



*A Clear Vision For Life™*

SANTEN PHARMACEUTICAL CO., LTD.

# Annual Report 2018

Year Ended March 31, 2018



Protecting the World's Vision

# Santen's Values

## Santen's Values

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*Tenki ni sanyo suru*<sup>1</sup>

1. Santen's original interpretation of a passage from chapter 22 of Zhongyong (The Doctrine of the Mean) by Confucius, meaning "exploring the secrets and mechanisms of nature in order to contribute to people's health."

We think carefully about what is essential,  
decide clearly what we should do, and act quickly.

## Mission Statement

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By focusing on ophthalmology,  
Santen develops unique scientific knowledge and organizational  
capabilities that contribute to the well-being of patients,  
their loved ones and consequently to society.

# Ophthalmology is our singular focus.

Santen has conducted business activities as a specialized pharmaceutical company since its foundation in 1890. With Santen's Values as our starting point, we build upon a foundation of scientific knowledge and organizational capabilities nurtured for nearly 130 years. We will continue to contribute to ophthalmic treatments, working primarily for the benefit of patients and their loved ones.



Santen has been conducting business activities based on its strengths: a thorough customer focus.  
In order to fulfill the wishes and expectations of patients, we will continue to contribute to the advancement of eye care.



## Our Strengths

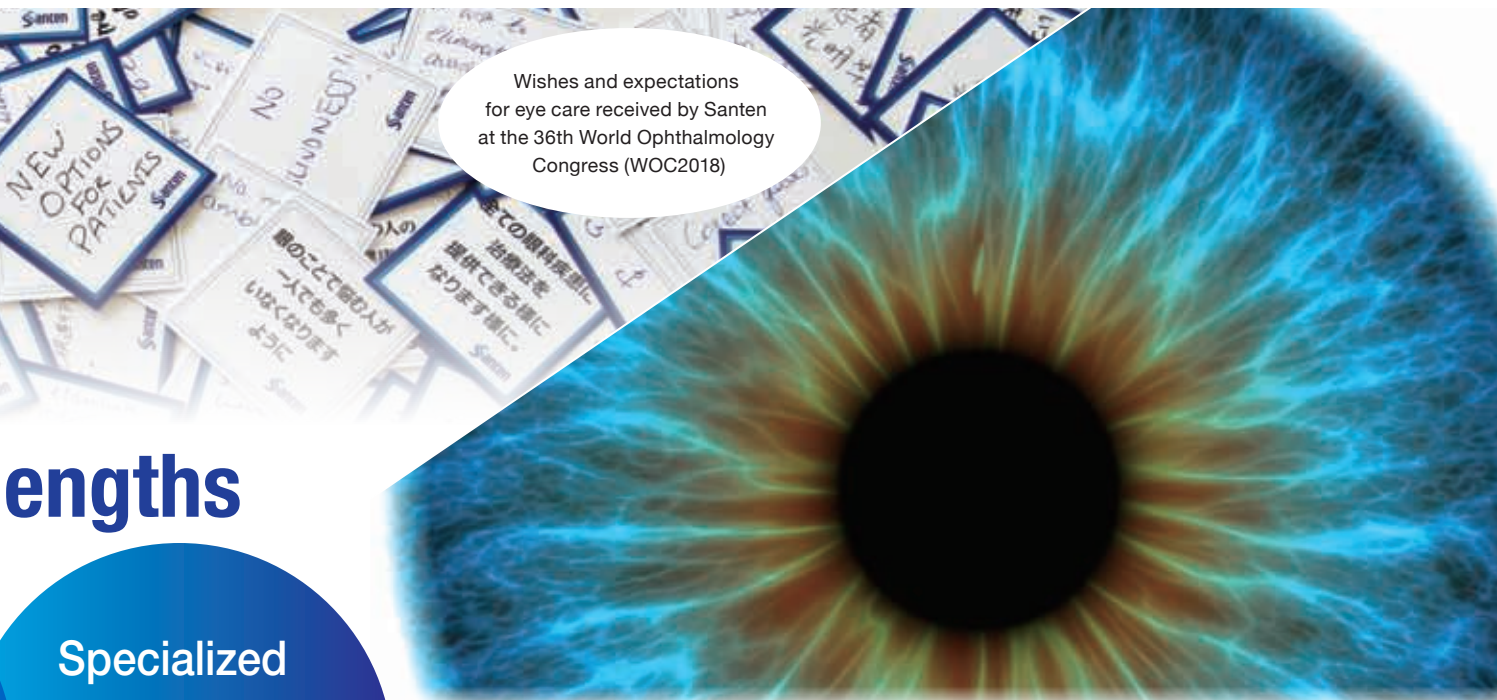
Thorough customer focus

Sales and marketing activities attuned to the needs of each region



A product lineup covering a wide range of ophthalmic diseases

ugh customer focus and specialized expertise in the field of ophthalmology.  
ients and medical professionals toward eye care,  
development of ophthalmic treatment.



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

## engths

Specialized  
expertise  
in the field of  
ophthalmology

Product development harnessing advanced technical capabilities  
and expertise as well as partnerships with external institutions

ering a wide range  
orders treatments





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▶ CEO Message



page **8**

▶ COO Message



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▶ Corporate Social Responsibility (CSR)

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1. Europe, the Middle East and Africa

The following are registered trademarks of Santen's alliance partners:  
Cravit and Tarivid (Daiichi Sankyo Company, Limited);  
Detantol (Eisai R&D Management Co., Ltd.);  
Livostin (Johnson & Johnson);  
Rescula (Sucampo Pharma, LLC);  
Eylea (Bayer);  
Alesion (Boehringer Ingelheim)

## Annual Report 2018 (Integrated) Editorial Policy

From fiscal 2017, the Santen Group has adopted a policy to integrate its former Annual Report and CSR Report into an integrated report that provides a view of overall business activities based on Santen's Values. The integrated report is edited with the intention to provide customers and society with an understanding of Company values and includes comprehensive coverage of financial information as well as non-financial information such as management strategies, review of operations and CSR activities. Santen has streamlined content and simplified descriptions to allow for easier understanding by a wide range of stakeholders, starting with shareholders and investors.

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**More detailed information is disclosed through the following media.**

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### Corporate Website

Santen presents detailed financial and non-financial information on its corporate website in order to foster a deeper understanding of its business activities as a specialized pharmaceutical company. Moreover, Santen is also working to enhance the disclosure of useful information on eye health for the general public and information on ophthalmic treatments for medical professionals.

<http://www.santen.com>

### IR Website ("Investors & Media" on Santen's Corporate Website)

Santen's IR website provides detailed information for shareholders and investors. The website issues timely disclosures of the most recent materials related to IR including performance reports, data books, financial result meeting presentations, securities reports and annual shareholders meeting notices, as well as videos from financial result meetings. Santen is also planning improvements to information for individual investors on the website.

<http://www.santen.com/en/ir>

### CSR Website ("CSR" on Santen's Corporate Website)

Santen's CSR website provides more detailed information on CSR activities based on Santen's Values. The website introduces unique initiatives conducted through Santen businesses, as well as initiatives related to the CSR concepts of fair business, human rights, labour, occupational health and safety, environment, good corporate citizen, and stakeholder engagement. The CSR website also presents information related to the environment, as well as employment and human resources.

<http://www.santen.com/en/csr>

### Information Provided

Information contained in this report is selected in order of importance from both aspects of value creation for Santen and the impact on stakeholders.

### Applicable Scope

Santen Pharmaceutical Co., Ltd. and consolidated subsidiaries

### Reporting Period

Fiscal 2017 (April 1, 2017 to March 31, 2018)

Certain information is updated after April 1, 2018.

### Reference Guidelines

- International Integrated Reporting Council,  
*The International Integrated Reporting Framework*
- Global Reporting Initiative,  
*The GRI Sustainability Reporting Standards*
- Ministry of the Environment,  
*Environmental Reporting Guidelines*

### Note on Accounting Standards

The Santen Group has adopted International Financial Reporting Standards (IFRS) from fiscal 2014, for the purpose of enhancing the international comparability of its financial information. Figures for fiscal 2013 have been restated to conform to IFRS for comparison and analysis purposes.

### Caution Concerning Forward-Looking Statements

This annual 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 products launch, currency exchange rate, legislative and regulatory developments.

## Under our new management structure, we will fulfill our responsibilities as a specialized ophthalmic company, with the aim of contributing further to ophthalmic treatment around the world.

### Contributing Further to Ophthalmic Treatment under Our New Management Structure

#### Accelerating Business Based on Santen's Values

On April 1, 2018, Santen adopted a new management structure. Shigeo Taniuchi was appointed as President and Chief Operating Officer, and I was appointed as Chairman and Chief Executive Officer. This opens a new chapter for Santen. We are determined to implement a wide range of additional reforms, with a view to contributing further to ophthalmic treatment and achieving sustainable growth.

Meanwhile, although the management structure has changed, Santen's Values will remain the bedrock of the Company. Santen's Values are embodied in the phrase "*Tenki ni sanyo suru*," which literally means "exploring the secrets and mechanisms of nature in order to contribute to people's health." We interpret this to mean "We think carefully about what is essential, decide clearly what we should do, and act quickly." In fact, the Company's name "Santen" is derived from this phrase. Guided by Santen's Values, we have concentrated management resources on ophthalmology and have delivered products and services attuned to

the treatment needs of each country and region. Santen's Mission Statement based on our Values clearly states that we must concentrate our efforts on a carefully chosen field of specialization and contribute to the well-being of patients and their loved ones. It articulates "for whom" and "for what purpose" Santen exists as a company. By sharing this philosophy with employees around the world, I am confident that the entire Company will be able to demonstrate its strengths to the fullest extent possible. I have attached great importance to Santen's Values, both as a basis for making management decisions and as a foundation for communicating with employees.

Santen is working on priorities such as developing products that meet the needs of medical professionals, offering a product lineup that covers a wide range of therapeutic categories, and providing detailed support for a multitude of customer needs that vary with each country and region. By conducting business activities based on Santen's Values, we have successfully built up Santen as we know it today—a company whose strengths lie in its customer focus and specialization in ophthalmology.

#### Enhancing QOL for Patients around the World

Turning our attention to ophthalmic patients and treatments, we face a range of issues in the world today. These include a worldwide increase in the number of patients driven by population aging as well as the emergence of new diagnostic and treatment technologies. Further, the number of patients in emerging countries is growing while a disparity in access to healthcare also exists. Considering the critical importance of vision in daily life, people who develop eye diseases can often experience a significant decline in their Quality of Life (QOL). Santen must fulfill its mission to contribute to the development of ophthalmic treatments through its business activities. I believe that fulfilling this mission is what we stand for, and why we are here.

Santen has also embraced challenges such as initiatives unique to a specialized ophthalmic company and activities



October 2018

Akira Kurokawa  
Chairman and Chief Executive Officer



to fulfill its responsibilities as a top ophthalmic manufacturer. For example, we are working to develop an environment that enables as many patients as possible to receive essential ophthalmic treatment. Specific initiatives include the development and provision of a glaucoma treatment continuation program package in Japan, research in dry eye and support for raising awareness of this condition, and assistance for the education and training of ophthalmologists in emerging countries.

In addition, we are expanding opportunities to contribute to ophthalmic treatment by building up our presence as a specialized ophthalmic company, and forming partnerships with external institutions that possess advanced technological capabilities and expertise, among other measures. During the previous medium-term management plan, we took actions such as taking over ophthalmic products from Merck & Co., Inc., acquiring U.S.-based InnFocus, Inc.,

which is developing a glaucoma treatment device (DE-128), and establishing a joint venture with Chongqing Kerui Pharmaceutical (Group) Co., Ltd. in China. We also proactively pursued joint research with the RIKEN national institute and Singapore Eye Research Institute (SERI). Through these business development initiatives, we have extended the range of our products and services and pushed ahead with the development of new treatment options. This business model leverages our strengths as a specialized ophthalmic company.

Under our new management team, we will continue to implement a virtuous cycle of creation and innovation as we take full advantage of Santen's strengths and unique characteristics, with the aim of contributing further to ophthalmic treatment.

**Further Information** P.1 Santen's Values  
P.18 Ophthalmic Treatment around the World

## Seeking to Enhance Corporate Value

### Aiming to Fulfill CSR by Contributing to Ophthalmic Treatment

Santen positions social contributions through its business activities as the central focus of its CSR activities. We believe that it is crucial to contribute to the QOL of ophthalmic patients through Santen's products and services, support widespread adoption and development of ophthalmic treatments around the world, and implement measures to improve access to medicines. Moreover, in July 2018, Santen received marketing authorization in Europe for a treatment of severe vernal keratoconjunctivitis as an orphan medicinal product. I believe that Santen has a responsibility to develop such orphan medicinal products precisely because we are a specialized ophthalmic company.

In October 2017, Santen announced its participation in the United Nations (UN) Global Compact. We have augmented our activity guidelines with the UN Global Compact's Ten Principles in the four fields of human rights, labor, environment and anti-corruption as we redouble our efforts to develop a sustainable society.

**WE SUPPORT**



### Enhance Corporate Governance

In order to achieve sustainable growth, Santen is working to enhance and strengthen corporate governance. Under our corporate governance, we believe that it is essential not only to have systems in place, but also to implement measures to ensure that those systems function effectively. For example, the Outside Directors and Outside Corporate Auditors must make decisions promptly and appropriately as well as provide management oversight. To ensure they can perform these duties, it is imperative for Santen to share information and foster interactive communication with the Outside Directors and Outside Corporate Auditors so they may properly grasp and monitor Santen's business environment, management and business execution systems, as well as strategies as a matter of course. In addition, we are emphasizing stronger compliance systems to fulfill our social mission of providing appropriate products and services to patients around the world. We will also continue to push ahead with activities to keep pace with the globalization of our business operations.

**Further Information** P.22 Corporate Social Responsibility (CSR)  
P.34 Corporate Governance

## We will steadily execute strategies to become a “Specialized Pharmaceutical Company with a Global Presence” and achieve continued, sustainable growth.

### Executing the Medium-Term Plan (MTP2020)

#### Accelerating Global Development

I joined Santen in 1996 as a medical representative (MR). Subsequently I became involved in creating medium-term management plans in the corporate planning division, took part in business development, and gained experience in the Asia division setting up the Company’s business in China. Recently, as Head of Santen EMEA, I led the business expansion associated with the transfer of ophthalmic products acquired from Merck & Co., Inc. and built an overall management framework for the region. During this time, my work allowed me to directly experience the Company’s transition into a global organization.

In June 2018, the Company announced MTP2020, the final stage in our journey to realize our long-term strategic vision toward 2020 of becoming a “Specialized Pharmaceutical Company with a Global Presence.” Through MTP2020, we will realize our vision for 2020 by

contributing to better QOL for patients around the world. At the same time, we will also build the path forward for sustainable growth beyond 2020.

To realize the vision for 2020, the most important point is to grasp the diverse customer needs firmly and provide the best products and services to meet their expectations. In my experience to date, I have felt clear differences in the status of ophthalmic treatment and healthcare in each country and region, with variation in patient and ophthalmologist needs. For example, in Japan there is a demand for medical institutions to coordinate to provide a high level of medical care efficiently regardless of the size of the institution. This drives demand for the latest treatment and scientific information for providing optimal prescriptions tailored to the patient’s situation. In China, ophthalmology is a field making progress within medicine. While there is an emphasis on powerful therapeutic effect and reliable quality, economic factors also give rise to a large demand for low-cost pharmaceuticals. In Europe, strong evidence is required for the efficacy of products, and in the case of ophthalmic solutions, there is a strong demand for products not containing preservatives. Another feature of the European market is the large number of countries with a relatively high ratio of self-medication products. Furthermore, each country and region has diverse regulations and trading practices, such as application and approval processes for products in development, pharmaceutical manufacturing and quality assurance guidelines, and processes for recording product sales.

In this way, we will accelerate our global development while responding accurately to the different needs of customers and requirements for conducting business in different areas.



October 2018

Shigeo Taniuchi  
President and Chief Operating Officer  
Head of Asia Division  
President & CEO of Santen Inc.

## The Challenge of Creating New Value

We are strongly determined to contribute to the development of ophthalmic treatment. To do this, we believe it is important to take up the challenge of creating new value by leveraging the Company's accumulated strengths to respond to the expectations of patients and ophthalmologists, while aggressively incorporating new treatment methods and technologies. For example, we are developing differentiated, high value-added products such as DE-117, a next generation glaucoma treatment following on from our key product *Tapros*, and DE-128 (MicroShunt), a device for glaucoma treatment. Other important challenges are ensuring that glaucoma patients continue their treatment and avoid any mistakes in ophthalmic solution usage, particularly since treatment periods can be long and involve multiple pharmaceuticals in combination. Santen will take further steps to support treatment continuation and to make products easy to distinguish, as well as provide new, customer-focused therapeutic options.

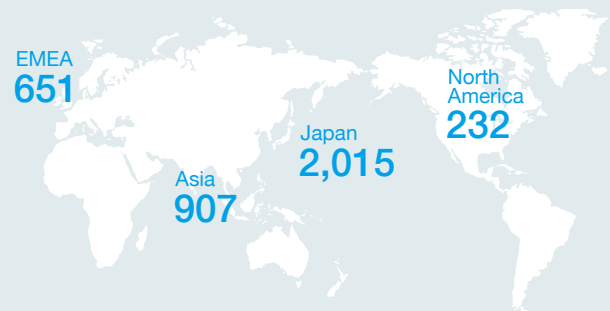
Looking ahead, we will evolve beyond the provision of information about individual products as we start to provide overall solutions covering prevention, diagnosis, treatment and follow-up. At the same time, we will leverage the expertise in business activities that we have acquired in each region to provide products and services that surpass conventional approaches.

From a global business strategy perspective, we will deploy our strengths in Japan and EMEA across regional boundaries with a view to capturing growth opportunities in Asia. We will leverage the strong trust relationships and unrivalled presence we have built with customers in Japan, as well as the organizational capabilities we have cultivated in Europe, which has a powerful influence over global standards and regulation policies. We will also leverage the networks we have developed with global academia to realize overall growth for the Santen Group that surpasses that of the market, and to contribute to global ophthalmic treatment.

## Diversity Makes Things Interesting

As the Head of Santen EMEA, I experienced time and again how diversity makes things interesting in working with employees from various countries and regions. I have often found that even if two people have different values, working along the same fundamental principles toward a common goal while communicating can generate wonderful ideas that I would never have thought of alone. It is by bringing diverse human resources together that we can create products and services that meet diverse customer needs. Furthermore, I have also experienced the thrill of how this process can change relationship dynamics and forge a single team bound together by trust. Fully leveraging synergetic effects generated by human resource diversity enables the entire Company to come together to realize a "Specialized Pharmaceutical Company with a Global Presence" while refining our strengths to achieve sustainable growth in 2020 and beyond.

Further Information ▶ P.10 Medium-Term Plan (MTP2020)



Number of Employees by Region (As of March 31, 2018)

## We announced our new Medium-Term Plan to become a “Specialized Pharmaceutical Company with a Global Presence” and achieve continued, sustainable growth.

We formulated the Medium-Term Plan (MTP2020) covering the period from fiscal 2018 to fiscal 2020 to realize Santen’s long-term strategic vision of becoming a “Specialized Pharmaceutical Company with a Global Presence” by 2020, while constructing a path for sustainable growth beyond 2020. To achieve MTP2020, it is vital to increase customer satisfaction, profitability and organizational strength.

The number of patients worldwide requiring treatment for glaucoma, retinal disorders, dry eye and other ophthalmological conditions is expected to grow, along with the progressive aging of populations and evolution of new diagnostic and therapeutic technologies. Santen is committed to fulfilling its responsibilities as a global company specialized in ophthalmology by contributing to patients’ QOL through the provision of products and services of the highest quality that best satisfy actual medical needs.



