

Main project members



² Open-label crossover comparative study of 3% DE-089C ophthalmic solution and *Diquas* ophthalmic solution 3% in dry eye. In-house data of Santen Pharmaceutical Co., Ltd. (Data for reference at the time of approval)

• Target & Strategy

26 Product Development Aimed at Providing Value to Patients

For the latest development status of main projects in the pipeline, please see the Company's website.

Development Status (Clinical Stages)

We aim to launch improved products with new added value and new products in our existing disease areas such as glaucoma, dry eye, and allergies in the period through fiscal 2025, and new products in new disease areas in fiscal 2026 and beyond, such as myopia, ptosis, and presbyopia.

In new disease areas, we will provide new therapeutic options for diseases for which drug treatments have not been widely available. This also means taking on the challenge of

addressing areas without globally established assessment methods or where knowledge is scarce. Therefore, we will start by establishing non-clinical evaluation systems in-house and conduct a wide range of compound screenings, and in clinical trials, hold discussions with ophthalmologists on implementing evaluation indicators that can be considered to be the most appropriate at that time. When necessary, we introduce new measurement technologies and instruments, which includes verifying the suitability of methods used.

(As of April 2023)

| | Development code | Generic name | Indication | Region | Clinical trial | | | Filed | Approval | Launch | |
|-----------------------|---------------------------------|----------------------------------|---------------------------------|-------------------------------------|-------------------------|---------|---------------------|-----------|-----------|-------------------------------------|-----------|
| | | | | | Phase 1 | Phase 2 | Phase 3 | | | | |
| Existing disease area | Glaucoma area | STN1011101 /DE-111A | Tafuprost/timolol maleate | Glaucoma Ocular hypertension | China | | | | Dec. 2022 | | |
| | | STN1011700 /DE-117 | Omidenepag isopropyl | Glaucoma Ocular hypertension | U.S. Japan Asia | | | | | Sep. 2022 Nov. 2018 Feb. 2021 | |
| | | STN1012600 /DE-126 | Sepetaprost | Glaucoma Ocular hypertension | U.S. Japan Europe | | (Exploratory study) | | | | |
| | | STN2000100 /DE-128 | Glaucoma implant device | Glaucoma | Japan Europe Asia | | | | | Jul. 2022 Apr. 2019 Oct. 2022 | |
| | | STN1013001 /DE-130A (Catioprost) | Latanoprost | Glaucoma Ocular hypertension | Europe Asia | | | | Sep. 2022 | | |
| | | STN1013900 /AR-13324 | Netarsudil mesylate | Glaucoma Ocular hypertension | Japan Europe Asia | | | | | Feb. 2023 | |
| | | STN1014000 /PG-324 | Netarsudil mesylate/latanoprost | Glaucoma Ocular hypertension | Europe Asia | | | | Jan. 2023 | Jan. 2023 | |
| | | STN1007603 /DE-076C | Ciclosporin | Vernal keratoconjunctivitis | U.S. China | | | | | Apr. 2022 | May 2022 |
| | | STN1008903 /DE-089C | Diquafosol sodium | Dry eye | Japan Asia | | | | Mar. 2023 | | Nov. 2022 |
| | | STN1014100 | Olodaterol hydrochloride | Dry eye | Japan | | Phase 1/2a | | | | |
| New disease area | Keratoconjunctival disease area | STN1011402 | Epinastine hydrochloride | Allergic conjunctivitis | Japan | | | Mar. 2023 | | | |
| | | STN1010904 ¹ | Sirolimus | Fuchs endothelial corneal dystrophy | U.S. France India | | Phase 2a | | | | |
| | | STN1010905 | Sirolimus | Meibomian gland dysfunction | Japan | | Phase 2a | | | | |
| New disease area | Refractive error area | STN1012700 /DE-127 | Atropine sulfate | Myopia | Japan China Asia | | | | | Phase 2/3 Phase 2/3 | |
| | | STN1012701 /SYD-101 | Atropine sulfate | Myopia | Europe | | | | | | |
| | | STN1013400 | AFDX0250BS | Myopia | Japan | | | | | | |
| | | STN1013600 | Ursodeoxycholic acid | Presbyopia | U.S. | | Phase 2a | | | | |
| | | Other | STN1013800 | Oxymetazoline hydrochloride | Ptosis | Japan | | | | | |

¹ The development code (STN1010904) is due to be assigned to the product when Santen obtains an exclusive license upon completion of Phase 2 clinical trial.

• Target & Strategy

26 Product Development Aimed at Providing Value to Patients

Product Manufacturing Ensuring High Quality and Stable Supply



Mark Dawson

Chief Product Supply Officer

Maximizing the Value of the Product Supply Foundation

In order to contribute to society through our business as a company specialized in ophthalmology, it is imperative that we consistently provide a stable supply of high-quality products. Since fiscal 2021, we have continuously strengthened our production capacity to meet increasing global demand and diversifying needs. **We will strive to maximize the value of our assets and pursue a supply system that achieves high productivity, aligning with the realization of our new medium-term management plan.**

First, we will accelerate the transformation to a more efficient supply chain based on in-house manufacturing. Santen possesses unique manufacturing sites specializing in ophthalmology: the Shiga Product Supply Center, excelling in establishing production systems for new products; the Noto Plant, specializing in high volume, cost-effective continuous mass production; and the Suzhou Plant, providing production capacity for the important Chinese market. Our strength lies in the ability to optimize these manufacturing sites according to the product lifecycle. Currently, **we are proceeding with the reorganization of our supply chain, placing emphasis on maximizing the utilization of these in-house production sites.**

Furthermore, by strengthening our strategic partnerships with contract manufacturers, we aim to complement our internal manufacturing capability with high-quality, cost-effective, and sufficient capacity for ongoing stable supply.

Moreover, to swiftly respond to changes in the internal and external environments, including the new medium-term management plan, greater collaboration with R&D departments and business divisions will become increasingly important. **By integrating previously separate systems and introducing a mechanism that facilitates real-time data sharing between organizations, we are establishing a structure to efficiently support our business strategies.** We have already restructured the processes, KPI management, and performance management system for the entire global supply chain, and we are starting to perceive cost-based benefits. Additionally, we will foster closer collaboration with the business development department to further incorporate evaluations from a product supply strategy perspective when introducing new business and products. In doing so, we will contribute as a product supply department to solidifying the pillars of growth for the entire Company.

The impact of recent changes in the social landscape, including the spread of COVID-19, has been substantial. However, this has also presented us with an opportunity to reaffirm our strength in global product supply, primarily through our extensive production facilities and experienced workforce in Japan. Building upon this foundation of stable and reliable supply, we will strive to further improve productivity and evolve our product supply system to be more sustainable.

• Target & Strategy

30 Product Manufacturing Ensuring High Quality and Stable Supply



Building a Stronger Global Product Supply Base

In anticipation of the continuing expansion of ophthalmology demand worldwide and the further diversification of product markets, we completed the construction of a new building on the premises of the Shiga Product Supply Center in October 2022. The building will approximately double the annual production capacity for ophthalmic solutions at the plant to 170 million units (5mL unit equivalent) at initial operation. It is also expected to improve energy efficiency through an optimized piping system in which compounding lines are located on the upper floor and filling lines on the lower floor. Additionally, by unifying the filling and packaging

processes on the same floor as a single line, we have streamlined the workflow for operators. We aim to improve productivity by more than 30% over the current manufacturing process, through automation of material handling, which leverages automated warehouse technologies and transport vehicles as core improvements. We believe proactively taking on the challenge of introducing new technologies and systems, ensuring high quality standards, reducing unit cost, and reforming business processes will increase production efficiency and profitability, and thereby contribute to achieving the goals of the new medium-term management plan.

We are promoting transformation not only in terms of facilities, but also in terms of human resources and

operations. For the new building, rather than having separate teams managing each manufacturing process, we have established an operational system in which a single team manages the whole process. This measure will enable us to gain new insights by taking a bird's-eye view of the entire manufacturing process as we pursue performance improvements to achieve even higher efficiency.

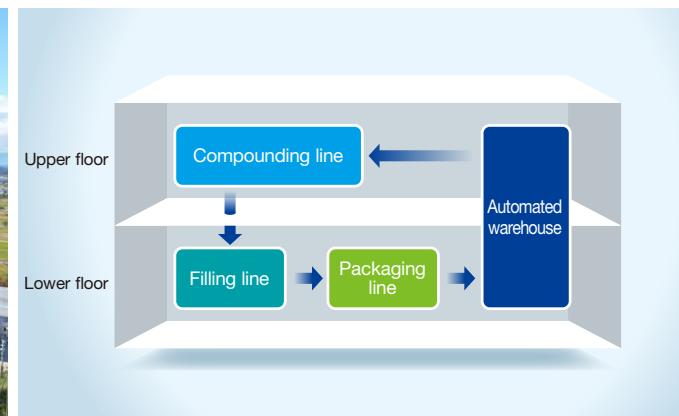
Santen will achieve outstanding competitiveness (in terms of quality, cost, capacity and delivery) in the product supply process by incorporating systems that deploy operational excellence at every manufacturing step, as well as by strengthening production capacity for the growth of the Company into the future.

• Target & Strategy

30 Product Manufacturing Ensuring High Quality and Stable Supply



Shiga Product Supply Center (new building shown in the center)



Concept diagram of the new building



Interior of the new building



Data-based KAIZEN Project

Minimizing the frequency of and downtime from manufacturing issues at production sites is crucial to ensuring stable product supply. To that end, we are developing systems for digitalizing the experience and expertise of individuals who have long supported the maintenance of stable operations at our plants, and using digital technologies to reflect that knowledge in production processes. This is the starting point for promptly identifying the cause of errors and determining countermeasures, significantly contributing to enhanced productivity and stable supply.

For the packaging line at the Noto Plant, we developed a system that analyzes data collected by sensors, visualizes

mechanisms behind the occurrence of production errors, and enables the easy detection of situations in which an error is about to occur. Furthermore, by improving the equipment for automatically adjusting parameters such as packaging speed based on feedback from the system, we have been able to preempt many incidents. As a result, for the line utilizing the new system, we achieved an 8% improvement in production capacity compared with the previous fiscal year. The successful implementation was driven by close collaboration between manufacturing, supply chain, and IT departments, each of whom leveraged their respective expertise. Overcoming several challenges, such as how to remove noise data, we worked as a team to devise a solution under the firm belief that we know about our plant better than anyone and implemented the system in

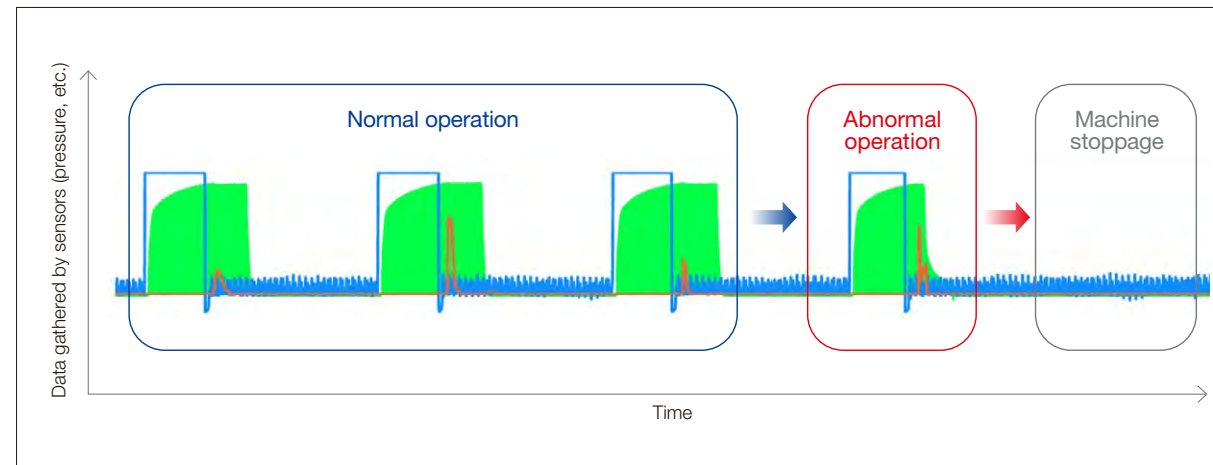
just two and a half months. We expect that by applying this system to the whole production process we will achieve further enhancements to productivity.

Moreover, we have started deploying this approach at other plants as well. In the new building at the Shiga Product Supply Center (see previous page), we have introduced digital tools such as dashboards for real-time visualization of manufacturing status, manufacturing costs, and their constituent elements, as well as schedulers to streamline production and supply planning. By actively promoting digital transformation and transforming manufacturing sites into smart factories, we will create new value through the power of digital technologies.

• Target & Strategy



Employees reviewing manufacturing data on site



Visualized process of an error occurrence (example)

30 Product Manufacturing Ensuring High Quality and Stable Supply

Sustainability Strategy



Takahiro Morita
Global Head of Core Principle & Sustainability

Based on our CORE PRINCIPLE of *Tenki ni sanyo suru* (exploring the secrets and mechanisms of nature in order to contribute to people’s health), we have always sought to contribute to the sustainable development of society and to enhance our corporate value over the medium to long term, pursuing the happiness of patients and their loved ones through our businesses. This commitment will never change.

To achieve our WORLD VISION, to achieve the Happiest Life for every individual through the Best Vision Experience, we focus on our business as a specialized pharmaceutical company dedicated to ophthalmology. At the same time, we place great importance on inclusion, emphasizing balance in gender, nationality, and other attributes, as well as more active participation by visually impaired persons (→ Page 38). Furthermore, we seek to make strides in ESG, such as by reducing CO₂ emissions in the manufacturing process and using water resources effectively (→ Page 42).

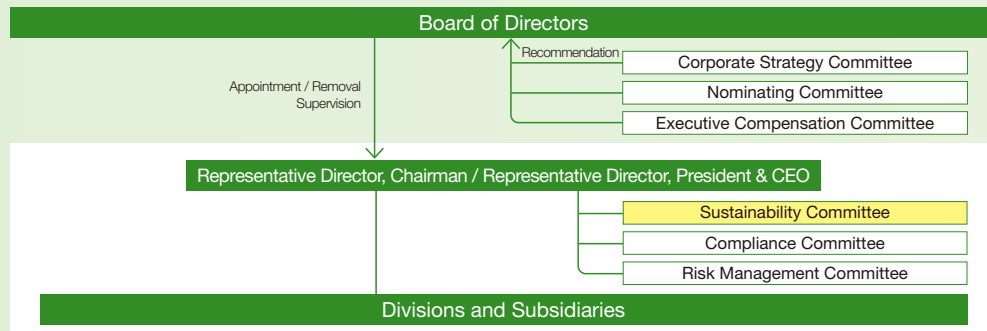
Individual divisions may find it challenging to address issues such as those relating to human rights, labor, the environment, and anti-corruption on their own. These issues require a company-wide, global response across divisions and regions.

Moreover, expectations and demands for disclosure will only become increasingly sophisticated in the future. Taking this trend into consideration, we endeavor to contribute to the sustainability of society and Santen by implementing the measures required of us as a company appropriately and steadily, working in cooperation with related divisions and striving for transparency.

• Social & Environment

33 Sustainability Strategy

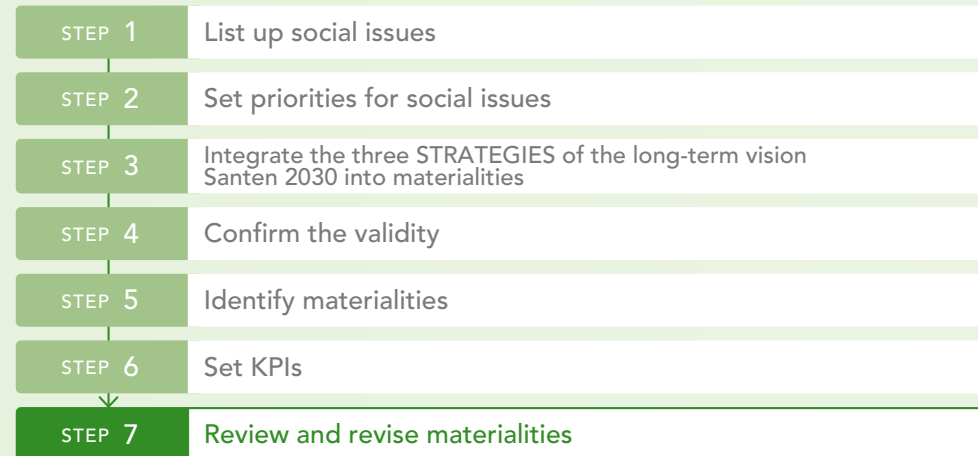
Sustainability Promotion System



Santen has established a Sustainability Committee, chaired by the CEO and composed of Corporate Officers from relevant departments. The committee deliberates and determines Group-wide policies and targets for sustainability promotion activities. These targets are based on the CORE PRINCIPLE, Sustainability Policy, Group strategies, and social issues that include human rights, labor, environment, and anti-corruption. The Sustainability Committee is also responsible for specific sustainability initiatives and deliberations on important related matters.

We communicate decisions and other information through the executive management of each department. Matters related to Group management strategies are proposed to the executive committee for approval, and important matters are referred to the Board of Directors. We appoint a Corporate Officer as Global Head of Sustainability to oversee company-wide sustainability activities.

Materiality Identification Process



In March 2023, we reviewed our 13 materialities. We revised them based on discussions with external experts, evaluation criteria used by ESG evaluation organizations, importance to Santen,¹ and importance to society, and the Board of Directors identified our two current most important materialities to be *Market penetration of products with social significance* and *Human resource development and promotion*.

¹ Foreseen impact of risks/opportunities: Large (JPY 3.0 billion or more), medium (JPY 1.0 billion or more but less than JPY 3.0 billion), or small (less than JPY 1.0 billion)



Market Penetration of Products with Social Significance

KPI Contribute to more than 50 million patients¹ (FY2025)

The cornerstone of our growth strategy and the very reason for our existence as a company is to respond to unmet needs through product and service innovations in the field of ophthalmology, contributing to patients through the pursuit of commercial excellence. We strive to achieve wider market adoption of our valuable products based on the strategies outlined in our new medium-term management plan.

Risks

- The impact on profits could be significant if we fall behind competitors in either of the following areas and are unable to gain market share due to a decline in competitiveness in relevant markets.
 - Addressing the needs of patients faced with issues relating to inadequate early detection, diagnosis, or adherence to treatment.
 - In the medium- to long-term, market penetration activities for patients who do not have access to medical care due to inadequate healthcare systems in developing countries, etc.
- Drastic changes in the market environment due to government policies, such as not including the Company's mainstay products in the volume-based purchasing list in China and other countries, could have a major impact.

Opportunities

- In the short term, we will strengthen our activities aimed at commercial excellence in existing markets, provide information that creates value in medical processes, seek further product market penetration, and better treatments.
- In the medium term, we will continue to pursue commercial excellence, and provide products for underserved diseases such as myopia and ptosis.
- In the long term, we will continue to develop and offer new products and services to serve more patients.

Response Measures

- Improve treatment adherence rates for chronic diseases, such as glaucoma and dry eye, in existing markets.
- Introduce new products that address unmet needs, and develop and expand sales channels in the field of out-of-pocket medical treatments for diseases such as myopia and ptosis, areas not previously addressed by the Company.
- Eliminate bottlenecks in the patient journey from diagnosis through ongoing treatment for diseases and in regions with large numbers of untreated patients, thereby expanding access to medical care for more patients.

External Impact

Reduce social and economic opportunity losses around the world arising from eye diseases and conditions. Minimize economic losses due to vision impairment—estimated at USD 410.7 billion² annually—to the greatest extent possible.

- In the short term, contribute to the treatment of more patients in existing markets.
- In the medium to long term, contribute to the treatment of patients with myopia, ptosis, and other underserved or unmet medical needs, as well as patients in countries and regions we have not served in the past.



Wishes and expectations regarding eye care received at the 36th World Ophthalmology Congress (WOC2018)



• Social & Environment

33 Sustainability Strategy

¹ Estimated total no. of patients to which Santen has contributed (disease areas: inflammation/allergies, cornea, glaucoma, cataracts) in FY2019 was approx. 43 million, calculated based on JMDC's estimated total no. of patients for Santen's Rx products and Santen's shipment data. We revised the previously announced target when the new medium-term management plan was formulated.
² The Lancet Global Health Commission on Global Eye Health: vision beyond 2020



Human Resource Development and Promotion



- Complete human resource development program restructuring in FY2023, and have all employees complete the relevant training programs by FY2025
- Evaluate and coach all managers in key positions by FY2025
- Clarify successor candidates for key positions by FY2023 and implement specific measures to systematically secure, train, and assign successor candidates by FY2025
- Raise the ratio of female managers in Japan to at least 20% by FY2025

Our most important assets are people who understand our CORE PRINCIPLE and strategy, and who aim to achieve the Happiest Life for every individual, through the Best Vision Experience. It is essential that we educate, train, and promote such people to responsible positions. We consider diversity as we systematically develop and promote employees who are people- and patient-centered, who contribute to the sustainable growth of the Company on a global basis, and who are ready to rise to the most appropriate positions at the right time and place.

Risks

- The Company could face major obstacles in employee motivation and business growth if it does not strategically and systematically train, reskill, and promote employees from within, in addition to being able to recruit personnel from outside who can contribute immediately.
- A strategic portfolio of human resources is essential. Failure to hire the right people at the right time and assign them to the right place could lead to significant business losses.
- Human resource losses due to an increase in turnover or other factors, could lead to organizational dysfunction.

Opportunities

- A strategic and systematic training system to increase engagement and attract talent may contribute significantly to profits and reduce the cost of sourcing talent from external sources.
- Increased operational productivity could have a positive impact on earnings.

Response Measures

- Develop human resources with a deep understanding of the CORE PRINCIPLE, WORLD VISION, and the strengths we need, and who can execute our strategy globally.
- Provide human resource management education to improve leadership skills for those in key management positions responsible for strategy planning, implementation, and reform.
- Clarify successor candidates for key positions and implement specific actions for systematic recruitment, training, and assignment.
- Promote women to managerial positions in Japan as one specific component in diversity.

External Impact

Contribute to society through human resource mobility

- The mobility of highly skilled human resources resulting from human resource development will have a positive impact on society.



• Social & Environment

33 Sustainability Strategy



Human Capital



Santen works to strengthen organizational capabilities and achieve sustainable growth based on an organizational culture that promotes value creation.

The Human Resources We Most Seek

In order to realize Happiness with Vision

Human resources that always act "people-centric" and think about "people's happiness"

Human resources that are attentive to changes in environment surrounding ophthalmology and people's needs, and think with a viewpoint considering all possibilities and Santen's unique strengths driving our strategy

Human resources that co-create, continue to innovate and take on new challenges to solve problems globally

Autonomous human resources who lead by example and strive for personal growth and career development to maximize the value of their contributions

• Social & Environment

36 Human Capital

Human Resources Needed to Achieve Sustainable Growth

Santen defines the human resources we look for based on our CORE PRINCIPLE and Happiness with Vision. We aim to help solve social issues caused by eye diseases and defects by leveraging our strengths as a healthcare company specialized in ophthalmology. Each Santen employee drives the Company to achieve medium- to long-term growth and increases corporate value. We recognize this and focus on securing and developing human resources to execute our strategies.



Ensuring Diversity as Our Source of Organizational Strength

It is necessary for employees with diverse values and experiences to gather, engage in discussions, and respect each other's opinions for us to respond quickly to changes in the internal and external environment, as well as increasingly complex social issues. As such, Santen established the Diversity, Equity & Inclusion Policy and actively works to introduce a personnel system to encourage the activities of visually impaired employees, in addition to securing global human resources. We will focus on gender diversity and improving the ratio of female managers in Japan, as domestic issues still remain regardless of the country meeting certain global standards. Going forward, we are planning activities to raise awareness and will invite female leaders to serve as role models and speakers.

