



Imagine Your Happiness

# Santen Report 2020

Year ended March 31, 2020



## Happiness with Vision

## CORE PRINCIPLE

# 天機に参与する

## *Tenki ni sanyo suru*

Exploring the secrets and mechanisms of nature in order to contribute to people's health\*

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

## Happiness with Vision

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

### Our Value Creation

- 1 CORE PRINCIPLE
- 2 130-Year History
- 6 Business Model and Value Creation

### Our Aspirations

- 8 CEO Message
- 14 Vision 2020: Past and Present
- 18 Our New Vision
- 24 Feature – Long-Term Vision Santen 2030: Our Challenges and Mindset

### Our Approach

- 28 Financial Strategy/CFO Message
- 30 Financial and Non-Financial Highlights
- 32 Research and Development
- 34 Business Development
- 36 Overview by Region

### Sustainability

- 42 CSR Promotion System
- 43 Environment
- 44 Building an Inclusive Society
- 46 Diversity and Inclusion

### Corporate Governance

- 48 Chairman's Message
- 51 A Conversation between the Chairman and an Outside Director
- 54 Corporate Governance
- 60 Directors, Corporate Auditors and Corporate Officers

### Financial Data & Corporate Information

- 62 Management's Discussion and Analysis of Results and Finances
- 66 Eleven-Year Summary of Selected Financial Data
- 68 Main Financial Information
- 73 Stock Information
- 74 Corporate Information
- 75 On the Publication of *Santen Report 2020*

#### Note

Key words that are explained in detail in this report are shown in bold type along with a page number for reference. Particularly important points are underlined. See page 74 for more details of our editorial policy.



















# 130-Year History

Since its founding in 1890, Santen has continued to contribute to patients and their loved ones in the specialized field of ophthalmology based on our CORE PRINCIPLE, from which our company name is also derived.

We have developed many products during our 130-year history and now support the eye health of more than 30 million patients worldwide.

## A Brief History of Santen's Product Innovation (Major products based on year of launch)

<b>1890</b>		<b>1890</b> <i>Heburin-gan</i> (cold medication)		<b>1899</b> <i>Daigaku Eye Drops</i> More than 120 years after its launch, <i>Daigaku Eye Drops</i> continues to be a trusted brand.
<b>1950</b>		<b>1962</b> <i>Mydrin-P</i> (mydriatic)		<b>1962</b> <i>Super Sante</i>
				<b>1987</b> <i>Tarivid</i> (anti-infective ophthalmic)
				<b>1987</b> <i>Rimatil</i> (anti-rheumatic)
<b>1990</b>		<b>1991</b> <i>Sante FX</i>		<b>1992</b> <i>Kary Uni</i> (treatment for early-stage senile cataracts)
				<b>1995</b> <i>Hyalein</i> (treatment for corneal disorders)
<b>2000</b>		<b>2000</b> <i>Cravit</i> (anti-infective ophthalmic)		<b>2008</b> <i>Tapros</i> (treatment for glaucoma and ocular hypertension)
<b>2010</b>		<b>2010</b> <i>Diquas</i> (treatment for dry eye syndrome)		<b>2013</b> <i>Alesion</i> (anti-allergy ophthalmic)
				<b>2018</b> <i>Eybelis</i> (treatment for glaucoma and ocular hypertension)
				<b>2019</b> <i>LENTIS Comfort</i> (intraocular lens)
<b>2020</b>				<b>2019</b> <i>Alesion LX</i> (anti-allergy ophthalmic)

## 1890 — Establishment

## 1950 — Pursuing a strategy focused on eye drops, and expanding into prescription pharmaceuticals

## 1990 — Taking on the challenge of internationalization

### 1890: Establishment

Founder Kenkichi Taguchi opened Taguchi Santendo in Kitahama, Osaka, Japan.



*Heburin-gan*, a cold medication, was its main product at the time.

### 1935: Opening of Yodogawa Plant



Production centered on eye drops, gastrointestinal medications, antipyretics, antidiarrheals and topical wound medications

### 1952: Corporate rebuilding with a focus on eye drops

During the post-war reconstruction period, Santen launched products such as *Daigaku Penicillin Eye Drops*, and sought to rebuild by pursuing a strategy focused on eye drops.



### 1958: Expansion into prescription pharmaceuticals business

**1963:** Listed on the second section of the Osaka Securities Exchange

**1964:** Listed on the second section of the Tokyo Stock Exchange

**1977:** Listed on the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange

**1982:** Opened the Central Research Laboratories in Osaka, Japan

### 1985: Completed construction of Noto Plant

To this day, the plant is one of the world's largest eye drop manufacturing sites.

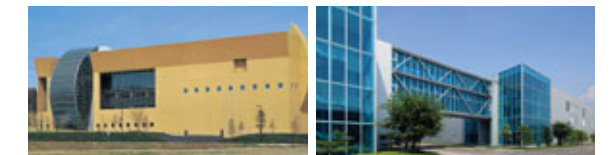


FY1970 Revenue  
**¥4.6 billion**

### 1990: 100th anniversary and formulation of a long-term vision

Announced long-term vision, "To contribute to society with the best products and services focusing on the eye and health," and set management objectives that included becoming "a world-class company" and "a leader in all areas of ophthalmic treatment."

**1996:** Completed construction of Nara Research and Development Center and Shiga Plant (now Shiga Product Supply Center)



### 1997: Full-scale entry into the European market

Acquired Oy Star Ab, a Finnish ophthalmic pharmaceutical company, and established Santen Oy. In addition to being Santen's first production base outside Japan, this acquisition marked Santen's entry into the northern and eastern European markets.



### Establishment of Group companies



- 1992:** TAHMIN SANTEN CO., LTD. (now Taiwan Santen Pharmaceutical Co., Ltd. / Taiwan)
- 1993:** Santen Inc. (U.S.)
- 1994:** Santen GmbH (Germany)
- 1996:** Beijing Representative Office\* (China)
- 1997:** Santen Oy (Finland)  
SantenPharma AB (Sweden)  
Claire Co., Ltd. (Special subsidiary company / Japan)

\* Now closed

FY1990 Revenue  
**¥36.6 billion**

**2000** — Expanding solutions  
Making a full-scale  
entry into Asia

**2000: Establishment of CORE PRINCIPLE**

Established our CORE PRINCIPLE, which articulates the Company's business philosophy, and formulated Organizational Principles and Individual Action Principles

**2000:** Occurrence of OTC product tampering incident. Considering consumer safety first, immediately recalled all OTC products from stores. Resumed sales half a month later with the introduction of tamper-evident plastic shrink wrap with security printing features.

**2007: Completed construction of Suzhou Plant in China**



The first plant established directly by Santen outside of Japan, with the aim of supplying high-quality products for the Chinese market



- 2000:** Santen Pharmaceutical Korea Co., Ltd. (Korea)
- 2001:** Advanced Vision Science, Inc. acquired (U.S.)
- 2002:** Santen Holdings U.S. Inc. (U.S.)
- 2005:** Santen Pharmaceutical (China) Co., Ltd. (China)

**2010** — Accelerating global operations to contribute to eye health worldwide

**2010: Creation of Vision 2020**

Formulated long-term vision that included management objectives and corresponding strategies with a view to becoming a "Specialized Pharmaceutical Company with a Global Presence"

**2011:** Acquired Novagali Pharma S.A., a French company with excellent formulation technologies such as Novasorb, to strengthen overseas business in Europe and elsewhere

**2014:** Took over ophthalmology assets of Merck & Co., Inc. of the U.S. to strengthen the glaucoma business and accelerate global operations



- 2011:** Santen India Private Limited (India)  
Novagali Pharma S.A. (now Santen S.A.S.) acquired (France)
- 2012:** Santen Holdings EU B.V. (Netherlands)
- 2013:** Santen Pharmaceutical Sales and Marketing (Suzhou) Co., Ltd. (China)  
Ho Chi Minh City Representative Office (Vietnam)  
Santen Pharmaceutical Asia Pte. Ltd. (Singapore)
- 2014:** Santen Italy S.r.l. (Italy)  
Santen Switzerland SA (now Santen SA / Switzerland)  
Santen UK Limited (U.K.)  
SANTEN PHILIPPINES INC. (Philippines)  
SANTEN (THAILAND) CO., LTD. (Thailand)  
SANTEN PHARMA MALAYSIA SDN. BHD. (Malaysia)  
Santen Pharmaceutical Spain, S.L. (Spain)



**2015: Specialization in ophthalmology**

Transferred the anti-rheumatic pharmaceuticals business to AYUMI Pharmaceutical Corporation

**2016:** Acquired InnFocus, Inc. of the U.S. to enhance the product pipeline and contribute further to treatment in the glaucoma area

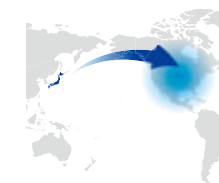


**2018:** Sold former corporate headquarters and Osaka Plant site in Osaka, Japan

**2019:** Transferred the Tampere Plant of Santen Oy to NextPharma Oy

**2020:** Announced construction of a second plant for Chinese subsidiary Santen Pharmaceutical (China) Co., Ltd. to meet growing demand for products in China

- 2016:** Santen Business Services Co., Ltd. (Japan)  
Santen Eye Care Co., Ltd. (Japan)  
SANTEN PHARMACEUTICAL (HONG KONG) LIMITED (Hong Kong)  
InnFocus, Inc. acquired (U.S.)  
Chongqing Santen Kerui Pharmaceutical Co., Ltd. (China)
- 2017:** SANTEN LIMITED LIABILITY COMPANY (Russia)  
Santen Ventures, Inc. (U.S.)
- 2019:** Santen Canada Inc. (Canada)



**2020** —

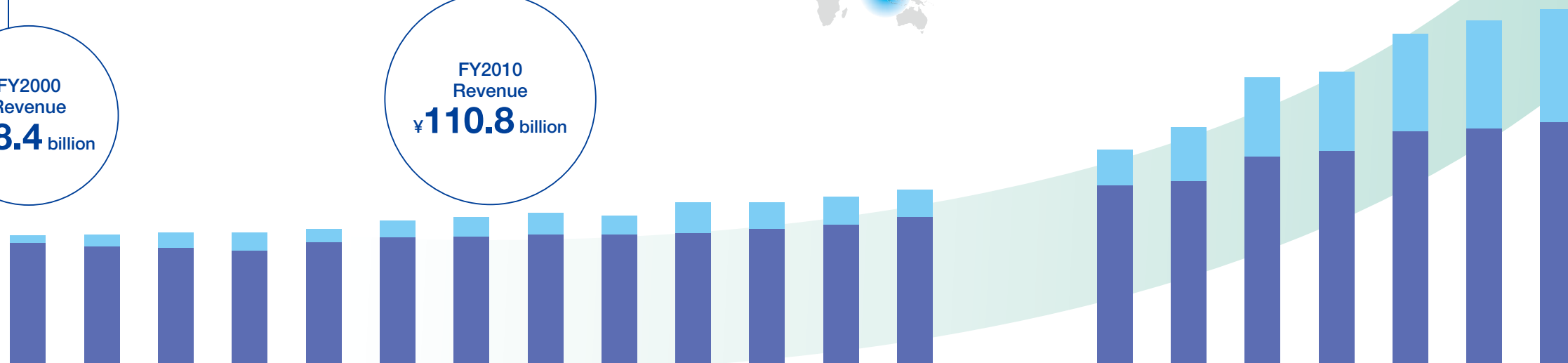
**Formulation of Santen 2030**

**Become A Social Innovator**  
Orchestrate and mobilize key technologies and players around the world, to deliver happiness through vision

FY2000  
Revenue  
¥88.4 billion

FY2010  
Revenue  
¥110.8 billion

FY2019  
Revenue  
¥241.6 billion



Overseas Revenue  
Revenue in Japan



As a company specialized in ophthalmology, Santen focuses on the unmet needs of people who have eye problems and consistently provides value through its solutions. To realize our goal of **"Happiness with Vision" (page 20)** for people all over the world, we aim to **"Become A Social Innovator" in ophthalmology (page 20)**. We provide valuable products and services by integrating our own expertise with excellent technologies and knowledge from external partners. In addition, we are committed to contributing to ophthalmology through a cycle of developing valuable products and services, ensuring stable production and supply, and conveying the value of those products and services to patients and medical professionals.

In this cycle, we are working to effectively and efficiently use and increase the capital entrusted to us by society. Regarding natural capital, we are working to reduce environmental load through initiatives such as the development of **eye-drop bottles made from eco-plastics (page 43)**. Santen employees worldwide respect **diversity (page 46)** and turn it into an advantage to create greater outcomes.

From both a financial and non-financial perspective, we aim to develop new solutions by reinvesting the capital created through various initiatives to earn even greater trust among patients and medical professionals.

Looking at the external environment, lifestyles are changing due to the diversification of health needs and the widespread use of information technology such as smartphones. While technology has advanced through innovation, environmental problems are becoming more serious. With these changes in mind, Santen will help resolve eye-related social issues through its business, thereby contributing to the **SDGs (page 22)**.





In 2020, based on our CORE PRINCIPLE, “*Tenki ni sanyo suru,*” we formulated our new WORLD VISION, “Happiness with Vision,” and our new long-term vision, Santen 2030.

We strive to realize “The Happiest Life for every individual, through the Best Vision Experience,” by providing a variety of solutions that are not limited to medicines sold in our core business in order to resolve eye-related social issues.



**Shigeo Taniuchi**  
President and Chief Executive Officer



## 2020: A Crucial Turning Point for Santen

I was appointed CEO in April 2020, which makes this fiscal year one of new responsibility and resolve for me. This year is also a crucial turning point for us because it is the **130th anniversary of our founding (page 2)**, and is the final year of the long-term vision **Vision 2020 (page 14)**, and the current medium-term plan MTP2020. Targeting the next phase of growth, we have launched a new long-term vision, **Santen 2030 (page 18)**, which is our first step toward 2030 and beyond.

Looking back on the 10 years of Vision 2020, we have been promoting global expansion with the aim of becoming a “Specialized Pharmaceutical Company with a Global Presence.” We grew faster than our markets, and exceeded our initial expectations through fiscal 2019 by doubling net sales over the past 10 years while increasing the number of sales countries and regions to over 60.

In addition to organic growth in existing businesses, we have created inorganic growth in ways such as acquiring Novagali, taking over the ophthalmic assets of Merck, and acquiring InnFocus. In fact, we were able to expand our presence in Japan, China, Asia and EMEA because we succeeded in creating a virtuous cycle by expanding our product lineup, strengthening our customer base, and enhancing our people and organization. We also entered new markets and increased sales in emerging countries, and continued to take on an array of challenges, such as structuring a new business framework and strengthening our organization for regulatory affairs, production and supply. We are preparing to re-enter the U.S. market, which is a remaining issue. We will establish our presence there with the introduction of DE-128 (PRESERFLO MicroShunt) as our entry point.

We have also evolved organizational management in line with the globalization of our operations. Initiatives have included introducing a global matrix organization for R&D and the supply chain, and reforms in April 2019 based on a new management framework. Going forward, it will become increasingly important to continue to improve the speed and quality of business execution as well as enhance productivity and efficiency through organizational reforms in order to further contribute to ophthalmology worldwide. We are focusing on making value chains within our organization more organic, enhancing our corporate capabilities and optimizing resources throughout the organization.

### Fiscal 2019 Results

Core Basis	(Billions of yen)	FY2019 Results	Percent of Revenue	YoY Change
Revenue		241.6		+3%
Operating profit		50.0	21%	+4%
Net profit		35.9	15%	-1%
Core ROE		12.1%		
<b>IFRS Basis</b>	<b>(Billions of yen)</b>			
Revenue		241.6		+3%
Operating profit		33.5	14%	-26%
Net profit		21.7	9%	-32%
ROE		8.0%		
Total shareholder return (5-year period)		113.6%		
Comparative indicator: TOPIX including dividends		101.8%		

## The Passion behind Our New Vision: Provide Value to People by Going beyond Pharmaceutical Frameworks

Currently at least 2.2 billion people around the world live with visual impairment or blindness, and for at least one billion of these people, their vision impairment could have been prevented or has yet to be addressed.\*1 In addition, the increasing number of elderly people around the world means more people will have concerns about their vision. Furthermore, the number of cases of myopia is increasing as a result of changing lifestyles, and the COVID-19 pandemic has led to the widespread use of digital devices worldwide with fewer hours spent outdoors, which is expected to further accelerate the increase in cases of myopia. Some countries and regions lack ophthalmologists and adequate medical infrastructure, so people may not be able to receive the appropriate, timely ophthalmological treatment and services they require.

I want Santen to be the company that does the most to resolve eye-related social issues and, by extension, contribute the most to people worldwide who have eye problems. Based on our WORLD VISION, “Happiness with Vision,” we will realize “The Happiest Life for every individual, through the Best Vision Experience.” This is our new mission. We will accomplish this WORLD VISION by fully leveraging our specialized expertise and our commitment to eye health. Although ophthalmological needs may differ by country and region, we will respond to those needs, as well as the needs of patients and all people around the world, to provide the **value to society (page 6)** that we know we can. Providing eye drops and medical devices is just one way to do that. Eye-related issues and needs are increasing, and the methods for responding to them will change significantly as the world changes. While new technologies including IoT and AI are being rapidly introduced into society, various innovations and modalities such as research using AI-based diagnostic techniques, cell therapy, and gene therapy are progressing in ophthalmology and the life sciences industry at large. As a “Social Innovator” that goes beyond pharmaceutical frameworks, we aspire to deliver new and innovative value to the world by integrating these technologies with Santen’s strengths.

\*1 Source: WHO, World report on vision

### WORLD VISION: The World Santen Ultimately Aspires to Achieve

#### Happiness with Vision

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

#### Santen 2030

#### Santen’s VISION: Toward 2030 and Beyond

#### Become A Social Innovator

Orchestrate and mobilize key technologies and players around the world, to deliver happiness through vision



Santen contributes to people and society and generates sustainable corporate growth by alleviating the burden on people who receive medical care and reducing the loss of social and economic opportunities. In addition, with the determination to grow globally beyond the framework of pharmaceuticals, we have changed the corporate brand name from “Santen Pharmaceutical” to “Santen.” The next medium-term plan that starts in fiscal 2021 will contain clear performance targets for the future. With a new vision, we will expand our business globally and into a broader array of markets. We will further increase corporate value by maintaining and improving profitability while ensuring that **management also considers capital efficiency (page 28)**.

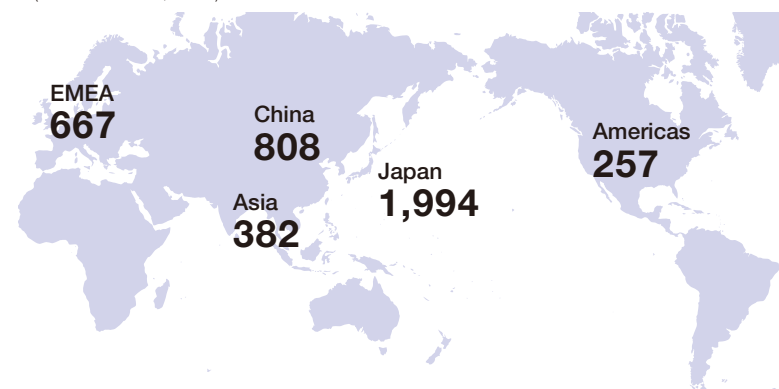
## Sustainability Management Centered on Making Contributions to Patients

Ophthalmic pharmaceuticals are Santen’s primary products. However, I have come to think that we should further expand Santen’s business not only in ophthalmic pharmaceuticals but also in other areas in order to continue to contribute to ophthalmology and patients’ quality of life based on our **CORE PRINCIPLE (page 1)**. Resolving eye-related issues often involves not only pharmaceuticals, but also surgical, physical and optical approaches, which may include surgery or glasses. In addition, the world is constantly transitioning to better technology, and treatment options may not always be pharmaceutical related. In that context, I began to wonder if it was right for Santen to continue focusing its business only on ophthalmic pharmaceuticals, and if we were taking the perspective of patients. Since creating a balanced scorecard that placed society first as part of my graduation thesis at the school where I was studying abroad in 2007, I have come to firmly believe that the true goal of increasing corporate value is to contribute to society. For Santen, that means contributing to ophthalmology and patients. This belief has been the basis of my actions and it became the reason for reevaluating what is important to Santen. Therefore, we identified **materialities (page 22)** in line with the formulation of our new long-term vision in order to implement initiatives that further increase corporate value.