<p><b>Fundamental Policy</b></p>	<p>By contributing to the QOL of patients worldwide, Santen will realize its long-term strategic vision through 2020 to become a “Specialized Pharmaceutical Company with a Global Presence” while constructing a path for sustainable growth beyond 2020.</p>		
<p><b>Strategic Goals</b></p>	<p>Increase customer satisfaction</p>	<p>Increase profitability</p>	<p>Increase organizational strength</p>
<p><b>Key Strategies</b></p>	<p>(1) Grow faster than the market through progress in global business strategy                  (2) Enhance the product pipeline and develop new treatment options                  (3) Raise the strength and efficiency of business framework as well as boost human resource and organizational capabilities</p>		
<p><b>Financial Targets</b></p>	<p>Revenue Growth  <math>\geq 6\%</math>  <small>(CAGR)</small></p>	<p>Core OP Ratio  <math>\geq 21\%</math>  <small>(MTP average)</small></p>	<p>ROE  <math>\geq 11\%</math>  <small>(MTP average)</small></p>



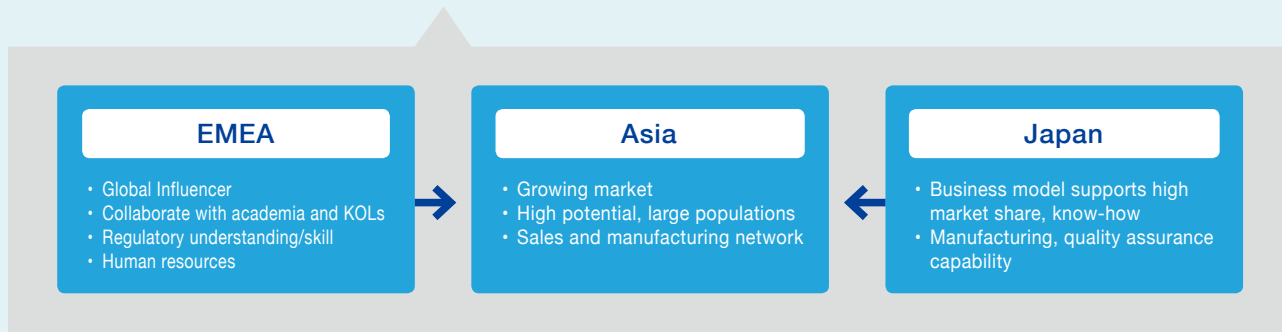
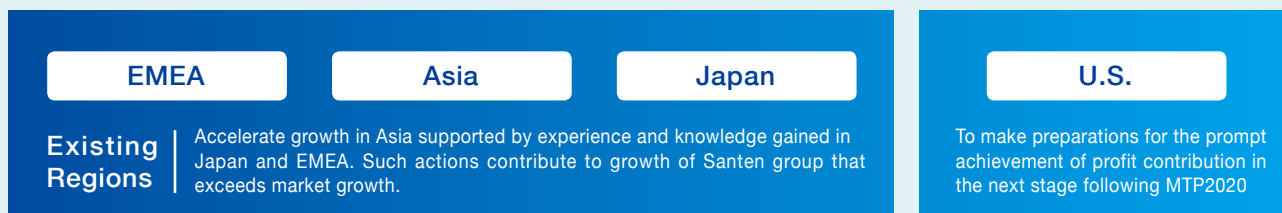
Under our global business strategy, which is one of the plan's key strategies, we will contribute to ophthalmic care and further accelerate business growth in the existing regional markets of Japan, Asia and EMEA, while also steadily preparing to enter the U.S. market.

In Japan, Santen has dominant strength in ophthalmic markets based on sales and production capabilities developed. Under the previous plan, we established a presence and developed our position in Europe, which has a major influence worldwide in academia as well as standard-setting and regulatory policies. Under MTP2020, we aim to translate such strength and experience into organizational capabilities so that we can make an even

greater contribution to ophthalmic care across each region. We aim to grow Santen group in all regions faster than the local markets we serve and are particularly targeting Asian markets with their high growth potential.

Our preparations in the U.S. will continue with the aim of supplying products to meet customer needs and generating a positive net contribution to earnings rapidly from 2021 onwards. Based on continuous business development, we will work to build a long-term presence in the U.S. market, which drives innovation in life sciences.

### Concepts of Our Global Business Strategy



## Financial Strategy

### Basic View

In seeking to establish competitive superiority in the field of ophthalmology, Santen aims to enhance its profitability in tandem with maximizing its cash generation capability as well as shareholder value. Our basic policy is to maintain the right balance between securing sufficient internal reserves to implement growth strategies and returning profits to shareholders. At the same time, we pursue an optimal capital structure for the Company in terms of capital efficiency, financial soundness and other factors. Santen is working to enhance ROE (return on equity attributable to owners of the company) by optimizing the aforementioned elements of profitability, financial soundness and shareholder returns.

We will allocate resources from internal reserves to R&D, business development, capital expenditures and other areas to drive future growth. Giving top priority to enhancing the product pipeline, we will dynamically execute investments to a greater extent than before. In addition, we will continue to deploy capital expenditures for the purpose of

enhancing productivity, such as investments into manufacturing sites and information systems that will expand the foundations of our global businesses, especially to strengthen product supply and cost competitiveness.

### Shareholder Returns

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

Under the previous medium-term management plan for fiscal 2014-2017, we raised the interim dividend twice and conducted one share buyback. Under the MTP2020 plan, we will also consider ways of delivering enhanced stability and sustainability of returns for Santen's long-term shareholders.

## Maximize cash generation to implement effective investments in future growth and stable stockholder return

### Conduct active and effective investments in future growth

- Enhance pipeline
- Accelerate development of business globally
- Pursue new treatment technologies / innovation
- Make capital investment to support future growth

### Optimize profit and capital ratios

- Strengthen global management framework
- Optimize global tax and cash management
- Balance investment in future growth and financial soundness

### Continue stable and sustainable shareholder return

- Implement stable and sustainable dividends

## Strengthening Talent and Organizational Capabilities

At Santen, we realize that human resources and organizational strength are critical factors in realizing sustained growth. We are especially focused on enhancing our ability to promote our global business development by cultivating the leadership talent to support sustained growth and strengthening organizational capabilities.

Aiming to develop human resources capable of pursuing truly customer-focused value creation, we have formulated the Santen Leadership Competencies (SLC) framework as the basis for our expectations for personnel based on Santen's Values. The HR system underpinning our global development is based on the SLC framework. We aim to strengthen our global HR and organizational

capabilities over the medium and long term through reinforcement activities based on Santen's Values while also cultivating leadership through a systematic approach. In Japan, we are using job grade-based training and other HR initiatives to support growth by strengthening our pool of talent over time.

Going forward, by accelerating these initiatives and utilizing the strengths we have cultivated as a specialized ophthalmology company, we aim to achieve the MTP2020 goals and make further contributions to ophthalmic care by promoting the creation of truly customer-focused value based on helping individual employees to gain specialized expertise.

### Santen's Values

Mission Statement



### Santen Leadership Competencies (SLC)

Expected behaviors of Santen Group employees based on Santen's Values

With a mindset and from a perspective unique to Santen

- Customer-Focused Value Creation
- Integrity and Trust
- Expertise Application

outline what should be done

- Strategic Planning

and encourage oneself as well as others

- Change Leadership
- Collaboration beyond Boundaries
- HR and Organizational Development

to carry out objectives to the end

- Drive for Achievement

**Reinforcement of human resources and organizational capabilities based on Santen's Values and SLC**

# Topics

## Formulation of Medium-Term Plan (MTP2020) June 2018

Santen is working to achieve its long-term strategic vision toward 2020 of becoming a “Specialized Pharmaceutical Company with a Global Presence” by building a path to sustained growth in 2020 and beyond, and contribute further to patient QOL around the world.

Further Information P.10 Medium-Term Plan (MTP2020)



## Expanding Availability of the Easy-to-Use Dimple Bottle July 2017

The Dimple Bottle, designed by Santen to ensure appropriate use of medications, is a container for dispensing medical eye drops that has been widely praised by patients for its ease of use. Launched in 2002, the bottle design won a Good Design Award in 2008. In July 2017, we commenced production at our Noto Plant of ophthalmology products transferred from Merck & Co., Inc., and began supplying these products for Japan in the Dimple Bottle. Going forward, we plan to expand product supply to EMEA and Asia.



## Expansion and Enhancement of World Glaucoma Week Activities March 2018

The World Glaucoma Association and the World Glaucoma Patients Association play leading roles in performing various activities around the world for one week in March designated as the World Glaucoma Week, aiming to spread public awareness of glaucoma. The Santen Group cosponsors worldwide activities for raising awareness of glaucoma. In 2018, Santen intensified these worldwide activities and undertook initiatives to spread awareness for glaucoma inside the company along with implementing next steps.

- Japan: Glaucoma awareness program involving the “Light Up in Green” campaign held at 96 landmarks and suchlike around Japan and distribution of posters to pharmacists
- Korea: Glaucoma awareness campaign utilizing posters for medical facilities and leaflets for patients
- The Philippines: Support for in-hospital education on glaucoma by the glaucoma society at 15 facilities
- Thailand: Support for provisions of testing materials for the glaucoma society
- Finland: Support for public education programs on glaucoma offered in Tampere



“Light Up in Green” at Okayama Castle

## Participation in the United Nations Global Compact (UNGC) October 2017

Santen intends to support and practice the ten principles of the UN Global Compact in the four areas of human rights, labour, environment, and anti-corruption, which are in line with Santen’s Values and Santen Code of Practice, in pursuit of a sustainable society.

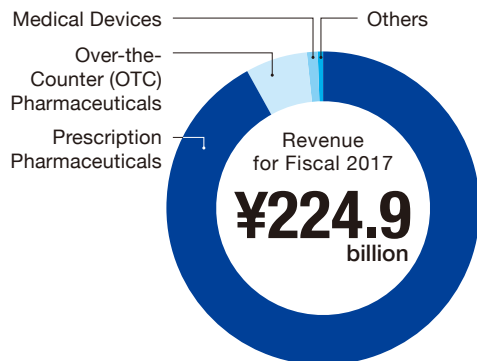
Further Information P.22 Corporate Social Responsibility (CSR)



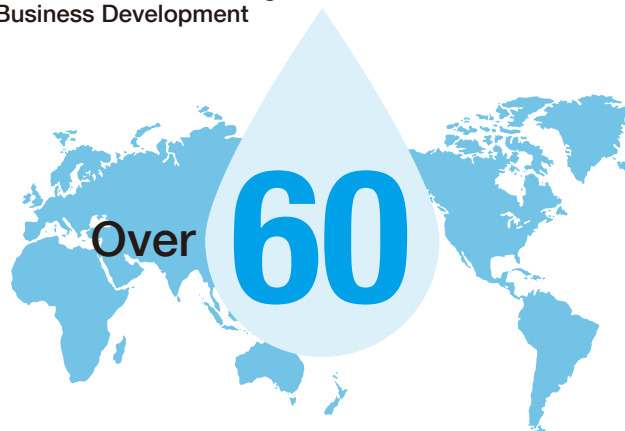


# Facts and Figures

## Revenue Composition by Category



## Number of Countries/Regions for Business Development



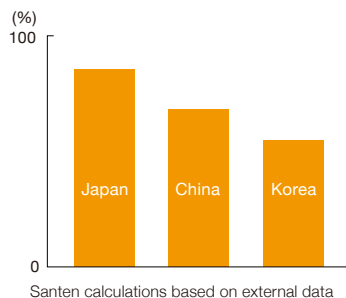
## Annual Production Volume of Ophthalmic Solutions

Approx.  
**400**  
million bottles

Ophthalmic solutions packaged in single-dose disposable containers are aggregated by counting 10 single-dose containers as 1 bottle. All other ophthalmic solutions are counted based on the actual number of bottles.

## Customer Satisfaction

Percentage of ophthalmologists rating Santen either first or second



## Share in the Prescription Ophthalmic Pharmaceutical Market<sup>1</sup>

Japan/Korea

**#1**

China

**#2**

## Collaborating with external institutions to accelerate business development and product development



## Exploring new technologies to achieve creation and innovation



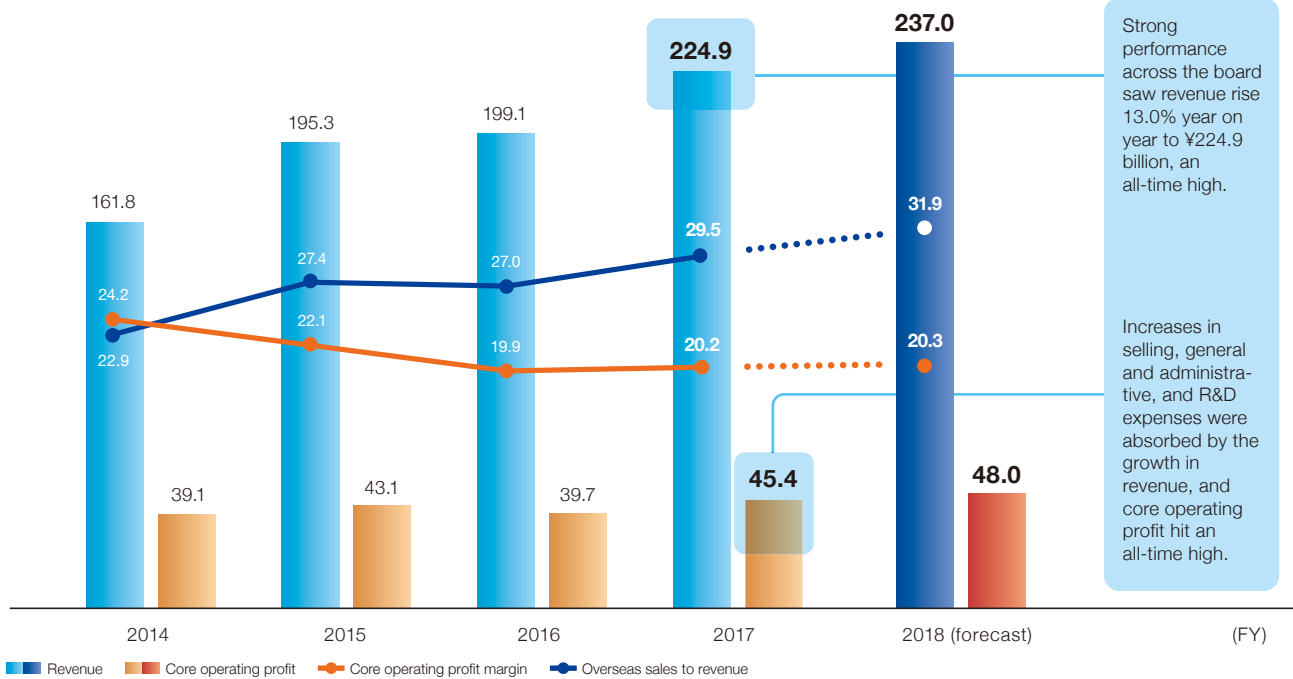
Masayo Takahashi, M.D., Ph.D. of RIKEN, a national research and development agency; Shigeo Taniuchi, President and COO

1. Source: Copyright © 2018 IQVIA. Santen analysis based on JPM, MIDAS 2017. Reprinted with permission.

## Financial Data

### Revenue, Core Operating Profit, Core Operating Profit Margin, and Overseas Sales to Revenue

(¥ Billion) (%)



Further Information P.44 Eleven-Year Summary of Selected Financial Data

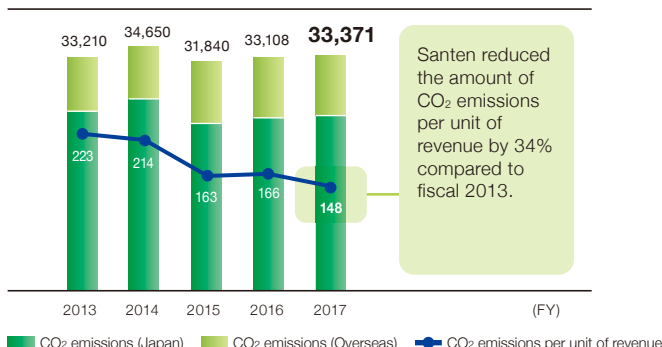
### Core Basis Indicators

Santen discloses financial information on a core basis to better express its recurring business performance. Financial information on a core basis excludes certain gains and expenses from IFRS results on a reported (full) basis.

## Non-Financial Data

### CO<sub>2</sub> Emissions

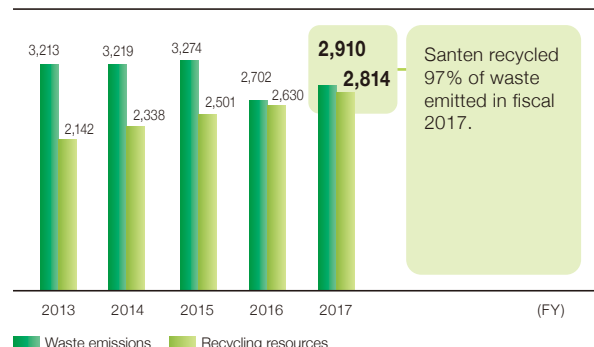
(t-CO<sub>2</sub>) (t-CO<sub>2</sub>/billion yen)



Scope of aggregation: All operational bases in Japan, Tampere Plant, and Suzhou Plant

### Waste Emissions and Recycling Resources

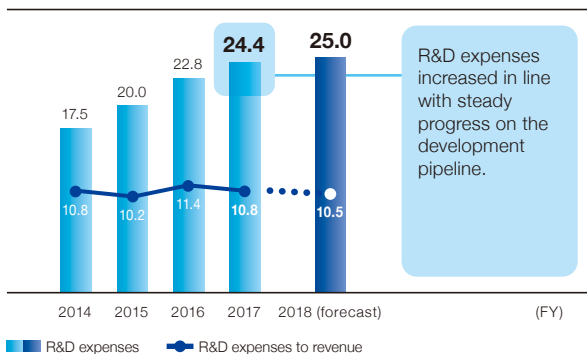
(t)



Scope of aggregation: Shiga Product Supply Center, Noto Plant, Nara Research and Development Center, Shimoshinjo Office, Tampere Plant, and Suzhou Plant

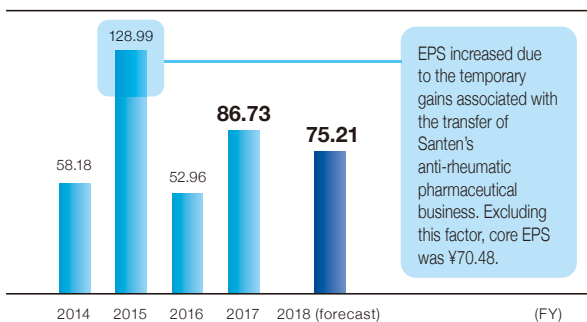
## R&D Expenses and R&D Expenses to Revenue

(¥ Billion) (%)



## EPS<sup>2</sup>

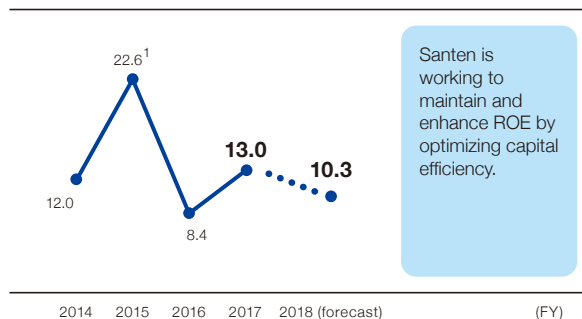
(¥)



2. EPS is calculated under the assumption that the share split conducted on April 1, 2015 took effect at the beginning of fiscal 2013.

## ROE

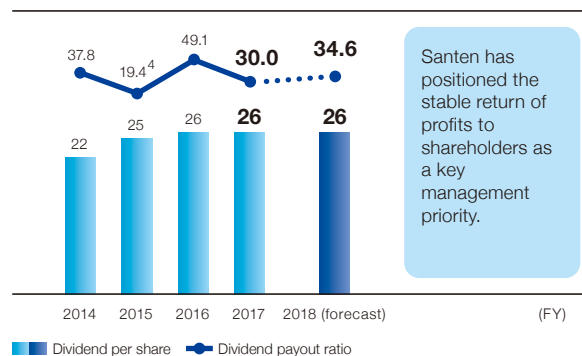
(%)



1. ROE increased due to the temporary gains associated with the transfer of Santen's anti-rheumatic pharmaceutical business. Excluding this factor, core ROE was 12.4%.

## Dividend per Share<sup>3</sup> and Dividend Payout Ratio

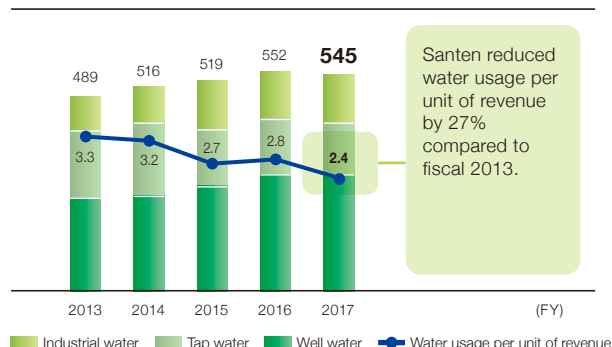
(¥) (%)



3. Dividend per share has been retrospectively adjusted to reflect the impact of a share split conducted on the effective date of April 1, 2015.  
4. The dividend payout ratio decreased due to the temporary drop in gains associated with the transfer of Santen's anti-rheumatic pharmaceutical business. Excluding this factor, the core dividend payout ratio was 35.5%.