For details on Diversity, Equity & Inclusion, please see the Company's website.



Creating a High-Value-Added and Productive Work Environment

A work environment where diverse human resources play active roles serves as an important foundation in achieving organizational strength. In fiscal 2021, we introduced the Work from Anywhere Guideline. This guideline allows employees to flexibly choose where and when to work and enables each employee to proactively consider his or her own work style, thus improving individual and team productivity.

To further foster a healthy and quality organizational culture, we will conduct regular engagement surveys and work to identify any issues. Based on these survey results, we will build a system for each department to implement a PDCA cycle for improvement. In doing so, we aim not only to improve employee engagement, but also to maximize results associated with individual growth and improve the collective organizational capabilities of the group. In fiscal 2022, Santen conducted a company-wide engagement survey. Through this survey, **our branches in several countries were each certificated as a Great Place To Work[®], but the survey confirmed that we have room for improvement in our communications and collaborations. Santen will work to resolve these issues in the future.**



As part of this effort, we will create and expand opportunities for dialogue between management and members to encourage communication within each organization. Our approach will foster awareness in management to ensure their timely communication. In addition, we will encourage them to share the future of our business and organization with employees, as well as ensure active discussions on individual careers in the workplace. Career discussions are already a part of the system and are held during employee interviews with superiors. Conversations include past professional experiences, future career goals, and the opportunities and skill development necessary to achieve them.

We aim to maximize our contribution value to consumers and patients by continuing to improve the work environment while ensuring that each employee feels satisfied in their job in an optimal work environment that also guarantees psychological safety.



• Social & Environment

36 Human Capital

For details on Employee Growth and Organizational Culture, please see the Company's website.



Blind Experience

Strengthening Organizations with a Program to Experience Working without Sight

What is it like to work without sight?

If you suddenly went from being able to see to losing your sight, how would you finish everything you need to get done today?

What can we do to “see” the world even with our eyes closed?



• Social & Environment

38 Blind Experience

As a company specialized in ophthalmology, we want to bring about a society where people can interact meaningfully and lead active lives regardless of their visual ability. Part of that is about building positive and productive work environments for everyone. One of our initiatives is the Blind Experience program, which is designed to give a feel for blindness based on experiences of working together with visually impaired employees.

Participants first watch a video to learn how visually impaired employees operate personal computers and smartphones using speech input, and for many it is a novel realization to see how smoothly it is possible to work in this way. In the workshop afterward, participants are divided into two teams, and attempt to explain real presentation materials to the other team using voice alone, within a time limit.

Adjusting to not being able to use sight can initially be challenging, but as the teams share tips for communicating plainly and clearly, they come to appreciate how to devise methods of expression that are not reliant on documents and charts, or think of how to “see” the world even with their eyes closed. **In the end, all participants can experience for themselves how methods of communication that are suitable for employees with visual impairments to gain a good understanding are also better for everyone else’s understanding, regardless of disability.** This provides an opportunity to think of ideas for improvement and ways to use digital tools to enable more efficient communication.

At Santen, which aims to deliver happiness through vision, this activity focusing on the sense of sight serves not only as training to improve work productivity, but also as an

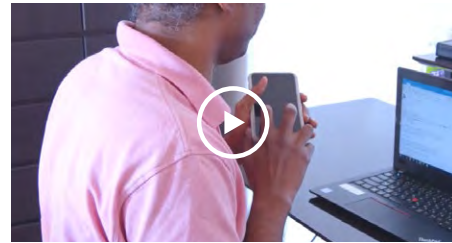
opportunity for every employee to revisit the importance of eye health, and what it means to work in this field.

The Blind Experience Advanced Course is conducted at each of our organizations globally, and a total of 3,885 people have participated as of April 1, 2023, with a participation rate of 91%. Through this and other programs, we are raising the level of employee engagement, and are enhancing interactive skills to promote understanding of visual impairments and better collaborate with diverse colleagues, thereby enhancing the organizational strength of the Santen Group as a whole.



Blind Experience Advanced Course (Excerpt of FY2022 content)

1 Watch this video showing one of our visually impaired employees working from home.

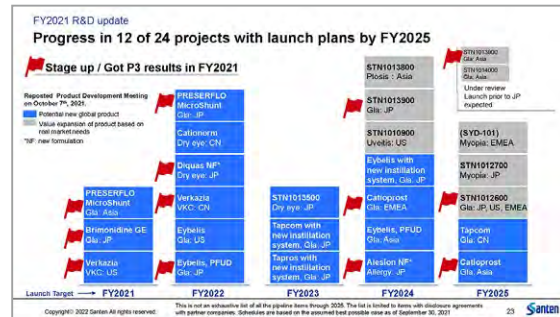


2 Explain part of the following financial briefing document to a visually impaired colleague. Then, listen to the verbal-only explanation and try to imagine the content being described.

Financial Results Presentation Materials

Task
Explain this slide in three minutes.

Note: This is a document used in the 2022 program, and is not the latest information. See Development Status (→Page 29) for the latest information on the development pipeline.



3 As you were giving the explanation what were you careful about to ensure ease of understanding? When receiving the explanation, what would you have liked the speaker to be careful about?

4 Consider the WORLD VISION, which describes the world Santen ultimately aspires to achieve, and share the role your job plays and any insights you have gained.

Taking the Blind Experience



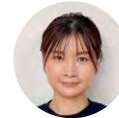
Yu Kajiwara
Translational Product Development, Ophthalmology Innovation Center

The program gave us time to think about the considerations necessary when working together with visually impaired colleagues. In relation to my actual work, the experience has made me more conscious of whether my presentations and explanations are easily understandable for all of our diverse team, which includes members from different language and cultural backgrounds.



Tetsuya Tsuji
Plant Administration Team, Manufacturing Division

Our role was to support each department's implementation of the program. The preparations for conducting it remotely were a bit challenging, but it was a great training opportunity overall. Our mission is to contribute to society through our products. For this reason, I feel it is very important to use such activities to think about how best to understand visual impairments and make reasonable accommodations for them, and to eliminate barriers due to unconscious assumptions.



Yoriko Yamashita
Solution Support Team, Japan Sales and Marketing Division

The experience of not being able to see made me more aware of the patient journey.¹ Understanding the daily lives, difficulties and feelings of patients, beyond just superficial knowledge of diseases, has helped us to earn the trust of doctors, foster empathy, and engage in deeper communication. I feel that this has made them more receptive to and happy with our new proposals.



Kenneth Li
Asia Region, Digital & Information Technology

The Blind Experience workshop is an eye-opening experience! I was very impressed by the great contributions our visually impaired colleagues are making to the Company and society. Through designing digital solutions, we can contribute to building a society with equity and inclusion. I look forward to the next program!

Social & Environment

38 Blind Experience



¹ A timeline representation of the patient's thoughts, behavior, treatment regimen, condition, and other aspects of the process from recognition of a disease through to treatment

Health and Productivity Management

Santen issued the Santen Declaration on Health in November 2018 to help ensure the health and well-being of all employees. We actively work to maintain and improve the physical and mental health of employees through health support measures in four areas: work style reform, mental health, eye health and lifestyle improvement. Here we feature one of Santen’s unique initiatives, eye examinations for all employees in Japan.

In addition to supporting the eye health of employees, Santen’s eye exams deepen employee understanding of eye disorders, and this understanding can then be reflected in products and services. These exams, which started as an initiative to contribute to society, are conducted once every three to four years. Although voluntary, about 60 percent of employees took advantage of the examination in fiscal 2022, the third time it was conducted (the first two were in 2015 and 2018), contributing to early detection of diseases and improvement of health awareness.

Detailed Nine-Point Eye Exam

Santen’s eye exam includes a standard vision test, objective refraction test (ref/keratometer), Amsler grid test, dry eye test (breakup time test), slit lamp exam, and fundoscopic exam (indirect ophthalmoscopy), but is distinctive in that it also includes the following three tests.

Intraocular pressure test (non-contact)

For this test, a non-contact tonometer uses a light jet of air from the testing device to measure the intraocular pressure (i.e. hardness) of the eye. Regular eye pressure checkups are useful for early detection of glaucoma and ocular hypertension.



Intraocular pressure test conducted using a non-contact tonometer

Humphrey visual field test

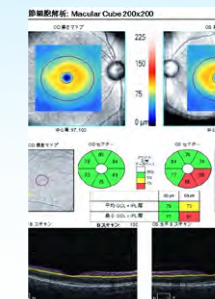
This test measures the sensitivity of the retina to light, examines the extent of the visual field and determines whether there are any areas with defects. During the test, which takes about five minutes for both eyes, patients hold a buzzer in one hand and press it to indicate when they perceive a light source in their visual field. In addition to detecting glaucoma, it can lead to the diagnosis of optic nerve and intracranial diseases, psychogenic visual disorders, and retinal diseases.



Humphrey visual field test

Ocular fundus three-dimensional computerized tomography

Using a device capable of computerized tomography (CT) scanning of the eye, a cross-section of the retina is taken to check the condition of the retina and optic nerve. It is useful for early detection and accurate diagnosis of glaucoma, age-related macular degeneration, and other conditions.



Example of the left eye of a patient with anterior segment glaucoma requiring observation (image courtesy of Taki Ophthalmology Clinic)

Santen Declaration on Health

Santen colleagues’ health and happiness lead to “Happiness with Vision” for people all over the world.

Under our CORE PRINCIPLE, *Tenki ni sanyo suru*, which means exploring the secrets and mechanisms of nature in order to contribute to people’s health, and as a company specialized in the field of eye health, we aim to bring about a world of Happiness with Vision that realizes the Happiest Life for every individual, through the Best Vision Experience.

One of the most important factors in realizing Happiness with Vision is that each and every colleague supporting Santen’s business activities is in a state of physical and mental health and well-being, and is able to work with purpose to fulfill their potential.

Santen always recognizes that colleague health is inseparable from improvement of the Company’s management foundations, and actively tackles the promotion of colleague mental and physical health.

Santen will continue to work on realizing the healthy and fulfilling life of colleagues and the continuous growth of Santen toward even greater contribution to the eye health of people worldwide.

• Social & Environment

40 Health and Productivity Management





The Importance of Early Detection and Eye Health through Examinations

Santen has consistently worked to raise awareness of eye diseases and support treatment by means of early detection and treatment of eye-related diseases with the aim of preventing reduced quality of life and visual impairment. We have reinforced that commitment by encouraging our employees to have their eyes examined. With a renewed awareness of the importance of eye health, **our people have the opportunity to think more deeply about eye health from the viewpoint of disease awareness and prevention (namely, at the**

pre-examination and pre-treatment stage), and thus better take the perspective of patients into account when considering what kind of new added value Santen can provide to patients and ophthalmologists. Our employees can then connect this to their daily work.

Santen will continue contributing to better ophthalmic care through ongoing in-house education on eye health and provision of eye exams for employees.

• Social & Environment

40 Health and Productivity Management

Feature

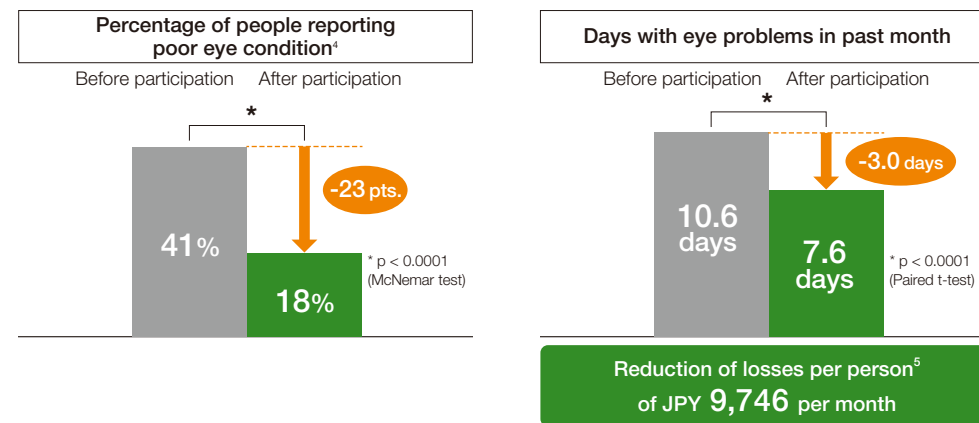
Actively Promoting Eye Health Outside the Company

Eye care program reduces presenteeism¹ losses, improving productivity by approx. JPY 9,700 per month per employee

Santen provides the Eye Care Challenge! Monthly Program² for companies practicing health and productivity management.

The program is designed to promote eye health by eliminating eye strain. During a one-month period from June to July 2022, Santen conducted the program at the Konica Minolta Health Insurance Society. Survey findings indicated that reduced presenteeism could be expected as a result.

Reduction of Losses Due to Eye Problems and Presenteeism³



¹ Presenteeism occurs when an employee attends work with an illness or other condition that results in reduced job performance and productivity.

² Co-developed by Santen and Cordbook Inc., this is a one-month program focusing on eliminating eye strain for employees of companies engaged in health and productivity management. Specific components of the program include: 1) Lectures by an ophthalmologist on dealing with tired eyes and dry eye syndrome, and useful knowledge about eye diseases, 2) Exercises to reduce eye strain and neck/shoulder strain under the supervision of an athletic trainer and physical therapist, 3) A self-check using Santen OptiNavi under the supervision of ophthalmologists, and 4) Follow-up provision of eye care information, exercise videos and other content for one month to encourage the formation of self-care habits. This service has been introduced at major Japanese companies in industries such as telecommunications, survey and research, and manufacturing.

³ Online questionnaire (conducted by Santen) ⁴ People who responded 0-4 in a self-assessment on an 11-point scale from 0 for "very bad" to 10 for "very good"

⁵ Amount of loss = JPY 3,200 × 8 hours × number of days with symptoms × decline in performance (Calculated using modified QQ method; JPY 3,200: Labor cost per person-hour of large manufacturers (Source: 2021 Basic Survey on Wage Structure))



Conservation of the Global Environment

Santen recognizes that conservation of the global environment is not only an important aspect of corporate social responsibility but also a means to strengthen the foundation of sustainable business growth. Under the environmental vision, Santen Vision for the Earth 2050, we are focusing on two areas: “measures against climate change” to realize a carbon-free society, and “environmental load reduction” to establish a recycling-oriented society.

Toward the Realization of a Sustainable Society

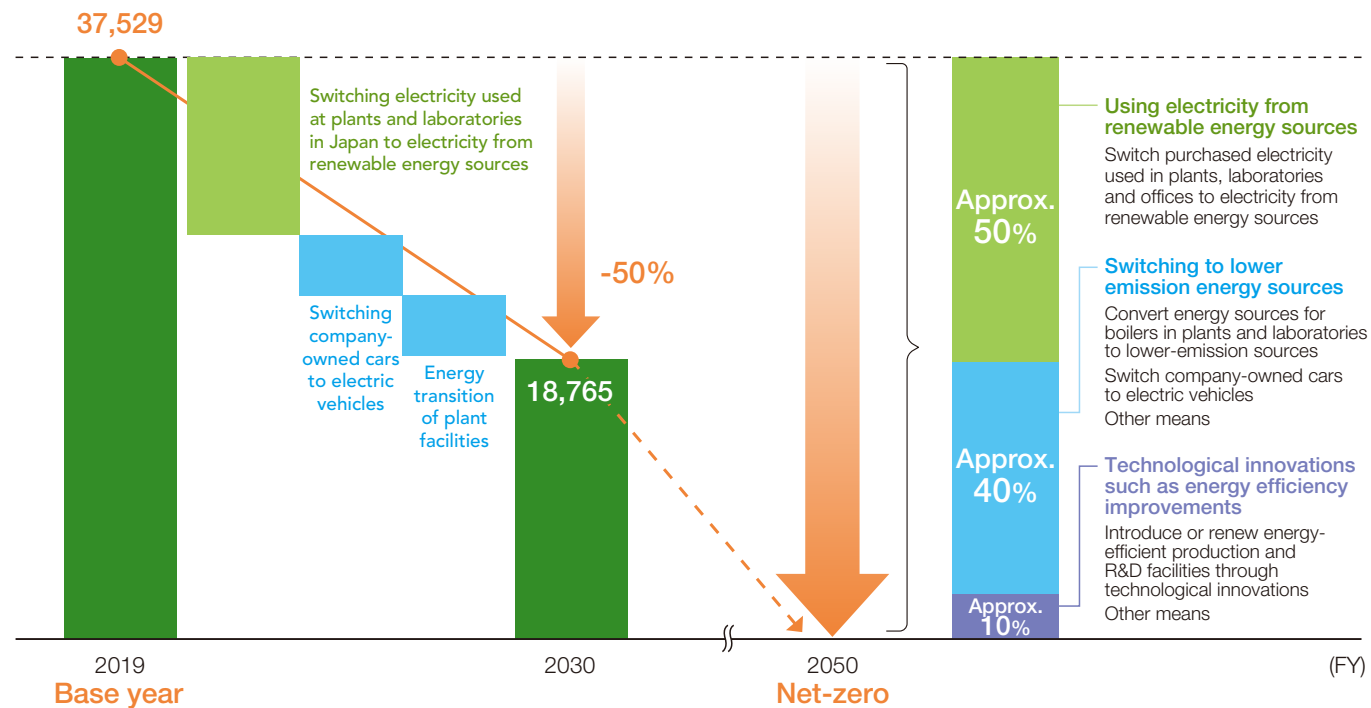
We are committed to achieving net-zero greenhouse gas emissions by 2050. Our CO₂ emission reduction targets for fiscal 2030 have been scientifically determined and approved by SBT. **By switching all purchased electricity for our plants and laboratories in Japan to electricity from renewable energy sources**, CO₂ emissions in fiscal 2022 decreased by approximately 25% compared to the previous year, an approximate reduction of 23,000 tons. We will continue to explore specific action plans to achieve a carbon-free society, including expanding the transition to electricity from renewable energy sources, switching to energy sources with lower emissions, and introducing technological innovations such as those enabling high-efficiency resource use.

Furthermore, our switch to eye drop containers made of biomass plastic is under way. As of March 2023, for 12 product items we have substituted ophthalmic plastic containers with containers made of biomass plastic without compromising patient-centered design and quality, and created new value through environmental load reduction.

Products that provide value not only to patients but also to the global environment have become a new source of competitiveness for Santen.

■ Roadmap to Achieving Net-Zero Greenhouse Gas Emissions by 2050

Scope 1 and Scope 2 (t-CO₂)



For more detailed information on climate change countermeasures, please see the Company's website.

• Social & Environment

42 Conservation of the Global Environment





Environmental Initiatives at Production Sites

Santen recognizes the importance of not only ensuring high-quality, stable production capacity but also reducing environmental load in order to build a sustainable supply system.

In Japan, the Shiga Product Supply Center worked to transition to using a combination of electricity and gas for chilled water facilities, as well as to improve the water supply system so that it could use excess cold water, which reduced the need to operate conventional gas chillers, reduced CO₂ emissions and water consumption, and established a backup system in the event of a breakdown. Furthermore, when replacing refrigeration equipment at the Noto Plant, we introduced equipment with higher energy

efficiency, resulting in significant energy savings. At the same time, we were able to reduce the use of fossil fuels, instead using electricity. The plant also replaced wastewater piping in the filter system with a new system that enables wastewater to be reused, and is investigating the reuse of water from the cooling system used in the production process for eye drops.

At the Suzhou Plant in China, water recycling facilities have been installed in accordance with national regulations, and we already reuse more than 90% of water. In recognition of ongoing water-saving activities, the plant received a water-saving enterprise award from the local government of Jiangsu Province. In addition, we decided to begin the use of solar panels at the site in October 2023, which is expected to further reduce greenhouse gas emissions and electricity costs.



• Social & Environment

42 Conservation of the Global Environment



Air cooled chiller at the Shiga Product Supply Center



Chilled water backup circulation pump at the Shiga Product Supply Center



Refrigeration equipment with improved energy efficiency at the Noto Plant



Chairman's Message

Eye health is an important part of happy and prosperous lives around the world. Many issues relate to the eyes in terms of a sustainable society. All of this suggests that the potential in ophthalmology is enormous, and that there is still much for Santen to do as a specialized company dedicated to ophthalmology.

Developing the capabilities of each employee and team is essential to achieving a recovery in near-term performance, as well as for medium- to long-term corporate growth. Moreover, the leaders at the forefront of this endeavor must be goal-oriented and have the right sense of determination. Most important of all is an open corporate culture where all employees are able to focus on their work. Santen has specialized in ophthalmic products, taking on common challenges hand-in-hand with all employees, and established an excellent reputation among customers for providing the best products and services. Now, Santen will require even greater capabilities and cooperation to grow worldwide. In order to realize our CORE PRINCIPLE, *Tenki ni sanyo suru*, on a global scale, it is time to mobilize the various knowledge and experience of all Santen's employees, Directors, and Corporate Auditors.

As Chairman of the Board of Directors, I will strive to improve the effectiveness of the Board to support the executive side of our business, and by extension, contribute to our patients, medical professionals, and employees.



Akira Kurokawa
Representative Director
Chairman



• Corporate Governance

44 Chairman's Message

The Role of the Board of Directors

In addition to a supervisory function, the Board of Directors makes decisions that impact business management. We are aware of the challenges and risks faced by executives, and we do our part to assist in resolving these challenges. To achieve what we have laid out in our medium-term management plan, we need a robust structure for execution. This structure relies on the development of human resources and appropriate task allocations in each functional department. I see the Board's role as one of supporting execution by sharing diverse opinions between the Board and executives, offering the Company constructive suggestions. In so doing, we come to have a deeper understanding of the Santen business and foster a like-minded environment based on the Company's CORE PRINCIPLE. Discussions supported by the individual experiences and skills of Board members also improve the effectiveness of the Board of Directors.

Expectations for Execution

While we expect those responsible for execution to consider and implement a wide range of opinions to solve problems and achieve goals, it is very important for the Board to discuss issues with executives from the same perspective and in an impartial manner. The same is true for the relationships between employees and their supervisors. While we understand the need for structural reform and other top-down initiatives, bottom-up

initiatives are equally important for improving productivity in day-to-day operations and reforming our corporate culture. Santen is a company that emphasizes steady, daily efforts. We ask employees around the world to think deeply about patients, changes in the competition and other aspects of the operating environment, and the needs of society, seeing from the customer's point of view and discussing the added value he or she must offer, taking action promptly with goals in mind. Challenging ourselves through a repeated cycle of PDCA is also very important. It can be tiring to try again and again, but we want Santen to be a place where employees and all stakeholders are excited about the struggle toward realizing the goals that lie ahead. I want employees to embrace the desire to grow together with the Company. I also want Corporate Officers and other leaders to think deeply about how to share the excitement of the Company with other members of the organization. I can assure you that the Board of Directors is committed to supporting those involved in execution and aspiring for growth, guiding discussions toward the best way to achieve this growth.

Today's business environment is daunting, but we will continue to take on challenges in a positive manner. I ask you, our patients, employees, investors, and other stakeholders, for your continued support.

Akira Kurokawa
Representative Director
Chairman

• Corporate Governance

44 Chairman's Message

Corporate Governance

Corporate Governance Basic Approach and Related Initiatives

Santen believes that it is vital to enhance and strengthen its corporate governance system in order to maintain and increase corporate value, and thus returns to shareholders. Santen has adopted a “Company with a Board of Corporate Auditors” system as defined in Japan’s Companies Act. The functions of the Board of Directors are to make decisions on important matters relating to the execution of business and to supervise the execution of business by the management team and the Directors. Santen’s Board shall operate in a manner that maximizes the effectiveness of both these functions.