**Visual impairment (page 44)** is also an essential theme for social needs associated with the eyes. Currently, Santen has four people with visual impairments and they disseminate relevant information both inside and outside the Company. In addition, we are promoting global initiatives to realize a society that is inclusive regardless of visual impairment. Initiatives include supporting sports for the visually impaired.

By resolving these eye-related social issues, we will contribute directly to achieving the SDGs related to universal health coverage and to creating the foundation for technological innovation. Through our business activities, we will also contribute to other SDGs such as achieving gender equality and realizing decent work and economic growth. Santen makes its intentions clear by continuing to support the United Nations Global Compact. I have a strong desire to promote **diversity (page 46)** because I experienced the challenges as well as the joy and value of generating positive outcomes with gender- and nationality-diverse teams as Head of Santen Europe (now EMEA). Santen has about 4,000 employees, and more than half of them are outside Japan.

Employees by Region (As of March 31, 2020)



Our ability to incorporate diversity and transform it into an organizational strength will determine whether or not we can become a strong organization.

In addition, the importance of **corporate governance (page 54)** is increasing as society undergoes significant change. Given these social circumstances, we are strengthening the management oversight functions that enhance the transparency and integrity of management, and the systems and mechanisms that enable accurate and prompt management decisions and execution. Social change brought about by the COVID-19 outbreak has given us the opportunity to inspect and enhance systems to ensure business continuity.

The COVID-19 outbreak has made people think more about the importance of health beyond national boundaries and made us realize anew that our business contributes to society. Stable supply of products is indispensable because there are many chronic eye diseases. Therefore, we are not only ensuring that we maintain a stable business continuity system, but also executing our mission of properly delivering products to patients globally through the efforts of Santen employees around the world, regardless of country or department. By sharing this mission, we have been able to further enhance the sense of unity in our organization. In addition, cases of eye stress and myopia have been increasing with changes in lifestyles, and this is an important issue we will address during Santen 2030. We are keenly aware of the importance of investing in the development of new products and services and providing new value to patients and all people. In addition, COVID-19 requires us to adapt to the new normal by revolutionizing the way we work and interact with society. We must truly ensure business continuity through the safety and hygiene of the work environment as well as the technology that supports it, in all situations. We will create an environment in which we can connect with people all over the world using digital tools, ensure a better work environment to further reduce environmental loading and improve sustainability, and reform work styles to meet the needs of diverse employees.

Finally, as CEO, I will implement various reforms starting in 2020. This will mark our first step toward 2030 and beyond. At the same time, Santen’s CORE PRINCIPLE – “*Tenki ni sanyo suru*” – will not change. Based on our CORE PRINCIPLE, I personally, and Santen collectively, will work to contribute to patients and their loved ones around the world by focusing resources on markets related to the eyes. We will continue to put patients at the center of everything we do as we leverage our expertise in ophthalmology, and the strengths of our global business to enhance and evolve our activities to contribute to the health of people worldwide. We are counting on the continued support of shareholders, investors and all stakeholders.

### Shigeo Taniuchi

President and Chief Executive Officer



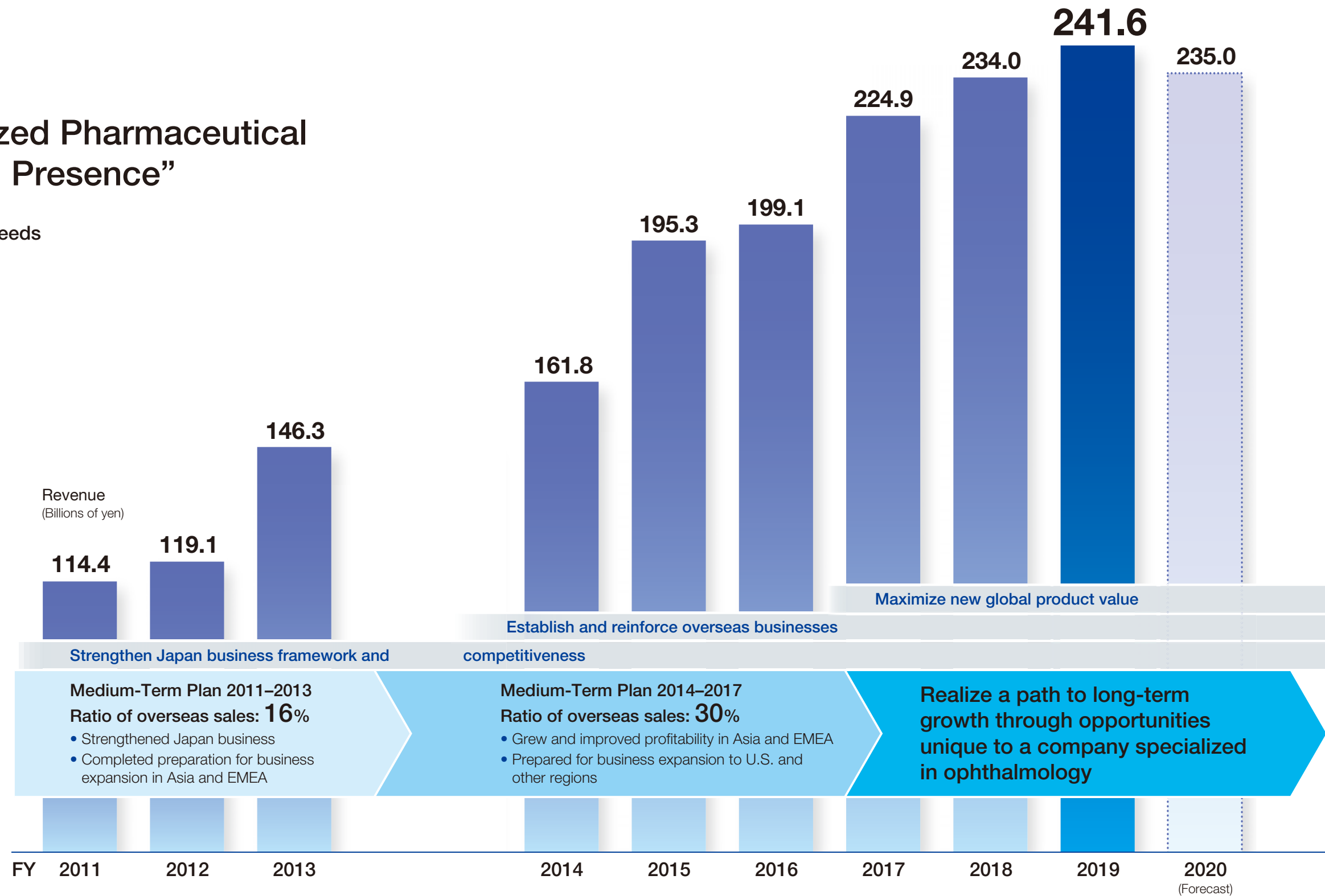


## Long-Term Strategic Vision: Vision 2020

### To Become a “Specialized Pharmaceutical Company with a Global Presence”

- Deep understanding of true customer needs
- Distinct advantage against competitors
- Global competitiveness and presence

In 2010, Santen formulated its long-term strategic vision toward 2020, with the goal of becoming a “Specialized Pharmaceutical Company with a Global Presence” by focusing resources on ophthalmology and energetically expanding overseas. The number of sales countries and regions has expanded from approximately 35 in 2010 to more than 60 today. In addition to Japan, where Santen has a dominant market share, we are expanding our presence as a globally unique company specialized in ophthalmology, mainly in China, Asia, and Europe, Middle East and Africa (EMEA).



Strengthen Japan business framework and competitiveness

Establish and reinforce overseas businesses

Maximize new global product value

Medium-Term Plan 2011–2013

Ratio of overseas sales: **16%**

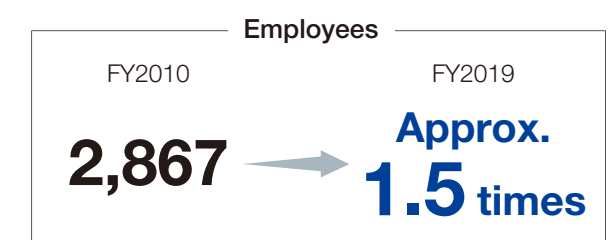
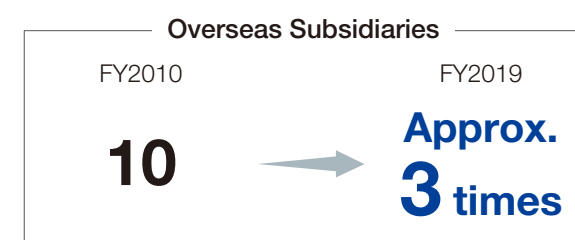
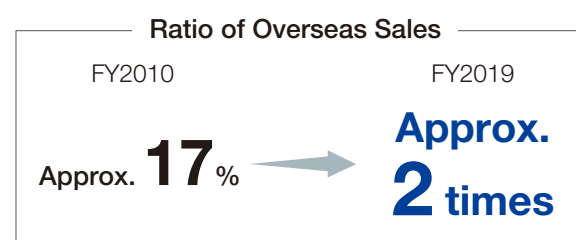
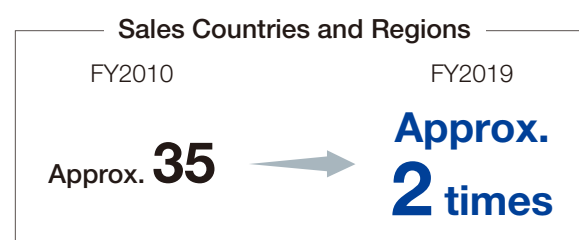
- Strengthened Japan business
- Completed preparation for business expansion in Asia and EMEA

Medium-Term Plan 2014–2017

Ratio of overseas sales: **30%**

- Grew and improved profitability in Asia and EMEA
- Prepared for business expansion to U.S. and other regions

Realize a path to long-term growth through opportunities unique to a company specialized in ophthalmology



## Vision 2020: Past and Present

### Targeting Significant Progress outside Japan

In 2010, Santen formulated its long-term strategic vision toward 2020, with the goal of becoming a “Specialized Pharmaceutical Company with a Global Presence” by focusing resources on ophthalmology and energetically expanding overseas.

We have been promoting international expansion since the 1990s, but in 2010 our overseas sales ratio was only about 17%. We have defined a “Specialized Pharmaceutical Company with a Global Presence” as a company that has global competitiveness and presence, a deep understanding of true customer needs, and a distinct advantage over competitors. We set five policies to achieve our vision and growth targets, which included becoming the third-largest company in the global ophthalmic drug market, achieving sales of ¥200 billion or more and operating profit of ¥50 billion or more.

Our vision calls for generating long-term growth in stages by strengthening our Japan business framework and market creation, establishing and reinforcing our overseas businesses, and maximizing new global product

value. To this end, we have evolved our business model from one based on operating overseas using products and knowledge developed in Japan to one based on operating globally using an array of assets encompassing products and knowledge developed both inside Japan and at Group companies around the world. We believe that providing products and services that meet the needs of each country and region with a customer-oriented approach is the source of our growth and is a factor that enhances our global presence.

In 2014, we acquired glaucoma products from Merck & Co., Inc. which greatly accelerated our global expansion. In 2015, we sold our anti-rheumatic pharmaceuticals business to AYUMI Pharmaceutical Corporation, which enabled us to concentrate all of our resources on ophthalmology.

The number of sales countries and regions has increased from about 35 in 2010 to more than 60 today. With regard to performance targets, in fiscal 2017 we achieved revenue of ¥200 billion yen three years ahead of schedule, and in fiscal 2019 we achieved operating profit (core basis) of ¥50 billion yen.

### Five Policies to Achieve Our Vision

1. Develop products that meet true customer needs swiftly
2. Transform Japan business for further growth
3. Accelerate business expansion in Asia and promote market entry in western Europe and the U.S.
4. Establish competitive global product supply and quality assurance systems
5. Strengthen talent and organizational capabilities to promote creation and innovation

### Onward to 2030

Since we formulated Vision 2020, the competitive environment in the ophthalmic pharmaceutical market has changed significantly due to global reorganization among pharmaceutical companies and the launch of high-priced pharmaceuticals, so global sales volume and presence are not necessarily aligned. In this environment, to contribute the development of ophthalmology and achieve sustainable corporate growth, we have reaffirmed our CORE PRINCIPLE and decided that our Group-wide objective is to enhance our presence through customer-oriented activities, rather than fixating on our goal of becoming the third-largest company in the global ophthalmic pharmaceutical market. On the other hand, rising R&D costs and intensifying competition in new drug

development have created difficulties in balancing profitably with development and investment risks using a conventional product-driven business model. However, we are very confident that our existing customer-oriented business model of developing an array of products and services that are not limited to pharmaceuticals can contribute to patients and grow our business. To become a “Specialized Pharmaceutical Company with a Global Presence,” we plan to enter the U.S. market, the world’s largest ophthalmic pharmaceutical market, by launching DE-128, a device used in glaucoma surgery, in the final year of Vision 2020.

As a globally unique company specialized in ophthalmology, we will leverage our strengths and global presence to achieve Vision 2020 and contribute to the development of ophthalmology and corporate growth.

### Progress toward Achieving Vision 2020

Product Development	<ul style="list-style-type: none"> <li>• Launched new products including <i>Alesion</i>, <i>Eybelis</i> and <i>Ikervis</i></li> <li>• Built a global R&amp;D system</li> <li>• Accelerated expansion of our product franchises from Japan to overseas</li> <li>• Started applying new technologies such as gene therapy, cell therapy and digital technology to ophthalmology</li> </ul>	
Japan	<ul style="list-style-type: none"> <li>• Achieved higher growth than the market as a core business</li> <li>• Transformation into a Solutions Provider                             <ul style="list-style-type: none"> <li>— Integrated Rx, OTC and surgical businesses</li> <li>— Patient-centered services such as ACT Pack (tool for supporting continuous glaucoma treatment)</li> </ul> </li> <li>• Rx market share #1*1</li> </ul>	
Global Expansion	China	<ul style="list-style-type: none"> <li>• Achieved both double-digit growth and monetization</li> <li>• Realized high customer satisfaction by strengthening sales foundation, providing high-quality products and conducting customer-oriented activities</li> <li>• Rx market share #1*1</li> <li>• Suzhou Plant: Obtained EU GMP certification (only Santen has achieved this among all Chinese ophthalmic pharmaceutical companies); decided to construct a second plant</li> </ul>
	Asia	<ul style="list-style-type: none"> <li>• Achieved both double-digit growth and monetization</li> <li>• Focused on medical needs by adapting to country-specific conditions and established our own sales systems</li> <li>• Expanded product portfolio</li> <li>• Korea: Rx market share #1*1</li> </ul>
	EMEA	<ul style="list-style-type: none"> <li>• Achieved both higher growth than market and monetization</li> <li>• Launched new products to address unmet medical needs, including preservative-free products</li> <li>• Expanded to pan-European geographical coverage from our original business in northern and eastern Europe, leveraging the acquisition of the glaucoma franchise from MSD</li> <li>• Built our presence in EMEA, which has global regulatory and academic influence</li> </ul>
	North America	<ul style="list-style-type: none"> <li>• Started selling products in Canada</li> <li>• Prepared for steady U.S. market entry                             <ul style="list-style-type: none"> <li>— DE-128: Completed NDA filing in aiming for market entry with a differentiated product, with launch planned in fiscal 2020</li> <li>— Partnered with Glaukos for exclusive distribution of DE-128 in the U.S. and built a sales system</li> </ul> </li> </ul>
Product Supply	<ul style="list-style-type: none"> <li>• Reduced cost ratio and responded to demand despite limited capacity</li> <li>• Built global supply chain</li> </ul>	
Global Organization Structure	<ul style="list-style-type: none"> <li>• Developed Santen Leadership Competencies (SLC) globally as the basis for our expectations for personnel based on our CORE PRINCIPLE</li> <li>• Started standardization of core business processes and business optimization globally</li> <li>• Transformed into true global organization based on new management framework</li> </ul>	

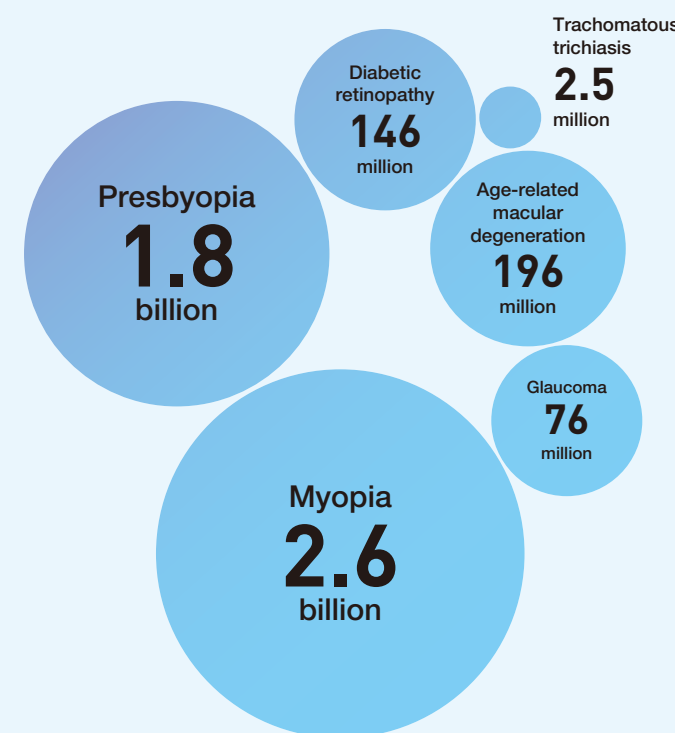
\*1 Source: Copyright © 2020 IQVIA. Santen analysis based on IQVIA MIDAS 2019. Reprinted with permission.



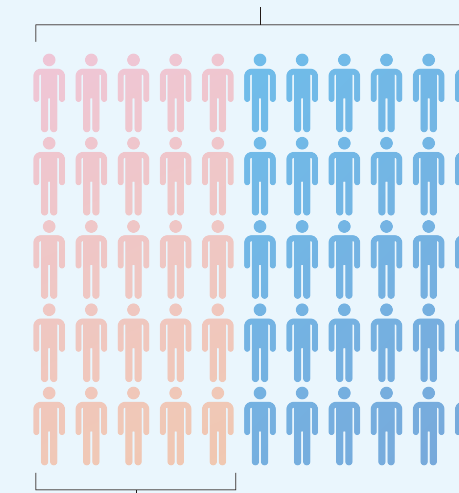


## Number of People Affected Worldwide

Global estimates of numbers of people affected by common eye conditions that can cause vision impairment



At least **2.2 billion** people have a vision impairment or are blind



Of these 2.2 billion people, at least **1 billion** have a vision impairment that could have been prevented or has yet to be addressed

Source: Based on data in the WHO's *World report on vision*

### The State of Eye Conditions Worldwide

In 2019, the World Health Organization (WHO) released its *World report on vision*. It was the WHO's first published global research report on ophthalmology and vision impairment.