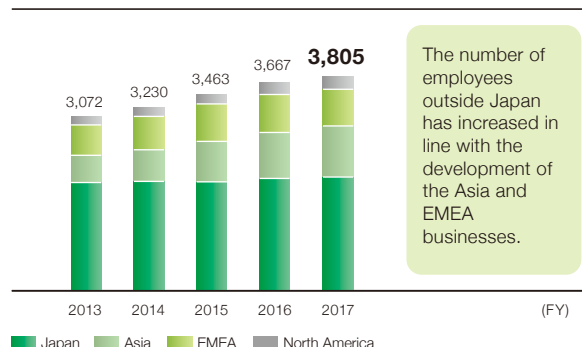
## Total Water Usage

(thousand m<sup>3</sup>) (thousand m<sup>3</sup>/billion yen)



Scope of aggregation: Shiga Product Supply Center, Noto Plant, Nara Research and Development Center, Shimoshinjo Office, Tampere Plant, and Suzhou Plant

## Number of Employees



# Overview of Ophthalmic Treatment around the World

The number of patients around the world who suffer visual impairment is estimated at 253 million<sup>1</sup> and the number of ophthalmic patients is expected to increase as populations age. As a specialized pharmaceutical company in the field of ophthalmology, Santen will contribute to ophthalmic treatment around the world.

1. Source: *Lancet Glob Health*. 2017 Sep; 5(9): e888–97.

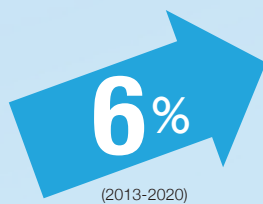
## World Population Suffering from Visual Impairment

# 253 million people

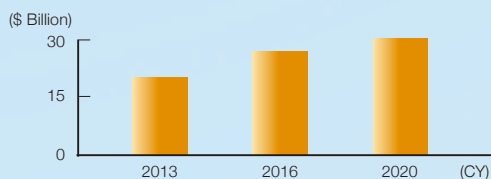
- Around 253 million people around the world are estimated to suffer from visual impairment, of whom approximately 36 million are estimated to be blind.
- Visual impairment has various causes, but it is thought that over 75% of cases could be prevented if treatment were made available.<sup>1</sup>
- We consider one of our missions as a pharmaceutical company to be our efforts to provide treatments to patients in places that cannot receive adequate pharmaceuticals or medical care due to issues such as poverty and less developed medical systems.

**Further Information** P.22 Corporate Social Responsibility (CSR)  
CSR Website  
<http://www.santen.com/en/csr>

## Average Annual Growth Rate of the Global Prescription Ophthalmic Pharmaceutical Market



Global Prescription Ophthalmic Pharmaceutical Market<sup>2</sup>



- The prescription ophthalmology segment is growing at a faster rate than the overall pharmaceutical market which has an annual average growth rate of 2%.<sup>3</sup>
- Due to a global population aging trend, the number of patients is expected to expand.
- 81% of people with visual impairment are aged 50 or over.<sup>1</sup>

2. Source: Santen analysis

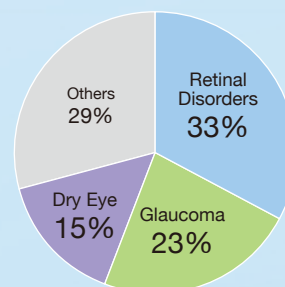
3. Source: 2018 and Beyond: Outlook and Turning Points. IQVIA, Mar. 2018



# Ophthalmic treatment around the world



## Global Prescription Ophthalmic Segments by Disorder (2016)



Share by monetary value

- Retinal disorders, glaucoma, and dry eye make up approximately 70% of the global ophthalmics market.
- There are different healthcare systems and levels of care around the world. Further, the ophthalmic segments are broken down differently and each region has its own treatment issues.
- Glaucoma, one of Santen's focus areas, accounts for around 1/4 of the segment, with the number of patients projected to reach 90.6 million by 2020.<sup>4</sup>

4. Source: Market Scope, Santen analysis

## Various Ophthalmic Disorders and Santen's Coverage

Retinal Disorders	☑
Glaucoma	☑
Dry Eye	☑
Ocular Infections	☑
Allergy	☑
Cataract	☑

- There are various ophthalmic disorders, and Santen provides products to meet a wide range of needs as a specialized pharmaceutical company in the field of ophthalmology.
- Different prescription ophthalmic pharmaceuticals are sold in each country and region. Santen has a particularly broad lineup in Japan with products numbering about 70.

### Further Information

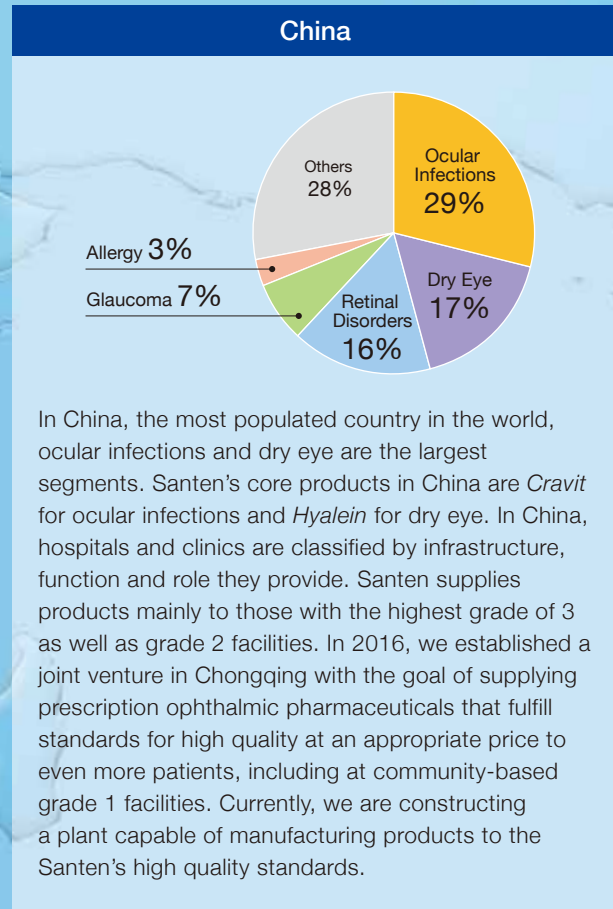
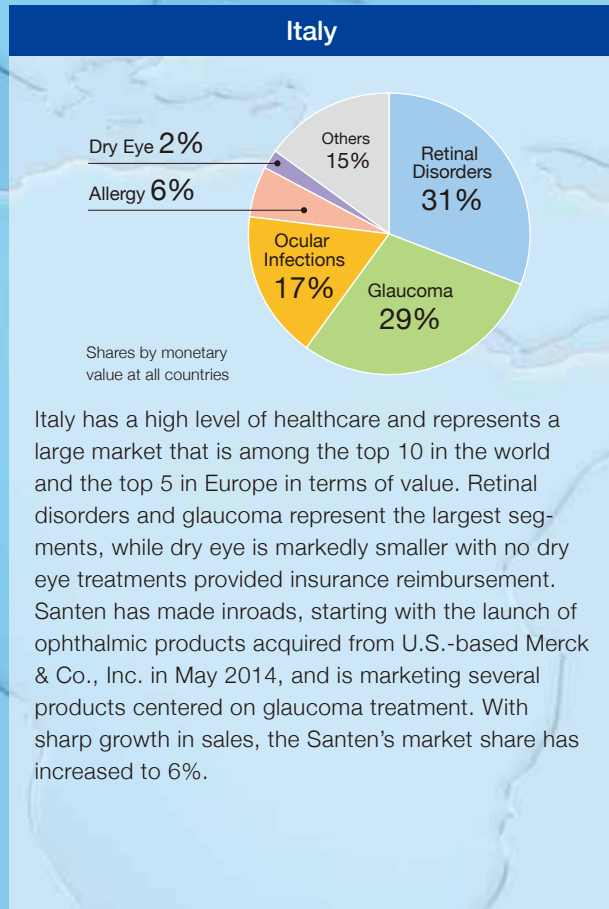
P.28 Research and Development  
P.30 Japan Business

P.32 Asia Business  
P.33 EMEA Business

# Santen's Initiatives to Meet Different Needs in Each Region and Country

With different the prescription ophthalmology segment disorders, healthcare systems and levels of care around the world, the various markets differ from one another in terms of therapeutic needs. Santen responds carefully to the specific conditions in each region to contribute to ophthalmic patients globally.

Further Information P.30 Japan Business P.32 Asia Business P.33 EMEA Business



## Message

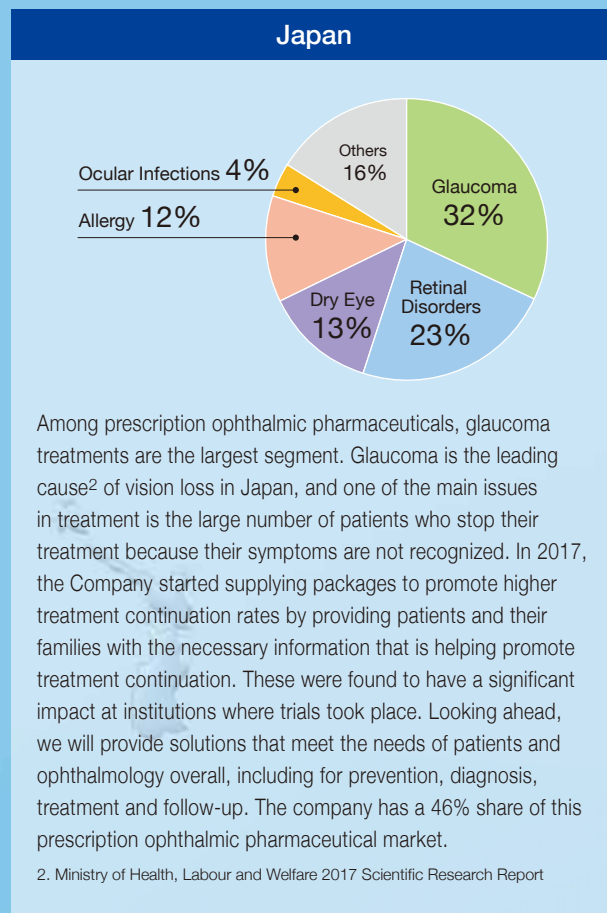
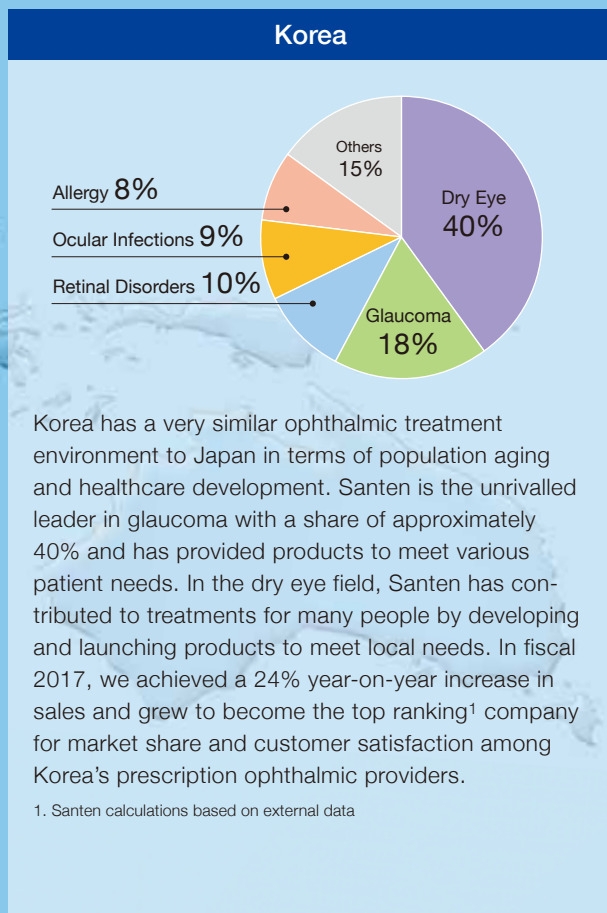
### Great expectations for Santen to meet the eye health needs of people worldwide



**Professor Sir Peng Tee Khaw, Ph.D.**

FRCS FRCP FRCOphth FRCPath FRSB FCOptom  
 Hon DSc FARVO FMedSci  
 Director, UK National Institute for Health Research  
 Biomedical Research Centre Moorfields Eye Hospital and UCL Institute of Ophthalmology  
 Research and Development Moorfields Eye Hospital Eyes and Vision Programme,  
 UCL Partners Academic Health Science Centre

Vision is our most precious sense. Age-related diseases of the eye are increasing exponentially around the world and, given a normal lifespan, will affect every person. The huge increase in people aged over 60 worldwide will present a huge challenge to healthcare services and our future quality of life. The demand for better, more efficient treatments will be the greatest issue facing ophthalmic healthcare in the next few decades. We hope that Santen continues to deliver and develop leading treatments in ophthalmology. This includes treatments for diseases which increase with age, like glaucoma, macular degeneration and ocular surface disease, and also those for disorders that are becoming increasingly common, like myopia. We are pleased that as a specialized company in ophthalmology, Santen is continuing to be very courageous and innovative in new areas, including novel devices which have the potential to change and improve the lives of people around the world.



## Message Finding the path of innovation in a bright journey for patients



**Yao Ke, M.D.**  
 President of the Chinese Ophthalmological Society,  
 Professor and Chief of the Eye Institute of Zhejiang University and Eye Center of the Second Affiliated Hospital of Zhejiang University School of Medicine

Experiencing both rapid economic development and population aging, China is also a country with one of the most serious issues relating to blindness and visual impairment. Ophthalmologists have worked tremendously hard over the past decades to improve this situation. Gratingly, the development of ophthalmology in China has reached leading levels globally in many respects, including the production of cutting-edge research and academic publications, as well as an increased number of patients receiving treatment. Undoubtedly, these remarkable achievements are supported by many pharmaceutical companies including Santen in particular. Santen products offer excellent performance in many aspects. Although the incidence of infection has decreased in recent years, we still face huge challenges particularly in impoverished and remote areas, but increasingly wide use of *Cravit* and *Tarivid* is alleviating this issue. Meanwhile, *Tapros* effectively reduces intraocular pressure in glaucoma patients. And, the symptoms of patients with dry eye are greatly eased after the use of *Hyalein*. To some degree, the contributions of these outstanding pharmaceutical companies speed up the progress of ophthalmology in China. Going forward, I expect Santen to further strengthen its commitment to contributing to ophthalmology in China, and we are all looking forward to building a prosperous blueprint for the future of ophthalmology together with Santen.

Source: Copyright © 2018 IQVIA. Santen analysis based on JPM, MIDAS 2017. Reprinted with permission.

Based on Santen's Values, Santen's CSR activities aim to improve the QOL for patients and contribute to ophthalmic treatment around the world.

## Contribute to the Achievement of a Sustainable Society through Business Activities

Since its founding in 1890, Santen has contributed to society through improving the QOL of patients around the world by conducting business activities which provide valuable products and services as a specialized company in the field of ophthalmology, based on Santen's Values. In other words, social contribution through our business activities is at the center of our CSR efforts.

To further enhance our CSR activities as the Santen Group, we believe that it is most important that all our employees, including those with a wide variety of diverse histories and cultural backgrounds, have a deep understanding of Santen's Values and conduct business activities with the highest ethical standards in accordance with not only laws and regulations but also international norms. As the globalization of our business continues to accelerate, we will work to share Santen's Values across the whole group and with our business partners toward realizing a sustainable society, ensure compliance, and seriously and continuously address issues such as global warming and human rights abuses.

## Participating in the United Nations Global Compact

In October 2017, we announced that Santen had newly joined the UN Global Compact. Santen intends to support and practice the ten principles of the UN Global Compact in the four areas of human rights, labour, environment, and

anti-corruption, which are in line with Santen's Values and the Santen Code of Practice, in pursuit of a sustainable society.

**WE SUPPORT**



## Efforts to Achieve Sustainable Development Goals (SDGs)

Santen will continue to contribute to society through its business of providing valuable products and services while striving as a specialized company in the field of ophthalmology to improve access to pharmaceuticals. We will contribute to the achievement of the SDGs adopted by the United Nations, such as Goal 3, to "Ensure healthy lives and promote well-being for all at all ages."

**SUSTAINABLE DEVELOPMENT GOALS**  
17 GOALS TO TRANSFORM OUR WORLD



## Masamichi Sato

Senior Corporate Officer  
Chief Compliance Officer (CCO)  
Head of CSR & Internal Control Division





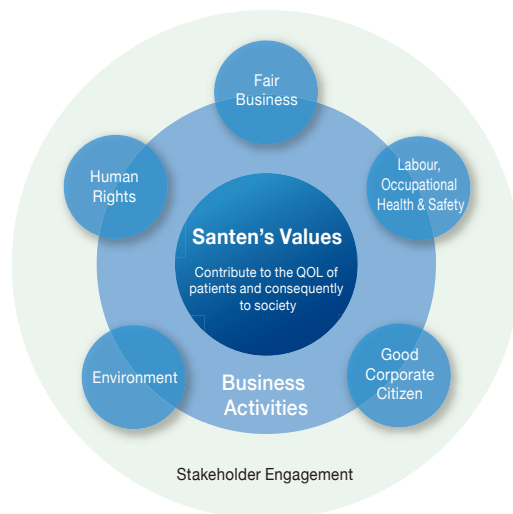
## CSR at Santen Group

<b>CSR Basic Policy</b>	<ul style="list-style-type: none"> <li>• Guided by Santen's Values – “<i>Tenki ni sanyo suru</i>”<sup>1</sup>, Santen Group strives to continue our contribution to society through improving QOL of patients around the world by conducting business activities which provide valuable products and services.</li> <li>• In a highly ethical manner, we conduct business activities in compliance with applicable laws and international norms, and fulfill our social responsibilities, together with our business partners.</li> </ul>
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1. Santen's original interpretation of a passage from chapter 22 of Zhongyong (The Doctrine of the Mean) by Confucius, meaning "exploring the secrets and mechanisms of nature in order to contribute to people's health."

Fair Business	<ul style="list-style-type: none"> <li>• Comply with laws, regulations, and fair business practices applicable to the countries and territories where we conduct business activities, and work against corruption in all its forms.</li> </ul>
Human Rights	<ul style="list-style-type: none"> <li>• Respect and protect the human rights of all people, including patients and employees.</li> </ul>
Labour, Occupational Health & Safety	<ul style="list-style-type: none"> <li>• Secure the rights and safety of people engaged in our business, promote their better health, and maintain and improve their workplace environments.</li> </ul>
Environment	<ul style="list-style-type: none"> <li>• Work on preventing environmental pollution, reducing environmental loads, and utilizing resources effectively.</li> <li>• Strive to protect and preserve the planet in a sustainable manner.</li> </ul>
Good Corporate Citizen	<ul style="list-style-type: none"> <li>• Act as a good corporate citizen to develop medical care and welfare in the ophthalmic field through our business, and to build trust relationships with related communities and contribute to their development.</li> </ul>
Stakeholder Engagement	<ul style="list-style-type: none"> <li>• Actively disclose information about our business activities and have meaningful dialogues, to understand the expectations of stakeholders and reflect them in our efforts.</li> </ul>

Conceptual diagram



Further Information CSR Website <http://www.santen.com/en/csr>

## Santen will continue to contribute to society by providing valuable products and services.

### R&D to Fulfill Unmet Medical Needs

Santen will promote R&D focused mainly on keratoconjunctival disorders, which lack sufficient treatment globally, as well as glaucoma, retinal and uveal disorders, which can cause blindness. We are also working hard to develop new treatment options in the area of refractive disorders.

### Initiatives on Pharmaceuticals for Orphan Diseases

In July 2018, we obtained marketing authorization from the European Commission for DE-076C (product name: Verkazia), an orphan medicinal product for treatment of severe vernal keratoconjunctivitis.