Santen expects Outside Directors to leverage their diverse

experience and knowledge through active involvement in decision-making on specific managerial issues at Board of Directors meetings. Santen also asks them to provide opinions and recommendations from the perspective of strengthening the management supervisory function. When appointing Directors and Corporate Auditors, Santen shall consistently ensure balance and diversity by selecting people with a variety of backgrounds in terms of expert knowledge and experience, which ensures their capacity to provide advice and supervise management with a multifaceted perspective, and shall value individuals without any other distinctions based on such

attributes as gender, age, nationality, race, or ethnicity. Furthermore, a majority of the Board of Directors and the Board of Corporate Auditors shall consist of Outside Directors and Outside Corporate Auditors, respectively, to enhance independence and neutrality.

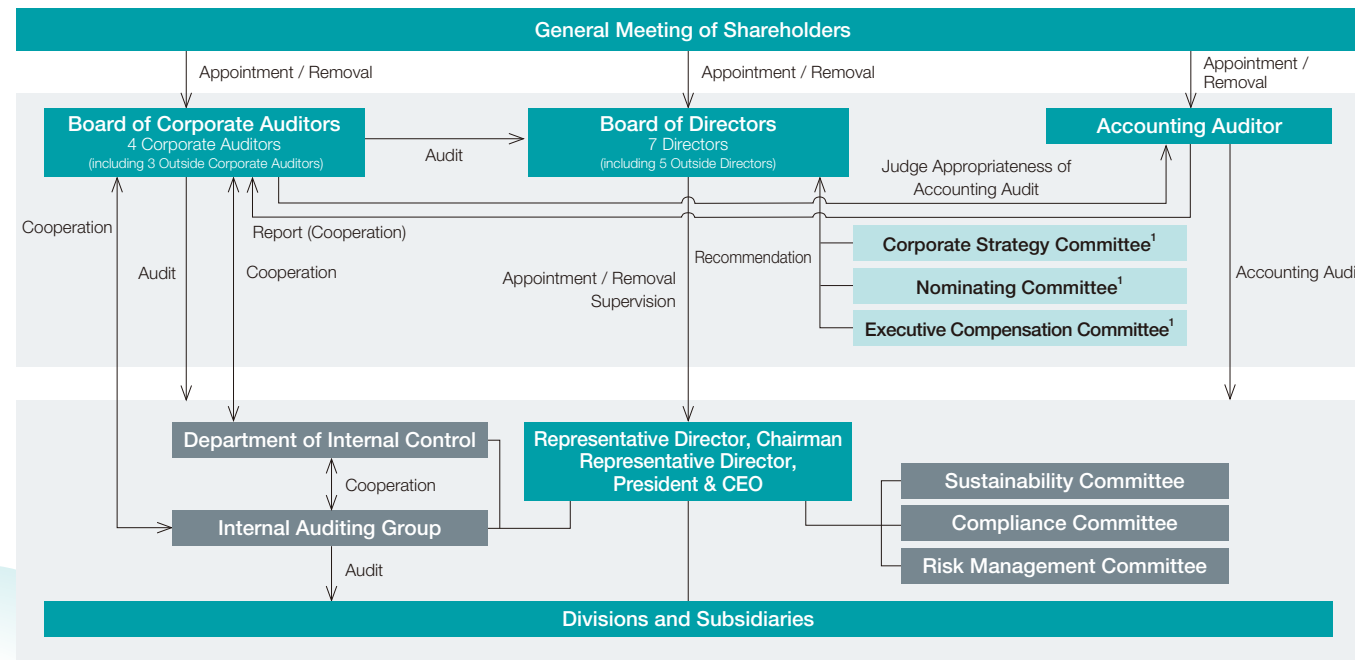
Santen has also established the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, each of which is a voluntary committee comprising Inside and Outside Directors, with the aim of improving management transparency and objectivity.

Corporate Auditors audit the Board of Directors and executives by working through the Office of the Corporate Auditors and collaborating with the Internal Auditing Group, from the perspective of not only the status of legal compliance but also appropriateness and effectiveness in the performance of duties, through which Santen endeavors to strengthen the functions of the Board of Directors and executives.

• Corporate Governance

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Management System (As of August 31, 2023)



For more detailed information on Corporate Governance, please see the Company’s website.

For more on Compliance, please see the Company’s website.

For more on Governance Data, please see the Company’s website.

¹ These committees are voluntary and not part of the statutory “Company with a Nominating Committee, etc.,” system under Japan’s Companies Act.

Board of Directors and Respective Committees

Board of Directors

Makes decisions regarding important matters relating to the execution of business and supervises the management team and the Directors in the execution of their duties.

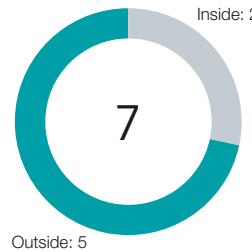
Meetings **13** Attendance **100%**

Major topics of deliberation

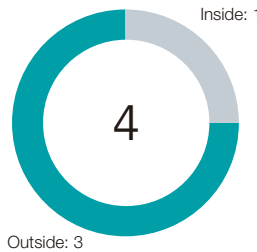
- Management policies and strategies: New medium-term management plan; business plan and budget for next fiscal year; quarterly reports on execution of business; policy on business in the U.S.; progress in digital transformation initiatives; important strategic projects; progress in important projects
- Capital policy and shareholder returns: Share buybacks and cancellation of treasury shares; dividends
- Governance and sustainability: Agenda concerning compensation including policies for determining executive compensation; report on committee activities; amendment of Basic Policy on Corporate Governance; evaluation of Board of Directors' effectiveness; strategic shareholdings; Sustainability Policy; sustainability-related disclosure
- Internal control and risk management: Report on improvement and operation of internal controls; report on improvement and operation of global compliance system



Composition of Directors



Composition of Corporate Auditors



Note: Composition of Directors and Corporate Auditors as of June 27, 2023

Corporate Strategy Committee

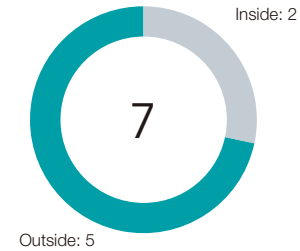
Deliberates on matters with a focus on key strategic issues such as business strategies.

Meetings **6** Attendance **100%**

Major topics of deliberation

- Rolling over items from previous medium-term management plan
- Development portfolio strategy
- Strategy in North America
- New medium-term management plan

Composition of Corporate Strategy Committee



Nominating Committee

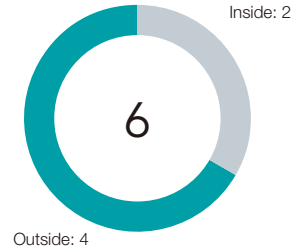
Deliberates and makes recommendations on the selection of candidates for the positions of Director and Corporate Auditor, and provides advice in response to requests concerning the selection of candidates for the position of Corporate Officer.

Meetings **8** Attendance **100%**

Major topics of deliberation

- Composition of the Board of Directors, appropriate governance, and related topics
- Response following resignation tendered by former CEO, and appointment of new CEO
- Nurturing of succession candidates for the position of CEO, with regard to the management team under the new CEO
- Proposal of Directors and Outside Corporate Auditors for approval at the 11th Annual General Meeting of Shareholders

Composition of Nominating Committee



For information about the Executive Compensation Committee, see page 52.

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Skill Matrix of Directors and Corporate Auditors

Santen believes that, when nominating candidates for the positions of Director and Corporate Auditor, it is important to establish an effective governance system that supports the sustainable enhancement of corporate value by ensuring: (i) At Board of Directors meetings, Directors and Corporate Auditors in attendance engage in multifaceted deliberations on the appropriateness of business strategies, risks relating to the realization of those strategies, and other topics, and also appropriately supervise the status of execution thereof; and (ii) The Board of Corporate Auditors conducts audits from the

perspective of not only the status of legal compliance but also appropriateness and effectiveness of the Board of Directors and executives, and thereby fulfills its function.

Meanwhile, based on its long-term vision Santen 2030 and FY2023–2025 New Medium-Term Management Plan, Santen endeavors to resolve social issues through ophthalmology to maximize its contribution to patients and medical professionals. In these efforts, Santen will exercise global leadership in contributing to people around the world based on answering ophthalmic medical needs that differ depending on country and region.

Santen considers that, in addition to planning and carrying out corporate strategies as well as appropriate business administration, the knowledge, experience, and abilities described in the skills matrix below are specifically important for Directors and Corporate Auditors, from the perspective of the aforementioned principles and business direction of Santen. When selecting candidates, in addition to knowledge of the life science business and a global viewpoint, Santen will emphasize fields such as ESG and service to society.

| Position | Composition of Corporate Governance Organizations (◎: Chairpersons of voluntary committees) (As of June 27, 2023) | | | | | | Skill Matrix ¹ | | | | | | |
|-------------------|---|--------------------|-----------------------------|------------------------------|----------------------|----------------------------------|---------------------------|-----------------------|--|-------------------|------------------------|--------------------------------|----------------------------|
| | Name | Board of Directors | Board of Corporate Auditors | Corporate Strategy Committee | Nominating Committee | Executive Compensation Committee | 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) | ○ (Chair) | | ○ | ○ | ○ | ● | ● | ● | | | | |
| | Takeshi Ito (Representative Director) | ○ | | ◎ | ○ | ○ | ● | ● | ● | | | | |
| | Kanoko Oishi (Outside Director) | ○ | | ○ | ○ | ◎ | ● | | ● | | | | ● |
| | Yutaro Shintaku (Outside Director) | ○ | | ○ | ◎ | ○ | ● | ● | | ● | | | |
| | Kunihito Minakawa (Outside Director) | ○ | | ○ | ○ | ○ | | | | ● | ● | ● | |
| | Noboru Kotani (Outside Director) | ○ | | ○ | ○ | ○ | ● | ● | | | | | |
| | Tamie Minami (Outside Director) ² | ○ | | ○ | | ○ | | ● | | ● | | | |
| Corporate Auditor | Hiroshi Isaka (Standing Corporate Auditor) | ○ | ○ (Chair) | | | | | ● | ● | | | | |
| | Masahiko Ikaga (Outside Corporate Auditor) | ○ | ○ | | | | ● | | | ● | | ● | |
| | Junichi Asatani (Outside Corporate Auditor) | ○ | ○ | | | | | ● | | ● | | ● | |
| | Yaeko Hodaka (Outside Corporate Auditor) | ○ | ○ | | | | | | ● | | ● | | ● |

¹ Among the skills of each person, only two or three skills that are particular strengths or have strong relevance to Santen's businesses are listed. ² Australian nationality

Reasons for Appointment of New Corporate Auditors

| | |
|--|--|
| Junichi Asatani (Outside Corporate Auditor) | Mr. Asatani has abundant experience and expertise from his involvement in the business of a pharmaceutical company, including that relating to sales and marketing in Japan, financial and accounting affairs, risk and compliance management, as well as internal auditing practices. Furthermore, he has extensive international experience and knowledge, including from overseas postings and involvement in local business in areas such as business planning, accounting, and financial affairs. |
| Yaeko Hodaka (Outside Corporate Auditor) | Ms. Hodaka has abundant experience and expertise as a lawyer, especially in relation to corporate legal practices, and has extensive international legal experience and knowledge gleaned from her responsibilities as a long-time partner in a U.S.-affiliated law firm. |

Given the amount of time required for dedication to Company-related duties, Santen limits the number of entities other than the Company at which Outside Directors and Outside Corporate Auditors can hold concurrent outside/external officer or other positions, to four, in principle. Furthermore, in order to ensure their ability to fulfill their roles and responsibilities, Directors and Corporate Auditors are each required to attend no less than 75% of Board of Directors meetings, in principle.

• Corporate Governance

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Analysis and Evaluation of the Board of Directors' Effectiveness

The Company's Board of Directors conducts an evaluation of its effectiveness every year, with the aim of further enhancing the role and function of the Board of Directors.

The evaluation uses a questionnaire of items scored on a four-point scale, with the opportunity for write-in comments. Furthermore, to understand the content of questionnaire responses in greater depth, individual interviews were

conducted with all Outside Directors and Outside Corporate Auditors. Based on the foregoing, the evaluation results were discussed at the Board of Directors meeting held in March 2023. To enhance the evaluation in qualitative terms, the support of a third-party organization was employed in the implementation and analysis of the evaluation of effectiveness.

| Major Categories of the Questionnaire Items |
|---|
| 1. Operation and composition of the Board of Directors |
| 2. Managerial strategy and business strategy |
| 3. Corporate ethics and risk control |
| 4. Monitoring of business performance and evaluation-based compensation for the management team |
| 5. Dialogue with shareholders and other stakeholders |

Initiatives to Address Issues Recognized through Board of Directors Evaluations

| | FY2019 evaluation (FY2020 initiatives) | FY2020 evaluation (FY2021 initiatives) | FY2021 evaluation (FY2022 initiatives) | FY2022 evaluation (FY2023 initiatives) |
|---------------------------------|---|--|--|--|
| Key business decisions | Clarify division of functions and improve cooperation with the Corporate Strategy Committee Conduct discussions based on overall strategy (Clarify positioning of specific matters in overall strategy, and conduct discussions based on that) | Enhance discussion on risk assessment <ul style="list-style-type: none"> Clarify goals (plan of investment return) Adopt quantitative indicators for greenlighting strategic investments Control risk comprehensively on a company-wide basis | Ensure accuracy in executing strategic investments <ul style="list-style-type: none"> Expand opportunities to share the status of execution, challenges, capabilities, etc. in each business Clarify KPIs when making investment decisions | |
| Supervision | Start regular reporting of progress on strategic investments | Strengthen supervision of R&D projects | Expand scope and content of supervision <ul style="list-style-type: none"> Confirm conditions, causes, and countermeasures if challenges to progress arise | Strengthen evaluation metrics and enhance discussion of progress <ul style="list-style-type: none"> Gain a quantitative understanding and enhance discussion by promoting use of KPIs (side-by-side comparison of KPI progress at time of investment decision and current situation, etc.) Provide timely reporting of changes in environment (changes from assumptions) from time of investment decision and reassess investments based on that |
| Internal controls | Enhance frequency and content of regular reporting on establishment and implementation of internal control system; begin regular reporting on compliance system | Continue regular reporting and strengthen perspectives taking into account global control status | Continue initiatives under renewed management framework (establish dedicated organizations to promote internal controls and risk management) | Confirm and monitor progress of measures ¹ for strengthening global internal controls |
| Governance system and operation | Revise categories of agenda items and matters for discussion at Board of Directors meetings | Quickly share shareholder/market trends and feedback with Board of Directors | Strengthen information sharing between the Nominating Committee, the Executive Compensation Committee, and the Board of Directors, and cooperation with committee secretariats | Reinforce cooperation between committees and the Board of Directors regarding compensation (share content of discussions on compensation, etc.) |
| Other key matters | Establish framework for participation of Board of Directors regarding discussion of important strategic matters and internal controls, which had been ongoing issues | Enhance quality of discussions on important strategic matters Respond to globalization of internal controls | Continue innovation to make discussion of important strategic matters more substantive Strengthen internal control promotion system | Further strengthen supervisory function Aim to make timely, effective decisions on whether to continue major investments based on the Company's current circumstances Confirm what should be done to foster organizational culture through both top-down and bottom-up approaches from the perspective of internal control. |

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¹ Fostering shared values by expanding dissemination of messages from the CEO and common global training on internal controls

In addition, the Company has separately implemented peer reviews in the Nominating Committee whereby all the Directors evaluated each other’s performance.

On the basis of the evaluation, the Company’s Board of Directors deems that its effectiveness was confirmed for fiscal 2022. The reason is that the overall average evaluation mark response was “mostly effective,” and responses for each questionnaire item indicated “effective” and “mostly effective” at a high rate (approximately 80%).

In fiscal 2022, by increasing the number of Independent Outside Directors, who comprise a majority of the Directors, the Company aspired to achieve a higher level of governance in both decision-making and the supervision of operations. The Company believes that this year’s evaluation is evidence that an appropriate structure and level of governance of the Board of Directors have been achieved.

On the other hand, the evaluation indicated some urgency in the need to enhance the decisiveness of decision-making

and the capabilities of the Company as an organization, both of which are vital to all aspects of business execution, to be able to confidently achieve business goals. The Board of Directors intends to direct and supervise executives in implementing the necessary improvements while clarifying task priorities. Concurrently, the Board of Directors will work with the executives in an integrated manner to realize the benefits of such improvements.

Executive Compensation

Compensation for Directors (excluding Outside Directors) has three components: base salary, annual bonus (annual incentive), and stock-based compensation (medium- to long-term incentives). Outside Directors and Corporate Auditors receive fixed monthly compensation only, and do not receive performance-linked compensation, so as to promote the appropriate performance of supervisory duties. In addition, allowances are paid to Outside Directors who chair voluntary

committees, including the Executive Compensation Committee.

In order to prevent the Company’s system of executive compensation from providing financial incentives that encourage excessive risk-taking, and ensure the soundness of the system’s operation, Santen has established a clause (“malus and clawback clause”) that, in the event of a legal violation or improper accounting requiring retraction of or correction to the Company’s financial statements, allows the

Board of Directors, following discussion by the Executive Compensation Committee, to cancel or demand repayment of incentive compensation, in part or in full, regardless of whether that compensation has already been paid or not, based on such reasons.

Composition of Compensation



¹ Fixed monthly salary based on grade and job

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Annual Incentive

The annual bonus is paid based on three evaluation factors: single-year consolidated financial performance metrics, non-financial performance metrics, and individual metrics based on divisional performance and individual targets. Performance metrics for the CEO and Chairman consist of

only two evaluation factors: financial and non-financial. The final payout amount is calculated by multiplying the target amount for each position by the payout ratio for each evaluation factor. Bonuses are paid after the end of each fiscal year.

For fiscal 2023, non-financial performance metrics (ESG-related targets) will include items relating to promoting DE&I, conducting initiatives to enhance employee engagement, and reinforcing global risk management.



¹ There were no eligible Directors in fiscal 2023. Corporate Officers operate under a similar system that uses operating profit margin as the core basis, with the payout ratio set in the range of 0-248%.

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Medium- to Long-term Incentives

Medium- to long-term incentives have the following two components.

| | |
|------------------------|---|
| Performance Share Unit | <ul style="list-style-type: none"> A performance-based stock compensation system in which the number of shares granted varies according to the level of achievement of target performance metrics set for a certain period (the "Performance Evaluation Period"), such as the period of the medium-term management plan. Shares are issued within a range of 0-200% determined according to the achievement of targets for total shareholder return relative to global life science companies as the peer group (80% weighting) and ESG metrics (20% weighting). Shares are issued after the Performance Evaluation Period ends, subject to conditions including that the individual remains an eligible Director at the time of at vesting. |
| Restricted Stock | <ul style="list-style-type: none"> A stock-based compensation plan in which restricted shares are granted each fiscal year. Selling restrictions are lifted three years after the grant, subject to conditions including that the participant remains an eligible Director at the time of vesting. |

Performance Metrics and Evaluation Criteria of Performance Share Unit (FY2021-2023/FY2022-2024 Targets)

| Performance metrics | Weighting | Evaluation criteria and payout ratio |
|---|-----------|--|
| Relative total shareholder return (TSR) | 80% | Upper 1/4 (75th percentile): 200% Upper 1/2 (50th percentile): 100% Upper 3/4 (25th percentile): 50% Lowest 1/4: 0% |
| ESG-related metrics | 20% | Inclusion in "World Index" or equivalent score: 200% Inclusion in "Asia Pacific Index" or equivalent score: 150% Increase in score of 10 points or more: 100% Increase in score of 5-9 points: 50% Increase in score of 4 points or less: 0% |

Executive Compensation Committee

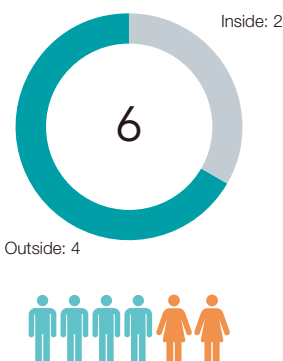
Deliberates on compensation for Directors and Corporate Officers and submits recommendations to the Board of Directors, and also provides advice to the Board of Corporate Auditors regarding the compensation of Corporate Auditors, taking into account market standards.

Meetings **10** Attendance **100%**

Major topics of deliberation

- Determination of the draft compensation philosophy (basic policy for determining compensation for officers including Directors)
- Level and composition of compensation for Directors
- Establishment of targets for non-financial metrics (ESG-related targets) for annual bonus in fiscal 2022, and other details
- Introduction of malus and clawback clause
- Reviews in accordance with the succession of CEO (revision of the amount of compensation for new CEO, treatment of annual bonus in accordance with the mid-term assumption of the office, and other relevant matters)

Composition of Executive Compensation Committee



Total Compensation and Eligible Executives (FY2022)

| Position | Total compensation (JPY millions) | Total by type (JPY millions) | | | | | Number of individuals ¹ |
|---|-----------------------------------|------------------------------|--------------|------------------------|------------------|--|------------------------------------|
| | | Base salary | Annual bonus | Performance Share Unit | Restricted Stock | Non-monetary compensation included at left | |
| Directors (excluding Outside Directors) | 312 | 190 | 37 | 6 | 79 | 82 | 3 |
| Corporate Auditors (excluding Outside Corporate Auditors) | 28 | 28 | — | — | — | — | 1 |
| Outside Directors | 80 | 80 | — | — | — | — | 5 |
| Outside Corporate Auditors | 38 | 38 | — | — | — | — | 4 |

¹ Includes officers whose term expired or who resigned

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Annual Bonus Performance Targets and Results (FY2022)

Financial Performance Metrics

| Targets | Results | Payout ratio |
|--|---|---|
| <ul style="list-style-type: none"> • Revenue: JPY 264,000 million • Operating profit ratio (IFRS): 13.0% • ROE (IFRS): 7.4% | <ul style="list-style-type: none"> • Revenue: JPY 279,037 million • Operating profit ratio (IFRS): -1.1% • ROE (IFRS): -4.7% | <ul style="list-style-type: none"> • CEO: 48.4% • Chairman: 40.6% • Directors (excluding Outside Directors) other than the CEO and Chairman: 70.3% |

Non-Financial Performance Metrics

| ESG-related targets | Payout ratio |
|---|---|
| <ul style="list-style-type: none"> • Strengthening the system for stable supply • Promoting DE&I through wider participation in the Blind Experience program • Conducting initiatives for enhancing employee engagement • Reinforcing global risk management • Reducing environmental impact through measures such as switching to electric vehicles | <p>106%</p> <p>Evaluation by the Executive Compensation Committee in May 2023</p> |

After discussion by the Executive Compensation Committee, it was decided not to pay an annual bonus for fiscal 2022 to a Director who retired due to resignation on September 12, 2022.

Strategic Shareholdings

Santen shall hold shares as strategic shareholdings only when it determines that doing so will contribute to enhancing the Company's corporate value over the medium to long term. These holdings are verified by the Board of Directors, and Santen works to reduce them on an ongoing basis. In fiscal 2022, the total sale value of liquidated shares was JPY 2,148 million.

Number of Shares Held

| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|----------------------------|--------|--------|--------|--------|--------|
| Unlisted shares | 9 | 9 | 8 | 8 | 8 |
| Other than unlisted shares | 15 | 14 | 14 | 11 | 11 |

Balance Sheet Amounts

| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|----------------------------|--------|--------|--------|--------|--------|
| Unlisted shares | 492 | 488 | 128 | 122 | 122 |
| Other than unlisted shares | 26,501 | 26,840 | 26,098 | 20,866 | 19,425 |

(JPY millions)

Risk Management

Risk Management System

In accordance with our internal rules for risk management, we identify, evaluate, and monitor risks regularly in each region and division to deal with assumed major risks of loss related to the execution of our business activities, striving to avoid or minimize the risk of loss during times of normal business operations. At the same time, we have been building an effective risk management system to improve the sophistication of risk management. To this end, in fiscal 2022, we began dividing risks into risks attributable to internal factors and risks attributable to external factors,

identifying and categorizing each risk factor in an integrated manner, and communicating this information throughout the company.