According to the report, many people worldwide still suffer from eye problems. At least 2.2 billion people around the world live with vision impairment or blindness due to various eye problems such as myopia and presbyopia, age-related macular degeneration, diabetic retinopathy, and glaucoma, and at least one billion of these people have a vision impairment that could have been prevented or has yet to be addressed. In addition, ophthalmological conditions that are not generally considered to cause vision impairment require attention. In developed, emerging and developing countries alike, the main reasons people see an ophthalmologist are conditions such as conjunctivitis, eyelid abnormalities, pterygium and dry eye. These

conditions are thought to have no effect on vision, but they reduce quality of life due to discomfort and distress, and have the potential to impair vision if left untreated.

"Population growth and aging" and "changing lifestyles" are the main causes of the increase in the number of cases of vision impairment. By 2030, the world's population over the age of 60 is forecast to have increased from about 962 million in 2017 to 1.4 billion, and the population over the age of 80 is forecast to have increased from the current 137 million to 202 million. The prevalence of eye diseases increases with age, so the higher number of elderly people is likely to mean there will be a higher number of people with vision impairment worldwide. For example, from 2020 to 2030, the number of glaucoma patients is expected to increase 1.3 times and the number of age-related macular degeneration patients is expected to increase 1.2 times. The number of cataract and dry eye patients is also expected to increase.

### Santen's Mission in a Society Predicated on Vision

The *World report on vision* underscores the primacy of sight among the five senses in a society predicated on vision. For example, babies recognize their mothers and deepen their bonds with them through sight, which is central to actions such as learning to balance on their feet and walk. At school, people read books and learn. We communicate with people around us through facial expressions and gestures, and everything in our lives, from work and social life to sports and cultural activities, depends on vision. In addition, vision plays an important role in maintaining contact with society and maintaining mental and physical health among the elderly.

Vision impairment can impede motor skills, as well as language, emotional, social and cognitive development in children. For adults, vision impairment can have a negative impact on work and mental health. In the case of older

adults, vision impairment can contribute to social isolation and a greater likelihood of early entry into nursing homes or care facilities. It also has a serious impact on daily life, such as a greater likelihood of being involved in a motor vehicle accident. In addition, vision impairment can be a temporal, financial and psychological burden for families, as well as for those who care for and support people with impaired vision.

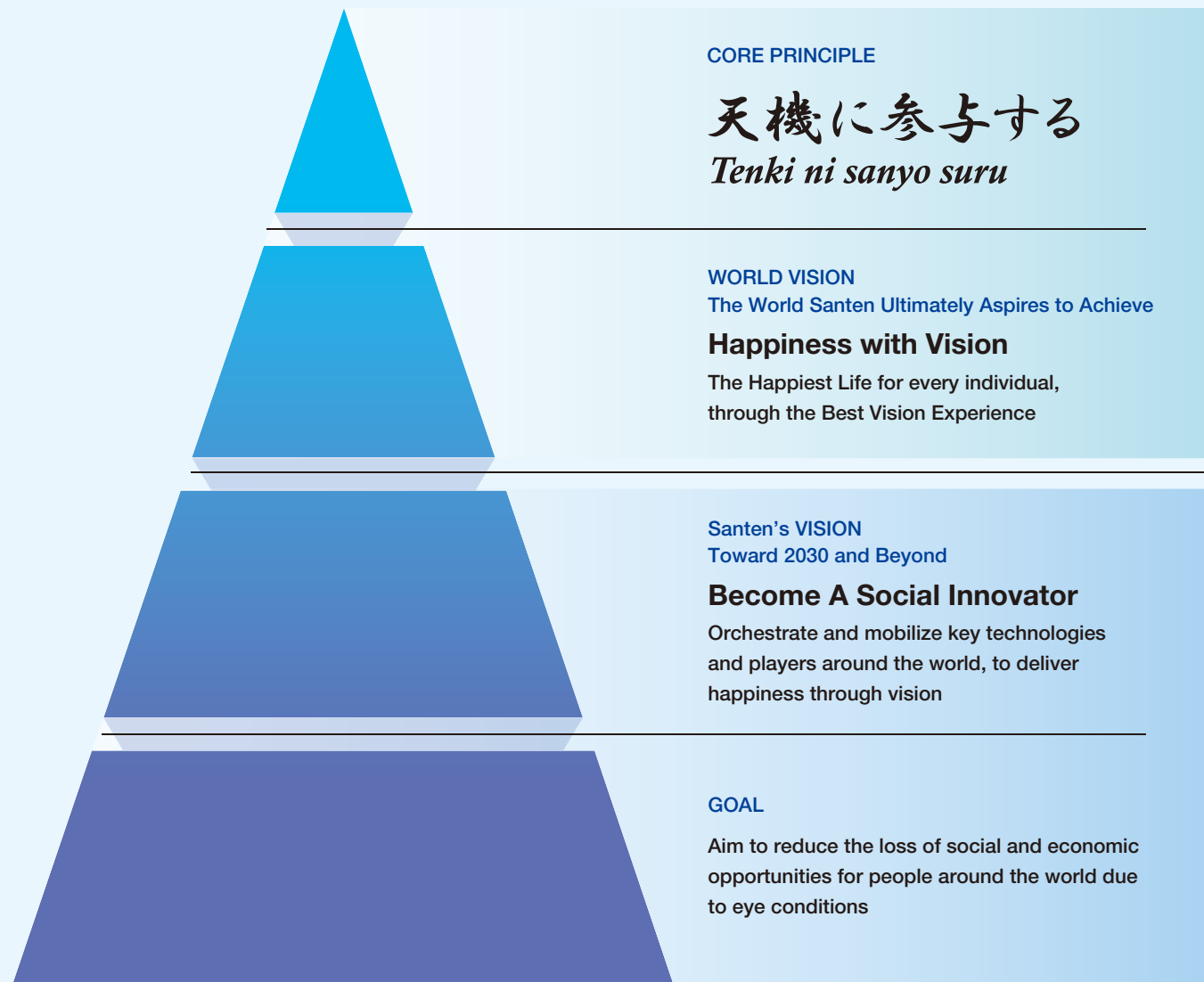
Today, many people around the world do not have access to the ophthalmological treatment they require. Santen specializes in the eyes. As such, using our unique abilities to address the challenges that will arise from the expected future increases in ophthalmic disorders and vision impairment is our social mission and responsibility.

## Our New Vision

### WORLD VISION and Santen's VISION

WORLD VISION is the world Santen ultimately aspires to achieve based on its CORE PRINCIPLE. Santen's VISION is what Santen aspires to be in 2030 and beyond with the aim of realizing its WORLD VISION.

Santen formulated its VISION with "People Centricity" as the core mindset. Santen employees always put people at the center of every action to help people achieve happy lives through improved vision.



<https://www.santen.com/en/brand/santen2030/>

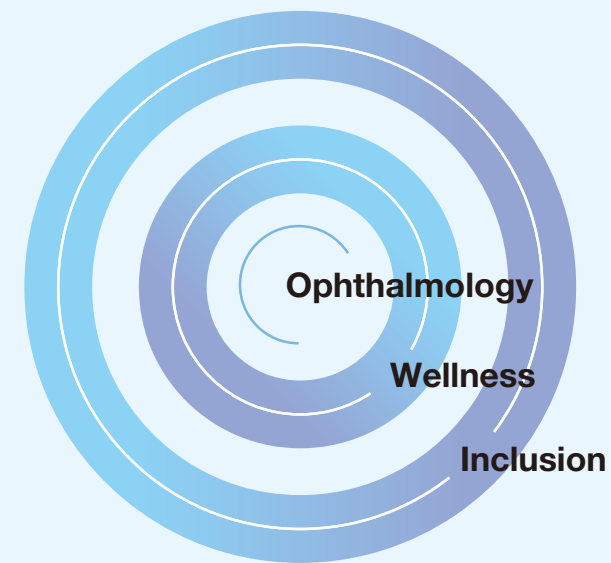


### Santen 2030

Considering the likely changes in the world over the coming 10 or 20 years, including population growth and aging and changing lifestyles, the number of people with vision impairment will further increase. As a result of diversifying individual preferences and innovative advances

in technology, we must embrace external technologies to provide solutions tailored to the aspirations of various people. Santen will implement three strategies, "Ophthalmology," "Wellness," and "Inclusion," to strategically address eye-related social issues. Under Santen 2030, Santen has identified three strategies as management priorities for 2030 and beyond.

### Three Strategies as a Social Innovator



- Innovation in Ophthalmology
- Acceleration of Ecosystem Development

Awareness and Proactive Care toward Better Eye Condition

Building society that is inclusive regardless of visual impairment

Our Ophthalmology strategy aims for innovation in ophthalmology and acceleration of ecosystem development. First, innovation in ophthalmology involves initiatives in our core businesses such as the creation of therapeutic solutions for unmet needs and the development of innovative treatment technologies such as cell therapy and gene therapy. In addition, from prevention and diagnosis to aftercare, we will put patients at the center of everything we do in going beyond our pharmaceutical framework to take on the challenge of implementing new initiatives. These initiatives will include developing and providing optimal solutions that extend beyond treatment and cover the patient's entire life and searching for solutions that go beyond pharmaceuticals.

In addition, for acceleration of ecosystem development in ophthalmology, we will continue to steadily implement core business initiatives such as the development, sale and stable supply of ophthalmic pharmaceuticals and surgical devices. We will also implement activities according to the degree of infrastructure development of eye care in the countries and regions we serve.

Our Wellness strategy aims to support people in their pursuit of better eye health. As a "Social Innovator," Santen believes in the importance of encouraging the public to recognize and understand the importance of vision and eye health in daily life. In addition, Santen also facilitates early detection of eye disease and pursuit of better eye conditions according to the life stage. We do this by using digital technology, providing products and services that help maintain and improve eye health, and predicting and visualizing risks to eye health.

Our Inclusion strategy aims to build a society that is inclusive regardless of visual impairment. We want to raise awareness and understanding of people with visual impairments as well as promote ways for people to share enjoyable times and their values with each other. Santen will therefore explore new solutions centered on the use of digital technology to improve the quality of life of people with visual impairments.





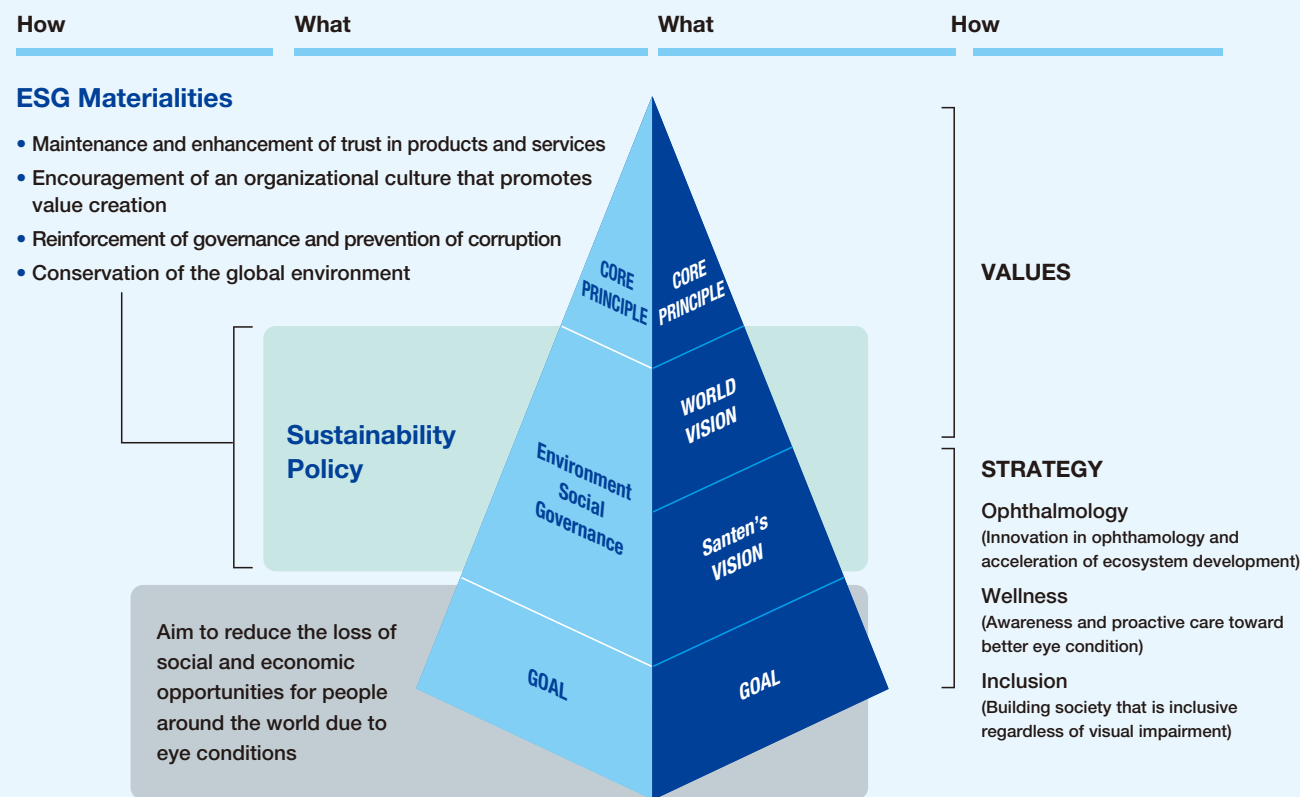
# Our New Vision

## Management Priorities (Materialities)

Strategy and ESG materialities are management priorities.

Santen has identified four environment, social and governance (ESG) materialities with the objectives of contributing to the sustainable development of society by resolving social issues and further enhancing corporate value over the medium-to-long term.

## Core Organization for Management Priorities (Materialities)



## ESG Materialities

The four ESG materialities are aimed at contributing to the sustainable development of society and improving Santen's medium-to-long-term corporate value. In order to break down the materialities into specific activities, we have presented 12 issues for promoting the activities, and disclose the progress of our efforts on our website as necessary.

ESG Materialities	Issue (Item)	Direction of Initiatives
<b>Maintenance and enhancement of trust in products and services</b> 	Assurance of quality and safety, and establishment of an appropriate supply system	<ul style="list-style-type: none"> <li>• While ensuring product quality and safety, establish a system that supplies products to patients as needed</li> <li>• Provide patients and medical professionals with appropriate information on products and services that help treat and prevent diseases</li> </ul>
	Provision of appropriate information on products and services	
	Evaluation and management of the supply chain	
<b>Encouragement of an organizational culture that promotes value creation</b> 	Promotion of diversity and inclusion	<ul style="list-style-type: none"> <li>• Actively incorporate diverse talent and values regardless of nationality, age or beliefs</li> <li>• Target increased corporate value by leveraging diversity to generate business growth</li> </ul>
	Building a high-value-added and highly productive work environment	
	Human resource development	

We have positioned the three strategies of Santen 2030 and our four ESG materialities as management priorities. Through our businesses, we aim to contribute to the achievement of Sustainable Development Goal (SDG) 3, "Ensure healthy lives and promote well-being for all at all ages," and to the other SDGs adopted by UN member states.

## Sustainability Policy

We have established our sustainability policy incorporating the standpoint of ESG into our World VISION and Santen's VISION, formulated from the perspective of creating shared value (CSV). Based on Santen's CORE PRINCIPLE, this policy shows that Santen not only contributes to the sustainable development of society but also aims to achieve its own sustainable growth.

**Based on Santen's CORE PRINCIPLE, "Tenki ni sanyo suru," Santen not only contributes to the sustainable development of society but also aims to achieve its own sustainable growth.**

- **WORLD VISION:** "The Happiest Life for every individual, through the Best Vision Experience"
- **Santen's VISION:** "Become A Social Innovator – Orchestrate and mobilize key technologies and players around the world, to deliver happiness through vision"
- **Provide people around the world with high-quality, safe products and services, as well as information helpful for the treatment and prevention of diseases**
- **Actively incorporate diverse talent and values to enhance our competitiveness and foster a corporate culture that helps increase the value we provide**
- **Perform fair and transparent corporate management and promote business activities that protect human rights labor and the global environment**

**CSV**

**ESG**

<https://www.santen.com/en/csr/policy/index.jsp#sec04>

ESG Materialities	Issue (Item)	Direction of Initiatives
<b>Reinforcement of governance and prevention of corruption</b> 	Corporate governance	<ul style="list-style-type: none"> <li>• Build a highly effective corporate governance system and audit system</li> <li>• Ensure sensible corporate conduct based on legal compliance and sound ethics</li> <li>• Fulfill our responsibility to supply products to patients by establishing an information management and monitoring system and responding appropriately to various risks</li> </ul>
	Compliance	
	Risk management	
	Respect for human rights	
<b>Conservation of the global environment</b> 	Measures against climate change	<ul style="list-style-type: none"> <li>• Implement initiatives to mitigate climate change by reducing CO<sub>2</sub> emissions and using low-carbon resources and energy</li> <li>• Implement initiatives to address the depletion of natural resources by switching to renewable raw materials and materials, such as the use of eco-plastics for eye drop packaging</li> </ul>
	Reducing our environmental impact	



## Long-Term Vision Santen 2030: Our Challenges and Mindset

Santen has announced a new long-term vision toward 2030 and beyond. The new vision embraces our sense of mission and embodies our strong desire to contribute to the eye health of people around the world. This feature tells the story behind the formulation of our new long-term vision as well as our thoughts.

### A New Long-Term Vision That Incorporates the Thoughts of about 500 Employees

What would later become the new long-term vision was first conceptualized about two years ago in an internal document called the “Taniuchi Paper.” It covers the outlook for the business environment over the coming 10 to 20 years, the need for new growth drivers, an evaluation of what Santen needs to keep doing and what it needs to change and the strengths and challenges of Santen in terms of its business and organization.

After the Taniuchi Paper was drafted, about 500 employees became involved in developing the new long-term vision, right up until it was announced. In order to create and execute new growth drivers under Santen 2030, it will be important for Santen to create empathy for the vision and a corporate culture that moves ahead with transformation. We involved many employees in the development process in order to raise their understanding and enhance organizational implementation. Other goals include promoting employee growth and increasing the sense of unity among employees given their increasing diversity as our businesses become more global.

### Processes That Involved Various Participants

The framework for the new long-term vision took shape during discussions among a small group including the President. Many other employees then became involved in formulating the vision in the following three key areas.

The first key area was finding co-creators to join the project. President Taniuchi himself invited participation in Japan, which accounts for the largest proportion of existing businesses and has the most employees, and approximately 380 employees applied. Co-creators regularly shared in the conceptualization process as the vision developed via online meetings, and the new long-term vision incorporated their frank opinions and feedback. Project members also acted as general consumers that participated in interviews and surveys regarding eye health.

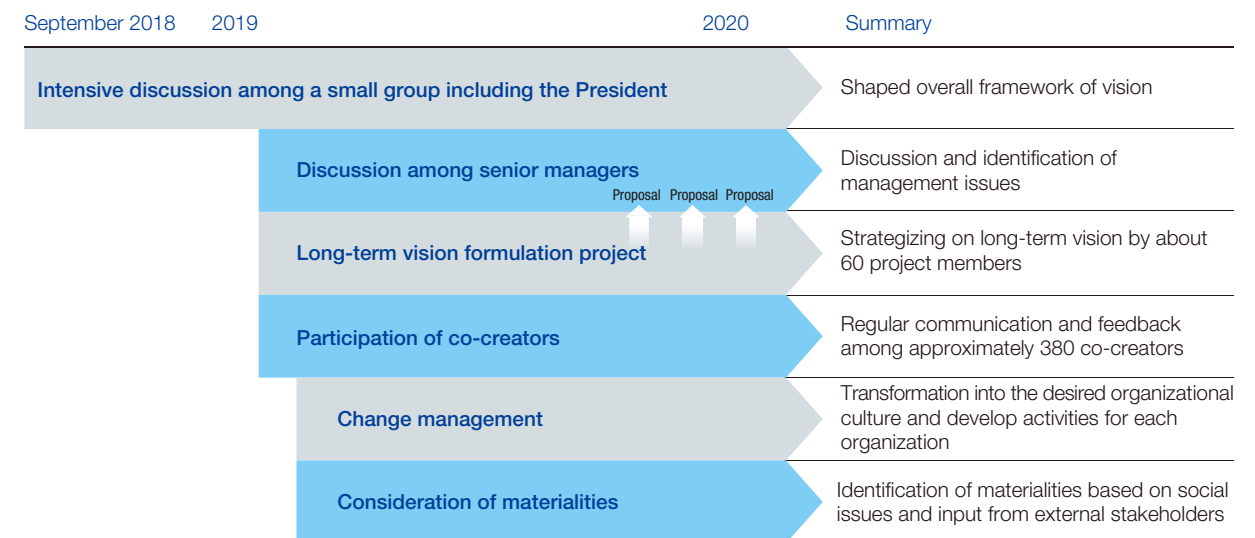
The second key area was the long-term vision formulation project, an important mission directly related to shaping the long-term vision. The project ran for more than a year, and approximately 60 people were involved including the Project Management Office (PMO), project members and support members. The project involved

meetings of all members, small-group discussions by theme, market surveys and fieldwork outside Japan. This was important in examining aspects of the long-term vision and determining specifics.