### New Treatment Options for Glaucoma

Santen is working on the development of new treatment options, such as pharmaceutical treatments for glaucoma with a new mechanism of action and devices used in glaucoma implant surgery.

Further Information P.28 Research and Development

### Stable Supply of Ophthalmic Solutions

Santen has established a global supply system comprising our four production bases located worldwide: the Noto Plant (Japan), the Shiga Plant (Japan), the Suzhou Plant (China), and the Tampere Plant (Finland), thereby stably supplying high quality ophthalmic solutions.

### Meticulous Attention to Quality

Santen maintains safety, efficacy and homogeneity in the manufacturing process in our main area of ophthalmic solutions by insisting on water with high purity equivalent to that used in injections, high purity air equivalent to that used in surgical environments, and the training and development of people to conduct our rigorous quality management.

## Research and Development

## Product Supply

## Quality Compliance

### Prevention of Medical Mistakes

To prevent confusion between different ophthalmic solutions, Santen is working to make improvements including clearly identifiable packaging and information labels on containers. For example, for ophthalmic solutions available in various concentrations with the same active ingredients, we provide highly visible information about the concentration on the shrink label covering the solution container as well as on the top of the cap.



Examples of labeling for ophthalmic solutions available in various concentrations with the same active ingredients (Side and top surface labels)

### Production Site for Improving Access to Pharmaceuticals

To provide many more patients in China with quality prescription ophthalmic pharmaceuticals at appropriate prices, in August 2016, Santen founded Chongqing Santen Kerui Pharmaceutical Co., Ltd. (China). This joint venture with Chongqing Kerui Pharmaceutical (Group) Co., Ltd. is currently constructing a manufacturing plant. We aim to contribute to better access to pharmaceuticals for patients who have been unable to obtain or afford such medicines.



A drawing of the completed plant

### Raising Disease Awareness

We will continue to broadly disseminate information aimed at raising disease awareness and encouraging correct recognition and understanding of ophthalmic disorders. Through these efforts, we strive to increase QOL for as many patients as possible with early identification and treatment.

### Glaucoma Treatment Continuation Program

To prevent blindness due to glaucoma, an almost symptomless disease for which many patients discontinue their medical treatment, Santen provides medical institutions with support packages that encourage patients to continue their medical treatment. The 11 sites that led implementation of these packages in 2016 demonstrated an average treatment compliance rates increase from approximately 50% to 90%.

### Support for Academic Associations and Joint Sponsorship of Seminars

Santen supports academic associations in Japan and overseas, such as the World Ophthalmology Congress (WOC), the Asia-Pacific Academy of Ophthalmology (APAO), and the Japanese Ophthalmological Society, and hold joint seminars with those academic associations in which we provide medical professionals with information about the latest research and treatment trends in the field of ophthalmology.

Further Information P.30 Japan Business P.32 Asia Business P.33 EMEA Business

## Sales and Marketing

### Measures against Counterfeit Medicines and Other Quality Compliance Measures

Santen is promoting measures to ensure traceability<sup>1</sup> and Good Distribution Practice (GDP), aiming to guarantee reliability, such as ensuring pharmaceutical product quality during storage and transportation, managing products appropriately, and taking measures against counterfeits. In Japan, by the end of March 2021 we will display barcodes on product boxes and transportation packaging indicating not only product codes, but also serial numbers and expiration dates.

1. Traceability: The ability to track and identify the distribution channels for pharmaceutical products from manufacture to consumption.

### Obtaining Information for Pharmacovigilance

Santen has established internal procedures to ensure that safety information such as side effects that has been obtained from external sources such as medical professionals and patients is reported quickly and accurately to the department in charge of safety management, and shared with the relevant departments in Santen. We have also built a system for pharmacovigilance globally to ensure safety and reliability.

Further Information CSR Website <http://www.santen.com/en/csr>

## Santen will carry out its social responsibilities together with suppliers, observing laws and regulations as well as international norms.

### Fair Business

#### Initiatives to Prevent Corruption

The Santen Code of Practice, which sets out how individual employees are to conduct themselves clearly prohibits bribery and other such activities as follows: "We do not engage in any conduct regarded as bribery or corruption, whether directly or through a third party, that would violate the applicable laws and regulations of the relevant country, including those applicable to other countries." We conduct regular training to promote employee understanding about prevention of corruption in all its forms, including extortion, bribery, and conflict of interest. There were no incidences of corruption in the Santen Group in fiscal 2017.

#### Supplier Management

In addition to monitoring ourselves, we also require suppliers to ensure they meet their social responsibilities such as compliance with laws, ethical behavior, environmental preservation, and employee health and safety, and we check up on the status of their initiatives. In fiscal 2017, we found no issues after conducting checks of 20 major suppliers including pharmaceutical ingredient suppliers and outsourced manufacturers.

### Human Rights

#### Initiatives on Respecting Human Rights

In accordance with the Universal Declaration of Human Rights, the ILO Conventions, the UN Guiding Principles on Business and Human Rights, other international norms, and the spirit behind them, Santen believes in the importance of respecting the rights of each of its employees and acting with the highest ethical standards, and is working to strengthen awareness of these issues through training. In October 2017, we joined the United Nations Global Compact and declared our commitment to support and respect for human rights protection, and commitment not to be complicit in any manner of human rights abuses.

The Santen Code of Practice firmly declares, "We do not engage in discrimination against or harassment of individuals based on their nationality, race, skin color, religion, creed, sexual orientation, age, education, family background, place of birth, disability, health problems,

social position, etc. We respect individual personalities and do not engage in sexual, moral or any other kind of harassment in the workplace."

We have established a Research Ethics Committee to deliberate on our R&D activities and ensure they are ethically appropriate, including protection of participant privacy, scientific validity and content appropriateness. The committee also ensures that participants' human rights are respected and protected.

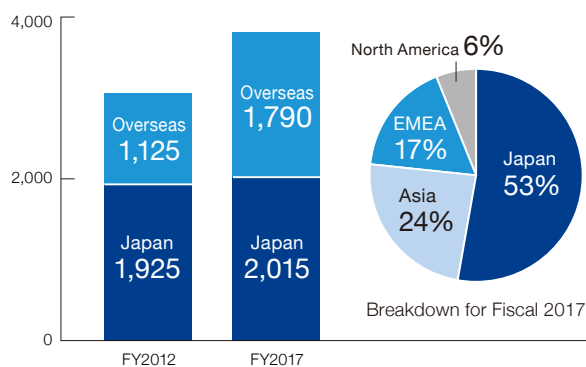
### Labour, Occupational Health & Safety

#### Promoting Diversity

Santen is working to build an organization that enables employees with different professional and cultural backgrounds to maximize their abilities, regardless of change in life-stage, gender, nationality or presence of disability, with full respect for the diverse values of our employees, and to develop human resources who are able to do this. We also provide our employees with equal opportunities for compensation without discrimination.

The ratio of women in the Santen Group is currently around 40%. The ratio of female managers in Japan was 10.0% as of March 31, 2018, up 4.1 percentage points compared with five years ago.

#### Number of Employees by Region



#### Health and Safety Management

We implement a health and safety management system aiming to achieve zero occupational accidents. In fiscal 2017, there were zero deaths from workplace accidents across all regions (including contract and temporary employees).

## Environment

### Environmental Management

Santen has implemented an environmental management systems aimed at realizing a low-carbon, recycling society and we are working to reduce our emissions of greenhouse gas (CO<sub>2</sub>) and waste, as well as our water usage and so forth. We also conduct regular internal audits. In fiscal 2017, the Group had no environmental accidents that impact the local community, soil, groundwater, or other aspects. There was no deviation of laws, ordinances, etc. that required reporting to the authorities.

### Climate Change Countermeasures

The volume of greenhouse gas (CO<sub>2</sub>) emissions in fiscal 2017 in terms of emissions per unit of revenue on a consolidated basis was 148 tons per billion yen, down 51% from fiscal 2012. Our Scope 3<sup>1</sup> emissions in Japan for fiscal 2017 per unit of revenue on a non-consolidated basis were 948 tons per billion yen, down 3.7% from previous year.

1. CO<sub>2</sub> emissions across the supply chain including factors such as purchase of raw materials, product distribution, and employee transportation.

### Reducing Our Environmental Impact

Final waste disposal volume in fiscal 2017 per unit of revenue on a consolidated basis was 0.28 tons per billion yen, down 63% from fiscal 2012.

### Conservation of Water Resources and Biodiversity

Water usage in fiscal 2017 in terms of usage per unit of revenue on a consolidated basis was 2.4 thousand m<sup>3</sup> per billion yen, a decrease of 49% from fiscal 2012. We also engaged in forest protection activities that help to preserve biodiversity.

#### Per Unit of Consolidated Revenue

	FY2012	FY2017	Rate of change
CO <sub>2</sub> emissions (ton/billion yen)	299	148	-51%
Volume of waste for final disposal (ton/billion yen)	0.76	0.28	-63%
Water usage (thousand m <sup>3</sup> /billion yen)	4.7	2.4	-49%

## Good Corporate Citizen

### Initiatives as a Good Corporate Citizen

In addition to enhancing welfare and medical advancements in the ophthalmic field through our business, Santen is also working to build trust with the communities associated with the ophthalmic field and contribute to development, in accordance with Santen's Values. Rules set the target for the annual total amount of donations at 1% or more of core operating profit, and the upper limit at about 2%. Along with providing grants to research institutions such as universities and academic associations, mainly in the field of ophthalmology, we also make ongoing donations to organizations involved in activities to raise disease awareness and prevent loss of vision.

### Support for Improving Access to Healthcare in Developing Countries

Santen supports the activities of the ICO Foundation<sup>2</sup>, which is working to solve a shortage of ophthalmologists in developing countries where healthcare can be difficult to access. We also provide free pharmaceuticals, intraocular lenses, and other supplies to organizations working to promote ophthalmic treatment in developing countries.

2. International Council of Ophthalmology Foundation

### Supporting Sports for the Visually Impaired

Santen supports sports for people with visual impairment in order to increase understanding of ophthalmic disorders and to foster an awareness of patient perspectives through employee volunteering and other means.

In Japan, Santen has partnered with the NPO Japan Blind Football Association in activities which allow visually-impaired children who have few opportunities to exercise to engage in sports, as well as supporting diversity education programs for elementary and junior high school students.



Santen Blind Soccer Kids Camp 2017 in Kansai, Japan (July 2017)

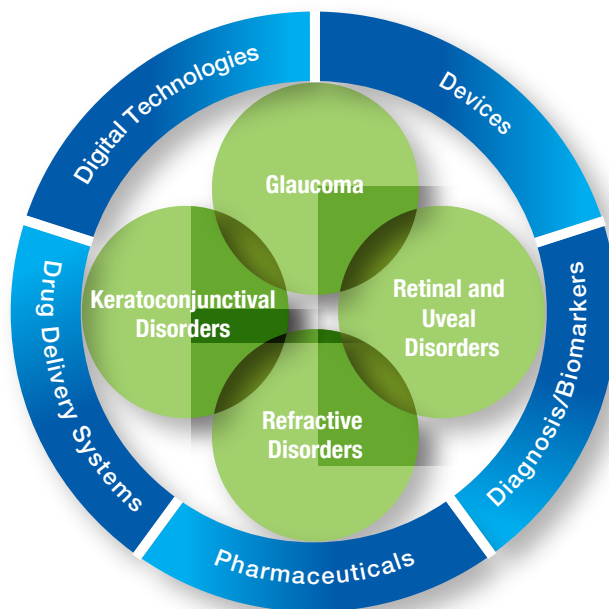
Further Information CSR Website <http://www.santen.com/en/csr>



**Santen is pursuing development of products to satisfy unmet medical needs in ophthalmology worldwide.**

## R&D Strategy

As a pharmaceutical company specialized in ophthalmology, Santen wishes to preserve vision for patients by addressing unmet needs and by developing products that have significant positive impact on the QOL of patients. By focusing on the QOL of our patients we intend to address the needs of other important stakeholders such as, ophthalmologists, care givers and healthcare providers. Therefore our Medium-Term Plan (MTP2020) is focused on enhancing our product pipeline and developing new treatment options. Alongside conventional drug development, we have started to tackle challenging new technologies to optimize treatment outcomes using a “Network Product Development<sup>1</sup>” approach. Good examples of this include the creation of a new formulation in partnership with Singapore Eye Research Institute (SERI), DE-127 for myopia patients, and the development of DE-128 (MicroShunt) for glaucoma patients. We feel products like these will address unmet needs on a worldwide basis. In order to improve the outcomes of clinical research and improve patient care we are conducting translational research<sup>2</sup> to identify biomarkers<sup>3</sup> and eventually develop diagnostics. In addition, we are working to create preservative-free formulations of existing drugs while developing drug-delivery systems<sup>4</sup> and better containers as a way of making these treatments more convenient and less burdensome for our patients.



1. An approach of proactive use of compounds and technologies from outside the company in product development
2. Multi-disciplinary research that links basic research, clinical research, and medical care and utilizes such findings for effective and efficient practical applications to contribute to healthcare advancement
3. Indicators that objectively measure and evaluate biometric information to identify medical states including the onset or severity of disease
4. Formulation technologies engineered to deliver the right amount of drug to the right target at the right time

## Pipeline of Prescription Pharmaceuticals (Clinical Development)

### Glaucoma

Dev. Code/ Dev. Name	Generic Name	Indication	Original / Licensor	Region	Phase			NDA Filed	Approved
					1	2	3		
DE-117	Omidenepag isopropyl	Glaucoma Ocular hypertension	Co-development with Ube Industries	U.S.	Phase 1				
				Japan	Phase 1		Phase 2	November 2017	
				Asia	Phase 1		Phase 2		
DE-126	Sepetaprost	Glaucoma Ocular hypertension	ONO PHARMACEUTICAL	U.S.	Phase 1		Phase 2b		
				Japan	Phase 1		Phase 2b		
DE-128 MicroShunt	—	Glaucoma	Original	U.S.	Phase 1		Phase 2/3		
				Europe	Phase 1		Phase 2/3		
DE-130A Catioprost	Latanoprost	Glaucoma Ocular hypertension	Original	Europe	Phase 1				

### Keratoconjunctival Disorders

DE-089	Diquafosol sodium	Dry eye	Merck Sharp & Dohme Corp. (U.S.)	China	Phase 1		Phase 2	October 2017
DE-114A	Epinastine hydrochloride	Allergic conjunctivitis	Nippon Boehringer Ingelheim	Japan	Phase 1		Phase 2	
DE-076B Cyclokat	Ciclosporin	Severe keratitis with dry eye	Original	U.S.	Phase 1			
				Asia	Phase 1		Phase 2	Launched, December 2017
DE-076C Verkazia	Ciclosporin	Vernal keratoconjunctivitis	Original	Europe	Phase 1		Phase 2	July 2018

### Retinal and Uveal Disorders

DE-109	Sirolimus	Uveitis	Original	U.S.	Phase 1			
				Japan	Phase 1			
				Europe	Phase 1			
				Asia	Phase 1		Phase 2	April 2015
DE-122	Carotuximab	Wet age-related macular degeneration	TRACON	U.S.	Phase 1		Phase 2a	

### Refractive Disorders

DE-127	Atropine sulfate	Myopia	Singapore Health Services, Nanyang Technological University	Asia	Phase 1			
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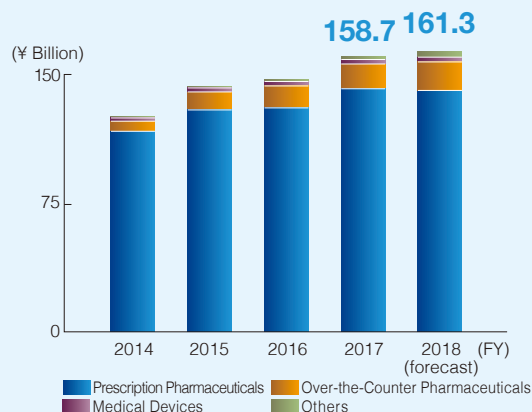
As of August 1, 2018

# Japan Business

## Japan Business Revenue

Fiscal 2017

**¥158,653 million** **+9.1%**



## Prescription Ophthalmic Pharmaceutical Market Scale/ Santen Product Market Share<sup>1</sup>

	Market scale	Market share	
Prescription Ophthalmic Pharmaceuticals Overall	¥363.3 billion	<b>46.2%</b>	<b>#1</b>
Treatments for Glaucoma	¥114.9 billion	<b>31.2%</b>	<b>#1</b>
Treatments for Keratoconjunctival Disorders	¥46.6 billion	<b>62.2%</b>	<b>#1</b>
Treatments for Retinal Disorders <sup>2</sup>	¥85.3 billion	<b>71.8%</b>	<b>#1</b>
Anti-Allergy Ophthalmics	¥42.9 million	<b>47.9%</b>	<b>#1</b>
Anti-Infective Ophthalmics	¥13.9 billion	<b>40.0%</b>	<b>#1</b>

1. Source: Copyright © 2018 IQVIA. Santen analysis based on JPM 2016.4-2018.3. Reprinted with permission.

2. Including co-promoted product of Bayer Yakuin, Ltd. (MAH) (Anti-VEGF Eylea)

## Business Strategy

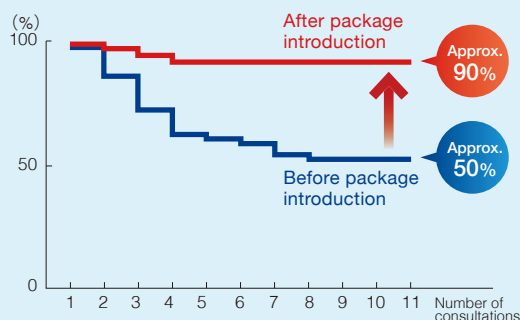
Santen has developed its ophthalmic product franchise in Japan for nearly 130 years, spanning the three fields of prescription pharmaceuticals, OTC pharmaceuticals and medical devices. Today, we enjoy a dominant presence in the ophthalmic sector. Under the Medium-Term Plan (MTP2020), we will further evolve our business strategy by taking full advantage of the strengths of each of these three businesses. In doing so, we will promote the transformation of Santen into an ophthalmic “total solution” provider that develops new market segments and caters to such new needs.

Santen has firmly maintained the top share of the Japan prescription ophthalmic pharmaceutical market for over twenty years, gaining the top share in every major field for two consecutive years in fiscal 2016 and fiscal 2017<sup>1</sup>. Leveraging a strong customer focus and a competitive and expansive product lineup, we are focused on high-quality detailing activities that are tailored to the needs of medical professionals at clinical sites, coupled with activities to address relevant disease-related therapeutic issues. Business conditions in the pharmaceutical sector are becoming increasingly challenging amid a continuing debate about reforms in the NHI drug price system. To achieve steady sales growth, we are focusing on activities aimed at increasing market share, expanding the markets by existing products, and growing markets by creating new value. We are also trying to minimize the impact of NHI drug price revisions on our overall business by consistently introducing new products to gain higher market penetration. Our sales ratio of new products was 74.5% in fiscal 2017. Going forward, besides providing information on individual products, we aim to provide solutions to satisfy the needs of patients and medical professionals across the entire field of ophthalmic medicine, from prevention and diagnosis to treatment and post-therapeutic follow-up.

## Initiatives to Support Treatment Compliance Rates for Glaucoma Patients

Glaucoma is a disease that narrows the field of vision by causing damage to the optic nerve. The basis of treatment is the lowering of intraocular pressure to suppress optic nerve damage and further loss of vision. Continuous treatment is necessary to maintain control over intraocular pressure because the optic nerve cannot be restored to an earlier healthy state once it has suffered damage. Although glaucoma can cause blindness, there are few noticeable symptoms of the disease, leading many patients to stop treatment. With improving treatment compliance becoming a relevant issue, Santen has begun supplying in-house-developed glaucoma treatment program packages to medical clinics. The 11 sites that led implementation of these packages in 2016 demonstrated an average treatment compliance rates increase from approximately 50% to 90%.

### Glaucoma Patient Compliance Rate





In the OTC pharmaceutical market, Santen is focused on sales of mainstay products such as the *Sante FX* series including *Sante FX NEO* which is Japan's top-selling brand<sup>3</sup> of ophthalmic solution by volume, and the *Soft Santear* series. Product development is focused on high-value, high-end brands such as the *Sante Medical* series and the *Sante Beautéye* series. Aiming to win the support of consumers as the #1 eye care company, Santen is also leveraging the specialist and technical expertise cultivated in prescription ophthalmic medicines to meet new needs, including switch-OTC medicines<sup>4</sup>.