As our business expands globally, we are required to comply with various regulations at stringent levels. In addition, we must take appropriate measures to ensure stable supply of products, quality control, IT security, and compliance, as well as to ensure management of risks such as pandemics, natural disasters, and conflicts.

To address the variety of risks that may affect our business in particular, we continue to strengthen risk management activities under the leadership of the Chief

Risk Officer (CRO), who is responsible for identifying major risks, formulating preventive measures, and encouraging discussion.

In the event of or report of an event that has the potential to develop into a serious crisis, we convene the Crisis Management Committee, chaired by the President and CEO. This committee responds to and works to contain the situation in question as we implement measures to prevent recurrence.

In its independent capacity, the Internal Auditing Group verifies the status of risk management through internal audits.

• Corporate Governance

Specific Risks

| Assessment points | Risk scenario | Impacts on corporate value | Countermeasures and current progress | Risk category | |
|--|--|---|--|-----------------|------------------|
| Supply chain | <ul style="list-style-type: none"> Suspension of operations at a specific plant (the Noto, Shiga or Suzhou Plants, in particular) or at external contractors, or the suspension of raw material supply from a supplier due to a pandemic, natural disaster, fire or other factors | <ul style="list-style-type: none"> Adverse impacts of disruption or suspension, etc. of production activities on stable product supply, and on Santen's business performance and financial condition | <ul style="list-style-type: none"> Creating processes, systems and other mechanisms to ensure stable supply Maintaining a full understanding of actual conditions and responding to issues through planning, monitoring of execution, and risk assessment Structuring product manufacturing and supply for compatibility with rigorous logistics regulations in Europe Visualizing inventory management and production planning Introducing centralized global management Establishing and strengthening the contract manufacturer management system and backup supplier system | External factor | Operational risk |
| Global compliance | <ul style="list-style-type: none"> Violations of social norms, laws, regulations, etc. | <ul style="list-style-type: none"> Decline in public trust and brand image Damage to corporate value due to a stock price decrease Decline in Santen's business performance or difficulty in business continuity due to decreased revenue or payment of compensation for damages, etc. | <ul style="list-style-type: none"> Established the Global Compliance Policy; systemically enhancing the structure for global compliance Introduced and began implementing an organized global education program for all employees Reinforcing compliance awareness and ensuring compliance with laws and regulations by designating Awareness Month for Santen's Code of Practice, supported by messages from the CEO and regional senior management Introduced the Speak Up Portal as a global internal reporting system, and established a globally unified risk management system | Internal factor | Operational risk |
| IT security and information management | <ul style="list-style-type: none"> Malfunction of IT systems used in business activities Cyberattacks, computer virus infection, etc. Leakage of personal or other kinds of information | <ul style="list-style-type: none"> Adverse impacts of suspension of or delays in business activities, decline in public trust, etc. on Santen's business performance | <ul style="list-style-type: none"> Operating and maintaining an information security management system that meets the ISO/IEC 27001 standard Established the Global Data Privacy Policy, the Global Information Security Policy, the Document Management Policy, and other policies to address cyber security risks Enhancing security governance through personnel and organizational measures centered around security training and drills and through technical measures (providing global anti-phishing training as one measure to enhance cyber security) Ensuring appropriate risk management not only within the Santen Group but also throughout its supply chain and at its business partners Established a system by which the Chief Digital & Information Officer (CDIO) serves as the Chief Information Security Officer (CISO), who is in charge of formulating and implementing global information security strategies and reports directly to the CEO and the Board of Directors | Internal factor | Operational risk |

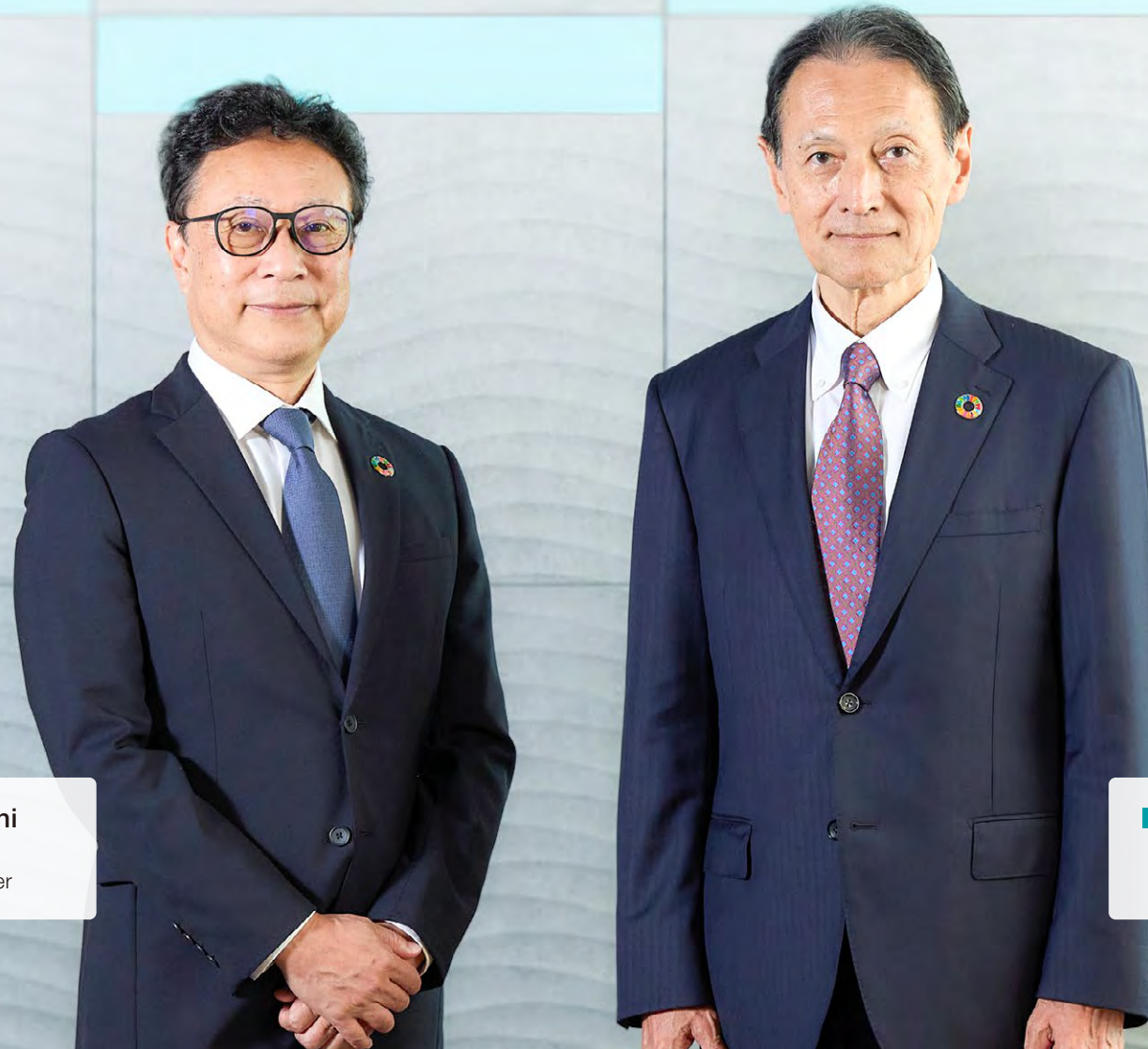
| Assessment points | Risk scenario | Impacts on corporate value | Countermeasures and current progress | Risk category | |
|----------------------------------|--|---|---|-----------------|------------------|
| Investment | <ul style="list-style-type: none"> Failure to realize expectations or profits from proactive investments with the aim of sustainable global growth in the ophthalmic field, due to changes in the external environment or other unfavorable circumstances | <ul style="list-style-type: none"> Impairment loss on tangible or intangible assets and adverse impacts on Santen's business performance | <ul style="list-style-type: none"> Implementing investment decisions in line with internal evaluation criteria based on cost of capital Established the Corporate Strategy Committee to discuss key strategic issues; organically coordinating discussions of medium- to long-term strategy, businesses and development portfolio with individual projects for submission to the Board of Directors; clarifying the position of individual projects in overall strategy and laying out issues for discussion Introduced a framework of regular, continuous monitoring of items resolved by the Board of Directors to obtain steady results | Internal factor | Strategic risk |
| Global operations | <ul style="list-style-type: none"> Revisions to laws or regulations in the countries where Santen operates Political instability and/or economic uncertainties Cultural differences in business practices | <ul style="list-style-type: none"> Difficulty in achieving initially expected effects and/or profits | <ul style="list-style-type: none"> Strengthening the crisis management system through global collaboration Established global policies and operational rules Ensuring continued monitoring | Internal factor | Strategic risk |
| Pharmaceutical regulatory trends | <ul style="list-style-type: none"> Drug price revisions beyond the scope of those predicted, mainly in the Japanese market Other revisions to healthcare insurance systems Measures by governments or revisions to pharmaceutical insurance systems to encourage the use of generic drugs, such as volume-based purchasing in China, and other companies' launch of generic drugs | <ul style="list-style-type: none"> Adverse impacts on Santen's business performance and financial condition | <ul style="list-style-type: none"> Accelerating the development of new drugs with high added value Pivoting from long-listed products to a portfolio centered on new drugs Expanding sales channels to include markets for treatments that are not listed under healthcare insurance systems, etc. Helping to ensure drug approval and fair pricing by strengthening global regulatory and market access capabilities | External factor | Strategic risk |
| Research and development | <ul style="list-style-type: none"> Suspension of or delays in development, refusal of submitted drug approval applications, failure to obtain expected efficacy, etc. | <ul style="list-style-type: none"> Difficulty in achieving revenue commensurate with research and development investment costs | <ul style="list-style-type: none"> Enhancing development functions, mainly in the U.S. and China Prioritizing and optimizing the development pipeline Consulting closely with authorities to refine clinical trial design and improving the process for selecting institutions where clinical trials are conducted | Internal factor | Strategic risk |
| | <ul style="list-style-type: none"> Unexpected side effects, leakage of personal information, etc. during clinical trials | <ul style="list-style-type: none"> Decline in public trust and adverse impacts on Santen's business performance | <ul style="list-style-type: none"> Establishing and holding meetings of the Research Ethics Committee as a deliberating body to ensure scientifically and ethically appropriate research and development Implementing necessary measures to ensure patients' participation in clinical trials of their free will, with their fully informed consent, and with the protection of their personal information ensured | | Operational risk |
| Environment | <ul style="list-style-type: none"> Occurrence of environmental issues, such as environmental pollution Legal measures or obligations to pay damages due to revisions to environmental laws or regulations, or other circumstances Accelerated shift to low-carbon energy Mandatory or regulatory shift to bioplastic or biomass plastic in materials for eye drop bottles and other packages Decline in the supply of plant-based materials Floods or drought at major production sites due to changes in rainfall patterns, and resulting delays in or suspension of product supply | <ul style="list-style-type: none"> Adverse impacts on Santen's business performance Incurrence of countermeasure costs Increase in capital investment, procurement costs, etc. | <ul style="list-style-type: none"> Operating an environmental management system that not only complies with environmental laws and regulations but also meets higher in-house standards Formulated the Environmental Vision and set environmental targets; implementing the action plan based thereon (including promoting the use of biomass plastic as a material for eye drop bottles) Planning capital investments necessary to realize a low-carbon society, including investments in the installation of hydrogen boilers and hydrogen fuel storage facilities | External factor | Strategic risk |
| | | | Operational risk | | |

• Corporate Governance

53 Risk Management

Dialogue with Outside Directors

The Role of the Board of Directors: Toward a New Medium-Term Management Plan and Further Growth



■ **Noboru Kotani**

Outside Director
Independent Officer

■ **Kunihito Minakawa**

Outside Director
Independent Officer

• Corporate Governance

55 Dialogue with Outside Directors

Improving communication and effectiveness within the Board of Directors is necessary to successfully implement measures for re-growth. Santen will additionally continue to contribute to society and pursue sustainable growth by assisting patients and their families and responding to social issues through its core business.

Assessment of Board Effectiveness and Issue Recognition

Minakawa: What I like about the Board of Directors is the atmosphere in which we can say anything. The atmosphere is highly rated in the effectiveness assessment every year, and this year was no different.

Kotani: I agree. I think it is wonderful that the Board of Directors has strong personalities and different beliefs, but can also take advantage of that diversity and freely discuss issues without holding back in any way.

Minakawa: On the other hand, I believe the process for following up on the issues discussed by the executive team and at Board meetings has much room for improvement. This is a very difficult subject that every company probably struggles with through trial and error. Very few companies do not struggle at all. It is an extremely challenging topic that requires communication between Outside Directors, the Chairperson, and Inside Directors, as well as the secretariat to play the proper role, to make it effective in nature.

Kotani: I agree with you. We must also raise awareness on the quality of discussions and how to proceed with them. For example, delays and failures in development

projects are, in a sense, a given in the pharmaceutical industry. As an industry constantly battling such risks, it proves difficult to eliminate them completely. We need to think about how we can balance this among other projects and businesses to make the Company work as a whole. We can discuss each issue individually and take action if a report on a project is raised as an agenda item by the executive team. **But when multiple issues are up for discussion, it is also extremely important for management to make decisions based on overall balance, such as refraining from certain discussions. To that end, I believe that we must make sure to receive necessary information from the executives, and discuss it with a holistic approach.**

Minakawa: You are exactly right. In terms of effectiveness, the most significant discussion at the Board of Directors meeting was the September organizational change.

Kotani: When the former President stepped down, the Nominating Committee took swift action to shift to the new organization under President Takeshi Ito, even though it was in the middle of the term. Historically, the Company has enthusiastically promoted globalization, but at this time, the Board decided that a major course correction was necessary.

Changes under the New Organization

Minakawa: President Ito has been implementing measures for re-growth since he took office. These measures under his own leadership are from the three perspectives of improving profitability, building pillars for growth, and establishing an optimal operational and organizational structure. These are significant changes, so we have very high expectations. Perhaps due to his cautious and certainty-seeking nature, President Ito never says he can do something that cannot be done, even at Board meetings. He does what he can, and thinks very cautiously and seriously about what he cannot do. I think that attitude is extremely beneficial for the Company at this point in time.

Kotani: Improvements will certainly happen under the new organization. However, even the best of us have our weaknesses. The Board of Directors may have to support President Ito in a different way than before.

• Corporate Governance

55 Dialogue with Outside Directors

The New Medium-Term Management Plan

Kotani: One of the main things we discussed at Board of Directors meetings last year was the new medium-term management plan. Our first priority was to establish a firm foundation through making choices on cost reductions and improving profitability. We can see the pipeline and we know that the next major new drug will be several years away. It is important for the Company to manage this well to successfully deliver products to the patients who will need them. This basic path leaves little room for discussion. **Instead, we are taking factors such as Santen's current capabilities into account and**

discussing whether the Company can do better and whether it needs to invest more again. I believe the role of Outside Directors is to encourage executives to take the necessary risks.

Minakawa: I actively express my opinions on the following three points, which I consider important in the formulation of the new medium-term management plan. The first is regarding last year's review of Santen's business in the U.S. I have to admit that I was surprised when I heard the proposal. However, I recognize that the decision is appropriate for the Company at this stage, as it must establish a firm foundation before any re-growth can take place. That being said, we have been, and will continue to discuss capturing the U.S. market to catalyze the growth of the Group in the long term.

My second point is **on the approach to management indicators. Although core operating profit is of course important, I personally want to speak about the importance of how to increase capital productivity.**

I will continue these discussions with everyone on the Board, including those on specific efforts. My third point is on sustainability. We must think about how the Company can treat this as the most important management issue.

Sustainability

Kotani: In a healthcare business like Santen, it is important to be thorough in the core business to know how to help people and society. I also believe that the current greatest priority should be improving profitability, and I want to ask investors to look at the Company in the long run. The Board needs to prioritize what management should be doing in the first place.

Minakawa: You frequently bring up the need for prioritization at Board meetings, and this is true for all companies. At the same time, the importance of sustainability transformation (SX) is a big topic in the world, and it is something that cannot wait. Even when Company earnings were higher than expected, the impact on stock prices was limited. This may be due to insufficient provision of materials that long-term investors are looking for.

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I believe the role of Outside Directors is to encourage executives to take the necessary risks.



• Corporate Governance

55 Dialogue with Outside Directors

If long-term investors evaluate the Company's efforts, results should gradually be reflected in the stock price. Therefore, management needs to have a higher awareness of this topic.

Kotani: Human resource development is also important. Santen tends to rely on external hires when it needs new capabilities, such as for globalization and advancement into new fields. However, if those doing the hiring are not competent in the first place, they cannot evaluate the people they are hiring, nor can they utilize and develop the capabilities of those external hires. I think people should be hired from outside the Company in moderation as the Company focuses on the internal development of human resources, especially executives and global human resources.

Minakawa: Digital transformation (DX) is also extremely important for increasing the added value of the Group and is an area that should be thoroughly discussed by the Board of Directors going forward.

Medium- to Long-Term Outlook

Kotani: In the long term, I personally believe that what the Company previously considered as its long-term vision for 2030 is not wrong in itself. If Santen wants to help patients with myopia, presbyopia, and ptosis, its business model itself will have to go beyond the traditional prescription pharmaceuticals business and take on a new form. This will slightly change the corporate culture, requiring different talents than before. I think there will be another opportunity for business in the U.S., which is

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The most important topic for management and the Board to work on should be finding sustainable stories and ways to show how corporate value increases through contributions to society.



natural for business in the long run. **The Company will probably do things differently from the past, so it will change as people grow through trial and error, and as those who can take on challenges and think flexibly become the next leaders.** I believe Santen will become stronger if it can change organically in this way.

Minakawa: I agree. We can expect Santen's value to patients and their families to increase as a result of the value creation process. Corporate value increases when customers happily use and purchase a company's products, resulting in higher profits. In other words, when the company addresses social issues through its core business.

The most important topic for corporate and the Board

to work on should be finding sustainable stories and ways to show how corporate value increases through contributions to society. As members of the Board of Directors, we will continue to focus on the long term and contribute to value enhancement through our discussions.

• Corporate Governance

55 Dialogue with Outside Directors

Corporate Executives (As of June 27, 2023)

Directors

Corporate Auditors



7
Tamie Minami
 Outside Director
 Independent Officer

5
Kunihito Minakawa
 Outside Director
 Independent Officer

3
Kanoko Oishi
 Outside Director
 Independent Officer

1
Akira Kurokawa
 Representative Director
 Chairman

9
Masahiko Ikaga
 Outside Corporate Auditor
 Independent Officer

11
Yaeko Hodaka
 Outside Corporate Auditor
 Independent Officer

6
Noboru Kotani
 Outside Director
 Independent Officer

4
Yutaro Shintaku
 Outside Director
 Independent Officer

2
Takeshi Ito
 Representative Director
 President and Chief Executive Officer

8
Hiroshi Isaka
 Standing Corporate Auditor

10
Junichi Asatani
 Outside Corporate Auditor
 Independent Officer

- Corporate Governance

Directors



Akira Kurokawa
Representative Director
Chairman

1977 Joined the Company
1997 Director, General Manager, Head of the Office of Sales and Marketing Division, Prescription Pharmaceuticals
2001 Corporate Officer, Head of Sales & Marketing Division, Prescription Pharmaceuticals
2004 Senior Corporate Officer, Head of Sales and Marketing Division, Prescription Pharmaceuticals
2006 Representative Director, President & COO
2008 Representative Director, President & CEO
2018 Representative Director, Chairman & CEO
2020 Representative Director, Chairman (incumbent)



Takeshi Ito
Representative Director
President and Chief
Executive Officer

1982 Joined the Company
2012 Corporate Officer, Head of Prescription Pharmaceuticals Sales Department, Sales & Marketing Division, Prescription Pharmaceuticals
2014 Senior Corporate Officer, Head of Japan Sales & Marketing Division, Prescription Pharmaceuticals
2016 Executive Corporate Officer, Japan Business, Head of Japan Sales & Marketing Division, Prescription Pharmaceuticals
2017 Director, Executive Corporate Officer, Japan Business, Head of Japan Sales and Marketing, Prescription Pharmaceuticals
2019 Director, Executive Corporate Officer, Head of Japan Business, Head of Japan Sales & Marketing Division
2022 Representative Director, Executive Vice President, Head of Japan Business, Head of Japan Sales & Marketing Division
Representative Director, President & CEO (incumbent)



Kanoko Oishi
Outside Director
Independent Officer

1993 Partner, McKinsey & Company, Inc.
2000 Established Mediva Inc. Representative Director (incumbent)
Established Seinan Mediva Co., Ltd. (currently, C's One Co., Ltd.); Representative Director (incumbent)
2004 Established Platanus Medical Corporation; COO (incumbent)
2010 Outside Director of Astellas Pharma Inc.
2015 Outside Director of the Company (incumbent)
Outside Director of Ezaki Glico Co., Ltd. (incumbent)
Outside Director of Suruga Bank Ltd.
2016 External Director of Shiseido Company, Limited (incumbent)



Yutaro Shintaku
Outside Director
Independent Officer

2010 Representative Director, President and CEO of Terumo Corporation
2017 Corporate Advisor of Terumo Corporation
Outside Director of J-Oil Mills, INC.
Outside Director of the Company (incumbent)
2018 Outside Director of Kubota Corporation (incumbent)
Visiting Professor, Business Administration, Hitotsubashi University Business School
2019 Project Professor, Business Administration, Hitotsubashi University Business School (incumbent)
Outside Director of KOZO KEIKAKU ENGINEERING Inc. (incumbent)



Kunihito Minakawa
Outside Director
Independent Officer

1997 Senior Vice President and Chief Financial Officer, Ricoh Americas Corporation
2010 Corporate Vice President, and General Manager of Finance and Accounting Division, Ricoh Company, Ltd.
Outside Audit & Supervisory Board Member, Ricoh Leasing Company, Ltd.
2012 Corporate Senior Vice President, and General Manager of Finance and Accounting Division, Ricoh Company, Ltd.
2013 Audit & Supervisory Board Member, Ricoh Company, Ltd.
2017 Outside Director of Sony Corporation (currently, Sony Group Corporation)
2018 Outside Director of the Company (incumbent)
2019 Financial Services Agency, Certified Public Accountants and Auditing Oversight Board, Commissioner (incumbent)
2020 External Director of Nippon Sheet Glass Co., Ltd. (incumbent)



Noboru Kotani
Outside Director
Independent Officer

1991 Vice President of Boston Consulting Group
2000 Representative Director of Dream Incubator Inc.
2005 Representative Director of Vehicle Inc. (incumbent)
Outside Director of the Company
2006 Outside Director of JINS HOLDINGS Inc. (incumbent)
2013 External Director of SanBio Company Limited (incumbent)
2018 External Director of Medley, Inc. (incumbent)
2022 Outside Director of the Company (incumbent)



Tamie Minami
Outside Director
Independent Officer

2008 Vice President and General Manager, Home Care Division, 3M Company
2013 Vice President, Southeast Asia Region, 3M Company
2015 Vice President, Latin America, 3M Company
2017 Vice President, Asia, 3M Company
2019 Senior Vice President, Safety & Industrial Business Group, Asia, 3M Company
2022 Outside Director of the Company (incumbent)
2023 Outside Director of TEIJIN LIMITED (incumbent)

Corporate Auditors



Hiroshi Isaka
Standing Corporate
Auditor

2010 Joined the Company
2012 Head of Corporate Development Division
2013 Deputy Head of Human Resources Development and CSR Division
2015 Head of Surgical Division
2019 General Manager, IOL Business Planning Group
2020 Standing Corporate Auditor (incumbent)



Masahiko Ikaga
Outside Corporate
Auditor
Independent Officer

2000 Representative Director and President of Tohmatsu Consulting Co., Ltd. (currently Deloitte Tohmatsu Consulting LLC)
2010 Director and Chairman of Deloitte Tohmatsu Consulting LLC
2016 Representative Accountant, Masahiko Ikaga Certified Public Accountant Office (incumbent)
Representative Director of PrajnaLink Co., Ltd. (incumbent)
External Audit & Supervisory Board Member of Morinaga Milk Industry Co., Ltd. (incumbent)
2017 Outside Audit & Supervisory Board Member of Yamaha Motor Co., Ltd.
Outside Director of RYOBI LIMITED (incumbent)
2022 Outside Corporate Auditor of the Company (incumbent)



Junichi Asatani
Outside Corporate
Auditor
Independent Officer

2010 Vice President & CFO of Eisai Inc.
2012 Executive Director, Corporate Internal Audit Department of Eisai Co., Ltd.
2014 Chief Compliance Officer and Vice President, Internal Control of Eisai Co., Ltd.
2020 Vice President, Internal Audit of Eisai Co., Ltd.
2021 Corporate Advisor to Eisai Co., Ltd.
2023 Outside Corporate Auditor of the Company (incumbent)



Yaeko Hodaka
Outside Corporate
Auditor
Independent Officer

1992 Registered as an attorney-at-law and joined ISHII LAW OFFICE
2005 Joined Morrison & Foerster, Partner
2011 Joined Baker & McKenzie, Partner
2020 Fellow of Centre for the Fourth Industrial Revolution Japan, World Economic Forum
2021 External Corporate Auditor of Sumitomo Heavy Industries, Ltd. (incumbent)
2023 Joined ISSHIKI & PARTNERS, Partner (incumbent)
Outside Director of YASKAWA Electric Corporation (incumbent)
Outside Corporate Auditor of the Company (incumbent)

• Corporate Governance

59 Corporate Executives

Messages from Newly Appointed Corporate Auditors



Junichi Asatani
Outside Corporate Auditor

I have many years of experience working for pharmaceutical companies in various capacities, including corporate planning, finance, and the management of overseas subsidiaries. I am committed to using my experience in the area of internal controls, including compliance and risk management in particular, serving as an Outside Corporate Auditor to monitor the structure and implementation of governance at Santen from the perspective of compliance (legal and ethical).