The third key area was change management with the goal of transforming our corporate culture. About 30 members participated, serving as early adopters of our aspirational values and conduct, and as organizational influencers. Through discussions with the President and workshops, this group finalized issues including our desired organization, and what the organization and employees should and should not change in order to achieve our goals. Change management measures are now underway in each department as we are in the implementation phase of Santen 2030.

In addition to the participation of junior employees, over 20 senior managers, including Outside Directors, were involved in formulating the long-term vision. Complementing discussions among senior management, members of the long-term vision formulation project proposed plans to and held multiple discussions with senior management. The dialogue also included external stakeholders such as experts and investors to facilitate the identification of important management issues (materialities).

### Key Initiatives







### State of Ophthalmology in Asia Ascertained through Fieldwork

The fieldwork carried out in the long-term vision formulation project further deepened and strengthened Santen's desire to contribute to the development of ophthalmology. This section shares the status of ophthalmology in Asia, where there are many potential patients.

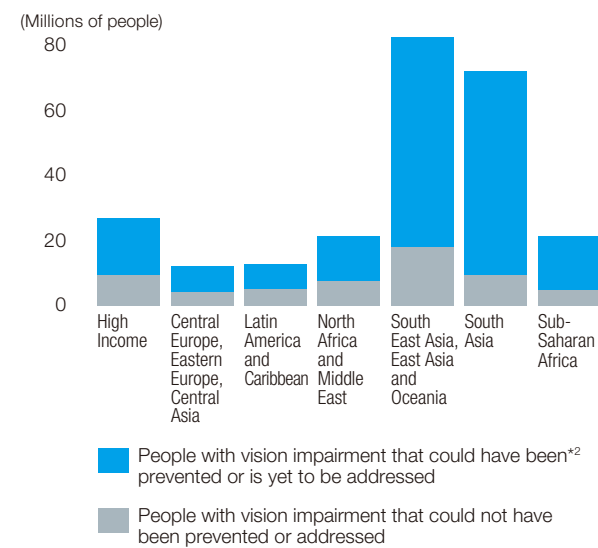
#### Ecosystem Development Based on the Ophthalmological Needs of Each Country and Region

Ophthalmological treatment varies by country and region. This is especially true in Asia. For example, receiving medical care is difficult in some regions due to insufficient medical personnel and facilities, and optometrists and nurses join ophthalmologists as key ophthalmology providers. In addition, the quality of medical care may vary depending on the medical institution. Receiving high-level medical care often entails significant financial and geographic hurdles and long waiting lines.

Furthermore, systemic problems for patients who recognize a disease, go to a medical institution, and undergo diagnosis and treatment vary by country, region and disease. In delivering appropriate ophthalmic treatment to all people and at the required time, it is necessary to respond based on the ophthalmological needs of each country and region. This involves making screening opportunities such as eye examinations available, increasing the number of medical professionals and facilities, and improving the quality of medical care overall.

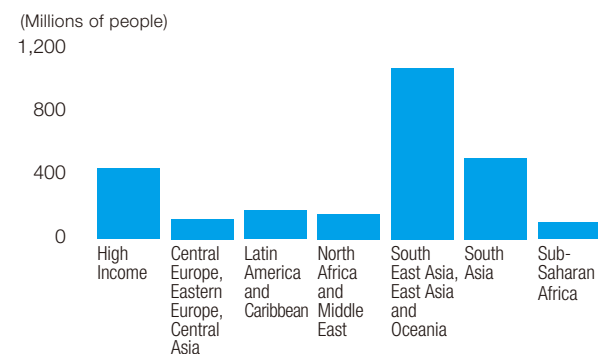
Early detection of diseases is also important in proactively maintaining eye health. Many people do not go to a hospital unless they notice symptoms. This is due to various factors including the medical insurance system, financial burden and awareness of eye defects. For example, in many countries and regions where medical institutions are well aware of myopia, people may not be as aware and do not deal with myopia appropriately because they have not received accurate information. Changes in lifestyles such as reduced time spent outdoors may result in an increase in the number of people with myopia. Incidence of myopia is expected to accelerate further due to the increased use of digital devices, less than adequate outdoor environments and other factors.

### Regional comparison\*1 of total number of people with bilateral moderate to severe distance vision impairment or blindness and estimated proportion with vision impairment that could have been prevented or has yet to be addressed



\*1 By Global Burden of Disease regions  
 \*2 Based on the number of people with moderate to severe distance vision impairment or blindness caused by diabetic retinopathy, trachoma, corneal opacity, glaucoma, unaddressed refractive error and cataract.  
 Source: WHO, *World report on vision*  
 Source: Flaxman SR, Bourne RRA, Resnikoff S, Ackland P, Braithwaite T, Cicinelli MV, et al. *Global causes of blindness and distance vision impairment 1990–2020: a systematic review and meta-analysis. The Lancet Global Health.* 2017.5 (12): e1221–e34.

### Regional comparison of the total number of people with myopia\*3



\*3 By Global Burden of Disease regions  
 Source: WHO, *World report on vision*  
 Source: Holden BA, Fricke TR, Wilson DA, Jong M, Naidoo KS, Sankaridurg P, et al. *Global Prevalence of Myopia and High Myopia and Temporal Trends from 2000 through 2050. Ophthalmology.* 2016; 123 (5): 1036–42.

### Santen Aims to Achieve “The Happiest Life for Every Individual, through the Best Vision Experience” by Leveraging Its Knowledge and Employee Unity

The involvement of many employees has provided useful input and has also led to many discoveries and increased knowledge for the Company and members who participated in creating the vision.

To take the long-term vision formulation project, as an example, the key to the process in which project members overcame challenges, functioned as a team, and produced results was that all participants shared the desire to contribute to ophthalmology worldwide based on our CORE PRINCIPLE. In the beginning, there was no

overlap in the discussions among participants from many different departments, but the process began to move forward and deepen as participants looked at things from the standpoint of our principle. In another case, the analysis of unknown fields proved difficult for participants and required a lot of work, including research from scratch. However, sharing a common desire helped participants support each other and overcome challenges.

Going forward, we will take advantage of the knowledge we gained in formulating our vision, and unite employees based on our CORE PRINCIPLE. We will transform the changes brought on by the new long-term vision into successes as we make Santen 2030 and our WORLD VISION a reality.

#### Participant Comments



When I was given the chance to be involved in the Vision 2030 project, I realized that Santen may be the only company that really cares about people's eye health and that its resolve to be a “Social Innovator” and bring happiness through healthy eyes goes far beyond just providing pharmaceuticals. We should be proud and united in action and spirit to achieve this mission. Happiness with Vision!

**Suchaw Kumnoonsup**  
 Head of Corporate Planning & Strategy, Asia (Asia Corp Development), Santen Pharmaceutical Asia Pte. Ltd.



The project led me to realize anew the impact of vision on people's quality of life and the magnitude of eye-related social issues. I would like to create a world where people can experience the joy of vision no matter how old they are.

**Daisuke Ikumi**  
 Team Manager, Sales Promotion Team, Sales Planning Promotion Group Sales Department, Japan Sales and Marketing Division



Fieldwork and interviews showed me that many people too easily take vision and eye health for granted, and live in a social environment that does not encourage care. Under the new vision, I would like to help resolve these social issues.

**Mayumi Nakamura**  
 Manager, Ocular Surface and Anterior Segment Therapeutic Area Strategy, Ophthalmology Innovation Center



It was an honor to participate in the project. Defining strategy without the typical business constraints was a refreshing approach. Global collaboration with my Santen colleagues enlightened me regarding the highest unmet needs and the unique approaches required to meet them at both a national and regional level. The next 10 years will be very exciting and I look forward to contributing to make this a reality.

**Frank Chen**  
 Associate Director, U.S. Business Development & Venture Management, Santen Inc.





## A Financial Strategy That Supports Sustainable Growth Based on Our Long-Term Vision

### Basic Approach

Santen strives to maximize shareholder value by both fully leveraging cash flow and reducing capital cost. We have set return on equity (ROE) as a primary indicator.

Under our current medium-term plan, **MTP2020 (page 64)**, we have been working to reduce our assets—and consequently raise asset efficiency—through means including the sale of the site of former Osaka Plant, the transfer of the Tampere Plant in Finland, the sale of cross-shareholdings in business partners and an additional cash contribution to pension assets. In addition, our effective tax rate has been reduced from the former 30%-40% range to the mid-20s in real terms. As for capital cost, we did not obtain funding because the funds we needed for investment and other purposes were within the range of liquidity on hand. In addition, we were able to reduce financial expenses by negotiating lower interest rates and by extending the term of our existing interest-bearing debt, among other measures.

### Fiscal 2020 and Thereafter

There will be no change in our basic policy of improving profitability and generating cash through a focus on the field of ophthalmology, thus maximizing shareholder value. As we pursue the Company's optimal capital structure, encompassing capital efficiency and financial soundness, we will maintain an appropriate balance between upfront investment for future growth and internal reserves and the return of profits to shareholders.

Taking an overview of **Santen 2030, our new long-term vision (page 18)**, we will enter a cycle of increasing capital investment in the first half of the decade. For example, we will increase production capacity in Japan and China, and invest in upgrading

our core information systems to improve business efficiency on a global level.

At the same time, for investment in business development and other projects for inorganic growth, we will continue to appropriately evaluate expected returns and risks. This will lead to the creation of shareholder value. Going forward, we expect an increase in projects such as the licensing agreement with jCyte Inc. (jCell therapy program for retinitis pigmentosa) and the joint venture with Verily Life Sciences LLC, both of which incorporate new technologies and address needs arising from changing lifestyles. We will continue to increase the number of projects with a view toward global market growth.

Based on the pecking order theory, we expect our financial resources to come from liquidity on hand and debt issuance. In this way, we will optimize our debt-to-equity ratio, leading to a further reduction in capital cost.

Above all, we set minimum-level evaluation standards for capital cost in considering projects to ensure the success of the investments we make. Moreover, to maximize return on our investments, we established the International Financial Headquarters (IFHQ) in Geneva, Switzerland in October 2019. IFHQ aims to further improve capital efficiency, maximize cash and reduce capital cost by working for global optimization through central management of conditions and cash at businesses that are expanding globally. IFHQ will also oversee currency exchange and interest rate risks.

### Kazuo Koshiji

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



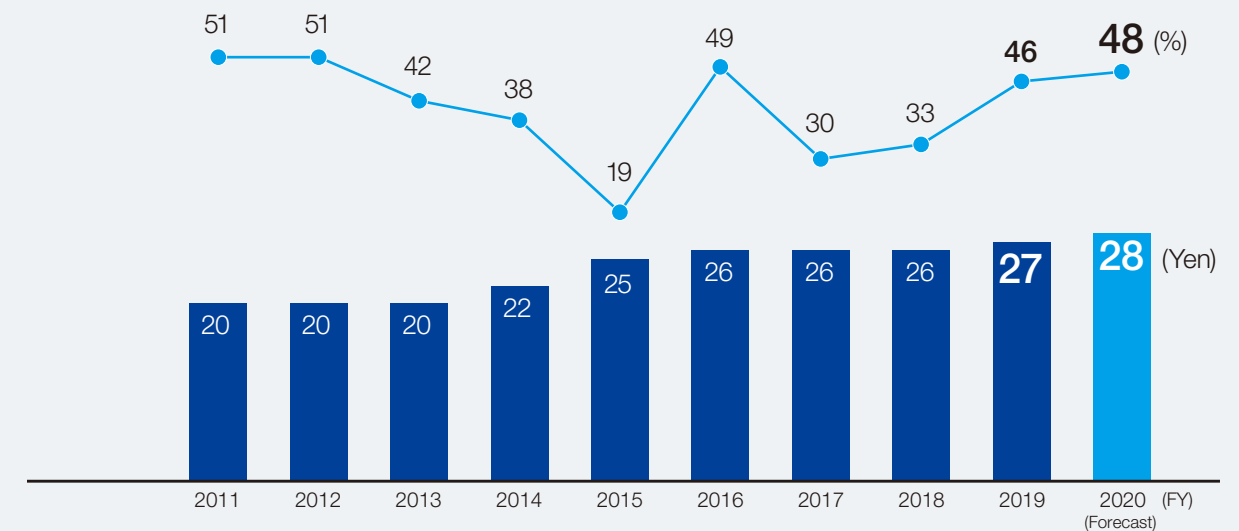
### Shareholder Returns

Our basic policy ensures that management places the greatest importance on shareholder returns. Santen prioritizes shareholder returns, and distributes earnings to shareholders primarily through dividends as well as share repurchases after comprehensively considering the medium-to-long-term business environment, funding requirements, internal capital reserves, and capital structure. Under MTP2020, we have already repurchased Company shares one time and increased dividends one time.

To continue to reward shareholders who hold their shares for a long period, we will provide return on profit based on a policy of keeping the dividend payout ratio of 40% in the foreseeable future. As a yardstick for stability and sustainability, this will give shareholders a clear sense of the Company's growth.

### COVID-19

Even if lockdowns and other measures due to the COVID-19 outbreak are extended, there will be no serious impact on the implementation of the above policies and strategies. In addition to working capital in each region, the Company has secured cash within the Group and established a line of credit with a financial institution so that it does not miss out on investment opportunities for future growth. By these means, the Company will steadily carry out its medium-to-long-term strategies.



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (Forecast)
Shares repurchased (Billions of yen)	—	13.7	—	—	—	12.3	—	13.9	—	—
Total return ratio (%) <sup>*1</sup>	51	134	42	38	19	106	30	76	46	48

<sup>\*1</sup> The total return ratio forecast for FY2020 does not include the possibility of a share repurchase. Calculated based on JGAAP to FY2013 and IFRS from FY2014.



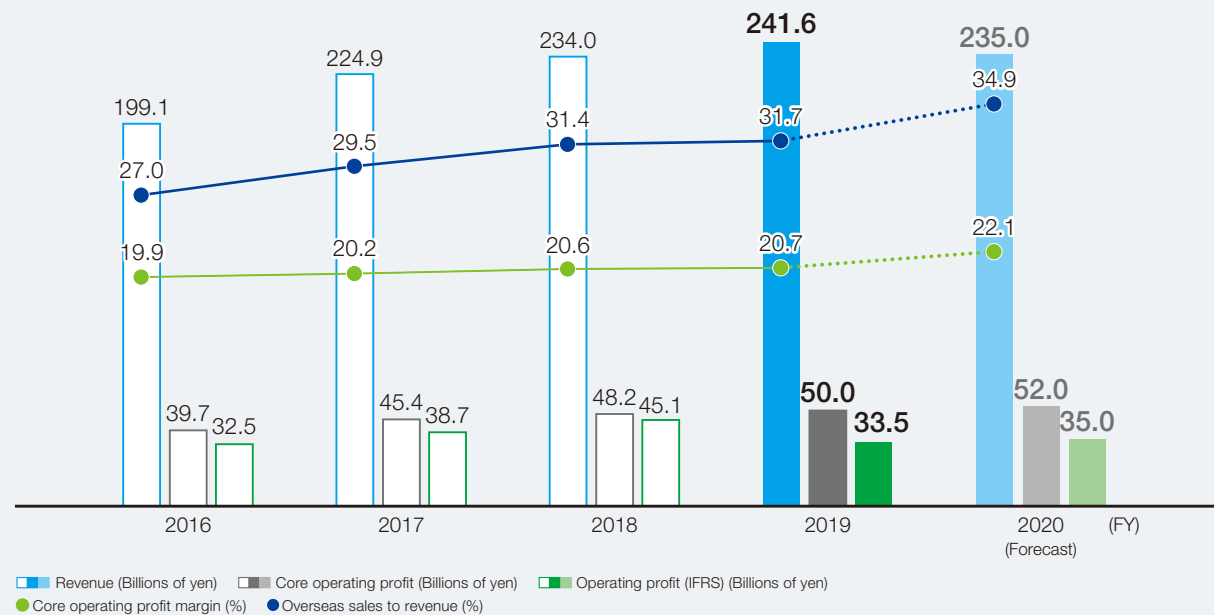
# Financial and Non-Financial Highlights

Please see the sections on the **environment (page 43)** and **diversity and inclusion (page 46)** for specific initiatives related to the following indicators. Further Information: Please refer to Employment and Human Resources Data and Environmental Data Book on our website for additional information. <https://www.santen.com/en/csr/library/>

## Financial Data

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

In fiscal 2019, revenue increased 3.2% year on year to ¥241.6 billion, and core operating profit increased 3.7% to ¥50.0 billion. We expect that fiscal 2020 revenue will decrease year on year due to the impact of COVID-19, but earnings will continue to grow. In addition, we forecast that core operating profit will increase for the fourth consecutive year to ¥52.0 billion yen.

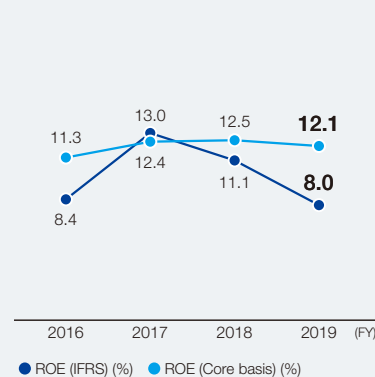


### About Core Basis Results

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.

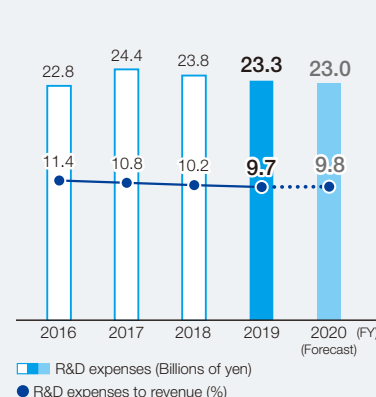
### ROE

Santen works to optimize capital efficiency to maintain and improve ROE.



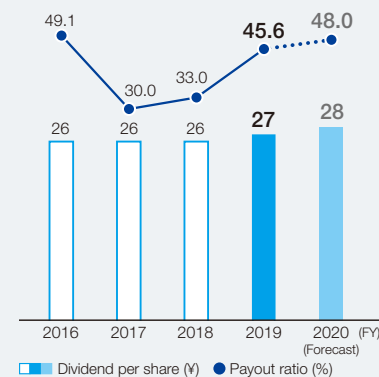
### R&D Expenses and R&D Expenses to Revenue

Santen invests in R&D to generate medium-to-long-term growth.



### Dividend per Share and Payout Ratio

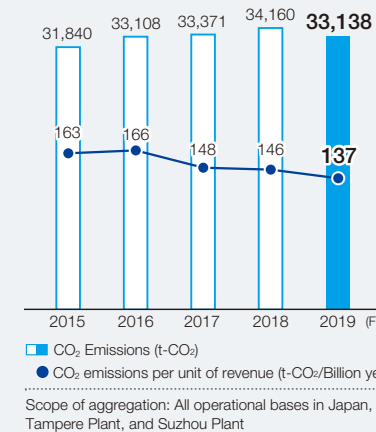
Stable shareholder returns are a management priority. Santen plans to increase the annual dividend for fiscal 2020 by ¥1.00 to ¥28.00 per share.