In the medical device business, Santen has been developing its specialized intraocular lenses (IOLs) in the cataract surgery field. We have been selling the *Eternity* series of foldable IOLs since 2008, which are made of a new glistening-free hydrophobic acrylic material. In addition to *Eternity Natural*, an IOL that should provide more natural visibility, and *Eternity Natural Uni*, a novel IOL with an original design, Santen started selling *Eternity Natural Uni R* from April 2017, which features an upgraded lens design. Along with penetrating the market with the concept of high quality IOLs with outstanding transparency in the *Eternity* series, Santen is aiming to contribute further to the ophthalmic surgery field by developing new products and strengthening its systems through tie-ups with our pharmaceutical business.

3. Volume of shares in the Japanese OTC pharmaceutical market in fiscal 2017  
Source: Statistics compiled by Santen

4. Prescription Pharmaceutical Products Converted to OTC

#### (Reference) Revision of NHI Drug Prices

	2018
Industry average	-7.48%
Ophthalmic drugs	mid -5%
Santen	mid -4%

## Business Performance

Santen's Japan prescription ophthalmic pharmaceuticals revenue increased 8.3% in fiscal 2017 to ¥140.4 billion. Revenue from mainstay products by sector is shown in the table below.

OTC pharmaceuticals revenue increased 15.1% in fiscal 2017 to ¥14.3 billion. In addition to capturing inbound demand from foreign tourists visiting Japan, this reflected continued strong sales of high-end brands such as the *Sante Beautéye* series and the new *Sante Medical* series. A collaboration based on a popular anime series resulted in a successful marketing campaign for the *Sante FX* series.

Revenue from medical devices increased 0.5% in fiscal 2017 to ¥2.5 billion, reflecting the efforts to strengthen the system of collaboration with our pharmaceutical business to best respond to customer demand.

		Revenue (¥ Billion)	Year on Year
Treatments for Glaucoma	<i>Tapros</i>	9.6	+0.2%
	<i>Cosopt</i>	2.5	+9.9%
	<i>Tapcom</i>	11.4	+0.3%
Treatments for Keratoconjunctival Disorders	<i>Hyalein</i>	10.8	-9.1%
	<i>Diquas</i>	12.8	+16.4%
Treatments for Retinal Disorders	<i>Eylea</i> <sup>5</sup>	51.5	+14.1%
Anti-Allergy Ophthalmics	<i>Alesion</i>	16.9	+37.7%
Anti-Infective Ophthalmics	<i>Cravit</i>	4.1	-11.9%

5. Co-promoted product (Anti-VEGF *Eylea*) of Bayer Yakuin, Ltd. (MAH)

## Providing a New Solution

Santen is actively developing new therapeutic solutions for the ophthalmic field, including supplements and switch-OTC pharmaceuticals.

Santen's range of supplements includes *Sante Lutax*, a product containing lutein launched in 2008, and *Sante Glagenox*, a product containing pine bark extract and bilberry extract that was launched in 2017. *Sante Glagenox* is only being made available to patients visiting a medical institution.

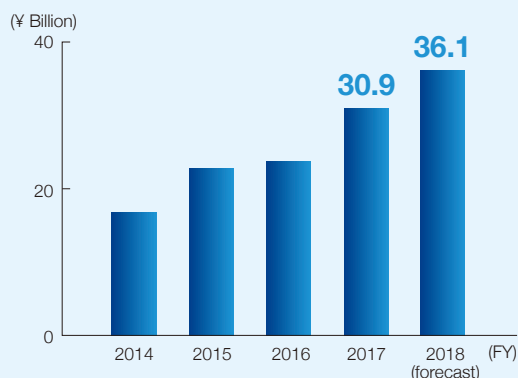


# Asia Business

## Asia Business Revenue

Fiscal 2017

**¥30,903 million** +30.7%



### Business Strategy

With nearly 60% of the world's total population, the market for prescription ophthalmic pharmaceuticals in Asia is expected to continue experiencing substantial growth, most notably in segments such as dry eye, glaucoma and retinal disorders. There are many patients suffering from ocular infection as well, notably in emerging countries. In order to respond to the varied needs of customers across different countries, Santen is promoting a shift towards sales through our own representatives in the localities. Furthermore, we are proactively undertaking initiatives to enter new markets. Going forward, we will capture growth opportunities and develop our business in Asia by using strengths and insights we have cultivated in Japan and EMEA (Europe, the Middle East, and Africa). We will also improve the

level of our products and services to contribute to the development of ophthalmic medicine for patients in Asia.

Accounting for approximately 60% of Santen's sales in the region, China is a major driver of growth. We are working to increase market share while further increasing revenue by raising customer satisfaction, strengthening the Santen brand, and reinforcing the established operating platform through expansion of hospital coverage. In other countries in Asia, we are striving to grow faster than the market by investing resources in an effective manner so that return on investment is maximized.

### Business Performance

Revenue from the Asia Business increased 30.7% to ¥30.9 billion in fiscal 2017.

Sales continued to grow in China, driven mainly by the anti-infective agent *Cravit* and the dry eye treatment *Hyalein*. Following the launch of the glaucoma and ocular hypertension treatment *Tapros* in 2016, our activities continued to focus on raising glaucoma-related knowledge among ophthalmologists through meetings with key opinion leaders and academic conferences.

In Korea, our product lineup, which includes the glaucoma and ocular hypertension treatment *Tafotan* and the dry eye treatment *Diquas*, has been supplemented by glaucoma and ocular hypertension treatments, *Cospot* etc, acquired from Merck & Co., Inc. We are working to expand our market presence further.

In the ASEAN region, we have already gained a high presence in Vietnam comparable to our presence in China and Korea. Elsewhere, our aim is to progressively introduce prescription pharmaceuticals for dry eye, glaucoma and other conditions in line with local market needs. In fiscal 2017, we launched 29 products<sup>1</sup> across the region, and we plan to introduce more products going forward.

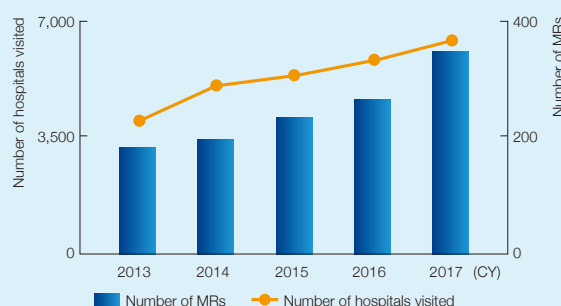
1. Total based on numbers of individual products launched in each country or region. Including OTC products in Taiwan.

### Expanded Hospitals Visits in China

In China, Santen currently supplies ophthalmic prescription pharmaceuticals to medical institutions, mostly hospitals classified as grade 3 and 2. Utilizing in-house medical representatives (MRs) to provide high-quality product detailing, Santen has increased hospital visits 1.8-fold over five years, from 2013 to 2017. We also established a joint venture in Chongqing in 2016 to facilitate the future supply of products to patients in medical institutions other than grade 3 and 2 hospitals. A production facility is also under construction.

Based on good working partnerships with the Chinese Ophthalmological Society and the Chinese Ophthalmologist Association, we are also providing products and services to meet the varied local needs across the country.

### Number of Hospital Visits (Grade 3 and 2 Hospitals), MRs

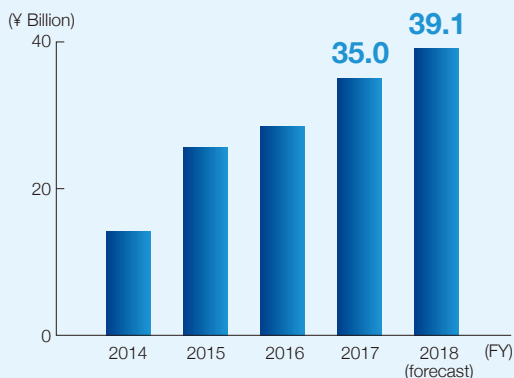


# EMEA Business

## EMEA Business Revenue

Fiscal 2017

¥35,015 million +22.2%



### Business Strategy

The Europe, Middle East, and Africa (EMEA) market for prescription ophthalmic pharmaceuticals is the second largest after the U.S., and continues to grow. The market is characterized by its diversity—each country in the region has a different health insurance system and different medical treatment practices. Santen is engaging in sales and marketing activities that capture the specific characteristics of each country, in conjunction with enhancing our organizational management systems for EMEA operations. At the same time, we are developing a number of products that address local needs, primarily focused on glaucoma and ocular hypertension. For instance, there is great demand in Europe for glaucoma and ocular hypertension treatments that do not contain preservatives, therefore Santen

is proceeding with initiatives such as sales of the first preservative-free products in that region. Going forward, we will make steady progress in penetrating the market with a wide range of products that conform to local needs by taking advantage of the business foundations we have built. Along with improving sales and profitability, we will accelerate initiatives that contribute to ophthalmic treatment in EMEA regions through activities based on the highest quality medical information.

Furthermore, Europe has a strong influence on various global standards and regulatory policies within the pharmaceutical industry. Applying the experience and knowledge gained in EMEA to other regions such as Asia will translate into opportunities for growth for the entire Santen Group.

### Business Performance

Revenue from the EMEA Business increased 22.2% to ¥35.0 billion in fiscal 2017.

We market several treatments for glaucoma and ocular hypertension in the EMEA region, starting with the *Cosopt* acquired from Merck & Co., Inc. *Taflotan/Saflutan*, a key product driving our global business expansion, is available in approximately 40 countries in the region. After launching *Taptiqom* as a combination ophthalmic solution in 2015, we are focused on increasing market penetration. As for ophthalmic products acquired from Merck & Co., Inc, we have been able to increase sales due to activities that accommodate local needs, such as knowledge-sharing for necessary treatments in ophthalmology.

*Ikervis* was launched in Germany, the U.K., and 27 countries in EMEA and Asia<sup>2</sup> as a treatment for severe keratitis in adult patients with dry eye disease, which has not improved despite treatment with tear substitutes. We aim to launch the product in other countries and penetrate those markets with *Ikervis* by leveraging the know-how we have developed as a pioneer of dry eye treatment in Japan.

2. As of end of June, 2018

### Support for 36th World Ophthalmology Congress (WOC2018)

Santen was a corporate Gold Sponsor of the 36th World Ophthalmology Congress (WOC2018) held in Barcelona in June 2018. Over 8,000 medical professionals in the ophthalmology field from more than 150 countries attended the event to share the latest knowledge and related technical information. Besides providing information on major products, the representatives at Santen's corporate booth organized a campaign whereby Santen donated two euros to the OneDollarGlasses Project to provide glasses to people in developing countries for every message left by WOC attendees concerning their thoughts and aspirations for the future of ophthalmology. Santen also conducted three seminars at the joint symposium on the themes of dry eye and glaucoma, attracting a total of over 1,800 people.



# Corporate Governance

Santen will work to enhance and strengthen its corporate governance, and promote business activities based on Santen's Values.

## Overview of the Corporate Governance System

### Basic Views on Corporate Governance

The Santen Group believes it is vital to upgrade and strengthen its corporate governance system in order to maximize corporate value, and thus returns to shareholders.

Santen has adopted a "Company with Board of Corporate Auditors" system as defined in Japan's Companies Act. Santen works to continuously to upgrade and strengthen its corporate governance systems in place.

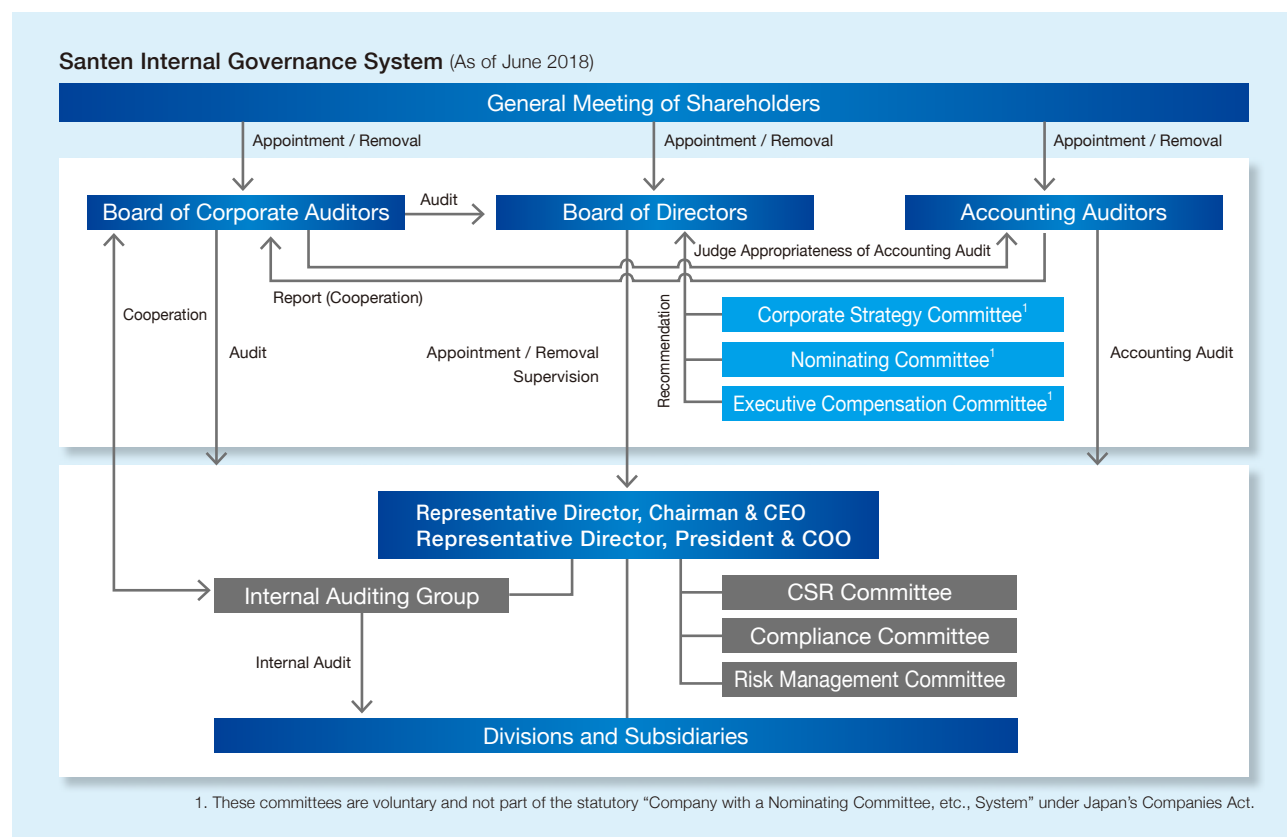
First, the function of the Board of Directors is to make decisions concerning the vital execution of the business as well as to monitor the execution of the business by the Officers and Directors. Santen operates with focus on swift and appropriate managerial decision-making.

Santen expects its Outside Directors to be actively involved in Board of Director decision-making on managerial

issues, taking advantage of their wide range of experience and knowledge. Santen also seeks their opinions from the perspective of strengthening management monitoring function.

Furthermore, Santen has taken specific steps such as establishing the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, which are all voluntary committees comprised of Inside and Outside Directors, and introduced a corporate officer system to strengthen management and improve the speed of business execution. Santen will continue to improve management transparency and objectivity.

Corporate Auditors audit the Board of Directors and operating divisions by collaborating with the Accounting Auditors and the Internal Auditing Group and utilizing the Corporate Auditor's Group, bringing into view not only the legality but also the appropriateness and effectiveness of the performance of their duties, and Santen endeavors to strengthen their function.



## Status of Management Supervision Structure

Santen has created structures that enable accurate decision-making and business execution in accordance with the issues facing management.

Santen's Board of Directors features well-balanced knowledge, experience and the ability to effectively fulfill its roles and responsibilities with a structure that satisfies both diversity and an appropriate number of members. Moreover, Santen has appointed Corporate Auditors with the expertise necessary to properly perform audits, including finance and accounting issues.

To promote meaningful discussions and important agenda items resolutions at Board of Director Meetings, materials for the meetings and the relevant information are provided to the Outside Directors and Outside Corporate Auditors in advance followed by sufficient explanations concerning the background, purpose and other agenda details of said meetings.

## Purpose of the Voluntary Committees

Committee	Purpose
<b>Corporate Strategy Committee</b>	<ul style="list-style-type: none"> <li>The Corporate Strategy Committee deliberates on key strategic issues such as business strategies.</li> </ul>
<b>Nominating Committee</b>	<ul style="list-style-type: none"> <li>The Nominating Committee deliberates on the selection of candidates for Directors and submits recommendations.</li> <li>This committee also submits recommendations in response to consultations concerning the selection of candidates as Corporate Officers and Corporate Auditors.</li> </ul>
<b>Executive Compensation Committee</b>	<ul style="list-style-type: none"> <li>The Executive Compensation Committee deliberates on the compensation of Directors and Corporate Officers and submits recommendations to the Board of Directors.</li> <li>This committee also submits recommendations to the Board of Corporate Auditors with respect to the policy on determining the compensation of Corporate Auditors with reference to market levels.</li> </ul>

## Corporate Governance Meeting Composition (As of October 2018)

Position	Name	Board of Directors	Board of Corporate Auditors	Corporate Strategy Committee	Nominating Committee	Executive Compensation Committee
<b>Directors</b>	Akira Kurokawa	○		○	○	○
	Shigeo Taniuchi	○		○	○	○
	Takeshi Ito	○		○		
	Kanoko Oishi	○		○	○	○
	Yutaro Shintaku	○		○	○	○
	Kunihito Minakawa	○		○	○	○
<b>Corporate Auditors</b>	Masashi Murata	○	○			
	Yutaka Mizuno	○	○			
	Seiichiro Adachi	○	○			
	Yasuyuki Miyasaka	○	○			

## Reasons for Selecting the Current Corporate Governance System

Santen's governance is based on the corporate organizational form of a "Company with Board of Corporate Auditors" as defined in Japan's Companies Act. This structure enables the Company to have objective audits by Corporate Auditors who are in independent positions of the execution of the business by the Directors. Furthermore, to secure transparency, objectivity and appropriateness of management, Santen believes that making the most of systems such as the voluntary committees on business strategy, nomination of officers, executive compensation, etc. will contribute to the strengthening of the current corporate governance system. As a material management matter, Santen commits to continuously review the improvement and strengthening of the said system.

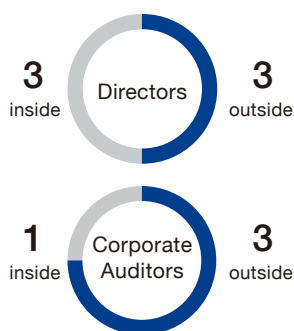
## Ensuring Independence of Outside Directors and Outside Corporate Auditors

Santen has made a concerted effort to nominate Outside Directors and Corporate Auditors, with Outside Directors serving on its Board since June 2003. In a bid to strengthen and enhance management supervision functions, a number of highly independent Outside Directors and Outside Corporate Auditors have been appointed. All of its Outside Directors and Outside Corporate Auditors satisfy the requirements of independent officers as defined by the Companies Act and the Tokyo Stock Exchange, and are registered with the Tokyo Stock Exchange.

For details about the criteria of independence, please refer to convocation notices on the Company's website.

<http://www.santen.com>

### Composition of Directors and Corporate Auditors



### Attendance of Outside Directors and Outside Corporate Auditors (from April 2017 to March 2018)

Position	Name	Independent Officers	Attendance at Board of Directors Meetings	Attendance at Board of Corporate Auditors Meetings
Outside Directors	Kanoko Oishi	○	Attended 10 out of 11 meetings	—
	Yutaro Shintaku	○	Attended 9 out of 9 meetings (Appointed June 2017)	—
	Kunihito Minakawa	○	— (Appointed June 2018)	—
Outside Corporate Auditors	Yutaka Mizuno	○	Attended 11 out of 11 meetings	Attended 10 out of 10 meetings
	Seiichiro Adachi	○	Attended 11 out of 11 meetings	Attended 10 out of 10 meetings
	Yasuyuki Miyasaka	○	— (Appointed June 2018)	— (Appointed June 2018)

For details, please refer to the Basic Policy on Corporate Governance and the Corporate Governance Report on the Company's website. <http://www.santen.com>

## Santen Awarded Corporate Governance of the Year 2017

In February 2018, Santen was selected as a winning company in the 2017 Corporate Governance of the Year Award held by the Japan Association of Corporate Directors (JACD).