Even as the world changes in drastic ways, Santen remains unwavering in its commitment to contribute to patients on a global basis through the Best Vision Experience, and I believe that achieving this goal will lead naturally to an increase in corporate value. The Company must strike a balance between business execution and supervision to ensure that the organization identifies as many business opportunities as possible, takes on new challenges fearlessly, minimizes related risks, and maximizes output.



Yaeko Hodaka
Outside Corporate Auditor

I have been practicing law for almost 30 years, and for the last five, I have represented a global law firm in Asia Pacific on a mission to provide legal services to manufacturing clients with global operations. The pharmaceutical industry is new to me, and I find that I discover more every day. I also recognize that Santen is at a major turning point, particularly with regard to global strategy. Today, every company struggles with how to position their China business in light of geopolitical risks. Many companies face major transformations, including supply chain restructuring and a shift from *monozukuri* (manufacturing) to *kotozukuri* (services). I hope to use my experience and knowledge to help Santen in their response and solutions to these and other issues.

• Corporate Governance

61 Messages from Newly Appointed Corporate Auditors

Corporate Officers (As of July 1, 2023)

| Name | Title |
|--------------------|--|
| Rie Nakajima* | Chief Operating Officer, Head of North America Business |
| Ippei Kurihara* | Head of Japan Business, Head of Japan Sales and Marketing Division, Head of Marketing Department |
| Marianthi Psaha | Head of Europe, Middle East and Africa (EMEA) Business |
| Shinichi Teramachi | Head of Sales Department, Japan Sales and Marketing Division |
| Takayuki Yamada | Head of China Business |
| Chris Reindel | Chief Commercialization & Portfolio Officer |
| Robert Wagner | Global Head, Medical Tech Solutions Business Segment |
| Yoshinori Watanabe | Head of Sales and Marketing Division - OTC Products |
| Reza Haque* | Head of Ophthalmology Innovation Center |
| Peter Sallstig* | Chief Medical Officer |
| Fumiyasu Ako* | Chief of Staff to CEO |
| Ken Araki* | Global Head of Business Development |
| Frank Binder | Head of Supply Chain Division |
| Mark Dawson* | Chief Product Supply Officer |
| Minori Hara* | Chief Digital & Information Officer |
| Nobuko Kato | Chief Communications Officer |
| Kazuo Koshiji* | Chief Financial Officer & Chief Risk Officer |
| Mika Masunari* | General Counsel & Chief Compliance Officer |
| Takahiro Morita | Global Head of Core Principle & Sustainability |
| Yoko Saiki* | Global Head of Corporate Strategy |

* Corporate Management Member (CMM)

Message from the COO



Rie Nakajima
Chief Operating Officer,
Head of North America Business

• Corporate Governance

I was appointed Chief Operating Officer on March 1, 2023. In my career, I have served in positions in the automotive, consulting and prescription pharmaceutical industries, with responsibilities across production, business strategy, new business development, marketing, sales, logistics, and public relations. For the last four years, I worked for an American pharmaceutical company based in Asia and Europe. I joined Santen with a strong desire to help Japanese manufacturers make meaningful strides in overseas markets.

At Santen, I have been asked to take charge of strategy and business in Japan and overseas. My work will focus on three areas: (1) to implement strategy promptly in each regional business; (2) to enhance our organizational capabilities for sustainable growth; and (3) to accelerate the development of human resources who will drive success in each region.

In terms of organizational capability, I believe the most urgent need is to strengthen commercial excellence to deliver valuable products and services more quickly and reliably to consumers, patients, and healthcare professionals around the world. I have always felt that the source of value creation in a company is its human resources. And the quality of a company's leadership is what draws out the full potential of human resources. As a member of the executive management, I intend to encourage collaboration and friendly competition among our departments, while doing my utmost to contribute to Happiness with Vision.

Stakeholder Engagement

Santen aims to create shared value with its stakeholders by building a relationship based on mutual trust and communication.

Shareholders and Investors

For dialogue with shareholders, investors and analysts, we work to maintain and enhance both the quality and quantity of communication, and make active use of online tools to do so, through financial results briefings and one-on-one meetings.

Following the change in management centered on the appointment of Takeshi Ito as President and CEO in September 2022, we held a presentation on the new medium-term management plan in April 2023. We are also continuing our engagement initiatives, including through one-on-one meetings with Outside Directors and a Board of Directors meeting with the opportunity for shareholder dialogue.

Suppliers

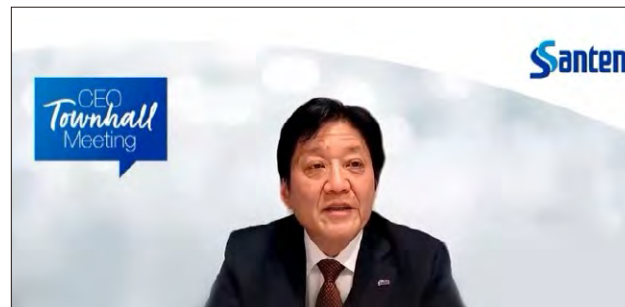
To maintain a stable supply of pharmaceuticals and fulfill our responsibility to society throughout the supply chain, we strive for dialogue with our suppliers through supplier evaluations and other means. In fiscal 2022, we received responses from primary and secondary suppliers we surveyed during the fiscal year. We also obtained the

For presentation materials and videos, please see the Company's website.

agreement of suppliers to our Sustainable Procurement Policy and Guidelines, including conditions related to indirect purchases. In spring 2023, we established the Multi-Stakeholder Policy and disclosed our Declaration of Partnership Building.

Employees

We hold "townhall meetings" mainly by the CEO as an online event open to employees worldwide. These meetings provide an opportunity for dialogue between employees and management, and promote understanding and participation in the new medium-term management plan. Employees are able to ask questions via the in-house portal and receive answers at a later date, which helps convey management's thinking throughout the Company.



CEO Townhall Meeting

For more about Santen's activities in the supply chain, please see the Company's website

A Partner Working to Improve the Skills of Medical Professionals and Access to Healthcare

We have partnered with the Singapore National Eye Centre (SNEC) in the co-development and international rollout of an innovative educational program for ophthalmic technicians that blends online and offline components. This program is aimed at expanding access to eye care in Southeast Asia by upgrading the skills of healthcare professionals other than doctors and appropriately delegating certain aspects of medical practice to make efficient use of limited personnel. As our first initiative in Southeast Asia, we have started activities to establish a training center under a partnership agreement with Vietnam National Eye Hospital, which is the central hospital under the jurisdiction of Vietnam's Ministry of Health and serves as a clinical training facility for Hanoi Medical University.



Ceremony in Vietnam

For more about Santen's activities on access to healthcare, please see the Company's website

Corporate Governance


Dialogue with Shareholders and Investors

We proactively exchange opinions with institutional investors and analysts in Japan and overseas at events such as financial results presentations, one-on-one meetings, and conferences. Our aim is to help them deepen their understanding of our management, business and ESG initiatives.

In fiscal 2022, the more than 250 occasions that arose for dialogue included IR meetings with top management and IR staff, and ESG-related meetings also attended by the members

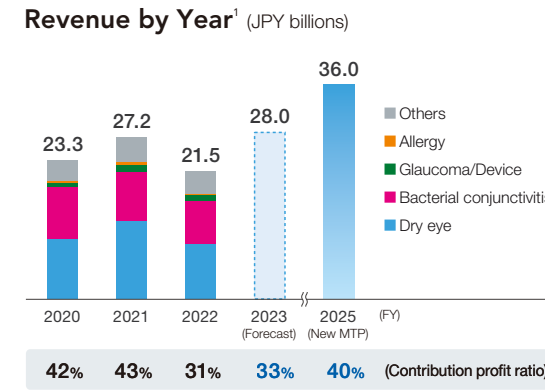
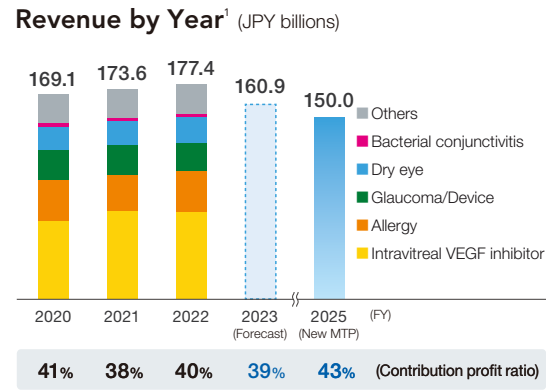
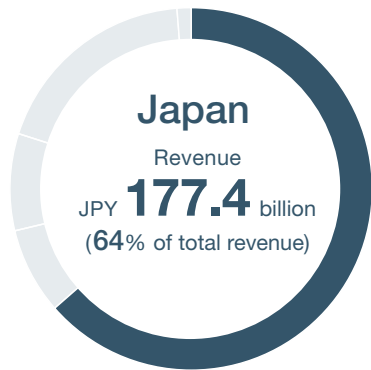
from sustainability, general affairs or legal departments, all of which have led to improvements in the quality of our management.

Below are some of the questions and opinions we receive most frequently during these exchanges. Click on the page links for content relating to these questions and opinions in this report. Pages containing related content are denoted by the letter Q and the corresponding number in the upper right corner.

| Category | Question/Opinion |  Corresponding Pages in <i>Santen Report 2023</i> |
|----------------|---|---|
| Management | Q1 Please explain the growth strategies of the new medium-term management plan and the challenges you foresee in achieving its goals. | <ul style="list-style-type: none"> ➔ CEO's Message (Page 6) ➔ CFO's Message (Page 21) ➔ FY2023–2025 New Medium-Term Management Plan (Pages 11–16) ➔ Establishing Commercial Excellence in All Regions (Pages 24–25) |
| | Q2 While structural reforms feature as a prominent topic of discussion, investments for future growth are also essential. What is your approach to capital allocation? | <ul style="list-style-type: none"> ➔ CEO's Message (Page 10) ➔ CFO's Message (Page 23) ➔ Product Manufacturing Ensuring High Quality and Stable Supply (Pages 30–32) |
| | Q3 Santen has demonstrated a proactive approach to shareholder returns, including through two consecutive years of share buybacks. What policies form the basis for distributing shareholder returns? | <ul style="list-style-type: none"> ➔ CEO's Message (Page 10) ➔ CFO's Message (Page 23) |
| Business/R&D | Q4 What impacts do you foresee and what countermeasures are you taking with regard to drug pricing revisions and patent expirations for mainstay products in the Japan business? | <ul style="list-style-type: none"> ➔ Product Development Aimed at Providing Value to Patients (Pages 26–29) ➔ Overview by Region (Page 65) |
| | Q5 Although Santen has decided to maximize streamlining of the Americas business, the growth of overseas businesses remains important. Please share your outlook on the China business, where COVID-19-related restrictions have had a significant impact, and other businesses outside Japan. | <ul style="list-style-type: none"> ➔ CFO's Message (Page 21) ➔ Establishing Commercial Excellence in All Regions (Pages 24–25) ➔ Overview by Region (Pages 65–66) |
| | Q6 Please tell us about the status of pipeline projects that will drive growth in the short, medium, and long terms, respectively. | <ul style="list-style-type: none"> ➔ Product Development Aimed at Providing Value to Patients (Page 29) |
| | Q7 Santen is working to address the out-of-pocket markets in the myopia and ptosis areas. What is your outlook, and have these initiatives produced any results so far? | <ul style="list-style-type: none"> ➔ FY2023–2025 New Medium-Term Management Plan (Pages 14–15) |
| | Q8 Where can we find basic information, such as data on the ophthalmic market, disease areas, and patient numbers, that will allow us to evaluate Santen's potential? | <ul style="list-style-type: none"> ➔ Overview of Eye Diseases (Pages 67–68) ➔ Ophthalmology Market Data (Page 69) ➔ FY2023–2025 New Medium-Term Management Plan (Page 13) |
| Sustainability | Q9 What issues and themes are discussed at the Board of Directors meetings? What opinions do Outside Directors proffer in these discussions? | <ul style="list-style-type: none"> ➔ Chairman's Message (Pages 44–45) ➔ Corporate Governance (Page 47) ➔ Dialogue with Outside Directors (Pages 55–58) |
| | Q10 What risks and opportunities do you currently anticipate given significant changes in the market environment? | <ul style="list-style-type: none"> ➔ Sustainability Strategy (Pages 34–35) ➔ Risk Management (Pages 53–54) |
| | Q11 New rules requiring the disclosure of information on human capital came into effect in fiscal 2023 and investors are paying close attention to this topic. Please describe initiatives particular to Santen relating to human resource development, recruitment, and some of the other driving forces behind the Company's strengths. | <ul style="list-style-type: none"> ➔ Sustainability Strategy (Page 35) ➔ Human Capital (Pages 36–37) ➔ Blind Experience (Page 38–39) ➔ Health and Productivity Management (Pages 40–41) |
| | Q12 Where can we find Santen's policy on environmental initiatives? What specific actions are under way? | <ul style="list-style-type: none"> ➔ Conservation of the Global Environment (Pages 42–43) |

• Corporate Governance

Overview by Region



| | |
|----------------------|---|
| Opportunities | <ul style="list-style-type: none"> • Increase in eye exams in new patient segments and discovery of potential patients, following the development of drugs in areas that lack widely available treatments, such as myopia, presbyopia and ptosis • Discovery of potential patients and improvement in adherence rates as a result of greater disease awareness and understanding • Expansion of consultations as a result of the availability of online consultations and other services that offer improved convenience of medical care |
| Risks | <ul style="list-style-type: none"> • Patent expiration of core products and launch of generics • Reform of National Health Insurance (NHI) system and drug pricing system (e.g., possible reconsideration of out-of-pocket payments for long-listed products) • Replacement with generics to the same degree as in other therapeutic areas (80% or more) due to government policies to promote the use of generics |

| | |
|----------------------|--|
| Opportunities | <ul style="list-style-type: none"> • Market growth driven by increasing number of patients due to aging population and development of ophthalmic ecosystem • National-level initiatives targeting myopia and other eye conditions • Insurance reimbursement for innovative products and acceleration of new product launches due to evolution of the drug approval system |
| Risks | <ul style="list-style-type: none"> • Drug reimbursement price reductions among existing products and impact on sales due to changes in healthcare policy and the insurance system • Intensifying competition to acquire highly skilled personnel |

In fiscal 2022, revenue was JPY 177.4 billion, up 2% year on year. This was mainly the result of stronger-than-expected sales of mainstay products such as *Alesion* products, which helped absorb the impact of NHI price revisions and other factors. For fiscal 2023, we forecast revenue of JPY 160.9 billion, down 9% year on year, due to factors such as the impact of patent expirations on mainstay products and a return to ordinary after the strong performance of fiscal 2022.

During the period of the new medium-term management plan through fiscal 2025, we anticipate a short-term decrease in revenue along with the gradual shrinkage of the market due to erosion from generics. Nevertheless, we will maintain and enhance our strong market presence through the launch of new products and market expansion.

Specifically, we will work to convey the value of new products that meet patient needs, including ophthalmic solution *Diquas LX* (launched in November 2022), which reduces application frequency by half, and an ophthalmic cream formulation of *Alesion* (filed for approval), which requires application only once a day. In addition, by promoting the adoption of tools that lead to improved treatment adherence, such as the ACT Pack glaucoma treatment adherence program and the dry eye examination support system, we will develop the market while realizing better treatment for patients, thereby expanding our contribution to patients.

In fiscal 2022, revenue was JPY 21.5 billion, down 21% year on year, due to the impact of a resurgence in COVID-19. For fiscal 2023, we forecast revenue of JPY 28.0 billion, up 30% year on year, which reflects anticipated growth in line with market recovery.

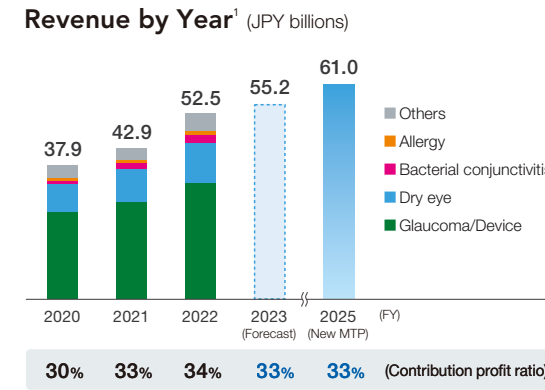
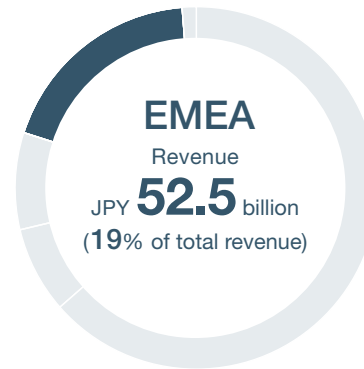
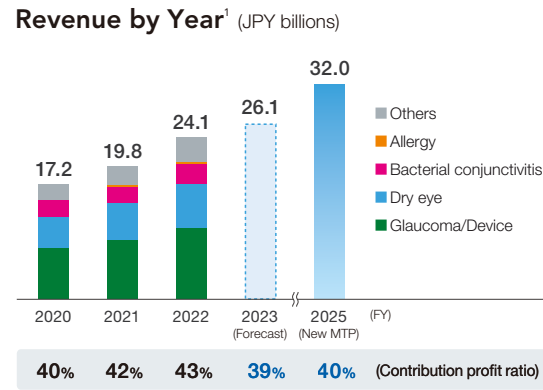
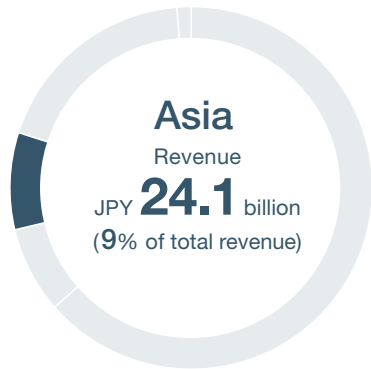
During the period of the new medium-term management plan through fiscal 2025, we will focus on building business capabilities for future market expansion and on achieving short-term growth. For the time being, we expect the market growth rate in China to be in the single digits,² but we believe that it will return to a major growth trajectory once new market segments such as myopia become established. Prior to that, there is ample room and the need to strengthen our business base in China.

Specifically, we will continue to expand our sales channel and market coverage by leveraging internal and external resources. In addition, we will focus on obtaining a leading position in prescription pharmaceuticals for the dry eye area, and developing the ecosystem for glaucoma and dry eye treatments. By leveraging our strong presence in China and steadily advancing these initiatives, we will achieve growth that greatly exceeds that of the market while also strengthening the foundation for medium- to long-term market expansion.

• Facts & Data

65 Overview by Region

¹ FY2023: Forecast as of May 11, 2023; FY2025: Target in Medium-Term Management Plan announced on April 13, 2023 ² Santen estimate



| | |
|----------------------|--|
| Opportunities | <ul style="list-style-type: none"> Improved diagnosis and treatment rates for eye conditions as the ophthalmic ecosystem develops Increasing interest in eye care in conjunction with economic development and rising household income, primarily in Southeast Asia Diversification of sales channels such as drugstores and pharmacies that support the end-to-end patient journey |
| Risks | <ul style="list-style-type: none"> Drug reimbursement price reductions and accelerated promotion of generics in government hospitals due to deteriorating national health insurance finances Improvement in quality of generics Stricter regulatory reviews that take cost-effectiveness into consideration in drug approval and insurance coverage |

| | |
|----------------------|---|
| Opportunities | <ul style="list-style-type: none"> Opportunity for further penetration of the world's second-largest market² Increase in glaucoma patient numbers due to aging populations, and dry eye patients due to higher disease awareness Opportunity to capture self-medication market for early-stage dry eye treatments |
| Risks | <ul style="list-style-type: none"> Changes in insurance reimbursement coverage and reductions in reimbursement prices in response to deteriorating healthcare finances in various countries Increase in cost of goods sold (COGS) due to outsourcing of manufacturing and other factors |

• Facts & Data

65 Overview by Region

In fiscal 2022, revenue was JPY 24.1 billion, up 22% year on year, due to growth in major markets such as South Korea and Thailand. For fiscal 2023, we forecast revenue of JPY 26.1 billion, up 8% year on year, mainly due to anticipated further growth in major markets centered on mainstay products such as *Cosopt*, *Diquas* and *Ikervis*.

During the period of the new medium-term management plan through fiscal 2025, we will accelerate business expansion in the glaucoma and dry eye areas, particularly in Vietnam and Thailand where our market share is large and there is room for growth, in addition to South Korea which accounts for more than half of regional sales. We aim to achieve double-digit growth that exceeds market growth by identifying potential patients and improving treatment adherence rates to grow the markets, particularly in these three countries.

Specifically, in addition to the introduction of ACT Pack, a glaucoma treatment adherence program already available in Japan, we will work to expand sales of products such as *Diquas* and *Ikervis* by promoting the concept of dry eye treatments. We will also tap into the OTC market for self-medication, which has high potential in Southeast Asia, by cultivating pharmacy channels that leverage the presence we have built in prescription pharmaceuticals.