## Non-Financial Data

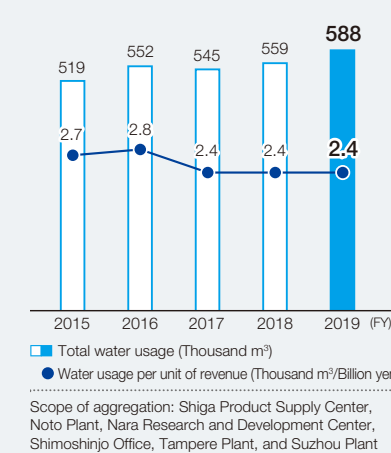
### CO<sub>2</sub> Emissions

Santen is proactively reducing emissions by switching to non-combustion systems when replacing older equipment, and is reducing energy consumption by adopting high-efficiency equipment. Our medium-term goal is to reduce CO<sub>2</sub> emissions in fiscal 2020 by 10% compared with fiscal 2005 (38,175t-CO<sub>2</sub>).



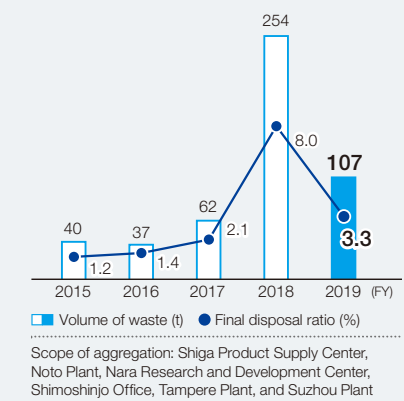
### Total Water Usage

Our medium-term goal is to maintain the fiscal 2017 level of water usage per unit of revenue (2.4 thousand m<sup>3</sup>) until fiscal 2020.



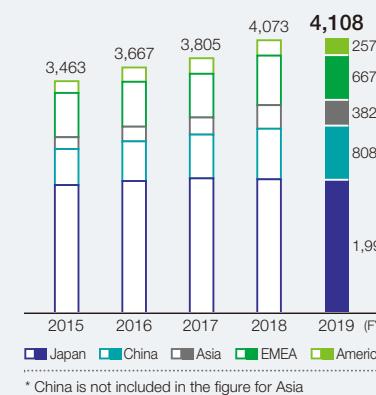
### Volume of Waste and Final Disposal Ratio

The final disposal rate for fiscal 2018 increased temporarily due to factors including the disposal of unneeded equipment that accompanied the sale of the former corporate headquarters and Osaka Plant, but Santen's medium-term goal through fiscal 2020 is to keep the final disposal ratio below the level of fiscal 2017.



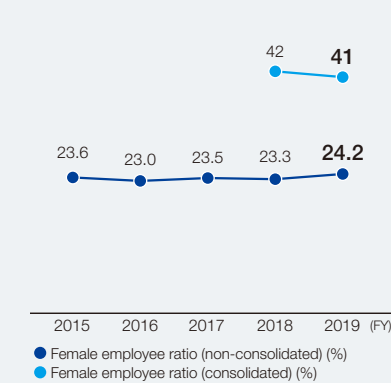
### Number of Employees

Approximately 50% of Santen's employees are outside Japan because of the continued growth of our businesses globally.



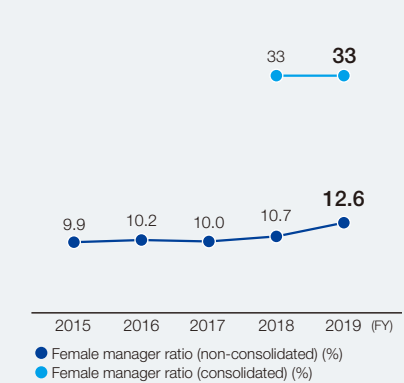
### Ratio of Female Employees

Our global ratio of male to female employees is 59:41.



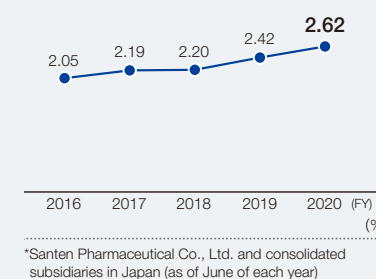
### Ratio of Female in Management Positions

As of March 31, 2020, the female manager ratio was 12.6% in Japan and 33% globally.



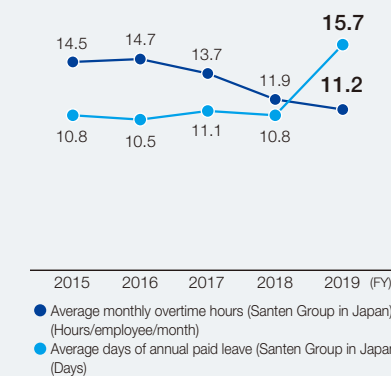
### Ratio of Employees with Disabilities (Santen Group in Japan)

The ratio of employees with disabilities as of June 2020 was 2.62%, which exceeds the statutory employment rate. In January 2019, our special subsidiary Claire Co., Ltd. acquired certification as a company where persons with disabilities can work actively.



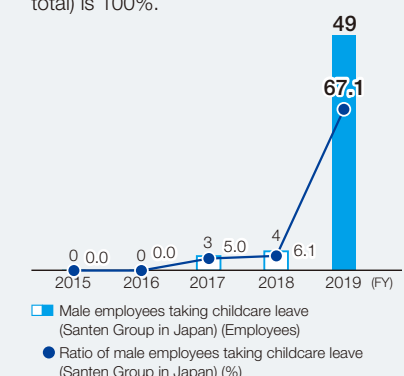
### Average Monthly Overtime and Average Days of Annual Paid Leave

Santen is implementing measures such as encouraging employees to take paid leave so that all employees can maintain a beneficial work-life balance.



### Male Employees Taking Childcare Leave

Santen actively encourages male employees to take childcare leave. The ratio of employees returning to work after taking childcare leave (male and female total) is 100%.



## Acquisition of Innovation into Ophthalmology

For the innovation in ophthalmology we are facing many challenges. However, I am confident that we can get over these, because Santen is the global leader in ophthalmology and its long history of addressing the entire spectrum of patient needs. Our wealth of experience, our visionary leadership, our unparalleled skillset and our extraordinary vision make Santen uniquely qualified to shepherd new technologies through to approval across the globe. And we are confident that we will achieve that as a specialty company in ophthalmology that has been polishing for 130 years.

Santen works with various partners in seeking to enable that change in patient management based on our therapeutic area strategy, and will continue to do so across the entire spectrum of patient needs. Patients deserve better, and we should be at the forefront of the conversation about delivering relevant and meaningful benefits to our community. In addition, Santen has built strong relations with academia around the world as a result of the global expansion promoted under Vision 2020. Based on the strong partnership, we are conducting aggressive discussions everyday with RIKEN in Japan, Singapore Eye Research Institute (SERI), University College London (UCL), and many other universities and specialists, as well as startup companies about cutting-edge treatment technologies such as gene therapy and cell therapy, and new therapeutic modalities around the globe. Under the COVID-19 pandemic we are accelerating these discussions without borders by remote working.



**Reza Haque, MD, Ph.D.**  
Head of Ophthalmology Innovation Center

We are also focusing on technologies which exceed current conventional pharmacotherapy. We will achieve innovation in ophthalmology through an open innovation in which we combine the strengths of Santen with those of other companies. By doing so, we will contribute to Happiness with Vision for patients worldwide through the Best Vision Experience.

### R&D Activities Centered on People Centricity

Santen's R&D activities are centered on "People Centricity." Unmet medical needs (UMNs) are the starting point for R&D, and the goal is to achieve the Happiest Life for every individual, through the "Best Vision Experience," going beyond developing therapies. UMNs vary from region to region and change depending on various factors such as the development of the healthcare environment. To meet these needs, Santen conducts R&D in a wide range and to varying depths of ophthalmic therapeutic areas. In addition to developing new drugs, we also develop sustained-release drugs and eye drop containers. As a company specialized in ophthalmology, we believe that it is our responsibility to provide a detailed response to these needs.

In order to promote these R&D activities efficiently, Santen has established the Ophthalmology Innovation Center, which is tasked with exploring innovations, and the Product Development Division, which is charged with steadily progressing development projects and developing new solutions. Based on our wealth of knowledge and experience in eye diseases, we have established an R&D organization that is global, with operations in Japan, China, Asia, Europe, and the United States. By integrating the high-level expertise of Santen in ophthalmology and the cutting-edge technologies that external research institutions and companies bring to the table, we will efficiently advance the uptake of new innovations toward the resolution of UMNs in ophthalmology, all made possible through efficient product development.

## Clinical Development Based on Patient Centricity

One of the key focus areas of Santen is to be transforming ourselves to be the leading entity of people and patient centricity. I believe that at the end of the day our task is help to guide patients by providing all the needed information and insights related to eye diseases and treatments.

In order to achieve that, as a first step we in Product Development Department (PDD) think we need to build a method for patients to feel value and ownership not only after delivering the final product to them, but already during clinical trials. We think it is important to build a system that allows easier entry and participation in clinical trials without having to go and see the investigator to complete an informed consent or needing to go to the hospital for a simple blood draw for successful development of the candidates from proof of concept (POC) onwards. By utilizing digital technology at all levels, we believe we can create a system that allows greater ownership and participation from start. Improving the environment in which patients can easily participate will improve the success rate of our clinical trials. As we have already seen with the recent impact of COVID-19, the shift toward remote clinical trials has begun. The digitalization of clinical trials is therefore expected to accelerate in the future. As in real life, having everything at your fingertips will become standard for clinical trials.

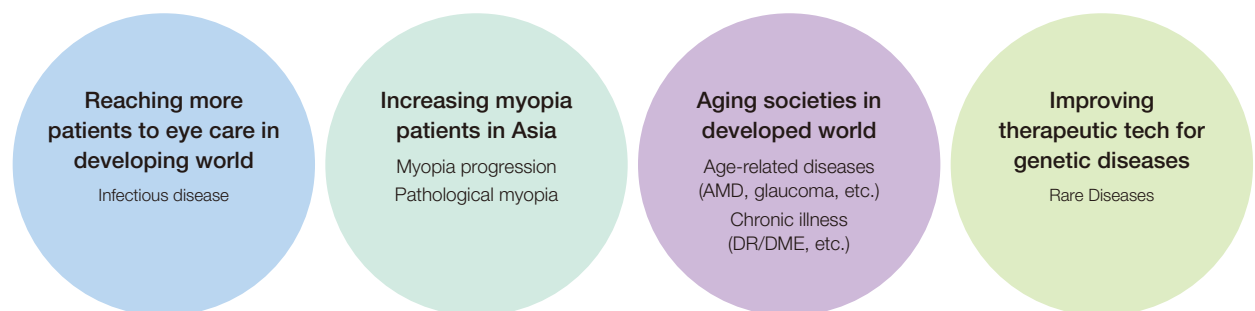
The other point we wish to mention briefly is new end point settings. By searching for new biomarkers and incorporating the technology of eg. imaging functional and



**Peter Sallstig, MD, MBA**  
Corporate Officer  
Global Head of Product Development Division

structural changes in the eye as part of end points evaluations, we aim to accelerate and develop products to meet the needs of patients as soon as possible. Such kind of technics will be utilized across PDD including medical affairs. We are on a quest to re-envision ophthalmology development, all with the aim of helping our patients have a happy life through improved vision.

### We Can Enhance QOL for Patients Suffering from Various Eye Diseases



Videos of the message are available on our website.  
<https://www.santen.com/en/rd/>





## A New Growth Narrative for Santen Led by Business Development



**Ken Araki**  
Corporate Officer  
Head of Global Business Development Department,  
Corporate Development Division

### Generating Business Opportunities for Santen's Growth

The objective of Santen's business development is to generate and capitalize on new business opportunities to realize its CORE PRINCIPLE and WORLD VISION. We will accomplish this by entering into partnerships to conduct collaborative research, and for licensing and out-licensing products, and investing in venture companies, among other activities. Our focus used to be on expanding our portfolio of ophthalmic solutions. In recent years, however, we have been developing businesses with a broader scope, with a view toward new ophthalmological treatment fields such as cell therapy, gene therapy, medical devices and digital technology. Another one of our roles is to help the relevant departments get the opportunities we have secured on track within the scope of the Company's overall activities. While maintaining our commitment to eye health, we will identify a broad range of business opportunities, utilizing technologies and ideas from outside the Company to lead the development of ophthalmology and realize "Happiness with Vision" for people worldwide. This is a distinctive feature of Santen's business development.

As the market becomes increasingly uncertain and complex, with players from other business sectors such as IT companies and startups entering the pharmaceutical industry and new treatments emerging, the importance of business development is growing. Through our activities, I have a renewed sense of how our total commitment to ophthalmology, our high level of recognition among ophthalmologists and the positive evaluation of our global business rollout are helping us form new partnerships. When entrusting us with the products, technologies and ideas they have been carefully developing, some of our partners have informed us that Santen is the only company they trust to nurture their projects and deliver them to patients. Thus, I believe that Santen's responsibility to succeed is substantial.

The more opportunities we have that transcend the framework of our existing businesses, the greater the need for thorough discussion and evaluation of their potential returns and risks from a variety of perspectives. Based on our mission to help resolve eye-related social issues, we give detailed consideration to all possible tactics for maximizing returns in terms of contributing to ophthalmology and for minimizing risks and volatility through cooperation with external partners and other methods. We do all this before making our final proposal to management on the advisability of an investment. We will seek out further business opportunities in order to accelerate Santen's growth.

### Supporting Management Decisions to Invest in Business Opportunities

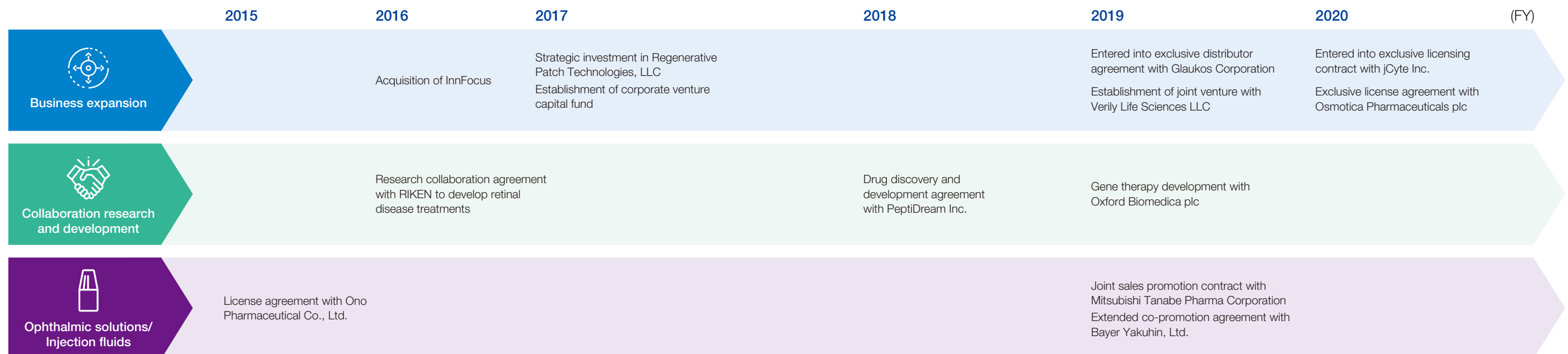
There are a variety of needs for eye health around the world. Moreover, surgical and optical therapies are increasingly being used for treatment in addition to pharmaceutical therapy. Resolving vision-related social issues for patients and all people will require stepping up our business development to help expedite advances in ophthalmology beyond conventional pharmaceutical treatments.

### Realizing Our New Long-Term Vision

In the future, we will utilize a broad range of innovative treatment methods and technologies and turn them into business opportunities to add to the contribution we make through eye drops. Each member involved in business development therefore must be more sensitive to business opportunities and better understand new business models. We will continue to promote Santen's sustainable growth and make a greater contribution to patients and society based on the idea of People Centricity.

### Diversification of Santen's Business Development

In addition to developing existing businesses such as in-licensing compounds for ophthalmic solutions, we are expanding into business development utilizing new modalities and digital technology.



Press releases are available on our website. <https://www.santen.com/en/news/>

## Contributing to Eye Health Worldwide

Santen conducts business in more than 60 countries around the world with the aims of achieving further global growth in 2030 and beyond and contributing to ophthalmology. The Japan business has strong relationships with ophthalmologists and continues to hold the top share\*1 for a wide range of eye diseases. The China and Asia businesses are growing remarkably, our business in the EMEA region addresses diverse needs across national and regional borders, and the North America business has reached the final stage of its preparations to enter the United States, which is the world's largest eye care market. This section introduces our growth so far in each region, our long-term growth goals and our approaches to carrying out our strategies.



### Broadening Our Perspective to Contribute to Better Eye Health for Patients, People and Society

**Takeshi Ito**

Director, Executive Corporate Officer  
Head of Japan Business, Head of Japan Sales and Marketing Division



With the aim of becoming a “Specialized Pharmaceutical Company with a Global Presence,” Vision 2020 called on the Japan business to further strengthen its business framework and competitiveness. In prescription ophthalmic pharmaceuticals, our core business, we faced a difficult environment due to factors including policies promoting generics and fundamental reform of the drug pricing system in Japan. Nevertheless, over the past decade, our revenues have increased from ¥75.6 billion in fiscal 2010 to ¥148.8 billion in fiscal 2019, and our ophthalmic market share has grown dramatically from 36% to 49%.\*2 During this period, uptake of products such as *Eylea*,\*3 *Diquas* and *Alesion*, together with our activities to provide information on optimal administration methods and diagnosis criteria to healthcare providers in ophthalmology and other fields, have contributed to better treatment for patients and the growth of our business.

Moving forward, we will pursue further business growth while focusing on how we can contribute to patients through our products and services. Although medical care has made advances in Japan, various issues remain. The treatment of glaucoma is one example. One in twenty people in Japan over the age of 40 has glaucoma.\*4 Because of insufficient recognition of symptoms, approximately 40% of patients diagnosed with glaucoma discontinue their treatment within one year,\*5 despite the need for extended treatment for this chronic disease.

Furthermore, a number of patients are unable to adhere to dosage instructions, so they fail to see sufficient improvement in their condition. There is still ample room for us to contribute, and the same applies to other disease areas. To deliver appropriate treatments to more patients, we will work together with ophthalmologists and other stakeholders in this field to address these issues and contribute to the development of ophthalmology. Furthermore, beyond prescription ophthalmic pharmaceuticals, we intend to accelerate our evolution as a “solution provider” for a broad range of products and solutions that lead to better eye health, including medical devices, OTC pharmaceuticals, and supplements.

As the number-one ophthalmic company in Japan, the Japan business will continue its growth and broaden its perspective to contribute to better eye health for patients, people and society while optimizing disease prevention, diagnosis and treatment.

\*1\*2 Market share: Copyright © 2020 IQVIA. Santen analysis based on JPM2010.4-2011.3, 2019.04-2020.3. Reprinted with permission.

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

\*4 Yamamoto T, Iwase A, Araie M, Suzuki Y, Abe H, Shirato S, et al. “The Tajimi Study Report 2: Prevalence of Primary Angle Closure and Secondary Glaucoma in a Japanese Population.” *Ophthalmology*. Volume 112, Issue 10, P1661-1169, October 2005.

\*5 Kashiwagi K et al.: *Jpn J Ophthalmol*, 58: 68-74. 2014.



Overview by Region



### Adapting to Succeed in China's Competitive Environment

**Takayuki Yamada**  
Corporate Officer, Head of China Business



Despite an operating environment characterized by fierce competition and various changes in government policies, the China business has grown to be very successful. This success has been driven not only by our products, but also by the strong commitment of all employees to play a part in contributing to the well-being of patients and their loved ones. In addition, we have been working closely with academia, including ophthalmology societies, to introduce numerous measures that contribute to the development of Chinese ophthalmology including the support of training and education for ophthalmologists throughout China.