The Corporate Governance of the Year Award is granted to encourage companies which have achieved sound growth over the medium to long term by implementing good corporate governance. Santen was one of four companies to receive the award from among a total of 356 companies who had three or more outside directors between 2015 and 2017.

At the award ceremony held in Tokyo on February 19, 2018, Screening Committee member Dr. Kunio Ito (Adjunct Professor, Graduate School of Business Administration, Hitotsubashi University) praised Santen's array of initiatives related to corporate governance as well as Santen's proactive use of outside directors.

Going forward, Santen will continue to strive to enhance its corporate governance.



Award ceremony

## Director and Corporate Auditor Compensation

Santen has established an Executive Compensation Committee as a voluntary committee including Outside Directors to determine the compensation of Directors, Corporate Auditors, and Corporate Officers. At the Annual General Meeting of Shareholders held on June 26, 2018, it was resolved that Santen will introduce a "Performance Share Unit system (PSU)" (a performance-linked stock remuneration system), a type of compensation that is linked to the achievement rate of numerical targets or the like during a certain performance evaluation period, as well as a "Restricted Stock-Linked Remuneration system (RS)," stock-linked compensation with a transfer restriction that is lifted by satisfying conditions such as holding the target Director position continuously for a certain period. The purpose of introducing these compensation systems was to encourage Directors of Santen, excluding Outside Directors, to proactively engage in achieving Santen's vision and strategy, and to promote the further sharing of value with shareholders from the perspective of enhancing the stock-linked remuneration program's functions and effectiveness by further clarifying the message conveyed by the program so that it contributes to Santen's continuous growth and the improvement of corporate value on a medium- to long-term basis.

### Director Compensation and Calculation Methodology

1. Director compensation (excluding Outside Directors) consists of basic compensation, an annual bonus and stock-linked remuneration (PSU and RS).
2. Basic compensation is decided according to rank and based on job evaluations.
3. Annual bonuses are determined according to company performance and individual performance.
4. PSU awarded to Directors (excluding Outside Directors) is decided depending on the degree of achievement of previously-established performance targets within a performance period, with rank-based basic remuneration.
5. RS are awarded to Directors (excluding Outside Directors) and determined based on the amount of rank-based compensation.
6. Outside Director compensation is decided with consideration given to prevailing market standards.

### Corporate Auditor Compensation and Calculation Methodology

1. Corporate Auditor (excluding Outside Corporate Auditors) compensation is decided based on discussions among the Corporate Auditors while referring to market standards based on advice received from the Executive Compensation Committee. However, compensation established on an individual basis or a change in compensation due to performance evaluations will not be conducted in accordance with the principles of the statutory auditor system.
2. Outside Corporate Auditor compensation is decided based on discussions among the Corporate Auditors while referring to market standards based on advice received from the Executive Compensation Committee.

### Director and Corporate Auditor Compensation

Position	Total Compensation (Millions of yen)	Total Compensation by Category (Millions of yen)			Number of Eligible People
		Basic Compensation (Annual)	Stock Compensation-Type Stock Options	Retirement Benefits	
Directors (Excluding Outside Directors)	226	116	110	—	5
Corporate Auditors (Excluding Outside Corporate Auditors)	24	24	—	—	1
Outside Directors	40	40	—	—	4
Outside Corporate Auditors	29	29	—	—	3

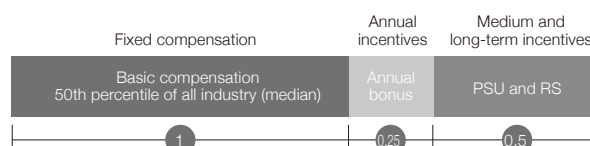
Note: This content represents the fiscal year ended March 31, 2018. The number of Directors and Corporate Auditors shown include two Directors whose terms of office have ended since the conclusion of the Annual General Meeting of Shareholders held on June 23, 2017, and one Director who resigned during his term of office. Moreover, the stock compensation-type stock options have been abolished due to the introduction of PSU and RS stock-linked compensation that was decided the General Meeting of Shareholders held on June 26, 2018.

### Limits to Director Compensation

Directors (Excluding Outside Directors)	Basic Compensation (Annual)	¥600 million (maximum amount set by resolution of the General Meeting of Shareholders on June 26, 2018)
	PSU (Annual)	The total amount of monetary remuneration to be paid during the Performance Evaluation Period shall be 100 million yen per year, multiplied by the number of years of each Performance Evaluation Period; and the total amount of Cash for Tax Payment Purposes to be paid during the Performance Evaluation Period shall be 100 thousand shares per year multiplied by the number of years of each Performance Evaluation Period, which will then be multiplied by the share price at the time of issuance (maximum amount set by resolution of the General Meeting of Shareholders held on June 26, 2018).
	RS (Annual)	¥100 million (maximum amount set by resolution of the General Meeting of Shareholders on June 26, 2018)
Outside Directors	Basic Compensation (Annual)	¥60 million (maximum amount set by resolution of the General Meeting of Shareholders on June 26, 2018)
Corporate Auditors	Basic Compensation (Annual)	¥80 million (maximum amount set by resolution of the General Meeting of Shareholders on June 27, 2006)

### Breakdown of Director Compensation

Director compensation (excluding Outside Directors) consists of a fixed basic compensation, an annual bonus tied to company performance and individual evaluation, and PSU and RS. Assuming basic compensation is 1, annual bonuses and PSU and RS are typically 0.25 and 0.5, respectively, of the amount.



## Analysis and Evaluation of Effectiveness of the Board of Directors

For the purpose of further improving the roles and functions of the Board of Directors, Santen assesses the overall effectiveness of the Board of Directors based on the results of evaluation surveys and individual interviews of all of Santen's Directors and Corporate Auditors, and any issues are resolved through discussions and other measures at Board of Directors meetings.

For fiscal 2016, two policies for improvement were adopted based on the analysis. For the policy of "continuous monitoring of material matters that are decided at meetings of the Board of Directors," the Board of Directors has made improvements by regularly making progress summaries at Board of Directors meetings and identifying issues. For the policy of "further strengthening discussions from the viewpoint of risk management," the Board of Directors has been holding discussions after clarifying the risks associated with important matters.

The analysis of fiscal 2017, concluded that the Board of Directors is generally functioning effectively. Also, similar to the previous year, the Board of Directors was found to have a culture of incorporating the opinions of Outside Directors and Outside Corporate Auditors, and is engaging in free and open discussions. Meanwhile, as areas that could be improved, the Board of Directors will enhance discussions from the perspective of risk management, recognizing the importance of initiatives aimed at bolstering governance functions and further enhancing discussions about strategy in light of the changes in the business environment and Santen's global business expansion. In addition, the following were decided as initiatives:

- With the aim of further enhancing the quality of decision making in strategic matters and further strengthening its governance, Santen will endeavor to enhance the quality of discussions
  - In the midst of the global expansion of Santen's business, lead to strengthening of Santen's governance through further understanding and embodying Santen's Values and its Code of Practice based on specific case studies
- Going forward, Santen will continue to work to improve the functions of the Board of Directors.

## Addressing the Corporate Governance Code

Santen implements all of the principles of the Corporate Governance Code of the Tokyo Stock Exchange. In November 2015, Santen stated the Basic Policy on Corporate Governance based on the five General Principles of the Corporate Governance Code (Ensuring the Right and Equality of Shareholders, Cooperation with Stakeholders Other Than Shareholders, Ensuring Appropriate Disclosure of Information and Transparency, Responsibilities of the Board of Directors, etc., Dialogue with Shareholders and Other Persons), and discloses the policy on its corporate website.

## Internal Control System

### Development of the Internal Control System

In accordance with Japan's Companies Act and the Ordinance of Enforcement of the Companies Act, Santen has passed a resolution regarding the development of a system to ensure appropriate operations (Basic Policy on Internal Control). The operating divisions regularly report on the status of the development and implementation of the system to the Board of Directors, while the Board of Directors gives instructions and makes course corrections as necessary, in order to qualitatively enhance the development and implementation of the internal control system and expand its scope.

For details, please refer to the Basic Policy on Corporate Governance and the Corporate Governance Report on the Company's website.

<http://www.santen.com>



## Compliance

### Compliance Committee

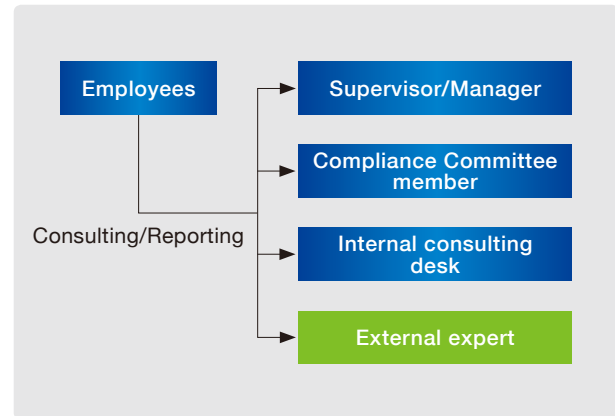
In October 2016, Santen appointed a Chief Compliance Officer (CCO) and set up a Compliance Committee to establish a system for promoting globalization-compatible compliance activities. Since then, Santen has worked to improve compliance as a group by holding debates and making decisions on a number of matters at the Meeting of the Global Compliance Committee and the Global Meeting of Compliance Administrators. These include compliance with regional laws for the protection of personal information and corruption prevention that Santen Group should address as a whole, as well as partnerships through compliance divisions in each region through lecture invitations for cross-border medical personnel and hosting academic events.

### Compliance Consulting & Reporting Desk

Santen strives to ensure compliance, formulating as the concrete code of conduct in our business activities, the Santen Code of Practice, which provides for desirable ways of action for Santen workers, not to mention compliance with laws and regulations.

Santen has made it easier for all employees to consult and report on suspicious actions and questions related to compliance by establishing in-house consulting and reporting desks that respond in various languages in its operating countries and regional bases. Additionally, Santen has established external helplines that receive reports anonymously in nearly all of the countries where it conducts business with the cooperation of external third-parties, such as lawyers. Incoming consultations and reports are appropriately investigated and addressed in a sincere manner, and reports are relayed to the Board of Directors regularly. Santen also has a system in place that reports directly to the CCO.

### Example of Compliance Consulting & Reporting Desk in Japan



## Information Disclosure

### Ensuring Proactive Information Disclosure and Transparency

The Santen Group discloses information as required by law and regulations, and also makes concerted efforts to fairly disclose accurate information that is easy to understand and not required by law from the standpoint of ensuring transparency and fairness in its decision-making process as well as effective corporate governance

Santen aggressively discloses information to shareholders and investors based on its Disclosure Policy. The Company has also created rules for transparency in relationships with medical institutions, and rules for transparency in relationships with patient organizations. Information about the provision of funding to medical institutions and relationships with patient groups is broadly disseminated through its website.

For details, please refer to the Disclosure Policy on the Company's website.

<http://www.santen.com>

**Risk Management**

**Risk Management Promotion Framework**

Santen has built a system for responding appropriately to major risks that occur or could occur in its global business activities, in accordance with its risk management rules. Santen has established a Risk Management Committee as a system to manage risks in normal circumstances. The Committee cooperates with operating divisions and headquarters to avoid or minimize risk by gathering information and preparing risk management policies and countermeasures for their operations. Furthermore, the Risk Evaluation Committee discusses risk management policies and countermeasures for when a risk incident occurs. Depending on the degree of impact on the company, an incident may trigger the operation of the Crisis Response Committee headed by a representative director. Based on Santen's risk management rules, the committee coordinates efforts to minimize any losses or damages and ensure a quick recovery, and institutes measures to prevent a recurrence. Santen has a permanent secretariat

in place with designated executives to check the status of these risk management efforts from a Company-wide viewpoint, while the Internal Auditing Group examines them from an independent standpoint. Santen has also stipulated rules for officers and employees to report if there is a possibility that an incident could become a major crisis and established crisis report regulations with the objective of enabling a rapid response to such issues.

**Risk Assessment**

Santen conducts risk assessments every two years to comprehensively ascertain risks facing the company as a whole, while also working to develop an appropriate risk management system in line with advances in the globalization of its businesses. The assessment conducted in fiscal 2017 confirmed that business divisions were progressing with responses to risks evaluated as important in the previous assessment, no unexpected major risks were identified, and Santen's risk management was largely satisfactory.

**Key Risks and Status of Response**

Matters assessed	Specific anticipated risks	Status of response
Global Compliance	<ul style="list-style-type: none"> <li>• Risk of decline in compliance awareness due to an inadequate global compliance framework</li> </ul>	<p>In conjunction with the progress on the globalization of business activities, we are working on a global level to enhance develop and administer internal controls, strengthen compliance, and develop a risk management promotion framework in each country.</p> <p>Please refer to Page 26 for details on initiatives to prevent corruption, Page 38 for details on internal controls, Page 39 for details on compliance, and Page 40 for details on risk management.</p>
Production/ Supply related	<ul style="list-style-type: none"> <li>• Risk of stagnation in global production and supply</li> <li>• Risk of delayed deliveries due to an increasingly complex supply chain and inaccurate demand forecasts</li> </ul>	<p>Having a stable supply of products is one of the missions that pharmaceutical companies should fulfill for patients. Santen has positioned strengthening the global product supply framework as one of its important strategies, and the Company is working to expand the countries it provides products to and construct a framework to respond to a future increase in various products aside from ophthalmic solutions. In addition to establishing processes and systems to ensure a stable supply, Santen is continuously assessing the current state of affairs and addressing issues through initiatives such as monitoring planning and execution, and evaluating risks.</p> <p>Recently, Santen has also been undertaking initiatives for the manufacturing and supply of quality products that make it easier to respond to strict regulations related to logistics in Europe, as well as visualizing and centrally managing inventory management, including production plans.</p>
Research and Development related	<ul style="list-style-type: none"> <li>• Risk of decline in reliability of R&amp;D-related data</li> </ul>	<p>Santen is committed to carrying out appropriate R&amp;D, and to ensuring the reliability of R&amp;D data. The Company also addresses the risks of data manipulation or fabrication, as well as the concealment of facts.</p> <p>Along with establishing an implementation process and procedure manual for R&amp;D, we are continually providing training and education to improve the reliability of R&amp;D data to employees involved in R&amp;D. Another division specializing in guaranteeing reliability also conducts quality checks of R&amp;D data.</p> <p>In addition, the Research Ethics Committee, which includes outside medical experts and lawyers, checks the appropriateness of research from the ethical perspective. We also thoroughly inform employees about the obligation to report safety information, and we have put in place a system to gather such information.</p> <p>When selecting contract research organizations (CRO) and other vendors, we choose organizations that satisfy certain criteria, and make sure that vendors comply with the processes and procedures set forth by Santen.</p>
Information Security related	<ul style="list-style-type: none"> <li>• Risk of information leaks and/or system stoppage due to a cyberattack, etc.</li> </ul>	<p>In recent years there has been an increase in cyberattacks and other information security threats. We are working to protect personal information and other information and to strengthen our system to ensure that the systems remain in operation.</p> <p>As an information management framework, Santen conducts both technological and physical protection as well as training, based on internal rules for information security and document management.</p> <p>We have formulated a roadmap for countermeasures based on information security risk analysis that also includes threats other than IT related threats, and each year we review the status of achieving those countermeasures and make necessary revisions.</p> <p>In addition to continuously incorporating the latest security technologies and trends, we regularly conduct vulnerability audits in order to grasp the current situation and promote countermeasures. We have put in place procedures and a BCP to make the IT system more robust, and minimize impacts in the case of an emergency.</p>

## Message

### Achieving Sustainable Value Creation



**Kunihiro Minakawa**  
Outside Director



**Yasuyuki Miyasaka**  
Outside Corporate Auditor

#### Eye on Growth for 2020 and Beyond

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In line with its long-term strategic vision toward 2020 of becoming a “Specialized Pharmaceutical Company with a Global Presence,” Santen has achieved strong growth in excess of initial targets over the past seven years. Leveraging its strengths as an ophthalmology-specialized company since its founding, Santen has expanded operations overseas, mainly in Asia and EMEA, and its efforts at globalization have resulted in noteworthy outcomes.

Under globalization, Santen has become an organization that brings together employees from diverse backgrounds, with different national identities and values. As a more global organization, it can be a challenge to determine the best means to achieve our targets. In my opinion, overcoming this challenge will become even more important to the Company’s management from now on.

A number of issues will need to be addressed for the Company to continue raising corporate value sustainably from 2020 onward. I believe solving these issues one by one and steadily producing results will be of the utmost importance. From the standpoint of an independent Outside Director, I will work together with Santen to address these issues within the context of accurate decision-making and appropriate management supervision.

#### Change at a Venerable Company and Corporate Governance

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Specializing in the field of ophthalmology, Santen can be simultaneously thought of as both an “old” and a “new” company. While its history dates back nearly 130 years, Santen has always pursued change with the aim of optimizing corporate management. Since its founding, Santen’s values have been embodied in the phrase “*Tenki ni sanyo suru*,” which means “exploring the secrets and mechanisms of nature in order to contribute to people’s health.” In line with these values, the Company has stayed in touch with the needs of its global customers in the field of ophthalmology, promoted globalization including M&A, and strengthened corporate governance from an early stage.

Recently, I had an opportunity to visit the Noto Plant and the Shiga Product Supply Center. I thought that the employees there embodied the principle of thinking carefully about what is essential and then acting quickly, giving me the impression that Santen’s Values had been instilled in each and every employee.

Proper corporate governance is critical in supporting business expansion and globalization. I intend to contribute to the advancement of Santen as an Outside Corporate Auditor by performing my duties from multi-faceted and multi-dimensional perspectives so that Santen’s global corporate governance structure functions most effectively in Japan and at overseas sites.

# Board of Directors, Corporate Auditors and Corporate Officers

As of October 2018



(Front row, from left) Yutaro Shintaku, Shigeo Taniuchi, Akira Kurokawa, Takeshi Ito, Kanoko Oishi, Kunihiro Minakawa  
(Back row, from left) Seiichiro Adachi, Masashi Murata, Yutaka Mizuno, Yasuyuki Miyasaka



(Front row, from left) Akio Kimura, Atsutoshi Ota, Masamichi Sato, Naveed Shams, Kazuo Koshiji, Satoshi Suzuki  
(Back row, from left) Kenji Morishima, Noriaki Yamamoto, Takahiro Morita  
(Upper left) Frank Binder, Luis Iglesias, Ken Araki

## Directors

### Akira Kurokawa

Chairman and Chief Executive Officer  
 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 and Marketing Division, Prescription Pharmaceuticals  
 2004 Senior Corporate Officer, Head of Sales and Marketing Division, Prescription Pharmaceuticals  
 2006 President & COO  
 2008 President & CEO  
 2018 Chairman & CEO (incumbent)

### Shigeo Taniuchi

President and Chief Operating Officer  
 Head of Asia Division  
 President & CEO of Santen Inc.  
 1996 Joined the Company  
 2015 Corporate Officer, Head of Santen Europe (currently EMEA), and President of Santen Holdings EU B.V.  
 2016 Senior Corporate Officer, Head of Santen Europe (currently EMEA), and President of Santen Holdings EU B.V.  
 2017 Director, Senior Corporate Officer Head of Santen EMEA, President of Santen Holdings EU B.V.  
 2018 President & COO  
 Head of Asia Division, President & CEO of Santen Inc. (incumbent)

### Takeshi Ito

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

### Kanoko Oishi

#### Outside Director

1993 Partner, McKinsey & Company, Inc.  
 2000 Established Mediva, Inc. Chief Executive Officer (incumbent)  
 2004 Established Platanus Medical Corporation, COO (incumbent)  
 2015 Outside Director of the Company (incumbent)  
 2015 External Board Member, Ezaki Glico Co., Ltd. (incumbent)  
 2016 External Director, Shiseido Company, Limited (incumbent)

### Yutaro Shintaku

#### Outside Director

2010 Representative Director, President and CEO, Terumo Corporation  
 2017 Outside Director, J-OIL MILLS, Inc. (incumbent)  
 2017 Outside Director of the Company (incumbent)  
 2017 Corporate Advisor, Terumo Corporation (incumbent)  
 2018 Outside Director, Kubota Corporation (incumbent)  
 2018 Visiting Professor, Business Administration, Hitotsubashi University Business School (incumbent)

### Kunihito Minakawa

#### Outside Director

2013 Audit & Supervisory Board Member, Ricoh Company, Ltd.  
 2017 Outside Director, Sony Corporation (incumbent)  
 2018 Outside Director of the Company (incumbent)

## Corporate Auditors

### Masashi Murata

#### Standing Corporate Auditor

1999 Joined the Company  
 2007 General Manager, Corporate Planning Group  
 2011 Chief Administrative Office (CAO), Santen Inc.  
 2014 General Manager, Corporate Auditor's Group  
 2016 Standing Corporate Auditor (incumbent)

### Yutaka Mizuno

#### Outside Corporate Auditor

2004 Executive Officer, Matsushita Electric Industrial Co., Ltd. (currently, Panasonic Corporation)  
 2011 Outside Corporate Auditor of the Company (incumbent)

### Seiichiro Adachi

#### Outside Corporate Auditor

2008 Managing Director, Toyota Tsusho Corporation  
 2010 President, NV Toyota Tsusho Europe SA  
 2013 Full-time Audit & Supervisory Board Member, Toyota Tsusho Corporation  
 2015 Advisor, Toyota Tsusho Corporation  
 2015 Outside Corporate Auditor of the Company (incumbent)  
 2016 Professor, Yokohama College of Commerce (incumbent)

### Yasuyuki Miyasaka

#### Outside Corporate Auditor

2010 Director of Risk Management and Quality Assurance Office of IFRS, Deloitte Touche Tohmatsu LLC  
 2017 Established Yasuyuki Miyasaka Certified Public Accountant Office and assumed the Head thereof (incumbent)  
 2018 Outside Director, ITOCHU-SHOKUJIN Co., Ltd. (incumbent)  
 2018 Outside Corporate Auditor of the Company (incumbent)

## Corporate Officers (Not including directors who also serve as corporate officers)

### Masamichi Sato

Senior Corporate Officer  
 Chief Compliance Officer (CCO)  
 Head of CSR & Internal Control Division  
 CEO of Santen Business Service Co., Ltd.