In fiscal 2022, revenue was JPY 52.5 billion, up 22% year on year, due to solid sales of glaucoma and dry eye products in major markets. For fiscal 2023, we forecast revenue of JPY 55.2 billion, up 5% year on year, due to anticipated growth in sales of mainstay products including *Tapcom* and *Ikervis*, glaucoma device *PRESERFLO MicroShunt*, and contribution from newly launched products such as ROCK inhibitors for glaucoma treatment.

During the period of the new medium-term management plan through fiscal 2025, we will promote sales and market share expansion through the penetration of strategic products and new products in the glaucoma and dry eye areas, particularly in Western European countries where there are significant growth opportunities and the Nordic region where we have a strong presence.

Specifically, in the glaucoma area, in addition to our existing products, we will broadly contribute to patients by building market penetration for new products and candidates currently in our pipeline. These include ROCK inhibitors, which have been successively launched since January 2023, a pipeline candidate coded as Catioprost (STN1013001), a prostaglandin drug utilizing cationic emulsion technology, for which we have filed for approval, and *PRESERFLO MicroShunt*. In the dry eye area, we will work to expand prescription opportunities for *Ikervis* by establishing an appropriate treatment regimen for dry eye with inflammation, while utilizing digital tools to make inroads in the self-medication area.

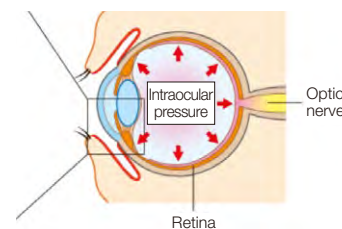
¹ FY2023: Forecast as of May 11, 2023; FY2025: Target in Medium-Term Management Plan announced on April 13, 2023 ² Copyright © 2023 IQVIA. IQVIA MIDAS 2022, Santen analysis based on IQVIA data. Reprinted with permission.

Overview of Eye Diseases

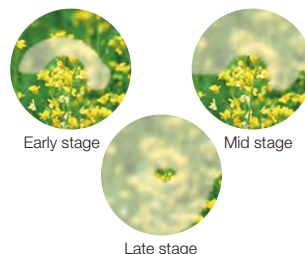
Glaucoma

The optic nerve transmits information from the eye to the brain. Glaucoma is a **common disease of middle and older age** in which the optic nerve is damaged and the visual field narrows. One cause of such damage is an elevation in intraocular pressure (a measure of eyeball hardness) beyond an individual's pressure tolerance. The disease is classified into various types depending on the cause, but normal tension glaucoma can develop even if intraocular pressure is within the normal range (the incidence of this type is higher in Japanese people than in Western populations).

In most cases, the disease does not present easily recognizable symptoms until it has progressed substantially, and **the vision loss that it causes is not reversible, which highlights the need for early detection and early treatment. The progress of glaucoma can be slowed with eye drops and surgical treatment, but the condition requires lifelong treatment.**

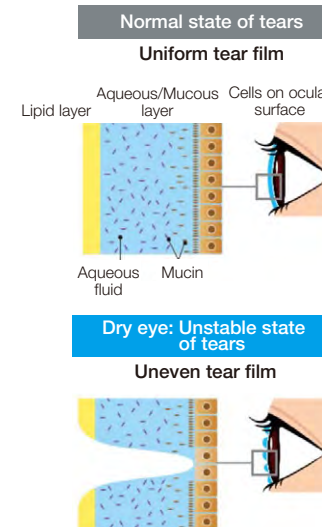


Change in Vision (Example shows vision in right eye)



Dry Eye

Tears play an important role in protecting the eyes. Dry eye occurs when the eyes produce tears that are insufficient or have an unbalanced composition, and it can lead to corneal and conjunctival damage. Symptoms include eye fatigue and dryness, discomfort and blurred vision. In the early stages, it may be difficult to notice the dryness, **but as the condition progresses, it can lead to a decrease in functional visual acuity, the onset of corneal infection, physical discomfort such as shoulder stiffness and headaches, and a decline in concentration, so it is essential to receive proper diagnosis and treatment from an ophthalmologist.** Causes include aging, air dryness (use of air conditioning), and wearing contact lenses, but in recent years, **the number of patients with dry eye caused by prolonged use of computers and smartphones has been increasing.**



Allergic Conjunctivitis (pollen allergy, etc.)

This is a disease in which pollen or another antigen (foreign matter that triggers an immune response) adheres to the surface of the eye, causing inflammation in the conjunctiva (the mucous membrane that lines the inside of the eyelids and the white part of the eyes). Symptoms include itching or redness of the eyes and a mucus discharge. **Besides seasonal allergic conjunctivitis in which symptoms only appears in certain seasons, such as the pollen season, there is also year-round allergic conjunctivitis, in which symptoms are seen throughout the year.** In addition, there is vernal keratoconjunctivitis (VKC), which mainly affects children, and giant papillary conjunctivitis, which occurs in people who use soft contact lenses. The disease is usually treated with drug therapy.

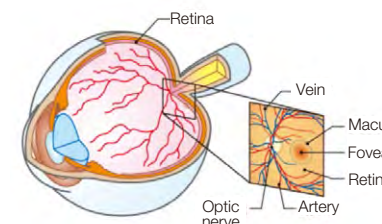
Common Allergens (Example: Japan)

| | |
|--------------------------------------|------------------|
| Japanese cedar pollen | (January–May) |
| Hinoki cypress pollen | (March–May) |
| Orchard grass pollen | (May–July) |
| Ragweed pollen | (August–October) |
| House dust (dust, mites, mold, etc.) | (Year-round) |
| Animal hair | (Year-round) |
| Contact lens dirt | (Year-round) |

Age-related Macular Degeneration (AMD)

A disease that occurs when the macula (the central part of the retina), is damaged and changes with aging, causing a loss of vision. Symptoms include objects appearing distorted, and the appearance of a dark or blind spot in the center of vision. **As with diabetic retinopathy and glaucoma, it is a major cause of blindness.**

There are two types of AMD: dry AMD (or “atrophic AMD”), in which the macular tissue atrophies with age, and wet AMD, in which new blood vessels form (neovascularization) under the retina and cause damage to the macula. For wet AMD, **typically an anti-vascular endothelial growth factor (anti-VEGF) treatment is used, in which drugs are injected intravitreally to inhibit the growth of new blood vessels.**



Examples of How AMD Affects Vision



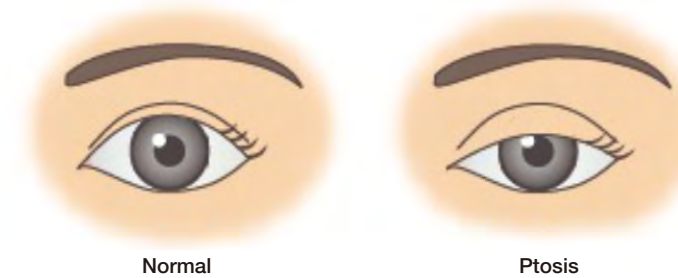
Facts & Data

67 Overview of Eye Diseases

— Ptosis

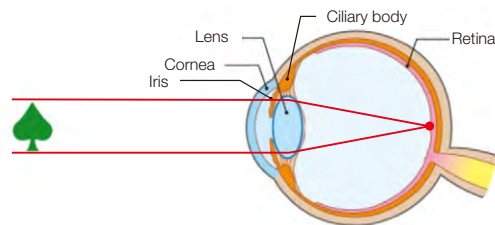
A drooping of the upper eyelid in one or both eyes due to partial or complete dysfunction of the muscles that elevate the upper eyelid. The disease may be congenital or acquired. Acquired ptosis is most often associated with aging, and reportedly affects approximately 10% of people over 50 years of age.¹ It may lead to reduced quality of life due to narrowing of the field of vision, pain around the eyebrows, shoulder stiffness, headaches, and physical appearance effects. A therapeutic agent for acquired ptosis has been approved and is available in the U.S., but otherwise the only treatment at present is surgery.

¹ Age Ageing. 1995 Jan;24(1):21-4



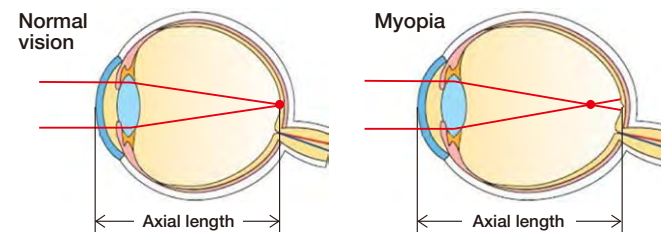
How We See

Light that enters the eye is refracted through the cornea and lens, and projects an image onto the retina. In order for the eyes to focus, the ciliary body controls the thickness of the lens and the iris adjusts the amount of light.



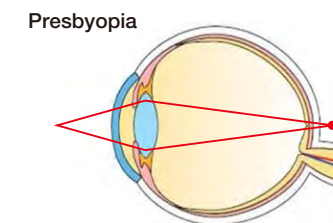
— Myopia

Commonly known as “nearsightedness,” myopia is a condition in which images are focused in front of the retina, instead of directly on it, due to causes such as elongation of the axial length (front to back) of the eye. As a result, distant objects appear blurry due to being out of focus. In addition to simple myopia, which typically begins in children around primary/secondary school age due to genetics or environmental factors, there is also pathologic myopia, a progressive disease that begins in early childhood. In the case of pathologic myopia, the retina is stretched out and becomes very thin because the eyeballs grow too long. The eye is vulnerable even to gentle impacts, which make it more susceptible to atrophy due to cracks and bleeding in the center of the retina or retinal detachment in which the retina detaches from the fundus. Simple myopia can be corrected with eyeglasses or contact lenses, and eye drops and surgical treatment options are available depending on the condition of myopia.



— Presbyopia

The lens of the eye refracts incoming light and adjusts the focus on the retina. In presbyopia the flexibility of the lens weakens with age, which results in worsening ability to focus on close objects. Shoulder stiffness, eye fatigue, headaches and nausea are among the symptoms that may be experienced. While eye drop treatments that create a pinhole effect have been approved in some regions of the world, the most common remedy is correction with eyeglasses, contact lenses or intraocular lenses.



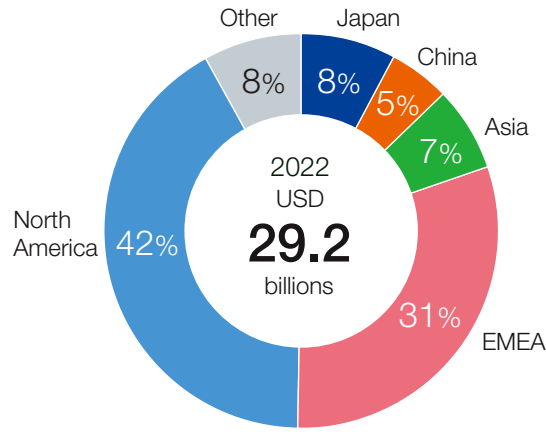
• Facts & Data

67 Overview of Eye Diseases

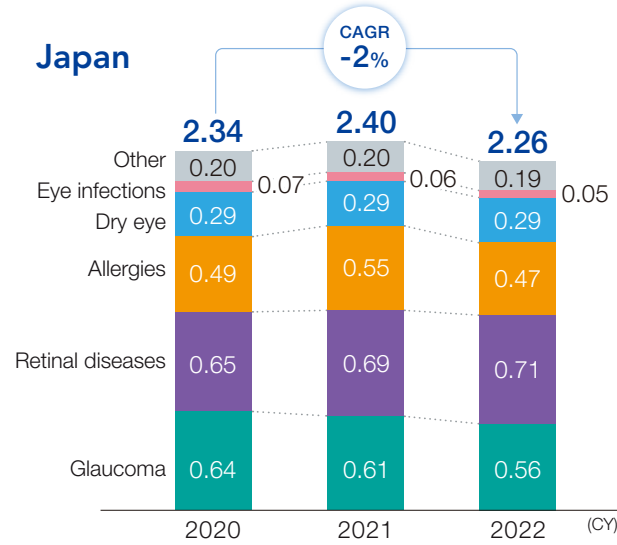
Ophthalmology Market Data

(USD billions)

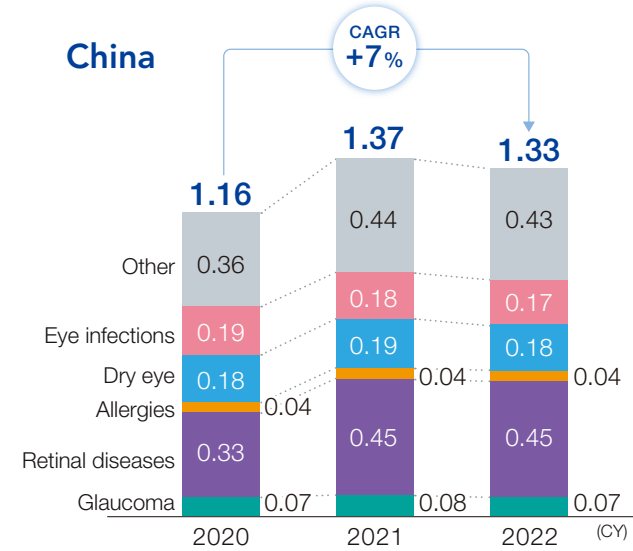
Global



Japan



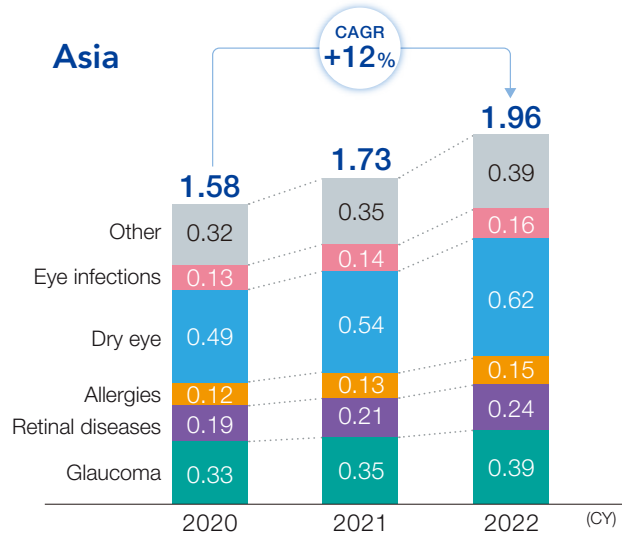
China



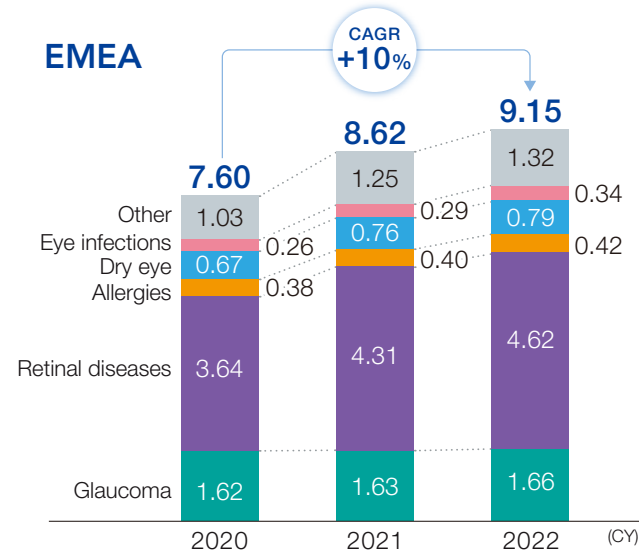
• Facts & Data

69 Ophthalmology Market Data

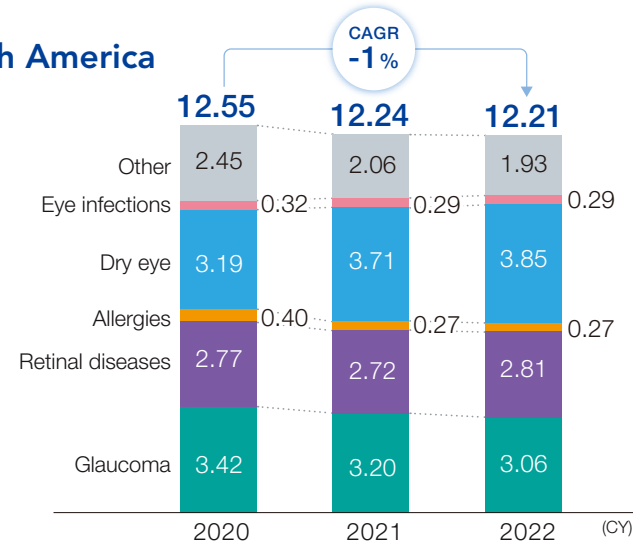
Asia



EMEA

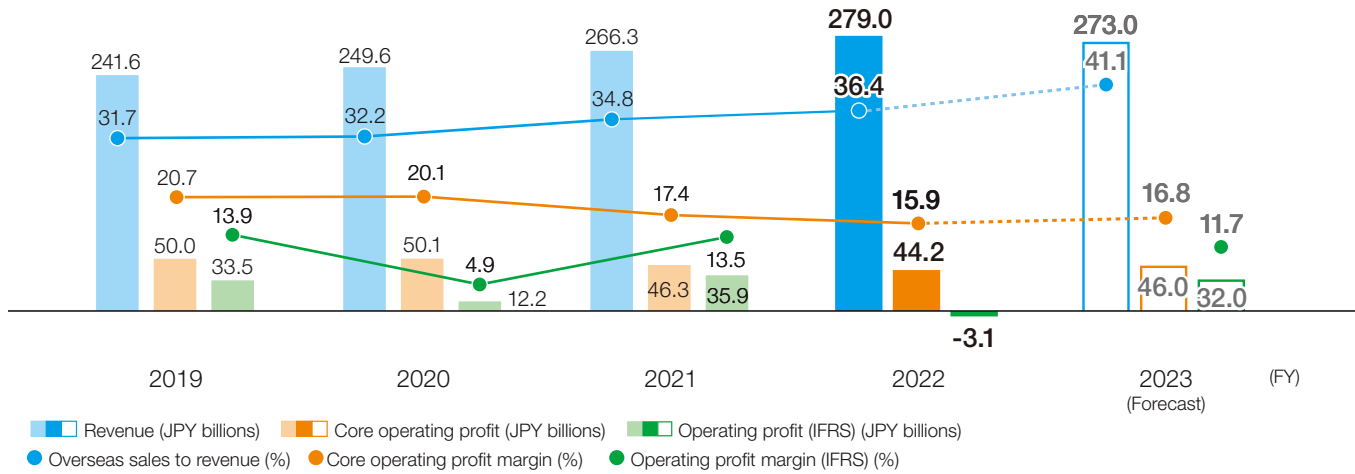


North America

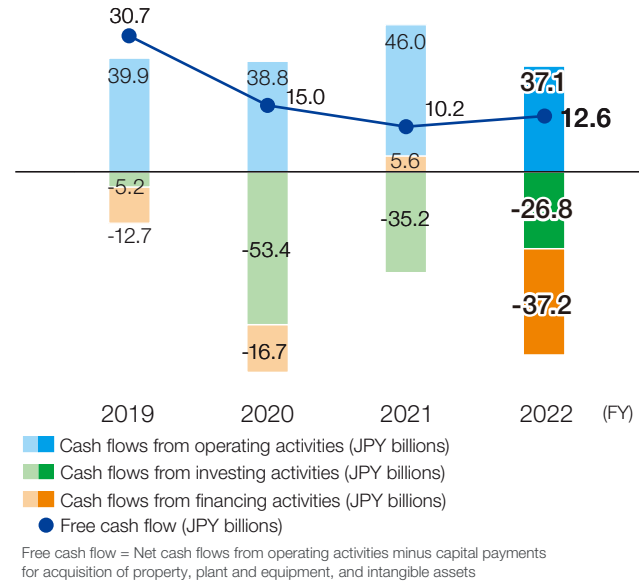


Financial and Non-Financial Highlights (Financial)

Revenue and Overseas Sales to Revenue; Core/IFRS Operating Profit and Operating Profit Margin



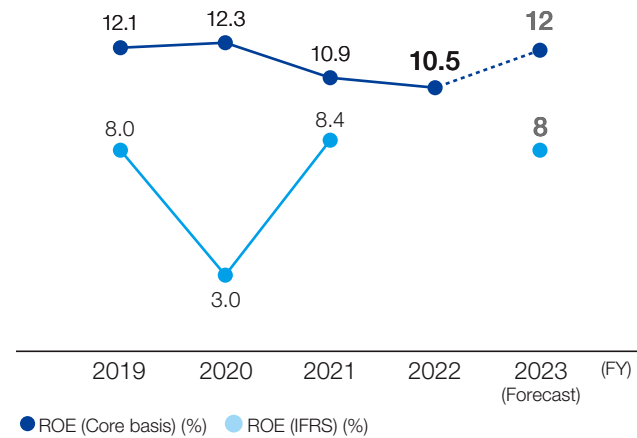
Cash Flows



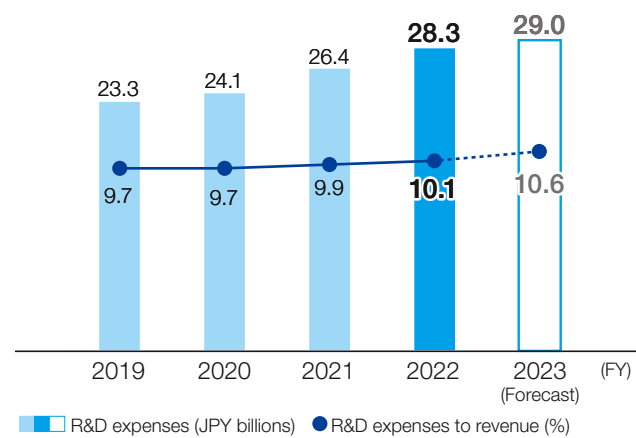
• Facts & Data

70 Financial and Non-Financial Highlights

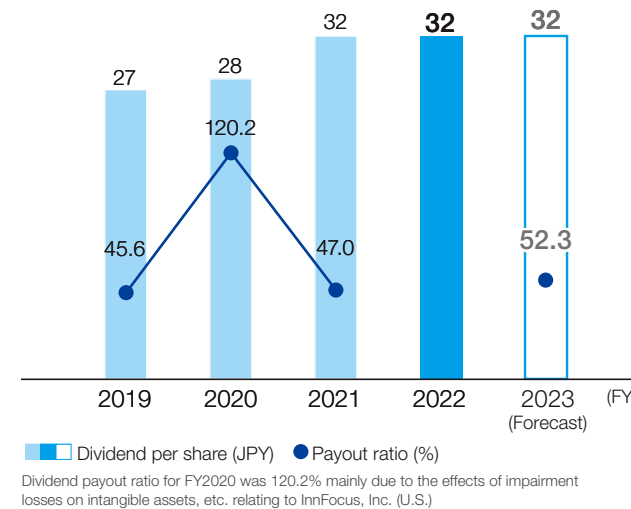
ROE



R&D Expenses and R&D Expenses to Revenue



Dividend per Share and Payout Ratio

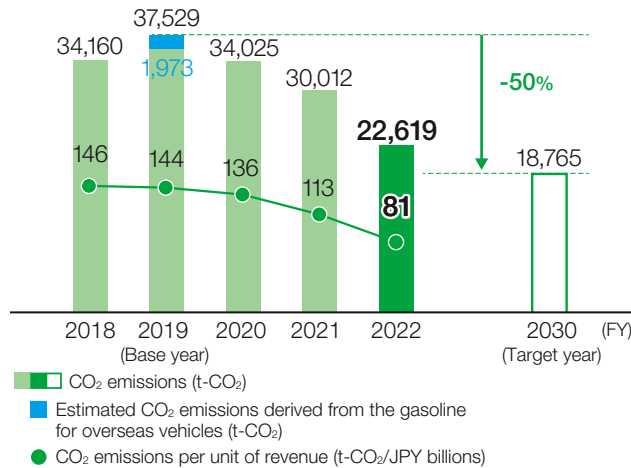


Note: As a result of the completion of the purchase price allocation of Eyevance Pharmaceuticals Holdings Inc. (U.S.) in the second quarter of FY2021, figures for FY2020 have been retroactively restated.