In adopting the Healthy China 2030 public health plan, the Chinese government has made health a centerpiece of all official policy making, meaning health issues must also be considered in policies that are not specifically health related. Backed by these social factors, the public's interest in healthcare is increasing year after year, and the Chinese market is expected to continue to grow rapidly. Through various reforms to the health insurance system, as well as new policies for introducing innovative products, more patients will be able to receive better treatment. Furthermore, we are seeing a new trend in the patient journey, accelerated by the impact of COVID-19, where top-tier hospitals are no longer the only option for receiving better treatment.

Digital technology and related IT players are bringing change to the market. The rapidly changing situation in China requires us to make quick decisions and act on them in order to evolve our operations in time to meet the changing demand.

To contribute to the eye health of approximately 1.4 billion people and further advance Chinese ophthalmology, we will stay ahead of social changes and further accelerate the provision of products and services with value for people. Going forward, we are coordinating our efforts to meet and exceed needs and demands of patients, people close to patients and society through various initiatives such as establishing a second plant in Suzhou (Jiangsu Province) in response to increasing demand, advancing new and innovative new product development programs, and transforming our commercial model to focus on our role as a company that steadily provides products, information and services that benefit people and have a firm scientific and clinical basis. We will continue to introduce various initiatives in the China business to evolve it as Santen's leading global business, and to lead the market as professionals and social innovators.



### Becoming a Total Eye Care Company That Addresses Asia's Treatment Needs

**Isao Takahashi**  
Corporate Officer, Head of Asia Business



Under Vision 2020, in which one of the goals is making Santen number one in Asia's ophthalmic pharmaceuticals market, the Asia business has been proactively establishing subsidiaries in each country and region of Asia and shifting to a direct sales and marketing organization. By consistently emphasizing the viewpoints of patients and customers and responding to the diverse needs of each country and region, with a focus on the areas of glaucoma, dry eye and eye infections, we have contributed to ophthalmology across Asia. By fiscal 2017, Santen's sales representatives had begun sales activities in South Korea, Taiwan, Hong Kong, the Philippines, Singapore, Malaysia, Thailand and Vietnam. With South Korea at the forefront, the Asia business has boasted an annual sales growth rate of over 30% since fiscal 2013. As of the end of fiscal 2019, we have already almost achieved the numerical targets of Vision 2020 for revenues, market share of prescription ophthalmic pharmaceuticals, and mindshare among ophthalmologists.\*1 We are also strengthening our sales infrastructure, with measures in fiscal 2019 that included the start of sales in India and further expansion in Indonesia through a new partnership.

In Asia, the level of satisfaction with ophthalmic treatment varies significantly by country, and there are regions where there are not enough ophthalmologists. Santen has been working to support the development of ophthalmologists by inviting ophthalmologists from Asia

and elsewhere to act as instructors and trainers, and providing opportunities for enhancing expertise and skills. We will continue to contribute to the development of ophthalmology in each country and region.

Over the next decade, we will achieve further growth by taking advantage of our strengths, based on our deep understanding of the needs of patients, people and ophthalmologists in Asia, and the business foundation we have built. To achieve this goal, we will not limit ourselves to fields in which we are already strong; we will also emphasize the development and marketing of products and services that address treatment needs specific to Asia. Furthermore, as a company specialized in ophthalmology, we have a mission to bring better treatment to more people in parts of Asia where access to treatment is still inadequate. As we look to 2030 and beyond, in contributing to the development of ophthalmology, we will grow this business and become a total eye care company that addresses Asia's treatment needs as we contribute to the growth of the Santen Group as a whole.

\*1 Defined as recognition and evaluation scores of Santen in surveys of ophthalmologists.

Overview by Region



## Evolving While Retaining Our Unique Strengths

**Luis Iglesias**  
Corporate Officer, Head of EMEA Business



Expansion in Europe, Middle East and Africa (EMEA) has been instrumental in our Vision 2020 mission to become a global leader in ophthalmology. Operating in approximately 50 countries in EMEA, our growth in the last 10 years is a cumulative result of many achievements. In fiscal 2019 alone, Finland and Norway achieved nearly 50% market share in ophthalmology and dry eye and glaucoma, respectively.\*1

The EMEA business has continued to conduct activities with the patient’s perspective at the heart. For example, glaucoma is a chronic disease that requires long-term treatment. To improve glaucoma treatment adherence and reduce the negative effects of preservatives, we introduced preservative-free multi-dose formulations of five major brands.\*2 In fiscal 2019, the region was also the first to adopt *PRESERFLO MicroShunt* and *xact Mono-EDoF* intraocular lens, for glaucoma and cataract procedures.

Our portfolio’s success is driven by science and efficacy, which is strengthened by the region’s investment in real-world clinical studies in glaucoma and dry eye. This in turn is backed by the advanced technologies unique to Santen, as well as our approach of People Centricity.

Our focus for the future will be to build on the success of our robust ocular surface portfolio, which includes *Ikervis* for dry eye and *Verkazia* for vernal keratoconjunctivitis. We are also entering the retina sector through a partnership with jCyte, Inc. and the recent

acquisition of jCell for the treatment of retinitis pigmentosa.

We have established a strong presence in Europe, a highly influential region in determining global standards and regulations for pharmaceuticals and drug manufacturing. The EMEA business also plays an important part in rolling out this organizational strength to Asia and other regions, contributing to the Santen Group’s continued global growth.

As the world has changed since the COVID-19 pandemic; we have protected our people and the community, while adapting the business during these uncertain times. We remain committed to delivering high quality medical education. For example, we repurposed the European Ocular Surface Summit to a virtual meeting for 45 ophthalmologists. We are also working with our stakeholders to understand how the ophthalmology landscape can adapt during these challenging times.

As Santen EMEA evolves, our sole dedication to ophthalmology will allow us to continue assessing and responding to patient needs.

\*1 Copyright © 2020 IQVIA. Santen analysis (excluding retinal diseases) based on IQVIA MIDAS April 2019-March 2020. Reprinted with Permission.  
\*2 *Cationorm, Lecrollyn, Cosopt, Taflutan* and *Saffotan*



## Laying the Foundation for Entering the U.S. Market

**Tatsuya Kaihara**  
Corporate Officer, Head of North America Business



Entering North America, the largest ophthalmology market in the world, is essential for Santen to achieve the goals and mission of Vision 2020. While sales in the region are limited, at present, Santen’s commitment to significant growth in this important region has never been stronger.

Santen Inc., headquartered in Emeryville, California is the established clinical, research and development and business development epicenter for our business. In 2019, we established a sales team in Canada, and launched our first product there in November: *Verkazia*, for treatment of severe vernal keratoconjunctivitis (VKC) in children. We also look forward to the U.S. market entry of *DE-128 (PRESERFLO MicroShunt)*, a medical device for the treatment of primary open-angle glaucoma. It promises to help prevent the progression of this sight-robbing disease.

Due to the hard work, dedication and perseverance of everyone in this business to meet patient needs, Santen North America continues to deepen our understanding of unmet needs in vision care each and every day. We are building our portfolio of first-in-class glaucoma assets, with our goal to be recognized as the preferred choice of healthcare professionals.

As North America is also home to many start-up companies and innovative ideas, we aim to be a “partner of choice” for such entities to together help find new ways to contribute to patients. We can leverage qualities

unique to Santen in the field of ophthalmology with the hope of creating more opportunities and partnerships in life science and technology.

We will continue to demonstrate and deliver differentiated value to grow this market in this new decade, and even well into 2030 and beyond.

As Santen globally celebrates the 130-year anniversary since its founding, and introduces our next long-term strategy, the North America business continues to act on the potential of our Company’s diverse global pipeline. We will build an infrastructure with strong and responsive organizational and operational capabilities to support successful regional business goals and make a critical and valuable contribution to Santen’s global success. Great opportunities certainly lie ahead to truly make an impact as one team.



# Sustainability

## CSR Promotion System

Santen's CSR Committee is chaired by the President and CEO and consists of Corporate Officers in charge of relevant divisions. Based on Santen's CORE PRINCIPLE, the CSR Basic Policy, the Group's strategies and various social issues, the CSR Committee sets CSR-related policies and targets for the entire Group and monitors the progress of CSR activities.

In fiscal 2019, we started to identify materialities and formulate our **Sustainability Policy (page 23)**. Our ongoing initiatives will draw on the Sustainability Policy instead of the CSR Basic Policy.

The CSR Committee sets targets and manages progress for a total of eight CSR activity items: three CSV-related items that are unique to Santen, and five items related to measures to support sustainable growth.

### CSR Committee Members

Chairman:	President
Vice-chairman:	Officer in charge of CSR
Members:	Officer in charge of corporate planning and investor relations; Officer in charge of human resources; Officer in charge of production and quality compliance; Officer in charge of finance and governance

Meetings are held once every six months, in principle. Meetings are also held when necessary, and progress is reported to the Chairman and Vice-chairman on a monthly basis.

### CSR Committee Activity Items

	Activity item	Goals for 2020
CSR unique to Santen through its business activities	1 "CSR through its business activities" Increased propagation inside and outside the Company	Communication of ideas and model cases will be strengthened, leading to improved engagement for employees and customers
	2 Common-to-group onboarding program improvement	Learning what all Santen Group employees should equally understand when joining the Company
	3 Contribution to society through sports for the visually impaired	It is widely established as a model case for social contribution in Japan, and is expanding overseas.
Initiatives that support sustainable growth	4 Thorough implementation of the Code of Practice/Compliance	Effective compliance training is thoroughly implemented as a group to enable all Santen Group employees to understand and act in accordance with the Santen Code of Practice.
	5 CSR promotion including business partners	Our Company's approach to CSR based on international norms is shared with our business partners, and the business partners' correspondence is confirmed, leading to risk reduction in business continuity and the gaining of trust from stakeholders.
	6 Promotion of diversity	We promote understanding and disclosure of basic Group actualities such as gender and nationality, and the establishment of a diversity policy and Group goals, and as a result of Group-wide efforts, personnel diversity is increasing.  As a leading company specializing in ophthalmology, we employ people with visual impairments and enable many employees to work together.
	7 Promotion of environmental conservation activities within the Group	Activities are promoted and monitored at all major business sites based on the medium-term goals, and the Santen Group as a whole is steadily fulfilling its environmental responsibility.
	8 Corporate citizenship based on our CORE PRINCIPLE	A Group-wide donation rule is formulated, a system for grasping the situation within the Group is established, and corporate citizenship activities based on the CORE PRINCIPLE are carried out in all countries and regions where we operate, and information is also disclosed.

<https://www.santen.com/en/csr/policy/index.jsp>

## Environment

The Santen Group has established the Santen Group Guidelines for Environmental Conservation to contribute to the conservation of a sustainable global environment. We are implementing initiatives to preserve local environments, help prevent global warming, enhance the effectiveness of resource use, and conserve biodiversity in all countries and regions in which we operate.

### Santen Group Guidelines for Environmental Conservation

To contribute to the conservation of the sustainable global environment based on Santen's CORE PRINCIPLE – "Tenki ni sanyo suru" – the Santen Group devotes positive efforts to preserving local environments, helping prevent global warming, enhancing the effectiveness of resource use, and conserving biodiversity in all countries/regions where it operates. For this purpose, the group promotes the following initiatives:

1. Establishing an environmental management system
2. Carrying out continuous improvements
3. Complying with laws and regulations
4. Preventing environmental pollution and reducing environmental loads
  - (1) Lowering our greenhouse gas emissions
  - (2) Promoting the waste-related initiative of the 3Rs—reduce, reuse and recycle
  - (3) Promoting the preservation and efficient use of water resources.
  - (4) Preventing air and water pollution and appropriately managing chemical substances.
  - (5) Promoting the conservation of biodiversity
5. Raising employees' environmental awareness
6. Disclosing information appropriately

### Environmental Management

Our operational sites in Noto and Shiga and the Suzhou Plant in China have acquired ISO14001 certification, which is an international standard for environmental management systems, and conduct environmental audits. In fiscal 2019, there were no environmental accidents affecting communities, soil, or groundwater. In addition, the Group committed no legal or regulatory infractions that required reporting to the authorities.

### Climate Change Countermeasures

In fiscal 2019, the Santen Group reduced CO<sub>2</sub> emissions per unit of revenue on a consolidated basis to 137 tons-CO<sub>2</sub> per billion yen, which was 16% lower than in fiscal 2005.

### Reducing Our Environmental Impact and Conservation of Water Resources

In fiscal 2019, final waste disposal volume per unit of revenue on a consolidated basis was 0.4 tons per billion yen, double the figure from fiscal 2015 due to the increase in overseas production volume. Water usage per unit of revenue on a consolidated basis was 2.43 thousand cubic meters per billion yen, a decrease of 9% from fiscal 2015.

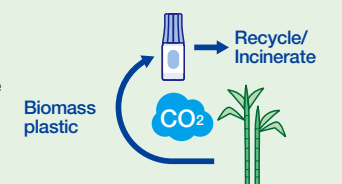
#### Per Unit of Consolidated Revenue

	FY2015	FY2019	Change
CO <sub>2</sub> emissions (Tons-CO <sub>2</sub> /Billion yen)	163	137	-16%
Volume of waste for final disposal (Tons/Billion yen)	0.2	0.4	+100%
Water usage (Thousand m <sup>3</sup> /Billion yen)	2.66	2.43	-9%

### Topics

#### Launch of Environmentally Friendly Bioplastic Bottles

Santen now uses eye-drop bottles made from biomass-plastic materials ("eco-plastics") that are chemically derived or natural products synthesized from renewable biomass resources. The carbon content of biomass plastics is derived from carbon dioxide absorbed from the atmosphere during photosynthesis by the plants that are the raw materials. Therefore, these bottles are carbon neutral because they do not increase atmospheric carbon dioxide when incinerated, and they also counter fossil resource depletion because they use sustainable resources.



<https://www.santen.com/en/csr/eco/>

Sustainability

# Building an Inclusive Society

Inclusion is one of the three long-term strategies we are promoting as we work to achieve our WORLD VISION under the new long-term vision, Santen 2030.

## Blind Experience

The Santen Group aims to build a society that is inclusive to all regardless of visual impairment. As one of our initiatives, we conduct “Blind Experience” sessions inside and outside the Group, where visually impaired employees give lectures to help attendees deepen their understanding of visual impairments and to teach them about the importance of communication. Outside the Group, we conduct Blind Experience sessions targeting people from a wide range of age groups affiliated with various organizations, including government bodies, educational institutions and companies. When conducted at educational institutions, Blind Experience sessions have resulted in changes in the behavior of the participating children. Although the children seemed to hesitate at first because they did not know how to interact with the visually impaired lecturers, after the classes finished, they approached the lecturers on their own and volunteered to assist the lecturers in getting around. For Blind Experience sessions conducted inside the Group, many participating employees have commented that the sessions have helped them reaffirm Santen’s CORE PRINCIPLE and better understand patients’ viewpoints.



Event at an elementary school



Event at Santen Inc. (U.S.)

### Interviews with Visually Impaired Employees Who Act as Blind Experience Lecturers Toward the Society We Want to Help Achieve

#### We spoke with visually impaired Santen employees who act as Blind Experience lecturers



**Shigeo Yoshihara**  
CSR Group, Corporate Development Division

#### Learning from Blind Experience

**Yoshihara:** I realize that there are many people who hesitate to act when they come into contact with a visually impaired person. We let them know the importance of approaching visually impaired people. I tell participants that they should approach a visually impaired person when they see them having trouble. Since visually impaired people themselves are well versed in support techniques, if you ask them what to do, they will know specific ways to resolve the situation.

#### The Value Blind Experience Can Provide

**Torii:** I feel that actively communicating the many things that can be done without sight and the unique ingenuity involved in that surprises participants and leads them to a new understanding. Treating sightlessness as just another aspect of someone’s individuality gives rise to new discoveries and learning.

#### What Kind of Society Do You Want to Create?

**Yoshihara:** I suppose I want a society in which visually impaired people can fully participate and lead vibrant lives with peace of mind. I think that creating such a society fosters a consciousness of helping others.

**Torii:** I would like to create a society where the concept of disability is no longer relevant and people help each other. That way, everyone can lead a happy life. That is why I think visually impaired people like us need opportunities to communicate and share information.



**Kento Torii**  
CSR Group, Corporate Development Division

## Blind Football Initiatives

### Long-Term Partnerships with the International Blind Football Foundation and the Japan Blind Football Association

Santen actively supports the visually impaired to help improve their quality of life through sports. In 2017, we entered into a partnership with the Japan Blind Football Association (JBFA), and sponsored our first international competition in 2019. With the aim of helping to resolve

visual impairment-related social issues around the world, in March 2020 we entered into long-term partnerships extending to fiscal 2030 with the JBFA and the International Blind Football Foundation, which supports international competitions. In April 2020, Santen also began supporting a hotline set up by the JBFA to assist people with visual impairment’s inconveniences in their daily life during the COVID-19 outbreak.



Japanese team at the IBSA Blind Football Asia Championships



Press conference for the Santen ISBA Blind Football WGP 2020 in Shinagawa

### Blind Football Kids Camp/Junior Training Camp

Through our partnership, we cooperate with the JBFA in supporting children with visual impairments. Our support covers activities including Blind Football Kids Camp, which helps children with visual disabilities become more independent by giving them the chance to play without their parents or guardians, and Junior Training Camp, which aims to train and strengthen the next generation of blind football players at an early stage and foster leadership.

These events are also an opportunity to bring together the parents or guardians of the children who attend. Because they face the same difficulties and worries in raising their children, the events are a forum for sharing their concerns. The events are also an opportunity to reaffirm Santen’s CORE PRINCIPLE. One employee commented that “I was able to gain a renewed understanding of Santen’s philosophy and social responsibility as a company involved in eye health.”



Group photo from the Santen Blind Football Kids Camp in Western Japan



Pre-match huddle at the Junior Training Camp

<https://www.santen.com/en/csr/social/>



Sustainability

# Diversity and Inclusion



Japanese companies have typically generated business growth through the efforts of the majority—long-tenured male employees. However, that era is changing significantly due to globalization, a declining birthrate and aging population, and increasing mobility of human resources, among other factors. Companies that cling to traditional approaches face an existential threat.

Santen has about 4,000 employees globally, with about 2,000 in Japan, which is not a large number for its industry. We cannot make substantial progress as a company with a global presence unless all of our talent are able to participate actively in business operations at

the peak of their performance. We are therefore enhancing the diversity of our human resources by promoting diversity and inclusion to help all our talent play active roles. Diversity and inclusion is a necessity, not an option.

We will combine our diverse strengths as a company specialized in ophthalmology to continue to deliver “Happiness with Vision” to people.

**Shigeo Taniuchi**  
President and Chief Executive Officer

## Santen Group Diversity & Inclusion Policy

### Delivering “Happiness with Vision” to people by orchestrating diverse talents

Based on our CORE PRINCIPLE, the Santen Group actively aims to incorporate diverse views inside and outside the Group to demonstrate its organizational excellence, meet the diverse eye-related needs of people around the world, and ultimately deliver people’s “Happiness with Vision.”

For that purpose, we are committed to uphold, respect and accept individuals with diverse backgrounds in terms of nationality, race, gender, gender identity, sexual orientation, age, disability, religious faith, creed, experience, specialty, values, lifestyle, and others. Our aim is to create a workplace environment that ensures psychological safety so that every employee can feel safe to be themselves and fully exercise his or her capabilities and translate the diverse talents into organizational excellence to accomplish the greatest results.

### Three pillars of diversity and inclusion (D&I)

The Santen Group will promote D&I initiatives on the pillars of (1) Favorable Organization Culture Development, (2) Knowledge and Skill Improvement, and (3) System Development and Implementation. We believe that the synergetic effects of the three pillars will enable us to orchestrate the capabilities of diverse individuals into our organizational prowess to the maximum.