### Naveed Shams, M.D., Ph.D.

Senior Corporate Officer  
 Chief Scientific Officer (CSO)  
 Head of Global Research and Development

### Atsutoshi Ota

Senior Corporate Officer  
 Head of Human Resources Development Division

### Kazuo Koshiji

Senior Corporate Officer  
 Corporate Administration  
 Chief Financial Officer (CFO)  
 Head of Finance and Administration Division

### Akio Kimura

Senior Corporate Officer  
 Global Product Supply  
 Head of Manufacturing Division

### Satoshi Suzuki

Senior Corporate Officer  
 Head of Corporate Development Division  
 General Manager  
 Santen Pharmaceutical (China) Co., Ltd.

### Kenji Morishima

Corporate Officer  
 Head of Pharmaceutical Technology Development

### Noriaki Yamamoto

Corporate Officer  
 Chief Information Officer (CIO)  
 Head of Information Systems Division

### Takahiro Morita

Corporate Officer  
 Head of Japan Prescription Pharmaceuticals Sales

### Frank Binder

Corporate Officer  
 Head of Supply Chain Division

### Luis Iglesias

Corporate Officer  
 Head of Santen EMEA

### Ken Araki

Corporate Officer  
 Head of Global Business Development Department

# Eleven-year Summary of Selected Financial Data

Millions of yen

	FY2007	FY2008	FY2009	FY2010
	JGAAP	JGAAP	JGAAP	JGAAP
<b>For the year:</b>				
Net sales/Revenue	¥103,394	¥101,619	¥110,594	¥110,812
Cost of sales	36,513	35,947	34,710	34,437
Selling, general and administrative expenses <sup>2</sup>	33,569	31,720	32,121	32,415
Research and development expenses	12,942	18,458	14,123	13,221
Operating profit	20,371	15,494	29,640	30,739
Core operating profit	—	—	—	—
Income taxes/Income tax expenses	7,832	5,701	9,887	9,741
Net income/Net profit for the year	12,651	10,123	18,723	21,333
Core net profit for the year	—	—	—	—
Capital expenditures/Payments for acquisition of property, plant and equipment, and intangible assets	3,151	2,953	1,315	1,651
Depreciation and amortization	4,593	4,210	3,421	2,976
<b>At year-end:</b>				
Total assets	¥156,547	¥151,012	¥166,878	¥184,801
Net assets/Total equity	127,118	125,369	137,603	156,404
Liabilities	29,429	25,643	29,275	28,397
<b>Per share data</b> (yen and U.S. dollars):				
EPS (Net income - basic/Basic earnings) <sup>3</sup>	¥ 146.15	¥ 119.08	¥ 220.10	¥ 249.71
Core EPS <sup>3</sup>	—	—	—	—
Equity/Equity attributable to owners of the company <sup>3,4</sup>	1,494.48	1,472.32	1,614.08	1,793.15
Cash dividends, applicable to the period <sup>3</sup>	16.00	16.00	16.00	18.00
<b>Cash flows:</b>				
Net cash flows from (used in) operating activities	¥ 15,468	¥ 11,849	¥ 26,110	¥ 17,768
Net cash flows from (used in) investing activities	(2,083)	(5,619)	(829)	(7,676)
Net cash flows from (used in) financing activities	(11,415)	(11,373)	(6,753)	(1,570)
Free cash flow <sup>5</sup>	12,317	8,896	24,795	16,117
Interest coverage ratio (times)	163.6	165.5	558.1	488.5
<b>Financial data:</b>				
ROE (Return (Net income) on equity/Return (Net profit for the year) on equity attributable to owners of the company) (%) <sup>4</sup>	9.9	8.0	14.3	14.5
Core ROE (%)	—	—	—	—
ROA (Return (Net income/Net profit for the year) on total assets) (%)	8.0	6.6	11.8	12.1
Equity ratio/Equity attributable to owners of the company ratio (%) <sup>4</sup>	81.1	82.9	82.3	84.5
Debt equity ratio (Interest-bearing debt to equity ratio/Interest-bearing debt to equity attributable to owners of the company ratio) (times) <sup>4</sup>	0.0	0.0	0.0	0.0
PER (Price earnings ratio) (times)	15.9	23.0	12.7	13.3
Dividend payout ratio (%)	54.7	67.2	36.3	36.0
Issued shares (thousands)	86,867	86,916	86,992	87,053
Number of employees	2,483	2,690	2,756	2,867

1. U.S. dollar amounts have been translated from yen, solely for the convenience of the reader, at the rate of ¥106.24 to U.S.\$1.00, the exchange rate prevailing on March 30, 2018. (This date was selected because March 31, 2018 was a non-business day for financial institutions.)

2. Research and development expenses are excluded under J-GAAP.

3. 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.

4. Equity is calculated by deducting stock subscription rights from net assets under J-GAAP.

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

Thousands of  
U.S. dollars<sup>1</sup>

FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017
JGAAP	JGAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
¥114,416	¥119,066	¥146,260	¥161,831	¥195,291	¥199,096	¥224,942	\$2,117,301
35,385	41,501	57,353	56,373	72,829	74,966	86,378	813,046
35,073	36,164	41,642	48,893	59,406	62,193	68,788	647,474
17,225	16,720	16,862	17,477	19,990	22,786	24,398	229,649
26,732	24,681	29,878	35,374	80,180	32,479	38,691	364,189
—	—	30,403	39,088	43,067	39,687	45,378	427,131
10,630	9,071	10,643	11,831	26,097	8,331	4,000	37,649
17,161	16,521	19,718	24,032	53,373	21,724	35,261	331,900
—	—	19,813	25,948	29,163	29,125	33,458	314,933
3,281	3,609	5,879	66,440	9,092	9,500	9,937	93,534
2,949	3,291	2,841	6,958	9,338	9,882	10,896	102,556
¥198,801	¥199,641	¥237,640	¥304,200	¥355,399	¥358,906	¥388,463	\$3,656,462
164,861	165,132	187,210	211,779	260,009	255,929	287,557	2,706,678
33,940	34,509	50,430	92,421	95,391	102,977	100,905	949,784
¥ 196.96	¥ 195.81	¥ 47.78	¥ 58.18	¥ 128.99	¥ 52.96	¥ 86.73	\$ 0.82
—	—	48.01	62.82	70.48	70.99	82.29	0.77
1,887.81	1,998.44	452.43	511.14	627.78	628.09	702.54	6.61
20.00	20.00	20.00	22.00	25.00	26.00	26.00	0.24
¥ 21,483	¥ 9,943	¥ 26,686	¥ 25,386	¥ 22,525	¥ 10,843	¥ 42,843	\$ 403,262
(10,273)	(4,596)	(7,847)	(61,709)	37,052	(28,201)	(8,259)	(77,739)
(8,559)	(21,557)	(7,954)	28,960	(24,066)	(28,657)	(17,631)	(165,954)
18,202	6,334	20,807	(41,054)	13,433	1,342	32,906	309,728
1,285.0	3,037.8	2,855.4	309.8	230.9	206.6	1,573.6	
10.7	10.0	11.1	12.0	22.6	8.4	13.0	
—	—	11.2	13.0	12.4	11.3	12.4	
8.9	8.3	8.9	8.9	16.2	6.1	9.4	
82.8	82.6	78.8	69.6	73.2	71.1	73.6	
0.0	0.0	0.0	0.2	0.1	0.1	0.0	
17.9	22.7	19.2	30.1	13.1	30.4	19.8	
50.8	51.1	41.9	37.8	19.4	49.1	30.0	
87,147	82,469	82,583	82,653	414,192	406,173	406,848	
3,053	3,050	3,072	3,230	3,463	3,667	3,805	

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Santen Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars <sup>1</sup>
	FY2016	FY2017	FY2017
Revenue	¥199,096	¥224,942	\$2,117,301
Cost of sales	(74,966)	(86,378)	(813,046)
<b>Gross profit</b>	124,130	138,564	1,304,254
Selling, general and administrative expenses	(62,193)	(68,788)	(647,474)
Research and development expenses	(22,786)	(24,398)	(229,649)
Amortization on intangible assets associated with products	(6,412)	(6,740)	(63,441)
Other income	468	417	3,927
Other expenses	(728)	(364)	(3,428)
<b>Operating profit</b>	32,479	38,691	364,189
Finance income	1,105	1,004	9,447
Finance expenses	(3,529)	(434)	(4,087)
Profit before tax	30,055	39,261	369,548
Income tax expenses	(8,331)	(4,000)	(37,649)
<b>Net profit for the year</b>	21,724	35,261	331,900
<b>Other comprehensive income for the year, net of tax</b>			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans	297	284	2,671
Net gain or loss on financial assets measured at fair value through other comprehensive income	(6,825)	5,867	55,221
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation adjustments	2,715	(686)	(6,461)
Other comprehensive income	(3,813)	5,464	51,431
<b>Total comprehensive income for the year</b>	17,911	40,725	383,330
<b>Profit attributable to</b>			
Owners of the company	21,731	35,247	331,769
Non-controlling interests	(7)	14	131
<b>Net profit for the year</b>	21,724	35,261	331,900
<b>Total comprehensive income attributable to</b>			
Owners of the company	17,924	40,648	382,607
Non-controlling interests	(13)	77	724
<b>Total comprehensive income for the year</b>	¥ 17,911	¥ 40,725	\$ 383,330

<b>Earnings per share</b>	Yen		U.S. dollars <sup>1</sup>
	FY2016	FY2017	FY2017
Basic earnings per share	¥ 52.96	¥ 86.73	\$ 0.82
Diluted earnings per share	52.76	86.42	0.81

1. U.S. dollar amounts have been translated from yen, solely for the convenience of the reader, at the rate of ¥106.24 to U.S.\$1.00, the exchange rate prevailing on March 30, 2018. (This date was selected because March 31, 2018 was a non-business day for financial institutions.)



# Consolidated Statement of Financial Position

Santen Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries  
As of March 31

	Millions of yen		Thousands of U.S. dollars <sup>1</sup>
	FY2016	FY2017	FY2017
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	¥ 28,550	¥ 29,706	\$ 279,615
Intangible assets	138,935	134,495	1,265,952
Financial assets	29,889	35,775	336,736
Deferred tax assets	2,396	2,264	21,311
Other non-current assets	2,124	2,855	26,878
Total non-current assets	201,894	205,095	1,930,492
<b>Current assets</b>			
Inventories	28,502	30,636	288,366
Trade and other receivables	70,970	78,654	740,344
Other financial assets	333	472	4,446
Other current assets	3,909	4,322	40,677
Cash and cash equivalents	53,297	69,283	652,137
Total current assets	157,011	183,367	1,725,971
Total assets	358,906	388,463	3,656,462
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to owners of the company			
Share capital	7,792	8,032	75,600
Capital surplus	8,417	8,657	81,486
Treasury shares	(10)	(11)	(105)
Retained earnings	223,283	249,225	2,345,863
Other components of equity	15,628	19,921	187,512
Total equity attributable to owners of the company	255,110	285,823	2,690,356
Non-controlling interests	819	1,734	16,322
Total equity	255,929	287,557	2,706,678
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Financial liabilities	26,288	21,244	199,961
Net defined benefit liabilities	1,900	1,804	16,983
Provisions	1,426	1,367	12,868
Deferred tax liabilities	17,963	12,909	121,510
Other non-current liabilities	1,919	1,380	12,990
Total non-current liabilities	49,496	38,704	364,311
<b>Current liabilities</b>			
Trade and other payables	23,937	29,743	279,959
Other financial liabilities	17,649	14,404	135,576
Income tax payable	3,279	7,656	72,061
Provisions	1,372	1,508	14,196
Other current liabilities	7,244	8,890	83,681
Total current liabilities	53,481	62,201	585,473
Total liabilities	102,977	100,905	949,784
Total equity and liabilities	¥358,906	¥388,463	\$3,656,462

# Consolidated Statement of Changes in Equity

Santen Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries  
Fiscal 2016

	Millions of yen					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
<b>Balance at April 1, 2016</b>	¥7,695	¥8,389	¥ (24)	¥221,945	¥ —	¥18,676
<b>Comprehensive income</b>						
Net profit for the year				21,731		
Other comprehensive income					297	(6,825)
<b>Total comprehensive income for the year</b>	—	—	—	21,731	297	(6,825)
<b>Transactions with owners</b>						
Issuance of new shares	97	97				
Acquisition of treasury shares		(69)	(12,311)			
Disposal of treasury shares		(0)	0			
Cancellation of treasury shares		(0)	12,325	(12,325)		
Dividends				(10,751)		
Changes for equity of subsidiary with non-controlling interests						
Share-based payments						
Other				2,682	(297)	(2,381)
<b>Total transactions with owners</b>	97	28	14	(20,393)	(297)	(2,381)
<b>Balance at March 31, 2017</b>	¥7,792	¥8,417	¥ (10)	¥223,283	¥ —	¥ 9,470

	Millions of yen					
	Other components of equity			Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Subscription rights to shares	Total			
<b>Balance at April 1, 2016</b>	¥2,611	¥716	¥22,003	¥260,009	¥ —	¥260,009
<b>Comprehensive income</b>						
Net profit for the year			—	21,731	(7)	21,724
Other comprehensive income	2,721		(3,807)	(3,807)	(6)	(3,813)
<b>Total comprehensive income for the year</b>	2,721	—	(3,807)	17,924	(13)	17,911
<b>Transactions with owners</b>						
Issuance of new shares		(24)	(24)	169		169
Acquisition of treasury shares			—	(12,380)		(12,380)
Disposal of treasury shares			—	0		0
Cancellation of treasury shares			—	—		—
Dividends			—	(10,751)		(10,751)
Changes for equity of subsidiary with non-controlling interests			—	—	832	832
Share-based payments			138	138		138
Other			(4)	(2,682)		—
<b>Total transactions with owners</b>	—	110	(2,568)	(22,823)	832	(21,991)
<b>Balance at March 31, 2017</b>	¥5,332	¥825	¥15,628	¥255,110	¥819	¥255,929

	Millions of yen					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
<b>Balance at April 1, 2017</b>	<b>¥7,792</b>	<b>¥8,417</b>	<b>¥(10)</b>	<b>¥223,283</b>	<b>¥ —</b>	<b>¥ 9,470</b>
<b>Comprehensive income</b>						
Net profit for the year				35,247		
Other comprehensive income					284	5,867
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>35,247</b>	<b>284</b>	<b>5,867</b>
<b>Transactions with owners</b>						
Issuance of new shares	240	240				
Acquisition of treasury shares			(1)			
Dividends				(10,563)		
Changes for equity of subsidiary with non-controlling interests						
Share-based payments						
Other				1,257	(284)	(973)
<b>Total transactions with owners</b>	<b>240</b>	<b>240</b>	<b>(1)</b>	<b>(9,306)</b>	<b>(284)</b>	<b>(973)</b>
<b>Balance at March 31, 2018</b>	<b>¥8,032</b>	<b>¥8,657</b>	<b>¥(11)</b>	<b>¥249,225</b>	<b>¥ —</b>	<b>¥14,364</b>

	Millions of yen					
	Other components of equity			Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Subscription rights to shares	Total			
<b>Balance at April 1, 2017</b>	<b>¥5,332</b>	<b>¥825</b>	<b>¥15,628</b>	<b>¥255,110</b>	<b>¥819</b>	<b>¥255,929</b>
<b>Comprehensive income</b>						
Net profit for the year			—	35,247	14	35,261
Other comprehensive income	(749)		5,401	5,401	63	5,464
<b>Total comprehensive income for the year</b>	<b>(749)</b>	<b>—</b>	<b>5,401</b>	<b>40,648</b>	<b>77</b>	<b>40,725</b>
<b>Transactions with owners</b>						
Issuance of new shares		(68)	(68)	412		412
Acquisition of treasury shares			—	(1)		(1)
Dividends			—	(10,563)		(10,563)
Changes for equity of subsidiary with non-controlling interests			—	—	838	838
Share-based payments		218	218	218		218
Other			(1,257)	—		—
<b>Total transactions with owners</b>	<b>—</b>	<b>150</b>	<b>(1,107)</b>	<b>(9,934)</b>	<b>838</b>	<b>(9,096)</b>
<b>Balance at March 31, 2018</b>	<b>¥4,583</b>	<b>¥975</b>	<b>¥19,921</b>	<b>¥285,823</b>	<b>¥1,734</b>	<b>¥287,557</b>

# Consolidated Statement of Changes in Equity

Santen Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries  
Fiscal 2017

Thousands of U.S. dollars<sup>1</sup>

	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
<b>Balance at April 1, 2017</b>	<b>\$73,341</b>	<b>\$79,226</b>	<b>\$ (93)</b>	<b>\$2,101,685</b>	<b>\$ —</b>	<b>\$ 89,139</b>
<b>Comprehensive income</b>						
Net profit for the year				331,769		
Other comprehensive income					2,671	55,221
Total comprehensive income for the year	—	—	—	331,769	2,671	55,221
<b>Transactions with owners</b>						
Issuance of new shares	2,259	2,259				
Acquisition of treasury shares			(12)			
Dividends				(99,423)		
Changes for equity of subsidiary with non-controlling interests						
Share-based payments						
Other				11,832	(2,671)	(9,161)
<b>Total transactions with owners</b>	<b>2,259</b>	<b>2,259</b>	<b>(12)</b>	<b>(87,591)</b>	<b>(2,671)</b>	<b>(9,161)</b>
<b>Balance at March 31, 2018</b>	<b>\$75,600</b>	<b>\$81,486</b>	<b>\$(105)</b>	<b>\$2,345,863</b>	<b>\$ —</b>	<b>\$ 135,200</b>

Thousands of U.S. dollars<sup>1</sup>

	Other components of equity			Total equity attributable to owners of the company	Non-controlling interests	Total equity
	Foreign currency translation adjustments	Subscription rights to shares	Total			
<b>Balance at April 1, 2017</b>	<b>\$50,190</b>	<b>\$7,769</b>	<b>\$147,098</b>	<b>\$2,401,258</b>	<b>\$ 7,711</b>	<b>\$2,408,969</b>
<b>Comprehensive income</b>						
Net profit for the year			—	331,769	131	331,900
Other comprehensive income	(7,055)		50,837	50,837	593	51,431
Total comprehensive income for the year	(7,055)	—	50,837	382,607	724	383,330
<b>Transactions with owners</b>						
Issuance of new shares		(643)	(643)	3,876		3,876
Acquisition of treasury shares			—	(12)		(12)
Dividends			—	(99,423)		(99,423)
Changes for equity of subsidiary with non-controlling interests			—	—	7,887	7,887
Share-based payments		2,051	2,051	2,051		2,051
Other			(11,832)	—		—
<b>Total transactions with owners</b>	<b>—</b>	<b>1,408</b>	<b>(10,424)</b>	<b>(93,508)</b>	<b>7,887</b>	<b>(85,621)</b>
<b>Balance at March 31, 2018</b>	<b>\$43,135</b>	<b>\$9,177</b>	<b>\$187,512</b>	<b>\$2,690,356</b>	<b>\$16,322</b>	<b>\$2,706,678</b>

1. U.S. dollar amounts have been translated from yen, solely for the convenience of the reader, at the rate of ¥106.24 to U.S.\$1.00, the exchange rate prevailing on March 30, 2018. (This date was selected because March 31, 2018 was a non-business day for financial institutions.)