Financial and Non-Financial Highlights (Non-Financial)

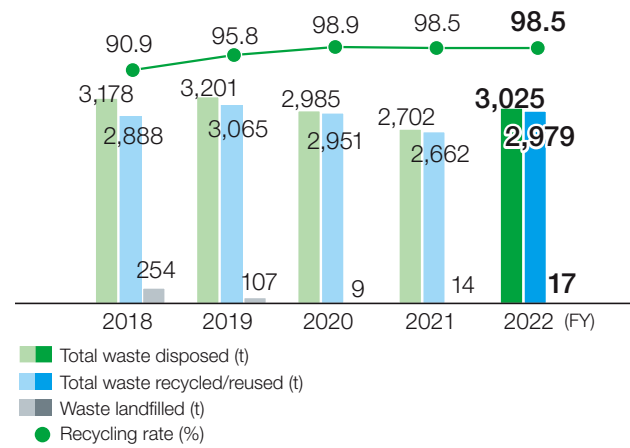
Environment

CO₂ Emissions

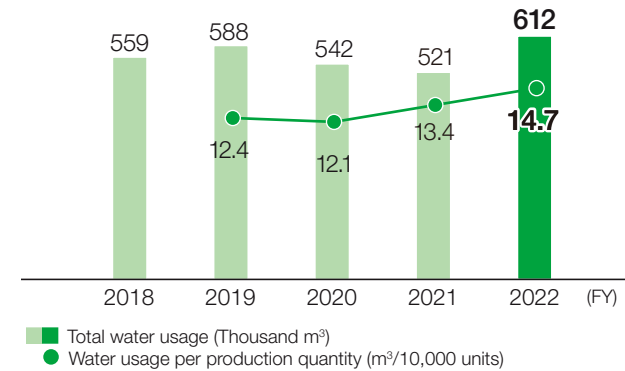


Note: With the setting of targets for FY2030, the boundary and CO₂ conversion factors have been revised to the SBT standard and retroactively revised from FY2019 onward.
 CO₂ emissions before revision of the standard include the emissions of the Tampere Plant (Finland).
 CO₂ emissions in FY2019 include emissions derived from gasoline in overseas sales vehicles.

Waste and Related Data



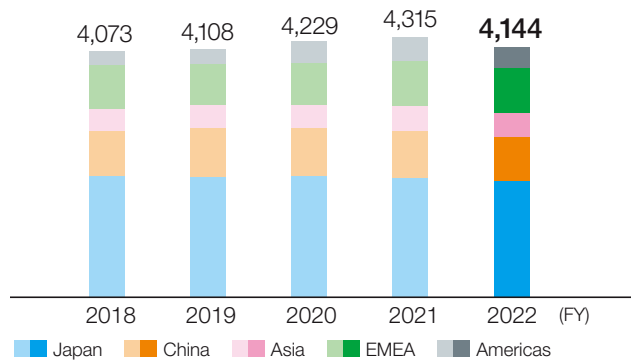
Total Water Usage



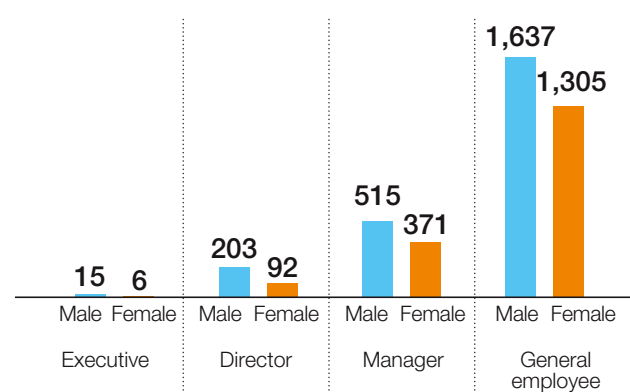
• Facts & Data

Human Resources

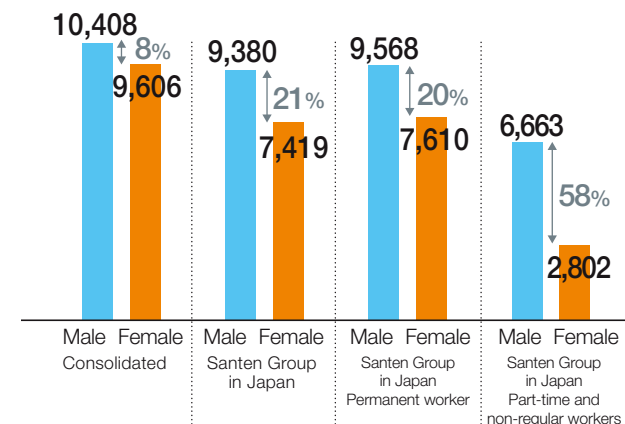
Number of Employees



Number of Employees by Gender and Rank (FY2022)



Average Annual Salary by Gender (FY2022; JPY thousands)

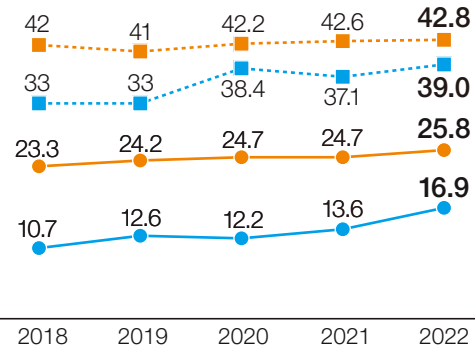


Note: This gender differences in wages are not based on the wage system or structure. The differences are primarily due to differences in the ratio of male to female managers and employment status.

70 Financial and Non-Financial Highlights

Human Resources

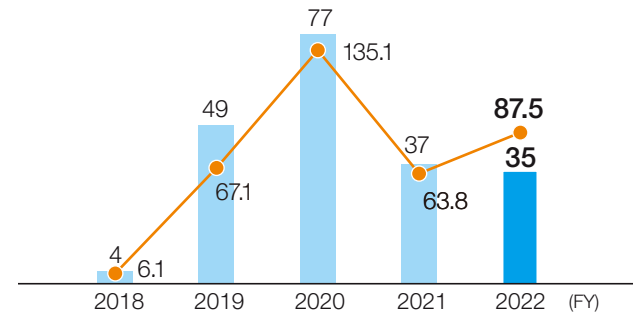
Female Employee and Female Manager Ratios



■ Female employee ratio (consolidated) (%)
● Female employee ratio (Santen Group in Japan*) (%)
■ Female manager ratio (consolidated) (%)
● Female manager ratio (Santen Group in Japan*) (%)

* Non-consolidated until FY2021
 Note: The method of calculating the consolidated female employee ratio and female manager ratio was changed in FY2020.

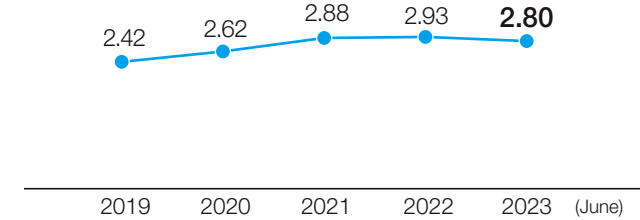
Male Employees Taking Childcare Leave



■ Number of male employees taking childcare leave (Santen Group in Japan)
● Percentage of eligible male employees taking childcare leave (Santen Group in Japan) (%)

Note: The method of calculating the number and rate of male employees taking childcare leave was changed in FY2021.

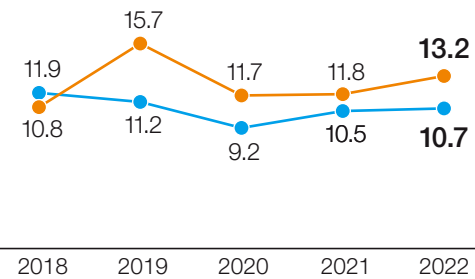
Ratio of Employees with Disabilities (%)



Santen Pharmaceutical Co., Ltd. and consolidated subsidiaries in Japan (as of June of each year)

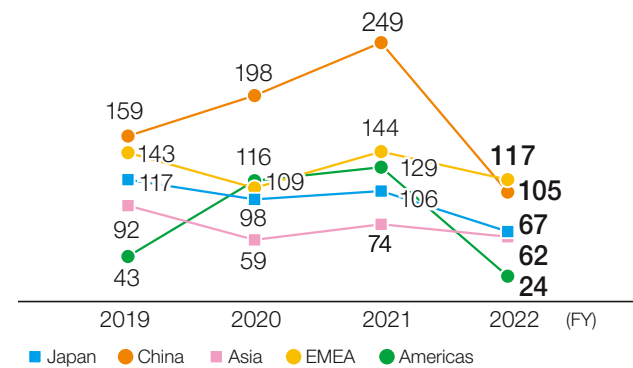
• Facts & Data

Average Days of Annual Paid Leave and Average Monthly Overtime



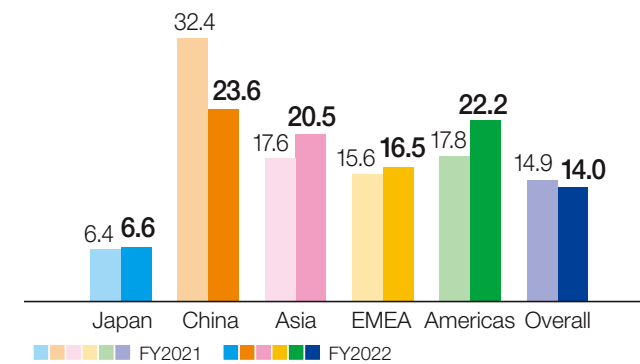
● Average days of annual paid leave (Santen Group in Japan) (Days)
● Average monthly overtime hours (Santen Group in Japan) (Hours/employee/month)

Number of Newly Hired Employees



■ Japan ■ China ■ Asia ■ EMEA ■ Americas

Employee Turnover (%)



■ ■ FY2021 ■ ■ ■ ■ FY2022

70 Financial and Non-Financial Highlights

MD&A

For financial-related materials, please see the Company's website.

Summary of Consolidated Results in FY2022

Revenue in the fiscal year ended March 31, 2023 (FY2022) increased to JPY 279.0 billion (+4.8% year on year). Main factors included the strong impact of strict measures in China to prevent the spread of COVID-19 and the subsequent wave of infections after the measures were lifted, offset by efforts in Japan to minimize the impact of drug price revisions by focusing on expanding sales of mainstay products such as *Alesion* products, stable growth in mainstay products in Asia and EMEA, and the FX impact.

Gross profit increased to JPY 166.1 billion (+6.1% year on year).

SG&A expenses on a core basis increased to JPY 93.5 billion (+11.6% year on year) mainly due to FX impact and increases in personnel costs. R&D expenses increased to JPY 28.3 billion (+7.3% year on year), and given that 60% of these expenses were foreign-currency denominated, the total was impacted by the weak yen. As a result, core operating profit came to JPY 44.2 billion (-4.5% year on year).

SG&A expenses on an IFRS basis totaled JPY 96.3 billion (+13.9% year on year) after factoring in JPY 2.7 billion in non-core SG&A expenses, comprising costs mainly related to initiatives for re-growth such as productivity improvements and streamlining measures.

Amortization of intangible assets associated with products decreased to JPY 9.5 billion (-2.2% year on year) and other income was JPY 3.5 billion, mainly due to the change in fair value of the contingent consideration associated with the acquisition of InnFocus, Inc. (U.S.) in 2016. Other expenses totaled JPY 38.6 billion due to the recording of impairment losses for the total book value of fixed and intangible assets of businesses in the Americas (goodwill and development and sales rights associated with Eyevance Pharmaceuticals Holdings Inc. and its business unit Eyevance Pharmaceuticals LLC), on intangible assets related to R&D pipeline projects (STN1010904 and STN1010905), and also due to structural reform expenses associated with efforts to maximize the streamlining of the pharmaceutical commercial business in the Americas. As a result, operating loss on an IFRS basis was JPY 3.1 billion (operating profit of JPY 35.9 billion in the previous fiscal year).

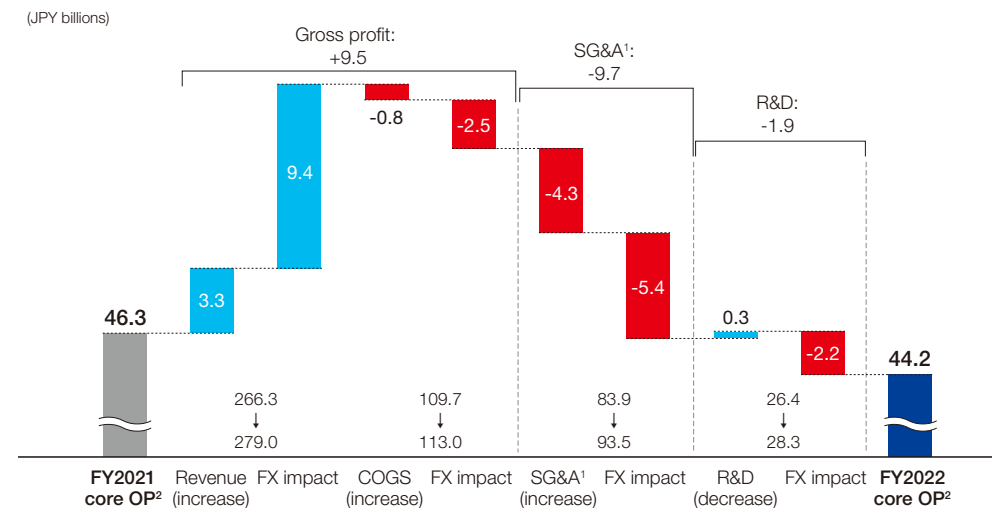
Finance income was JPY 1.2 billion. Finance expenses were JPY 1.5 billion. Share of loss of investments accounted for using equity method was JPY 2.4 billion, mainly from Twenty Twenty Therapeutics LLC (U.S.), a joint venture with Verily Life Sciences LLC (U.S.).

Income tax expenses increased JPY 0.8 billion to JPY 9.2 billion. This is mainly due to a decrease in profit before tax for FY2022, associated with the aforementioned posting of an operating loss (operating profit in the previous fiscal year) on an IFRS basis despite a recognition of liabilities based on the estimated amount of corporate tax to be revised, during the process of negotiations with the Japanese tax authorities regarding tax audit for the period FY2017 to FY2020.

As a result, net loss in FY2022 was JPY 15.0 billion (net profit of JPY 27.2 billion in the previous fiscal year), with net loss attributable to owners of the company of JPY 14.9 billion (net profit attributable to owners of the company of JPY 27.2 billion in the previous fiscal year).

• Facts & Data

Breakdown of Factors Contributing to Core Operating Profit



¹ Core basis ² Core operating profit

Revenue and Contribution Profit by Region

In the Japan business, revenue from prescription pharmaceuticals increased 1.9% year on year to JPY 162.8 billion. The relatively high (mid 4%–5%) NHI drug price revisions compared with recent years, and the impact from *Alesion* products becoming subject to market expansion re-pricing, were offset by a focus on expanding revenue from mainstay products such as *Alesion* products and the launch of *Diquas LX*, an improved formulation of existing product *Diquas*, in November 2022. Revenue from OTC products in Japan increased 4.5% year on year to JPY 9.6 billion. Factors included focusing on high-end products as well as Rx-to-OTC switch products such as *Hyalein S* and the *Sante FX* series, and *Well-Wash EYE*, an eye-drop-type eye wash launched in FY2021. Revenue from medical devices in Japan increased 4.0% year on year to JPY 3.3 billion. As a result, in Japan, revenue increased 2.2% year on year to JPY 177.4 billion. Contribution profit increased 6.3% year on year to JPY 70.3 billion and the contribution profit ratio improved 1.5 points to 39.6%.

In China, revenue decreased 20.8% year on year (–29.4% excluding FX impact) to JPY 21.5 billion. Factors included the impact of strict COVID-19 measures and the subsequent significant wave of infections after the lifting of these measures. Contribution profit decreased

42.4% year on year to JPY 6.7 billion and the contribution profit ratio declined by 11.6 points to 30.9%.

In Asia, revenue increased 21.7% year on year (+10.8% excluding FX impact) to JPY 24.1 billion. Factors included the successful promotion of mainstay products. Contribution profit increased 25.4% year on year to JPY 10.4 billion and the contribution profit ratio improved 1.3 points to 42.9%.

In EMEA, revenue increased 22.4% year on year (+12.1% excluding FX impact) to JPY 52.5 billion. Factors included growth in mainstay products in each market. Contribution profit increased 25.8% to JPY 18.0 billion and the contribution profit ratio improved 0.9 points to 34.4%.

In the Americas, revenue increased 28.5% year on year (+9.5% excluding FX impact) to JPY 3.5 billion. Contribution loss increased JPY 0.1 billion year on year to JPY 4.5 billion. The Company has maximized streamlining of the pharmaceutical commercial business from the fourth quarter of FY2022.

• Facts & Data

Financial Position

Total assets were JPY 421.2 billion, down JPY 38.8 billion from the end of fiscal 2021. Despite an increase from JPY 56.3 billion to JPY 66.2 billion in property, plant and equipment related to the construction of the No. 3 Plant for the manufacture of prescription pharmaceutical eye drops at the Shiga Product Supply Center, as well as an increase in trade and other receivables from JPY 99.6 billion to JPY 107.2 billion, there was a decrease in intangible assets from JPY 130.2 billion in the previous fiscal year to JPY 96.3 billion associated with the impairment of intangible assets (goodwill and development and sales rights) associated with Eyevance Pharmaceuticals Holdings Inc. (U.S.) and Eyevance Pharmaceuticals LLC (U.S.), and a decrease in cash and cash equivalents from JPY 83.0 billion in the previous fiscal year to JPY 57.9 billion associated with payments of dividends and share repurchases.

Equity was JPY 293.3 billion, down JPY 43.5 billion from the end of FY2021. Factors included the cancellation of treasury shares and a decline in retained earnings resulting from the net loss for the period, despite an increase in other components of equity. The Company

completed the cancellation of treasury shares of JPY 13.0 billion (12.5 million shares) on October 31, 2022 and JPY 13.0 billion (12.37 million shares) on March 31, 2023.

Liabilities were JPY 127.9 billion, up JPY 4.7 billion from the end of FY2021. Among other factors, the decrease in other financial liabilities related to the repayment of short-term loans from JPY 38.5 billion to JPY 25.9 billion was more than offset by an increase in financial liabilities from JPY 22.0 billion to JPY 33.5 billion associated with a long-term loan to finance capital expenditures for the construction of the No.3 Plant at the Shiga Product Supply Center and trade and other payables increased from JPY 41.2 billion to JPY 44.9 billion. Short-term loans decreased from JPY 10.9 billion in the previous fiscal year to JPY 250 million, and long-term loans increased from JPY 12.7 billion in the previous fiscal year to JPY 28.2 billion.

As a result, the ratio of equity attributable to owners of the company to total assets decreased 3.6 points from the end of the previous fiscal year to 69.8%.

Cash Flows

Cash flows from operating activities amounted to an inflow of JPY 37.1 billion (inflow of JPY 46.0 billion in the previous fiscal year). Main factors included the net loss of JPY 15.0 billion, the recording of an impairment loss of JPY 34.6 billion mainly from impairment on intangible assets associated with Eyevance Pharmaceuticals Holdings Inc. (U.S.) and Eyevance Pharmaceuticals LLC (U.S.), JPY 17.2 billion in depreciation and amortization, JPY 9.2 billion in corporate tax expenses, an increase of JPY 6.4 billion in trade and other receivables and the payment of JPY 7.8 billion in corporate tax.

Cash flows from investing activities amounted to an outflow of JPY 26.8 billion (outflow of JPY 35.2 billion in the previous fiscal year). Main factors included payments for the acquisition of property, plant and equipment of JPY 17.3 billion and payments for the acquisition of intangible assets of JPY 7.3 billion. There was a cash inflow of JPY 2.1 billion from the sale of three equity holdings in FY2022 as part of the accelerated review of strategic shareholdings.

Outlook for FY2023

Revenue is forecast to be JPY 273.0 billion, down 2.2% year on year, while core operating profit, an indicator of profitability from business activities, is expected to increase 4.0% year on year to JPY 46.0 billion. The Company projects continued stable growth in the overseas businesses; however, revenue in the Japan business is expected to decrease with the impact from the launch of generic drugs. SG&A expenses on a core basis are forecast to be JPY 87.0 billion, down 7.0% from the previous fiscal year, based on ongoing measures to reassess investments, optimize costs, and improve productivity; R&D expenses are projected to be JPY 29.0 billion, up 2.5% from the previous fiscal year, to fund future growth. Core operating profit is expected to increase 4.0% year on year to JPY 46.0 billion, based on expected profitability improvement through structural reforms centered on maximizing streamlining of the Americas business and cost optimization, and taking into account the effects of rising procurement costs on COGS, and SG&A and R&D expenses.

On an IFRS basis, operating profit is forecast to be JPY 32.0 billion and net profit is forecast to be JPY 22.4 billion.

These forecasts are based on assumed foreign exchange rates of USD 1 = JPY 130, EUR 1 = JPY 140 and CNY 1 = JPY 19.0.

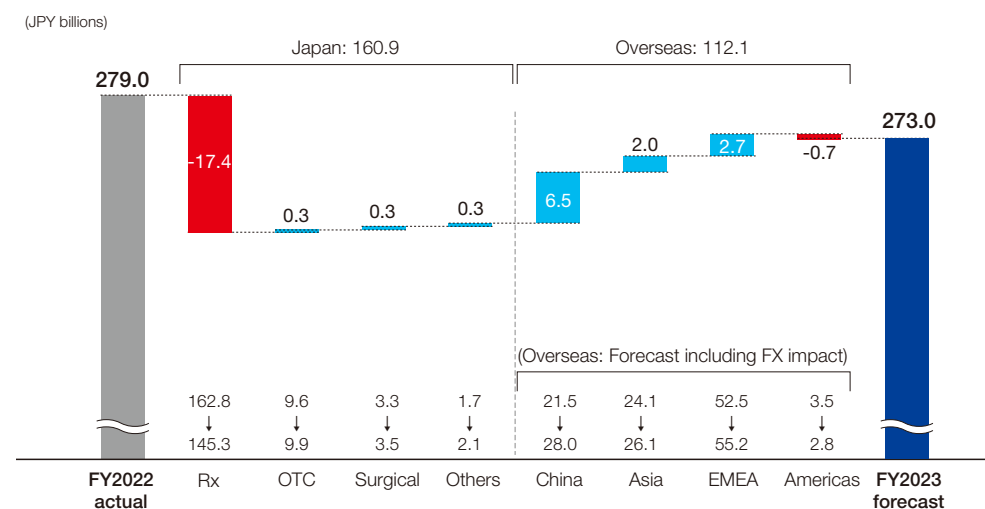
Capital expenditures were JPY 21.1 billion (JPY 22.2 billion in the previous fiscal year). With the aim of addressing expanding demand and reinforcing its production and supply structure, Santen has added a prescription ophthalmic solution manufacturing building on the site of its Shiga Product Supply Center. The Company also commenced investment in a new factory for Santen Pharmaceutical (China) Co., Ltd. and has invested in a next-generation enterprise resource planning (ERP) system.

Cash flows from financing activities amounted to an outflow of JPY 37.2 billion (inflow of JPY 5.6 billion in the previous fiscal year). Despite the cash inflow of JPY 15.6 billion from long-term loans, the main factors behind the outflow were cash outflows of JPY 11.3 billion for short-term loan payments, JPY 26.0 billion for share repurchases and JPY 12.6 billion for dividends.