#### Favorable Organization Culture Development

We aim to create an organizational climate and culture in which every individual can exercise his or her capabilities to the fullest and where diverse talent inside and outside the company is sought after and nurtured.

#### Knowledge and Skill Improvement

We encourage and support every individual to acquire wisdom and improve their knowledge and skills in order to maximize our organizational excellence through collaboration and cooperation while taking advantage of the diverse characteristics of employees.

#### System Development and Implementation

We establish a flexible work management system that supports diverse work styles and preferences.

### Promoting Diversity (Gender, Nationality, Race)

#### Promoting Childcare Leave for Male Employees

The gender gap is an issue in promoting diversity in Japan. We are implementing initiatives such as promoting women, and we must change the awareness and behavior of men as well.

One way to change awareness is to increase participation in childcare. In fiscal 2019, Santen focused on male employees in promoting childcare leave. The percentage of male employees who took childcare leave was 6% in fiscal 2018, and 67% in fiscal 2019. The President himself is the father of two children, and took the initiative in taking childcare leave in fiscal 2018. The percentage of employees taking childcare leave increased significantly in fiscal 2019. We will continue to strengthen our initiatives to encourage male employees to take childcare leave.



Daisuke Kosugi, IR Group, Corporate Development Division: Took about one month combined with paid leave



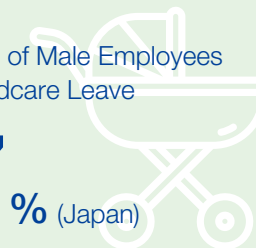
The President holding his second son while telecommuting: Took two weeks childcare leave in fiscal 2018



Takanori Shoji, Product Development Division: Took more than four months off in combination with paid leave for the first time for his third child

Percentage of Male Employees Taking Childcare Leave

**67%** (Japan)



### Promoting Diversity

At the end of fiscal 2019, the ratio of female employees was 41% (consolidated), and the ratio of women in management positions was 13% in Japan and 33% globally. We need to continue enhancing gender initiatives in Japan.

With the globalization of our business, the ratio of overseas employees is 51%. We are promoting foreign nationals at the management level, and the ratio of foreign nationals among corporate officers is 23%.

Ratio of Women in Management Positions

**13%** (Japan) **33%** (Global)

Ratio of Foreign Nationals among Corporate Officers

**23%**





In 2020, under a new governance structure, Santen is moving forward to achieve its new long-term vision. In a drastically changing world, Santen will keep abreast of the times, flexibly transforming its management as it remains true to its CORE PRINCIPLE. While increasing the effectiveness of the Board of Directors and further enhancing governance, we will continue to contribute to people around the world in the field of ophthalmology to increase corporate value.



A handwritten signature in black ink that reads "A. Kurokawa".

**Akira Kurokawa**  
Chairman

Fiscal 2020 is the 130th anniversary of Santen's founding, as well as the final year of Vision 2020. As our next step forward, in July we announced a new long-term vision toward 2030 and beyond.

As of April 1, 2020, my position as Chairman of the Board of Directors became my sole responsibility. The new era, both in name and reality, has been entrusted to the new CEO, Shigeo Taniuchi. I look forward to seeing his leadership foster significant growth for the Company.

Looking back over the past 10 years, Santen has significantly grown its business centered on prescription ophthalmic pharmaceuticals. On the other hand, over the next 10 years, in order to further contribute to the world in the field of ophthalmology, we must take on the challenge of entering new areas such as medical devices and digital healthcare, in addition to our conventional ophthalmic solutions business. I would like Mr. Taniuchi, our new CEO, to nurture Santen's CORE PRINCIPLE, share our vision with all employees, and make major changes to achieve sustainable long-term growth.

As the Chairman of the Board of Directors, I would like to touch upon the future operation of the Board. In order for a company to be widely trusted and increase its corporate value, it must keep in mind that it conducts its business activities through connections with many stakeholders, including shareholders, customers, employees and local communities, and therefore must ensure the objectivity and transparency of its board of directors. Santen has traditionally called on multiple Outside Directors to represent its stakeholders. They have provided the Board with unreserved opinions in various

discussions. For example, an investment project, which was ultimately rejected after several Board discussions, stands out in my mind. I had proposed the project as CEO, so my feelings about it were complicated, but I was strongly heartened by the Board's ability to discuss the matter objectively from various perspectives. I recall the discussions being extremely heated, but I think the decision was indeed correct.

In order to prevent the Board's functions from being reduced to a formality, it is vital to share the business information used as the basis of discussion. In particular, Outside Directors and Outside Corporate Auditors need a continuous supply of information to properly understand changes in the business environment, the status of business execution, and Santen's capabilities. Santen's Outside Directors and Outside Corporate Auditors exchange opinions with global executives to deepen their understanding of its business, and participate in discussions as much as possible as observers in the Corporate Management Meeting, which is the Company's primary executive decision-making body. This approach enables Outside Directors to properly evaluate Corporate Officers based on a proper understanding of management issues and projects within the context of our vision and medium-term plan and active participation in management decision-making.

Under CEO Taniuchi, we have formulated Santen 2030, a vision toward 2030 and beyond, and are further enhancing our lineup of products and services that benefit patients in the field of ophthalmology to achieve this vision.



## Chairman's Message

While taking advantage of the strengths of our core business, we are poised to contribute further to ophthalmology by incorporating cell therapy and device technologies, making proposals for new treatments, and implementing initiatives that incorporate digital technologies in the field of diagnostics. In addition, we are reassessing our internal organization in line with the ongoing globalization of our business, and strengthening our worldwide system for execution and operations. At the same time, we are partnering with other companies as we advance to a new stage as a truly global company.

Looking at the external environment, the world is undergoing a drastic transformation due to COVID-19. The economic impact is expected to be comparable to the situation after World War II. This pandemic will change people's lifestyles, significantly alter the healthcare environment, and further accelerate the evolution and widespread use of digital and information technologies.

In this rapidly changing business environment, Santen must stay ahead of the times and transform its approach to management and execution while staying true to its CORE PRINCIPLE. To further increase corporate value, the Board of Directors must take the lead in leveraging both internal and external knowledge to further enhance management and governance and increase flexibility. The current Board is composed of members with extensive management experience, knowledge and expertise. A board of directors that adds value by energetically discussing a growing array of projects is the ideal we are aiming for, so we will continue to seek members who can do so, regardless of their nationality or gender.

Santen will further improve management quality and enhance governance to continue contributing to people worldwide as a company specialized in ophthalmology.



## A Conversation between the Chairman and an Outside Director



**Akira Kurokawa**  
Chairman



**Yutaro Shintaku**  
Outside Director

### Santen's Governance

**Shintaku:** I became an Outside Director three years ago, and at the beginning, I was amazed at how openly and sincerely Santen implemented essential governance. CEO succession was under consideration at that time, and the process was very open and transparent. Through my involvement in the process in which the Nominating Committee identified candidates and set a clear schedule for making the decision, I quickly grasped that Santen implements essential governance.

**Kurokawa:** I remember that as well. Succession is an important matter for shareholders and other stakeholders because of its relevance to increasing corporate value, and I also thought full discussion was necessary before proceeding. In fact, the Nominating Committee had been considering and discussing the training and selection of successors for some time. I was selected through the same process when I myself became President, and I wanted Santen to continue using this open process.

**Shintaku:** As always, I believe that in order to raise the effectiveness of governance, the Board of Directors must be able to speak openly and discuss matters unreservedly. Santen maintains an atmosphere in which members of the Board can speak about any issue without hesitation. Future challenges will make management even more difficult. The more serious the matter, the more open and vigorous debate helps Santen to evolve. It is also of great importance for governance.

### Future Direction of the Nominating Committee and Executive Compensation Committee

**Shintaku:** Having served as chairperson of the Nominating Committee and the Executive Compensation Committee since last year, I would like to touch on both of them. First, as I just mentioned, the Nominating Committee has completed a major succession. The next challenge is to



## A Conversation between the Chairman and an Outside Director

enhance the successor training program. A key issue is nurturing diverse candidates in anticipation of smooth successions five to ten years in the future.

Meanwhile, the Executive Compensation Committee is benchmarking every year while discussing how to achieve compensation standards that make the Company competitive. Compensation needs to be structured with fair incentives that are in the common interest of both investors and management. To this end, we will consider increasing the ratio of performance-linked compensation, and will also consider implementing a compensation system that gives the Company global competitiveness.

**Kurokawa:** The Nominating Committee trains the next CEO, but another of its primary roles from the standpoint of corporate governance is to make decisions about the actual appointment or dismissal of the CEO. Outside Directors give their opinions frankly from an outside perspective, which creates healthy tension. Operation of the Executive Compensation Committee has improved since you became the chairperson. Long-term incentives will comprise a greater proportion of executive compensation going forward. Having discussions in advance will be necessary, with a clear understanding of future directions.

### Santen's Long-Term Vision

**Shintaku:** Santen has been expanding its business in the field of ophthalmology. Considering the significance of participating in the medical device business, as represented by *PRESERFLO MicroShunt*, it must also structure relevant strategies. Entering this business will strengthen Santen's partnership with medical professionals, and expanding its presence in the United States, the world's largest ophthalmology market, will expand its global presence in the field of ophthalmology. The manufacturing involved in the medical device business, however, sets it apart from the ophthalmic solutions business, in which Santen is strong. In other words, after product launch, product improvement and pipeline development are keys to competitiveness in the device business. Santen would be wise to use the sophisticated technological base in container development that it has developed as an ophthalmic solutions manufacturer to build the medical device business. This will be challenging, so I would like executives to implement strategic initiatives with the solid backing of the Board of Directors.

**Kurokawa:** You have provided Santen with much invaluable advice and knowledge about medical devices over the last few years. As you said, entering the device business and entering the U.S. market are big challenges for us. Executives therefore need to appropriately report progress and strategies to the Board of Directors. Based on that, the Board should proceed with discussions that include consideration of risks. Strengthening the monitoring system will become more important than ever, given various factors such as changes in the competitive environment and regulations. We need to further enhance Board discussions by refining the quality of proposals from executives and establishing a framework that enables appropriate monitoring.

### COVID-19 Has Significantly Changed the World —Santen's Governance Going Forward—

**Kurokawa:** I think that the quality and subject matter of Board discussions will change in line with the dramatic

international changes associated with the COVID-19 outbreak that are unfolding before our very eyes. In order for the Board of Directors to make appropriate decisions from the perspective of shareholders, customers, society, employees, and other stakeholders, executives also need to effectively communicate market changes and technological evolution in ophthalmology and other relevant information about the business environment to the Board.

**Shintaku:** I agree. With the social environment and business environment changing so significantly, we will need to devise growth strategies from different perspectives than in the past. To achieve this, Outside Directors must deepen strategic discussion while obtaining appropriate input from executives and digesting this information.

**Kurokawa:** Indeed. We plan to make effective use of meetings other than those of the Board of Directors to further enhance the Board's effectiveness, so we are counting on your frank opinions.





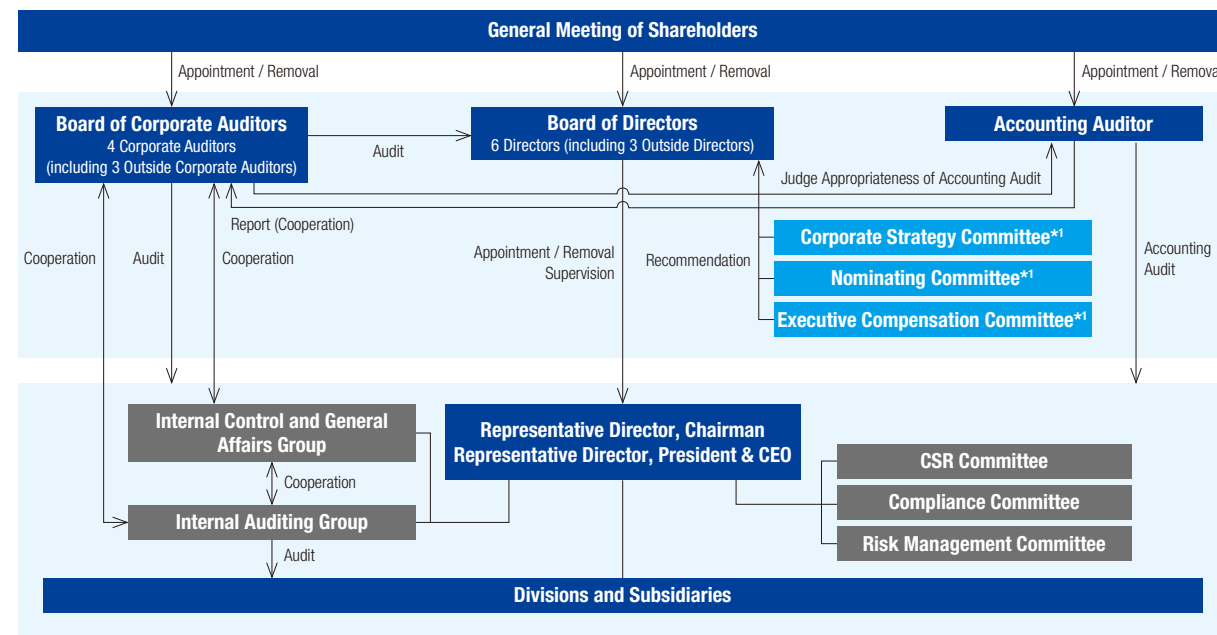
## Overview of the Corporate Governance System

### Basic Views on Corporate Governance

Santen believes that upgrading and strengthening the corporate governance system is vital for securing and enhancing corporate value, and thus, returns to shareholders.

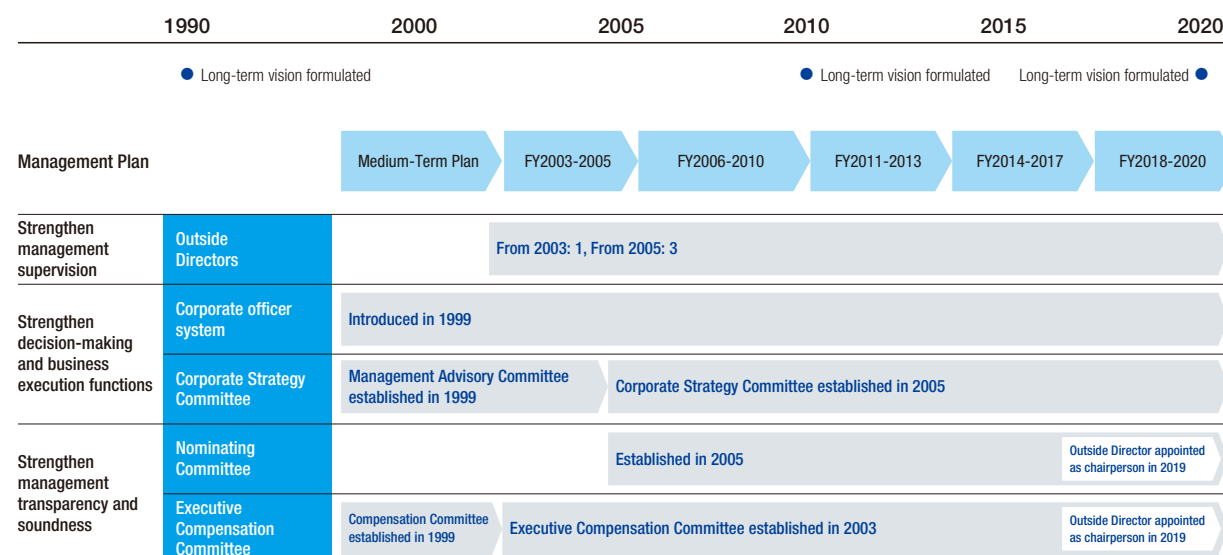
Santen's governance is based on the corporate organizational form of a "Company with Board of Corporate Auditors" as defined in Japan's Companies Act. This structure enables the Company to have objective audits by Corporate Auditors who are in independent positions from the execution of business by the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

Santen Internal Governance System (As of June 30, 2020)



\*1 These committees are voluntary and not part of the statutory "Company with a Nominating Committee, etc., System" under Japan's Companies Act.

### Key Milestones in Strengthening Corporate Governance



### Status of Corporate Governance Structure

Santen's Board of Directors features a well-balanced mix of knowledge and experience, and the ability to effectively fulfill its roles and responsibilities with a structure that satisfies both diversity and an appropriate number of members as defined in Japan's Companies Act and Santen's Articles of Incorporation. Moreover, Santen has appointed Corporate Auditors with the expertise necessary to properly perform audits from an academic, legal and accounting perspective.

Furthermore, Santen has established the Corporate Strategy Committee, Nominating Committee and Executive Compensation Committee, which are voluntary committees (formed voluntarily by the Company) composed of Inside and Outside Directors, with the aim of improving management transparency and objectivity.

Outside Directors and Outside Corporate Auditors are provided with the information and opportunities necessary to fulfill their roles and responsibilities, and the Company

bears the necessary expenses in this regard. In addition, in order to contribute to meaningful discussions at Board of Directors meetings, Outside Director and Outside Corporate Auditors are provided with materials and related information and are given sufficient explanations in advance regarding the background, purpose, and content of the proposals to be deliberated.

Corporate Auditors fulfill their roles and responsibilities by attending meetings of the Board of Directors, holding meetings to exchange opinions with Representative Directors and Outside Directors, and conducting interviews with and visits to executives and Group companies in Japan and overseas.

The average attendance rate for Outside Directors and Outside Corporate Auditors at meetings of the Board of Directors in fiscal 2019 was 100%. The average attendance rate for Outside Corporate Auditors at meetings of the Board of Corporate Auditors was 100%.

Corporate Governance Meeting Composition (As of June 30, 2020)

©: Chairpersons of voluntary committees

Position	Name	Board of Directors	Board of Corporate Auditors	Corporate Strategy Committee	Nominating Committee	Executive Compensation Committee
Directors	Akira Kurokawa	○		○	○	○
	Shigeo Taniuchi	○		◎	○	○
	Takeshi Ito	○		○		
	Kanoko Oishi	○		○	○	○
	Yutaro Shintaku	○		○	◎	◎
	Kunihito Minakawa	○		○	○	○
Corporate Auditors	Hiroshi Isaka	○	○			
	Yasuyuki Miyasaka	○	○			
	Hirofumi Yasuhara	○	○			
	Yumiko Ito	○	○			
Meetings (April 2019 – March 2020)		14 times	10 times	4 times	5 times	7 times

Corporate Strategy Committee	Deliberates on key strategic issues such as business strategies
Nominating Committee	Deliberates and makes recommendations regarding the selection of candidates for Directors, and provides advice in response to consultations concerning the selection of candidates for Corporate Officers and Corporate Auditors
Executive Compensation Committee	Sets compensation policies and designs the compensation system (such as setting performance targets and determining the rationality of performance-based compensation, the appropriateness of standards and composition of remuneration, and the amount of compensation in accordance with the system)

## Corporate Governance

### Policy for Appointing Directors and Corporate Auditors

The Nominating Committee deliberates on candidates for the position of Director. Based on the results of deliberations, the committee then recommends candidates to the Board of Directors, which determines the actual nominees. In deliberations by the Nominating Committee, the guiding principle for the selection of Inside Directors is that the nominees must have credentials such as high-level expertise, the ability to participate in decision-making from a managerial standpoint and the ability to supervise execution of duties, in addition to having an understanding of Santen's CORE PRINCIPLE and its underlying ethos. Furthermore, Outside Directors must have credentials such as the ability to contribute to improving the quality of discussions in meetings of the Board of Directors, based on experience in managing companies or a specialized understanding of corporate management. They must also satisfy the criteria for independence established by the Company.