# Consolidated Statement of Cash Flows

Santen Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars <sup>1</sup>
	FY2016	FY2017	FY2017
<b>Cash flows from operating activities</b>			
Net profit for the year	¥ 21,724	¥ 35,261	\$ 331,900
Depreciation and amortization	9,882	10,896	102,556
Impairment losses	475	150	1,415
Finance expenses (income)	983	(327)	(3,080)
Income tax expenses	8,331	4,000	37,649
Decrease (increase) in trade and other receivables	(5,489)	(7,116)	(66,981)
Decrease (increase) in inventories	(4,120)	(1,435)	(13,508)
Increase (decrease) in trade and other payables	(425)	5,697	53,628
Increase (decrease) in provisions and net defined benefit liabilities	(200)	285	2,682
Other	2,877	1,706	16,061
Subtotal	34,039	49,117	462,320
Interest received	74	145	1,360
Dividends received	681	598	5,628
Interest paid	(52)	(27)	(256)
Income tax paid	(23,900)	(6,990)	(65,790)
Net cash flows from (used in) operating activities	10,843	42,843	403,262
<b>Cash flows from investing activities</b>			
Proceeds from withdrawal of time deposits	19	—	—
Payments for acquisition of investments	(478)	(565)	(5,319)
Proceeds from sale of investments	1,364	2,879	27,103
Payments for acquisition of subsidiary	(19,064)	—	—
Payments for acquisition of property, plant and equipment	(4,145)	(3,984)	(37,500)
Proceeds from sales plant and equipment	4	—	—
Payments for acquisition of intangible assets	(5,355)	(5,953)	(56,033)
Other	(545)	(636)	(5,990)
Net cash flows from (used in) investing activities	(28,201)	(8,259)	(77,739)
<b>Cash flows from financing activities</b>			
Proceeds from long-term loans	3,000	—	—
Repayments of long-term loans	(9,524)	(8,316)	(78,276)
Payments for acquisition of treasury shares	(12,380)	(1)	(12)
Capital contribution from non-controlling interests	832	838	7,887
Dividends paid	(10,751)	(10,559)	(99,393)
Other	167	408	3,840
Net cash flows from (used in) financing activities	(28,657)	(17,631)	(165,954)
Net increase (decrease) in cash and cash equivalents	(46,015)	16,953	159,569
<b>Cash and cash equivalents at the beginning of period</b>	99,798	52,282	492,114
Effect of exchange rate changes on cash and cash equivalents	(1,501)	48	454
<b>Cash and cash equivalents at the end of period</b>	¥ 52,282	¥ 69,283	\$ 652,137

### 1890

Founder Kenkichi Taguchi opened Taguchi Santendo in Kitahama, Osaka

### 1925

Operations incorporated as Santendo Co., Ltd. Chuko Mita is appointed first president

### 1935

Yodogawa Plant established in Higashiyodogawa-ku, Osaka

### 1944

Ryouzo Mita named president  
Head Office transferred to Yodogawa Plant

### 1945

Company name changed to Santendo Pharmaceutical Co., Ltd.

### 1952

Launch of a business strategy focusing on eye drops for corporate reconstruction

### 1958

Company name changed to current form of Santen Pharmaceutical Co., Ltd.

Santen entered prescription pharmaceutical business

### 1963

Stock listed on Second Section of Osaka Securities Exchange

### 1964

Stock listed on Second Section of Tokyo Stock Exchange

### 1969

Shoukyu Mita named president

### 1977

Stock listed on First Section of Tokyo Stock Exchange and Osaka Securities Exchange

Production system introduced to allow filling of solution into molded containers to make bottle-packed eye drops

### 1982

Central Research Laboratories established

### 1983

Itaru Mita named president

### 1985

Noto Plant established

### 1990

Takakazu Morita named president

Long-term business vision launched to commemorate 100 years since founding

### 1992

TAHMIN SANTEN CO., LTD. established in Taiwan

### 1993

Subsidiary Santen Inc. established in the U.S.

### 1994

Subsidiary Santen GmbH established in Germany

### 1996

ERP package (integrated operation software) introduced

Representative office established in Beijing, China

Nara Research and Development Center and Shiga Plant (currently Shiga Product Supply Center) established

### 1997

Finnish ophthalmic pharmaceutical company acquired and Santen Oy established

Claire Co., Ltd. (special subsidiary company) established

### 1999

Human resources management Reform Plan 21 launched

### 1998

Medium-term Plan "Hitomi 21" launched

### 2000

Santen articulated Santen's Values

OTC product tampering incident occurred

Subsidiary Santen Pharmaceutical Korea Co., Ltd. established

Representative office established in Guangzhou, China

### 2001

U.S.-based Advanced Vision Science, Inc. acquired

### 2002

Santen Holdings U. S. Inc. established

Introduced Dimple Bottle, an innovative patient oriented container for ophthalmic solutions

### 2003

Fiscal 2003-2005 Medium-Term Management Plan launched

ISO 14001 certification acquired by Noto Plant

From foundation to initial development period, focused on eye medicine

1960

Period of further development into prescription pharmaceuticals

1990

Period of transformation

### 1890s

Launch of *Heburin-gan*, a cold medicine



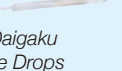
### 1899

Launch of *Daigaku Eye Drops*



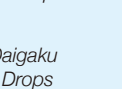
### 1952

Launch of *Daigaku Penicillin Eye Drops*



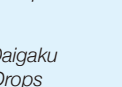
### 1953

Launch of *Daigaku Mycillin Eye Drops*



### 1954

Launch of *Daigaku Super Eye Drops*



### 1962

Launch of *Mydrin-P*, a mydriatic drug (for pupil dilation)



Launch of *Super Sante* marks first use of plastic eye drop containers in Japan



### 1963

Launch of *Thiola*, an original liver detoxification agent

### 1965

Launch of *Sante de U*

### 1970

Launch of antibiotic ophthalmic *Ecolicin*

### 1975

Launch of anti-inflammatory ophthalmic *Flumetholon*

### 1977

Launch of *Soft Santear*

### 1978

Santen commences sales of medical devices



### 1981

Launch of *Timoptol*, a treatment for glaucoma and ocular hypertension

### 1985

Launch of *Sante 40 NE*



### 1986

Santen commenced sales of intraocular lenses

### 1987

Launch of anti-infective ophthalmic *Tarivid*



### 1987

Launch of anti-rheumatic *Rimatil*

### 1991

Launch of *Sante FX*



### 1992

Launch of *Kary Uni*, a treatment for early-stage senile cataracts



### 1992

Launch of *BSS PLUS*, an ophthalmic perfusion and bathing solution

### 1995

Launch of *Hyalein*, a treatment for corneal and conjunctival epithelial disorders



Launch of anti-allergy ophthalmic *Alegysal*

Launch of anti-rheumatic *Azulfidine EN*

Launch of *Opegan Hi*, an adjuvant for ophthalmic operations



### 1999

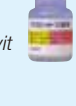
Launch of *Timoptol XE*, a treatment for glaucoma and ocular hypertension

Launch of *Sante FX Neo*



### 2000

Launch of anti-infective ophthalmic solution *Cravit*



### 2001

Launch of anti-allergy ophthalmic *Livostin*

Launch of *Detantol*, a treatment for glaucoma and ocular hypertension



### 2002

Launch of *Sante de U Plus E Alpha*

Launch of *Sante 40V*

Launch of *Sante 40*

Note: Based on the years when sales were launched by Santen Pharmaceutical

## 2004

U.S. sales partnership with Johnson & Johnson Vision Care, Inc. (currently VISTAKON Pharmaceuticals, LLC) started

## 2005

Subsidiary Santen Pharmaceutical (China) Co., Ltd. established

## 2006

Takakazu Morita named chairman  
Akira Kurokawa named president  
Fiscal 2006-2010 Medium-Term Management Plan launched

## 2007

Suzhou Plant established

## 2008

Santen completed pharmaceutical development building and ancillary building at Nara Research and Development Center

## 2009

Santen Pharmaceutical (China) Co., Ltd. commenced direct marketing

## 2010

Long-term strategic vision toward 2020 "Vision 2020" created

Santen Pharmaceutical Korea Co., Ltd. commenced direct marketing

## 2011

Fiscal 2011-2013 Medium-Term Management Plan launched

Subsidiary Santen India Private Limited established in India

## 2012

Acquired Novagali Pharma S.A.S. of France (currently Santen S.A.S.) and made into a wholly owned subsidiary

Established Santen Holdings EU B.V. as a holding company

Started integrated production at the Suzhou Plant

## 2013

Head Office transferred to Kita-ku, Osaka  
Representative office established in Ho Chi Minh City, Vietnam

Established Santen Pharmaceutical Asia Pte. Ltd. in Singapore

## 2014

Fiscal 2014-2017 Medium-Term Management Plan launched

Took over ophthalmology assets from U.S.-based Merck & Co., Inc.

Established subsidiaries in Switzerland, Italy, the U.K., Spain, Thailand, Malaysia and the Philippines

## 2015

Santen Leadership Competencies (SLC) system introduced

Assigned anti-rheumatic pharmaceuticals business to AYUMI Pharmaceutical Corporation

"IT General Award" received at the 2015 (33rd) Information Technology Award from the Japan Institute of Information Technology

## 2016

Established Santen Business Services Co., Ltd.

Established Santen Eye Care Co., Ltd

Established Santen Pharmaceutical (Hong Kong) Limited

Acquired U.S.-based InnFocus, Inc.

Established Chongqing Santen Kerui Pharmaceutical Co., Ltd.

Japan Investor Relations Association presents Santen with "IR Special Award" for investor relations activities

## 2017

Established SANTEN LIMITED LIABILITY COMPANY in Russia

Santen selected as a member of Dow Jones Sustainability Asia Pacific Index, an Index for Socially Responsible Investment  
Santen begins participation in UN Global Compact

## 2018

Akira Kurokawa named chairman and CEO

Shigeo Taniuchi named president and COO

Medium-term Management Plan (MTP2020) launched

Santen Awarded for "Corporate Governance of the year 2017" by the Japan Association of Corporate Directors

into a global company

2010

Period of rapid acceleration into a "Specialized Pharmaceutical Company with a Global Presence"

## 2003

Launch of *ClariFlex* foldable intraocular lenses

## 2004

Launch of *Rescula*, a treatment for glaucoma and ocular hypertension

Launch of anti-rheumatic *Metolate*

## 2006

Launch of *Papilock Mini*, a treatment for vernal keratoconjunctivitis

Launch of *Sante Medical 10*

Launch of *Sante AL Cool II*

## 2007

Launch of *Sante Uruoi Contact a*

## 2008

Launch of *Tapros*, a treatment for glaucoma and ocular hypertension

Launch of *Eternity* foldable intraocular lens

Launch of *Sante 40i*

Launch of nutritional supplement *Sante Lutax*

## 2009

Launch of *Eternity Natural* foldable intraocular lens

Launch of *Sante FX V Plus*

## 2010

Launch of *Cosopt*, a treatment for glaucoma and ocular hypertension

Launch of *Diquas*, a treatment for dry eye

## 2011

Launch of *Accuject* injector for inserting intraocular lenses

## 2012

Launch of Intravitreal VEGF Inhibitor *Eylea*<sup>1</sup>

Launch of *Sante Medical Guard*

Launch of *Sante 40series*

## 2013

Launch of *Tapros Mini*, a treatment for glaucoma and ocular hypertension

Launch of anti-allergy ophthalmic solution *Alesion*

Launch of *Eternity Natural Uni* foldable intraocular lens

Launch of *Sante Beautéye*

Launch of *Sante PC*

Launch of *Sante Kaiteki 40*

Launch of *Sante ALn*

## 2014

Launch of *Tapcom*, a treatment for glaucoma and ocular hypertension

Launch of *Soft Santear Hitomi Stretch*

## 2015

Launch of *Cosopt Mini*, a treatment for glaucoma and ocular hypertension

Launch of *Ikervis*, a treatment for severe keratitis in adult patients with dry eye disease

Launch of *New Sante de U a*

Launch of nutritional supplement *Sante Lutax 20 +Vitamin & Mineral*

Launch of *Sante Medical 12*

Launch of *Sante Medical Guard EX*

Launch of *Sante Medical Active*

## 2016

Launch of *Sante Medical 12*

Launch of *Sante Medical Guard EX*

Launch of *Sante Medical Active*

## 2017

Launch of *Eternity Natural Uni R* foldable intraocular lens

Launch of *Sante Beautéye Contact*

1. Co-promoted product (Anti-VEGF *Eylea*) of Bayer Yakuin, Ltd. (MAH)

# Corporate Information / Stock Information

As of March 31, 2018

**Corporate Headquarters** Santen Pharmaceutical Co., Ltd.  
Grand Front Osaka Tower A,  
4-20 Ofuka-cho, Kita-ku, Osaka 530-8552,  
Japan  
URL: <http://www.santen.com>  
TEL: +81-6-6321-7000 (Main)  
+81-6-4802-9360 (PR and IR)  
E-MAIL: [ir@santen.com](mailto:ir@santen.com)

**Established** 1890

**Paid-in Capital** ¥8,032 million

**Number of Employees** 3,805 (non-consolidated: 1,859)

**Number of Shares Issued** 406,847,515

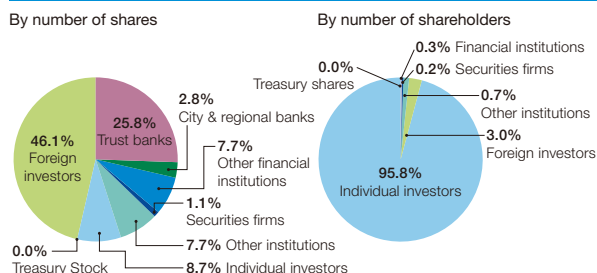
**Number of Shareholders** 19,885

**Stock Exchange Listings** Tokyo

**Ticker Code** 4536

**Transfer Agent** Osaka Corporate Agency Division,  
Mitsubishi UFJ Trust and Banking Corporation  
6-3, Fushimi-cho 3-chome, Chuo-ku,  
Osaka 541-8502, Japan

## Composition of Shareholders

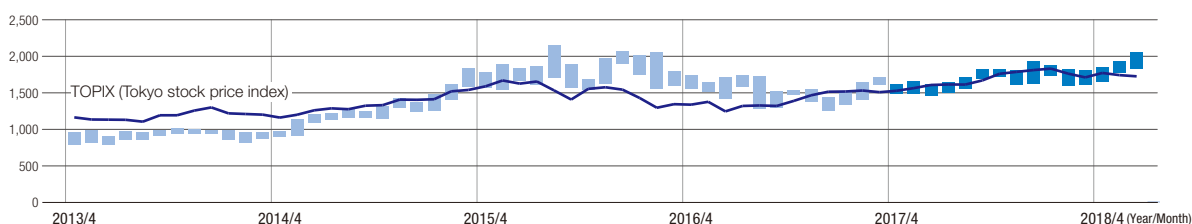


## Major Shareholders

Name	Number of shares held	Percentage of ownership
STATE STREET BANK AND TRUST COMPANY 505223	33,702 <sup>Thousands of shares</sup>	8.3%
Japan Trustee Service Bank, Ltd. (Trust Account)	31,688	7.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	22,288	5.5
RBC IST 15 PCT LENDING ACCOUNT - CLIENT ACCOUNT	11,280	2.8
Nippon Life Insurance Company	10,662	2.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,605	2.6
ONO PHARMACEUTICAL Co.,Ltd.	9,307	2.3
Development Bank of Japan Inc.	8,275	2.0
STATE STREET BANK WEST CLIENT - TREATY 505234	7,534	1.9
Japan Trustee Service Bank, Ltd. (Trust Account 5)	7,232	1.8

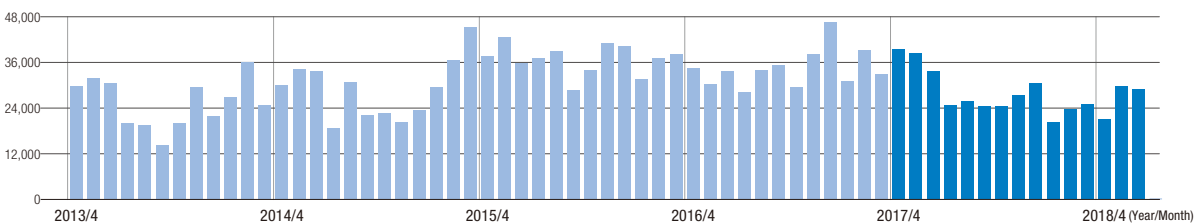
## Stock Price Range (Yen)

Monthly basis



## Trading Volume (Thousands of shares)

Monthly basis



## Yearly High and Low Prices

	2014	2015	2016	2017	2018
High (yen)	1,426	2,163	2,064	1,946	<b>2,061</b>
Low (yen)	813	1,262	1,251	1,343	<b>1,608</b>

- Notes: 1. Calendar years.  
2. Stock prices for 2018 are for the period to the end of June.  
3. Stock price and trading volume from July 16, 2013 are those listed on the Tokyo Stock Exchange; prior to this date are those listed on the Osaka Securities Exchange.  
4. Santen conducted a five-for-one share split of ordinary shares on the effective date of April 1, 2015. Figures for stock price and trading volume from before the share split have been adjusted using the share split ratio.



## Business Bases

### Group Companies

	Location
Claire Co., Ltd.	Japan
Santen Business Services Co., Ltd.	
Santen Eye Care Co., Ltd.	
Santen Holdings U.S. Inc.	
Santen Inc.	U.S.A.
Advanced Vision Science, Inc.	
InnFocus, Inc.	
Santen Ventures, Inc.	
Santen Holdings EU B.V.	Netherlands
Santen Oy	Finland
Santen S.A.S.	France
Santen GmbH	Germany
SantenPharma AB	Sweden
Santen SA	Switzerland
Santen Italy S.r.l.	Italy
Santen UK Limited	U.K.
Santen Pharmaceutical Spain, S.L.	Spain
SANTEN LIMITED LIABILITY COMPANY	Russia

	Location
Santen Pharmaceutical (China) Co., Ltd.	China
Santen Pharmaceutical Sales and Marketing (Suzhou) Co., Ltd.	
Chongqing Santen Kerui Pharmaceutical Co., Ltd.	
Santen Pharmaceutical Korea Co., Ltd.	Korea
Taiwan Santen Pharmaceutical Co., Ltd.	Taiwan
Santen India Private Limited	India
Santen Pharmaceutical Asia Pte. Ltd.	Singapore
SANTEN (THAILAND) CO., LTD.	Thailand
SANTEN PHARMA MALAYSIA SDN. BHD.	Malaysia
SANTEN PHILIPPINES INC.	Philippines
SANTEN PHARMACEUTICAL (HONG KONG) LIMITED Hong Kong	Hong Kong



### Other Office

Ho Chi Minh City Representative Office	Vietnam
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## Situation Regarding Inclusion in Sustainability Indexes

Various sustainability indexes are used to benchmark responsible investment. These sustainability indexes are used to evaluate the sustainability of companies from the non-financial perspective of environment, society and governance

(ESG), with the aim of enabling responsible investing from a long-term viewpoint. Santen has been selected for inclusion in the following sustainability indexes thanks to our CSR activities.

Index name	Overview
MSCI Japan Empowering Women Index (WIN) 	An index by MSCI (United States). The index selects companies in various sectors that excel in gender diversity from among the top 500 Japanese stocks in terms of market capitalization.
SNAM Sustainability Index 	An index composed of companies that have achieved above-standard ESG scores in corporate surveys conducted by Sompo Risk Management & Health Care Inc. (in terms of E: environmental assessments) and by Integrex Inc. (in terms of S and G: social and corporate governance assessments).

Please refer to the CSR section on the Company's website for the most recent information about the index-selection situation.

<http://www.santen.com/en/csr>



**SANTEN PHARMACEUTICAL CO., LTD.**

<http://www.santen.com>



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