As a result, cash and cash equivalents at the end of the fiscal year decreased JPY 25.1 billion from the end of the previous fiscal year to JPY 57.9 billion.

• Facts & Data

Outlook for Factors Contributing to Revenue



Eleven-Year Summary of Selected Financial Data

| | JPY millions | | | | | | | | | | |
|---|--------------|---------|---------|---------|---------|---------|---------|---------|---------------------|---------|----------------|
| | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 ³ | FY2021 | FY2022 |
| | JGAAP | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| For the year: | | | | | | | | | | | |
| Net sales/Revenue | 119,066 | 146,260 | 161,831 | 195,291 | 199,096 | 224,942 | 234,026 | 241,555 | 249,605 | 266,257 | 279,037 |
| Cost of sales | 41,501 | 57,353 | 56,373 | 72,829 | 74,966 | 86,378 | 90,764 | 94,831 | 98,221 | 109,671 | 112,950 |
| Selling, general and administrative expenses ¹ | 36,164 | 41,642 | 48,893 | 59,406 | 62,193 | 68,788 | 71,273 | 73,360 | 79,554 | 84,499 | 96,257 |
| Research and development expenses | 16,719 | 16,862 | 17,477 | 19,990 | 22,786 | 24,398 | 23,759 | 23,341 | 24,112 | 26,377 | 28,297 |
| Operating profit/loss | 24,681 | 29,878 | 35,374 | 80,180 | 32,479 | 38,691 | 45,098 | 33,535 | 12,187 | 35,886 | -3,090 |
| Core operating profit | — | 30,403 | 39,088 | 43,067 | 39,687 | 45,378 | 48,230 | 50,023 | 50,101 | 46,348 | 44,242 |
| Income taxes/Income tax expenses | 9,070 | 10,643 | 11,831 | 26,097 | 8,331 | 4,000 | 11,174 | 10,377 | 2,562 | 8,427 | 9,184 |
| Net income/Net profit/loss for the year | 16,520 | 19,718 | 24,032 | 53,373 | 21,724 | 35,261 | 31,943 | 21,714 | 9,126 | 27,189 | -14,983 |
| Core net profit for the year | — | 19,813 | 25,948 | 29,163 | 29,125 | 33,458 | 36,092 | 35,894 | 37,549 | 35,195 | 33,235 |
| At year-end: | | | | | | | | | | | |
| Total assets | 199,640 | 237,640 | 304,200 | 355,399 | 358,906 | 388,463 | 391,186 | 408,768 | 405,285 | 459,976 | 421,179 |
| Net assets/Total equity | 165,132 | 187,210 | 211,779 | 260,009 | 255,929 | 287,557 | 292,572 | 302,560 | 309,646 | 336,844 | 293,297 |
| Total liabilities | 34,507 | 50,430 | 92,421 | 95,391 | 102,977 | 100,905 | 98,614 | 106,208 | 95,639 | 123,133 | 127,883 |
| Cash flows: | | | | | | | | | | | |
| Net cash flows from (used in) operating activities | 9,942 | 26,686 | 25,386 | 22,525 | 10,843 | 42,843 | 32,894 | 39,947 | 38,808 | 46,043 | 37,147 |
| Net cash flows from (used in) investing activities | -4,595 | -7,847 | -61,709 | 37,052 | -28,201 | -8,259 | -2,935 | -5,175 | -53,355 | -35,169 | -26,777 |
| Net cash flows from (used in) financing activities | -21,557 | -7,954 | 28,960 | -24,066 | -28,657 | -17,631 | -28,107 | -12,729 | -16,685 | 5,557 | -37,220 |
| Capital expenditures/Payments for acquisition of property, plant and equipment, and intangible assets | 3,609 | 5,879 | 66,440 | 9,092 | 9,500 | 9,937 | 8,332 | 9,228 | 23,804 | 35,841 | 24,589 |
| Depreciation and amortization | 3,291 | 2,841 | 6,958 | 9,338 | 9,882 | 10,896 | 10,969 | 16,573 | 17,498 | 17,055 | 17,249 |
| Free cash flow ² | 6,334 | 20,807 | -41,054 | 13,433 | 1,342 | 32,906 | 24,562 | 30,719 | 15,004 | 10,203 | 12,558 |
| Interest coverage ratio (times) | 3,037.8 | 2,855.4 | 309.8 | 230.9 | 206.6 | 1,573.6 | 4,330.0 | 210.1 | 244.6 | 191.6 | 79.9 |

• Facts & Data

76 Eleven-Year Summary of Selected Financial Data

¹ Research and development expenses are excluded under JGAAP.

² Free cash flow = Net cash flows from operating activities minus capital payments for acquisition of property, plant and equipment, and intangible assets

³ As a result of the completion of the purchase price allocation of Eyeavance Pharmaceuticals Holdings Inc. (U.S.) in the second quarter of FY2021, figures for FY2020 have been retroactively restated.

JPY millions

| | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 ⁴ | FY2021 | FY2022 |
|---|----------|--------|--------|---------|---------|---------|---------|---------|---------------------|---------|----------------|
| | JGAAP | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| Per share data¹ (JPY): | | | | | | | | | | | |
| EPS (Net income/Basic earnings) | 195.81 | 47.78 | 58.18 | 128.99 | 52.96 | 86.73 | 78.67 | 59.16 | 23.30 | 68.07 | -38.60 |
| Core EPS | — | 48.01 | 62.82 | 70.48 | 70.99 | 82.29 | 88.89 | 90.00 | 94.09 | 88.16 | 85.86 |
| Equity/Equity attributable to owners of the company ² | 1,998.44 | 452.43 | 511.14 | 627.78 | 628.09 | 702.54 | 728.97 | 758.50 | 776.16 | 843.60 | 783.30 |
| Cash dividends, applicable to the period | 20.00 | 20.00 | 22.00 | 25.00 | 26.00 | 26.00 | 26.00 | 27.00 | 28.00 | 32.00 | 32.00 |
| Financial KPIs and other data: | | | | | | | | | | | |
| ROE (Return [Net income] on equity/Return [Net profit for the year] on equity attributable to owners of the company) (%) ² | 10.0 | 11.1 | 12.0 | 22.6 | 8.4 | 13.0 | 11.1 | 8.0 | 3.0 | 8.4 | -4.7 |
| Core ROE (%) | — | 11.2 | 13.0 | 12.4 | 11.3 | 12.4 | 12.5 | 12.1 | 12.3 | 10.9 | 10.5 |
| ROA (Return [Net income/Net profit for the year] on total assets) (%) | 8.3 | 8.9 | 8.9 | 16.2 | 6.1 | 9.4 | 8.2 | 5.4 | 2.2 | 6.3 | -3.4 |
| Equity ratio/Equity attributable to owners of the company ratio (%) ² | 82.6 | 78.8 | 69.6 | 73.2 | 71.1 | 73.6 | 74.4 | 74.1 | 76.5 | 73.4 | 69.8 |
| Debt equity ratio (Interest-bearing debt ³ to equity ratio/Interest-bearing debt to equity attributable to owners of the company ratio) (times) ² | 0.0 | 0.0 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| PER (Price earnings ratio) (times) | 22.7 | 19.2 | 30.1 | 13.1 | 30.4 | 19.8 | 21.0 | 31.4 | 65.4 | 18.0 | -29.3 |
| Dividend payout ratio (%) | 51.1 | 41.9 | 37.8 | 19.4 | 49.1 | 30.0 | 33.0 | 45.6 | 120.2 | 47.0 | — |
| Issued shares at fiscal year-end (thousands, including treasury shares) | 82,469 | 82,583 | 82,653 | 414,192 | 406,173 | 406,848 | 399,782 | 400,028 | 400,369 | 400,695 | 375,886 |
| Number of employees | 3,050 | 3,072 | 3,230 | 3,463 | 3,667 | 3,805 | 4,073 | 4,108 | 4,229 | 4,315 | 4,144 |

• Facts & Data

76 Eleven-Year Summary of Selected Financial Data

¹ The Company conducted a five-for-one share split of ordinary shares on the effective date of April 1, 2015. Per share data other than cash dividends applicable to the period for fiscal 2013 and the subsequent fiscal years are calculated under the assumption that the share split took effect at the beginning of fiscal 2013. Cash dividends applicable to the period have been retrospectively adjusted to reflect the impact of the share split.

² Equity is calculated by deducting stock subscription rights from net assets under JGAAP.

³ Excludes lease obligations

⁴ As a result of the completion of the purchase price allocation of Eyeavance Pharmaceuticals Holdings Inc. (U.S.) in the second quarter of FY2021, figures for FY2020 have been retroactively restated.

Santen's History



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

Establishment
— Laying the Foundation
1890–1989

1890
Santen kicks off by taking the challenge of contributing to people's health

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

1950s
Pursuing a strategy centered on eye drops, and expanding into prescription pharmaceuticals

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

Growth
1990–2009

1990s
Strengthening the global production system toward internationalization and entering the European market

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

A Brief History of Santen's Product Innovation
Note: Major products based on year of launch

| | | |
|--|--|--|
| <p>1890 Heburin-gan (cold medication)</p>  | <p>1899 Daigaku Eye Drops</p>  | |
| <p>1962 Mydrin-P (mydriatic)</p>  | <p>1962 Super Sante</p>  | <p>1987 Tarivid (anti-infective ophthalmic)</p>  |
| <p>1991 Sante FX</p>  | <p>1992 Kary Uni (treatment for early-stage senile cataracts)</p>  | <p>1995 Hyalein (treatment for corneal disorders)</p>  |

• Facts & Data

Growth

1990-2009

Transformation

2010 and beyond

2000s

Expanding solutions and building a business foundation in Asia

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

2010s

Rapidly accelerating globalization to contribute to eye health worldwide

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

2020s

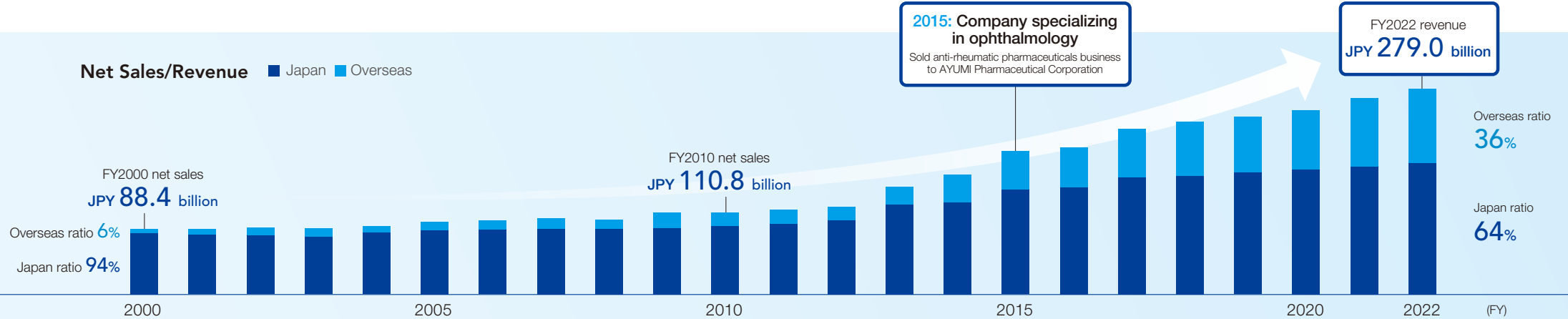
Aspiring to Become A Social Innovator to deliver happiness through vision

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



• Facts & Data

78 Santen's History



Stock Information (As of March 31, 2023)

Major Shareholders (Top 10)

| Name / Company Name | Number of Shares Owned (1,000 shares) | Holding Ratio (%) |
|--|---------------------------------------|-------------------|
| The Master Trust Bank of Japan, Ltd. (Trust account) | 73,458 | 19.5 |
| Custody Bank of Japan, Ltd. (Trust account) | 31,135 | 8.3 |
| BNYM AS AGT/CLTS NON TREATY JASDEC | 17,410 | 4.6 |
| STATE STREET BANK AND TRUST COMPANY 505223 | 13,033 | 3.5 |
| Nippon Life Insurance Company | 10,662 | 2.8 |
| MUFG Bank, Ltd. | 9,318 | 2.5 |
| GOVERNMENT OF NORWAY | 7,421 | 2.0 |
| Custody Bank of Japan, Ltd. as trustee for Eisai Co., Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd. | 6,863 | 1.8 |
| Ono Pharmaceutical Co., Ltd. | 6,722 | 1.8 |
| STATE STREET BANK AND TRUST COMPANY 505103 | 5,202 | 1.4 |

Yearly High and Low Prices (JPY)

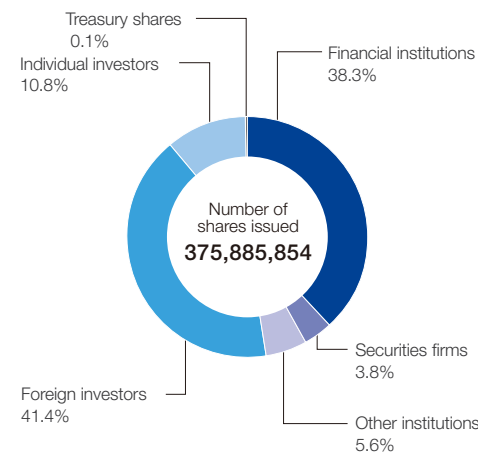
| FY | 2018 | 2019 | 2020 | 2021 | 2022 |
|------|-------|-------|-------|-------|-------|
| High | 2,061 | 2,234 | 2,216 | 1,718 | 1,251 |
| Low | 1,450 | 1,408 | 1,370 | 1,210 | 956 |

Total Shareholder Return

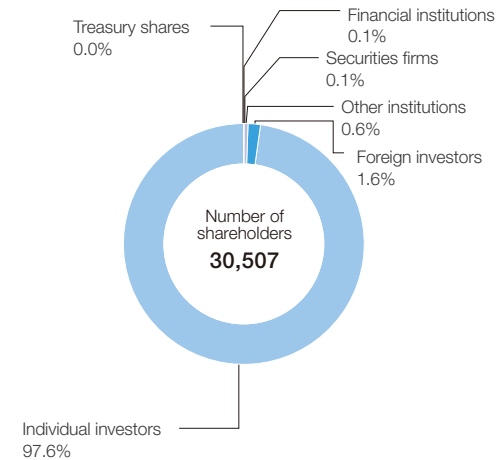
| FY | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------|-------|-------|-------|-------|
| Total shareholder return (%) | 97.7 | 111.4 | 93.5 | 78.1 | 74.3 |
| Comparative index: TOPIX including dividends (%) | 95.0 | 85.9 | 122.1 | 124.6 | 131.8 |

Composition of Shareholders

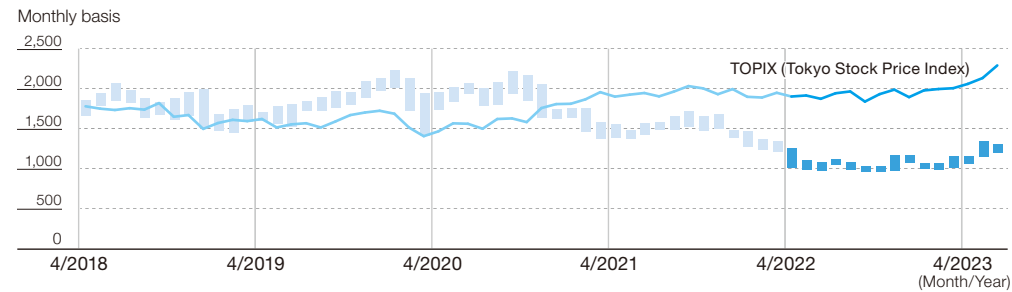
By number of shares



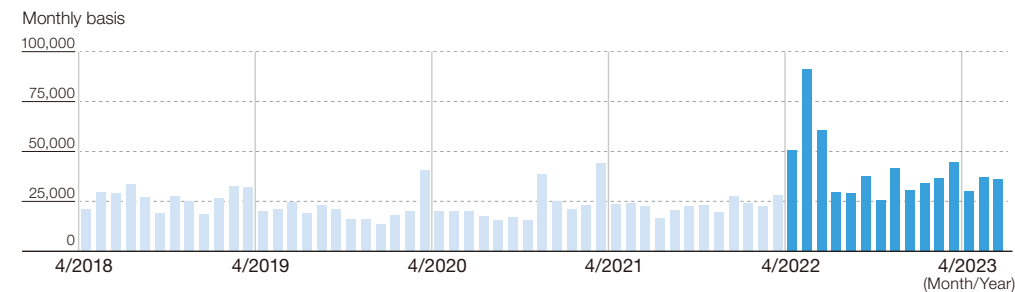
By number of shareholders



Stock Price Range (JPY)



Trading Volume (Thousands of shares)



• Facts & Data

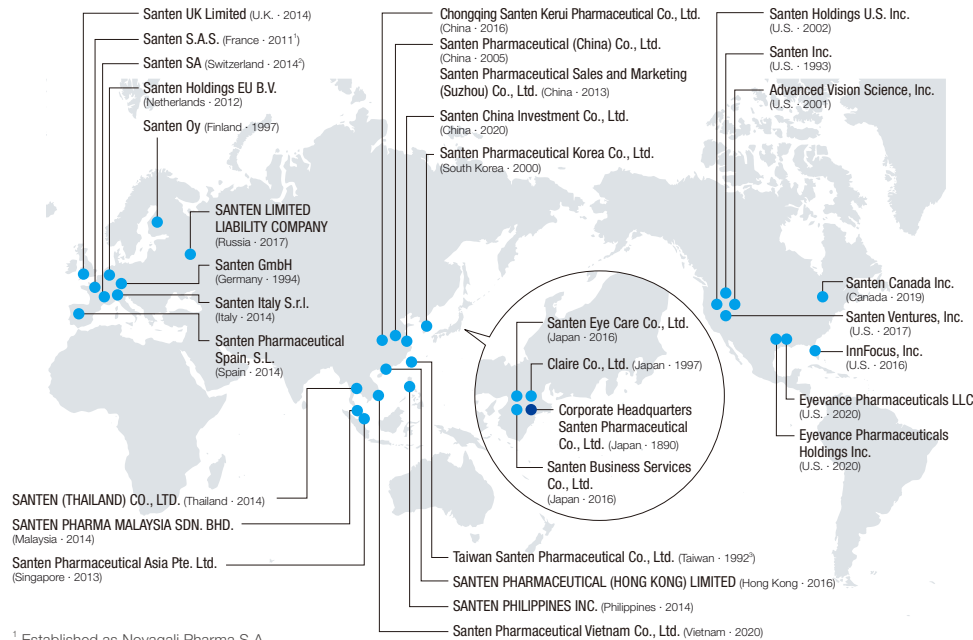
Corporate Information (As of March 31, 2023)

| | |
|-------------------------------|---|
| Corporate Headquarters | Santen Pharmaceutical Co., Ltd. Grand Front Osaka Tower A, 4-20 Ofuka-cho, Kita-ku, Osaka 530-8552, Japan TEL: +81-6-7664-8621 |
| Website | https://www.santen.com/en |
| Established | 1890 |
| Paid-in Capital | JPY 8,702 million |

| | |
|---|--|
| Number of Employees | 4,144 (consolidated) |
| Number of Shares Issued | 375,885,854 |
| Number of Shareholders | 30,507 |
| Stock Exchange Listing | Tokyo Stock Exchange |
| Ticker Code | 4536 |
| Shareholder Registry Administrator | Mitsubishi UFJ Trust and Banking Corporation |
| Transfer Agent | Osaka Stock Transfer Agent Division, Mitsubishi UFJ Trust and Banking Corporation 6-3, Fushimi-cho 3-chome, Chuo-ku, Osaka 541-8502, Japan |

• **Facts & Data**

Group Companies (Country/Region and year of establishment indicated in parentheses)



Inclusion in ESG Indexes

The following ESG indexes include Santen Pharmaceutical:

- FTSE4Good Index Series
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- MSCI Japan Empowering Women Index (WIN)
- 2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
- S&P/JPX Carbon Efficient Index
- Sompo Sustainability Index

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Santen Pharmaceutical has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series, FTSE Blossom Japan Index, and FTSE Blossom Japan Sector Relative Index. Created by the global index provider FTSE Russell, these indices are designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices, and are used by a wide variety of market participants to create and assess responsible investment funds and other products. The inclusion of Santen Pharmaceutical in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Santen Pharmaceutical by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service of MSCI or its affiliates.

¹ Established as Novagalil Pharma S.A.
² Established as Santen Switzerland SA
³ Established as TAHMIN SANTEN CO., LTD.

Editorial Note

Editorial Note for *Santen Report 2023*

Thank you for taking the time to read *Santen Report 2023*.

The 2023 report focuses on our reforms to improve profitability and medium- to long-term growth. In particular, we focus on the new medium-term management plan under our new organization launched last September. We began reviewing our value creation process for the first time in three years in response to this new management, its strategies, and changes in the social environment. To provide a deeper understanding of the concept behind our new strategies, as well as the status of their supporting production and product creation, we included specific examples of regional expansions in commercial excellence. While prioritizing materialities, we focused our efforts on human capital from the viewpoint of sustainability. We particularly focused on human resource development and promotion. We had two Outside

- We use color palettes designed for those with low vision and other visual impairments
- We are creating Daisy audiobook versions on Sapie, a comprehensive network of information for the visually impaired (Japanese only)
- Part of the design uses winning pictures submitted in a photo contest by employees from all over the world

Directors give advice and speak at the Board of Directors and in each committee to improve the effectiveness and transparency of our governance.

Each department worked with the CEO and the management team to create content for this report. This content takes the opinions received in our dialogue with investors and stakeholders, as well as the various guidelines we have established, into account. I assure you that this integrated report was appropriately prepared and that its contents are accurate.

I hope this report will give you a sense of the challenges we face and the passion we put into our business.

Takahiro Morita

Corporate Officer, Global Head of Core Principle & Sustainability

August 2023

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| <i>Santen Report 2023</i> Production Members | Investor Relations / Sustainability (Impact & Reporting) K.Itagaki, G.Sakuma, S.Akao, A.Tanaka, M.Inoue, S.Kajiya, M.Hora, K.Harada |
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Editorial Policy

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

Concerning Forward-Looking Statements

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

This report contains information about pharmaceutical products (including products under development), but such information is not for the purpose of advertising or medical advice.

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

- Alesion (Boehringer Ingelheim KG)
- Cravit, Tarivid (Daiichi Sankyo Co., Ltd.)
- LENTIS (Teleon Holding B.V.)

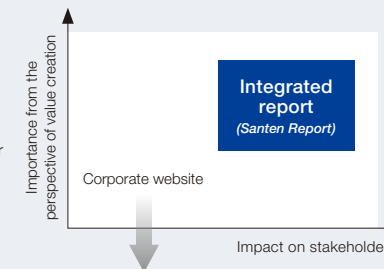
Reference Guidelines

The International Integrated Reporting Framework (International Integrated Reporting Council), *The GRI Sustainability Reporting Standards* (Global Reporting Initiative), *Environmental Reporting Guidelines* (Japan's Ministry of the Environment) and *Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation 2.0* (Japan's Ministry of Economy, Trade and Industry)



The *Santen Report* and Santen's Information Disclosure Framework

In the *Santen Report* (this document), we publish information each fiscal year on topics that we consider particularly useful to investors. For more detailed or other relevant information, please see the Company's website.



Detailed Information

Applicable Scope

Santen Pharmaceutical Co., Ltd. and consolidated subsidiaries

Reporting Period

Fiscal 2022 (April 1, 2022 to March 31, 2023). Certain information is updated after April 1, 2023.