The Nominating Committee also discusses the recommendation of candidates for the position of Corporate Auditor. The Board of Directors determines actual nominees after obtaining consent from the Board of Corporate Auditors. Upon consent of Corporate Auditors, the guiding principles used for judgement are that each nominee must have credentials such as high ethical standards and a sense of fairness, in addition to an understanding of Santen's CORE PRINCIPLE and its underlying ethos, while being experienced in performing high-level duties in any field. For Outside Corporate Auditors, each nominee must have credentials such as extensive experience and expertise in the field of academics, law, accounting or management. Outside Corporate Auditors must also satisfy the criteria for independence established by the Company.

### Reasons for Outside Director and Outside Corporate Auditor Appointments

Position	Name	Reasons for Appointment
Outside Director	Kanoko Oishi	Ms. Oishi has extensive knowledge and experience from involvement in management in Japan and overseas for many years.
	Yutaro Shintaku	Mr. Shintaku has extensive knowledge and experience from involvement in management in Japan and overseas for many years, including management of a major company that manufactures and distributes medical devices and pharmaceutical products.
	Kunihito Minakawa	Mr. Minakawa has extensive knowledge and global experience from many years of management in Japan and overseas, as well as extensive insight and practical expertise in finance and auditing.
Outside Corporate Auditor	Yasuyuki Miyasaka	Mr. Miyasaka has extensive knowledge and experience as a certified public accountant from many years of conducting audits in Japan and overseas.
	Hirofumi Yasuhara	Mr. Yasuhara has extensive knowledge and experience from many years of involvement in management in Japan and overseas, and has performed auditing duties as a standing corporate auditor at a company listed on the First Section of the Tokyo Stock Exchange.
	Yumiko Ito	Ms. Ito is a legal expert qualified as an attorney-at-law in Japan and the United States, and has extensive knowledge and experience in management as an officer of several global companies.

### Succession Plans for the CEO and Other Executives

Santen's Representative Directors recognize that the development of successors for the CEO and other executive positions is a crucial responsibility, and systematically promote the identification, selection and development of candidates. The Nominating Committee, which is chaired by an Outside Director and consists of a majority of Outside Directors, advises and supervises the development and implementation of the successor training plan.

In deciding a successor, the Nominating Committee sets the evaluation parameters and the selection method, and after discussions of whether candidates (including those from outside the Company) have appropriate qualities and achievements, the succession plan is decided and recommended to the Board of Directors. The Board of Directors supervises to ensure that the succession plan process is proceeding properly, discusses the plan prepared by the Nominating Committee, and determines the successor.

### Director and Corporate Auditor Compensation

Santen is not a "Company with a Nominating Committee, etc.," as defined in Japan's Companies Act. However, it has set up an Executive Compensation Committee as one of its voluntary committees. This committee, which appoints an Outside Director as chairperson and consists of a majority of Outside Directors, makes recommendations and deliberates on policies for the compensation received by Directors, Corporate Auditors, and Corporate Officers. The Executive Compensation Committee has determined the following basic policies.

1. Ensure effectiveness that contributes to Santen's sustainable growth and enhancement of mid-and-long term corporate value to enable them to be engaged in the achievement of Santen's vision and the medium-term management plan with high motivation;
2. Deepen the sharing of values with shareholders;
3. Objectiveness is secured through a highly transparent process for making decisions on remunerations to ensure high accountability to stakeholders;
4. Provide a competitive level of compensation capable of recruiting outstanding human resources; and
5. Appropriately encourage the target Directors to fulfill their respective functions in executing duties and supervising.

Director compensation (excluding Outside Directors) consists of fixed basic compensation, an annual bonus tied to Company performance and individual evaluation,

and stock-linked compensation. Total standard compensation consists of basic compensation, annual bonus and stock-linked compensation at a ratio of 1:0.25:0.5, and total compensation is determined with reference to pharmaceutical company benchmarks. Outside Directors, who are independent from the execution of business, only receive fixed monthly compensation, with additional consideration for Outside Directors who serve as chairperson of a voluntary committee, including the Executive Compensation Committee.

Compensation for Corporate Auditors consists only of fixed monthly compensation, and is determined through discussions by the Corporate Auditors, with reference to pharmaceutical company benchmarks and in accordance with recommendations from the Executive Compensation Committee. Corporate Auditors do not receive performance-linked compensation because the Company wants them to appropriately exercise their auditing functions.

The Company's Executive Compensation Committee employs an external compensation consulting company, Willis Towers Watson, as an advisor, using this company's management compensation data offerings each year to benchmark compensation with industry peers of similar size in similar businesses to verify that the Company's standard executive compensation and proportions of performance-linked compensation are appropriate. The Committee also draws on other Willis Towers Watson data as needed for appropriate deliberation.

	Fixed Compensation	Short-Term Incentives	Medium-to-Long-Term Incentives	
	Basic compensation	Annual bonus	Performance Share Unit (PSU)* <sup>1</sup>	Restricted Stock (RS)* <sup>2</sup>
Directors (Excluding Outside Directors)	○	○	○	○
Outside Directors	○	—	—	—
Corporate Auditors	○	—	—	—

\*1. Units granted to plan participants are adjusted on a scale of 0% to 200% according to achievement of the three-year targets of MTP2020 (fiscal 2018 through fiscal 2020) for revenue growth rate (annualized), core operating profit margin (three-year average), and full ROE (three-year average). Shares will be issued in a single block after the evaluation period has ended.

\*2. A system in which restricted shares are issued each fiscal year. Transfer restrictions are lifted three years from issuance when conditions such as service for a specified term of office have been satisfied.

### Director and Corporate Auditor Compensation (FY2019)

Position	Total Compensation (Millions of yen)	Total Compensation (Millions of yen)				Number of Eligible People
		Fixed compensation	Annual bonus	PSU	RS	
Directors (Excluding Outside Directors)	311	219	51	13	28	3
Corporate Auditors (Excluding Outside Corporate Auditors)	28	28	—	—	—	1
Outside Directors	46	46	—	—	—	3
Outside Corporate Auditors	38	38	—	—	—	5



## Corporate Governance

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

For the purpose of further enhancing the roles and functions of the Board of Directors, Santen conducts questionnaire surveys of Directors and Corporate Auditors and individual interviews of Outside Directors and Outside Corporate Auditors from the fundamental perspectives of the Board's management decision-making and supervision functions, and the support system for Outside Directors. Based on the results of this survey and these interviews, the Company annually evaluates and works to enhance the overall effectiveness of the Board.

Santen has evaluated its Board of Directors as effective in fiscal 2019. Ongoing enhancements based on the

results of previous evaluations have contributed to Board effectiveness. Examples of enhancements include distribution of reference materials prior to Board meetings and by electronic means, achievement of systematic deliberations through advance scheduling of agenda items to be discussed over the year, opportunities for Outside Directors to participate in important executive meetings, and thorough advance explanation for agenda items as necessary.

At the same time, Santen discussed the need for ongoing initiatives that enhance the quality of the Board's decision-making and strengthen its supervisory function in order to further increase its effectiveness. We confirmed the following specific issues and areas for improvement.

FY2019 Evaluation Results	Issues and Initiatives Going Forward
<ul style="list-style-type: none"> <li>The composition of Directors is well balanced.</li> <li>There is a well-established corporate culture in which the opinions of Outside Directors were accepted and constructive, free and open exchange of opinions could take place.</li> <li>Information is proactively and appropriately provided to Outside Directors.</li> </ul>	<ul style="list-style-type: none"> <li><b>Enhancement of the quality of important strategic discussions</b> Enhance collaboration between the Corporate Strategy Committee and the Board of Directors to improve the organic connection between their discussions</li> <li><b>Strengthening of the monitoring of important Board resolutions</b> Upgrade guidelines for selecting issues to be monitored and for the implementation of monitoring</li> <li><b>Strengthening of the monitoring of the internal control system</b> Maintain regular reporting on the overall internal control system</li> </ul>

### 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 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.

#### Compliance

Santen has established the Compliance Committee consisting of officers in charge of each region and functional organization to promote and strengthen compliance throughout the Group. In addition, in order to promote activities more effectively, the Company has assigned a

compliance officer for each region under the Chief Compliance Officer to foster employee awareness of compliance and ensure compliance with laws and regulations through activities such as thoroughly communicating and inculcating global compliance policies and providing regular compliance training for all employees.

Santen has made it easier for all employees, including contract workers and temporary workers, to consult and report on suspicious actions related to compliance by establishing internal consulting and reporting desks that respond in various languages in its operating countries and regional bases. Additionally, Santen has established external helplines through external third-parties such as lawyers that receive reports in the regions it serves worldwide. Incoming consultations and reports are appropriately investigated and addressed in a sincere manner, while also being relayed to levels of management regularly. The Compliance Rules that are applied to all Group companies stipulate that there must be adequate measures in place to protect internal whistleblowers in each region.

### Risk Management

Santen regularly collects information during normal circumstances in accordance with its crisis management regulations. If an incident that could become a major crisis occurs or is reported, a Crisis Management Committee chaired by the Company's President and CEO is established to minimize loss and damage and ensure quick recovery, as well as institute measures to prevent recurrence.

### Business Continuity Plan (BCP)

In order to ensure a stable supply of pharmaceuticals, Santen considers the scope of risks that could have a major impact on business continuity, including natural disasters, man-made disasters and infectious diseases

such as new strains of influenza. It then identifies risks that may hinder the supply of pharmaceuticals, implements the risk prevention and mitigation measures that it can in advance, and formulates and continuously reviews BCPs that enable effective response in emergencies. In addition, based on the Company's response to the COVID-19 outbreak and the challenges that have emerged, the Company has considered a hypothetical scenario in which the pandemic worsens and is prolonged. With the resilience of operations in mind, the Company is promoting the establishment of new BCPs that include stable supply of pharmaceuticals, maintaining innovation and quality control, and ensuring employee safety.

### Topics

#### Santen's Approach to COVID-19

Given the global COVID-19 outbreak, Santen is implementing the measures shown at right globally, based on its CORE PRINCIPLE (as of May 2020).

In addition, the Company has established guidelines for matters such as ensuring the safety of office personnel in line with the relaxation of lockdowns and the gradual resumption of economic activities in each country it serves, and continues its efforts to establish new ways of working.

Initiatives for stable product supply	<ul style="list-style-type: none"> <li>Ensure safety at plants</li> <li>Maintain inventories including pharmaceutical intermediates and raw materials for products</li> </ul>
Initiatives for preventing the spread of the virus	<ul style="list-style-type: none"> <li>As a general rule, Santen group employees in office work from home, and all employees limit the domestic and overseas business travels</li> <li>Provide supplies such as masks and goggles to employees worldwide</li> </ul>
Initiatives for innovation in ophthalmology	<ul style="list-style-type: none"> <li>Ensure safety and consult with authorities to continue ongoing development work</li> <li>Ensure safety at R&amp;D facilities</li> </ul>

Note: For details about corporate governance, please refer to the Basic Policy on Corporate Governance and the Corporate Governance Report on the Company

<https://www.santen.com/>

# Directors, Corporate Auditors and Corporate Officers

(As of August 2020)

## Directors



5 3 1 2 4 6

**1 Akira Kurokawa**  
Representative Director  
Chairman

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

**2 Shigeo Taniuchi**  
Representative Director  
President and Chief Executive Officer

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, and President of Santen Holdings EU B.V.  
2018 Representative Director, President & COO  
2020 Representative Director, President & CEO (incumbent)

**3 Takeshi Ito**  
Director, Executive Corporate Officer  
Head of Japan Business  
Head of Japan Sales and Marketing Division

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

**4 Kanoko Oishi**  
Outside Director

1993 Partner, McKinsey & Company, Inc.  
2000 Established Mediva, Inc. Representative Director (incumbent)  
2000 Established Seinan Mediva Co., Ltd. (currently Seeds 1 Co., Ltd.); Representative Director (incumbent)  
2004 Established Platanus Medical Corporation; COO (incumbent)  
2010 Outside Director of Astellas Pharma Inc.  
2015 Outside Director of the Company (incumbent)  
2015 External Board Member of Ezaki Glico Co., Ltd. (incumbent)  
2015 Outside Director of Suruga Bank Ltd.  
2016 External Director of Shiseido Company, Limited (incumbent)

**5 Yutaro Shintaku**  
Outside Director

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

**6 Kunihito Minakawa**  
Outside Director

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

## Corporate Auditors



9 7 8 10

**7 Hiroshi Isaka**  
Standing Corporate Auditor

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

**8 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-SHOKUHIN Co., Ltd. (incumbent)  
2018 Outside Corporate Auditor of the Company (incumbent)

**9 Hirofumi Yasuhara**  
Outside Corporate Auditor

2008 Director, PanaHome Corporation (currently Panasonic Homes Co., Ltd.)  
2012 Representative Director, PanaHome Corporation (currently Panasonic Homes Co., Ltd.)  
2014 Senior Audit & Supervisory Officer, Automotive & Industrial Systems Company, Panasonic Corporation  
2015 Senior Audit & Supervisory Board Member, Panasonic Corporation  
2019 Outside Corporate Auditor of the Company (incumbent)  
2020 Outside Audit & Supervisory Board Member, Sumitomo Rubber Industries, Ltd. (incumbent)  
2020 Outside Corporate Auditor, Hitachi Zosen Corporation (incumbent)

**10 Yumiko Ito**  
Outside Corporate Auditor

2007 Executive Officer, Legal & Corporate Affairs, Microsoft Co., Ltd. (currently Microsoft Japan Co., Ltd.)  
2013 Director, Executive Officer and General Counsel, Sharp Corporation  
2014 Director, Executive Managing Officer and General Counsel, Sharp Corporation  
2019 Established Ito Law Office Representative (incumbent)  
2019 Independent Director, Kobe Steel, Ltd. (incumbent)  
2019 Outside Corporate Auditor of the Company (incumbent)

## Corporate Officers

(Not including directors who also serve as corporate officers)



**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



**Satoshi Suzuki**  
Senior Corporate Officer  
Head of Corporate Development Division



**Kenji Morishima**  
Corporate Officer  
China R&D Supervisor



**Takahiro Morita**  
Corporate Officer  
Head of Marketing Department, Japan Sales and Marketing Division



**Frank Binder**  
Corporate Officer  
Head of Supply Chain Division



**Luis Iglesias**  
Corporate Officer  
Head of EMEA Business



**Ken Araki**  
Corporate Officer  
Head of Global Business Development Department, Corporate Development Division



**Isao Takahashi**  
Corporate Officer  
Head of Asia Business



**Minori Hara**  
Corporate Officer  
Chief Information Officer (CIO)  
Head of Information Systems Division



**Peter Sallstig**  
Corporate Officer  
Head of Product Development Division



**Tatsuya Kaihara**  
Corporate Officer  
Head of North America Business



**Takayuki Yamada**  
Corporate Officer  
Head of China Business



## Summary of Consolidated Results in FY2019

### Revenue

Revenue for fiscal 2019, the year ended March 31, 2020, increased 3.2% year on year to ¥241.6 billion. Revenue from the mainstay prescription pharmaceuticals business increased 4.1% year on year in Japan. In China, Asia and EMEA, Santen products continued to generate steady growth overall and penetrate markets despite slower sales in some regions in the fourth quarter due to the impact of the COVID-19 outbreak.

### Operating Profit

#### (1) Core Basis

Gross profit increased 2.4% year on year to ¥146.7 billion. Selling, general and administrative expenses increased 2.9% year on year to ¥73.4 billion due to growth in overseas businesses. Research and development expenses decreased 1.8% year on year to ¥23.3 billion. As a result, operating profit on a core basis increased 3.7% year on year to ¥50.0 billion.

#### (2) IFRS Basis

Santen does not adjust gross profit, selling, general and administrative expenses, and research and development expenses as reported on a core basis. Amortization of intangible assets associated with products increased 41.6% year on year to ¥9.9 billion. This was mainly due to amortization of intangible assets related to ophthalmology products acquired from Merck & Co., Inc. of the United States in 2014; intangible assets related to *Ikervis* launched in Europe in 2015; and intangible assets related to DE-128 (*PRESERFLO MicroShunt*) acquired in the acquisition of InnFocus, Inc. of the United States in 2016, for which

amortization began in April 2019. Other income totaled ¥0.4 billion and other expenses totaled ¥7.0 billion. This was mainly due to impairment losses on property, plant and equipment at Chongqing Santen Kerui Pharmaceutical Co., Ltd., a joint venture in China, and impairment losses on intangible assets associated with the discontinuation of development of DE-122 for the treatment of exudative age-related macular degeneration, which Santen had been developing with TRACON Pharmaceuticals, Inc. of the United States.

In addition to the above, gain on sale of the former corporate headquarters and Osaka Plant in the previous fiscal year did not recur. As a result, operating profit on an IFRS basis for fiscal 2019 decreased 25.6% year on year to ¥33.5 billion.

### Net Profit

Financial income was ¥1.0 billion. Financial expenses totaled ¥2.4 billion. This was mainly due to revaluation of the InnFocus milestone payment. Income tax expenses totaled ¥10.4 billion. Despite a decrease in income taxes resulting from tax credits for research and development, the tax rate rose due to the impact of unrecognized tax consequences on the InnFocus milestone payment and on impairment losses on Chongqing Santen Kerui Pharmaceutical. As a result, net profit for fiscal 2019 decreased 32.0% year on year to ¥21.7 billion.

### Net Profit Attributable to Owners of the Company

Net profit attributable to owners of the company for fiscal 2019 decreased 26.1% year on year to ¥23.6 billion.

### Japan

For fiscal 2019, revenue in the prescription pharmaceuticals business increased 4.1% year on year to ¥148.8 billion despite a reduction in revenue of approximately 2% caused by National Health Insurance (NHI) drug price revisions. The increase was mainly due to continued growth in sales of *Eylea* (solution for intravitreal injection)\*1 and the launch of the anti-allergy ophthalmic solution *Alesion LX* in November 2019.

Revenue in the OTC pharmaceutical business decreased year on year because of depressed inbound demand. Revenue in the surgical business increased due to the contribution of new product *Lentis Comfort*. As a result, revenue for the Japan business increased 2.8% year on year to ¥165.0 billion.

\*1. Co-promoted product of Bayer Yakuhin, Ltd. (MAH)

### China

On a JPY basis, revenue in the fiscal year ended March 31, 2020 increased 4.5% year on year to ¥22.3 billion despite the impact of foreign currency translation adjustment and a slowdown in revenue due to the outbreak of COVID-19 in the fourth quarter. Revenue increased 10.4% on a local currency basis.

### Asia

On a JPY basis, revenue for fiscal 2019 increased 6.3% year on year to ¥16.5 billion. Revenue increased 11.7% on a local currency basis.

### EMEA

On a JPY basis, revenue for fiscal 2019 increased 2.3% year on year to ¥37.0 billion. Revenue increased 8.7% on a local currency basis.

## Financial Position

As of March 31, 2020, the end of fiscal 2019, assets increased ¥17.6 billion from a year earlier to ¥408.8 billion. Santen recognized impairment losses on property, plant and equipment at Chongqing Santen Kerui Pharmaceutical and on intangible assets associated with the discontinuation of collaborative development of DE-122 for the treatment of exudative age-related macular degeneration with TRACON Pharmaceuticals. However, cash and cash

equivalents increased, among other factors. Equity increased ¥10.0 billion from a year earlier to ¥302.6 billion due to an increase in retained earnings and other factors, which more than offset a decrease in other components of equity. Liabilities totaled ¥106.2 billion. As a result of the above, the ratio of equity attributable to owners of the company to total assets decreased 0.3 percentage point from a year earlier to 74.1%.

## Capital Expenditures

Capital expenditures during fiscal 2019 totaled ¥9.0 billion. Santen deployed capital to upgrade manufacturing facilities and R&D equipment, and to internalize the production of ophthalmic products acquired from Merck & Co., Inc. Other

investments included capital expenditures associated with the reorganization of production facilities and bases to strengthen the global supply network for products, and IT infrastructure to support global business expansion.

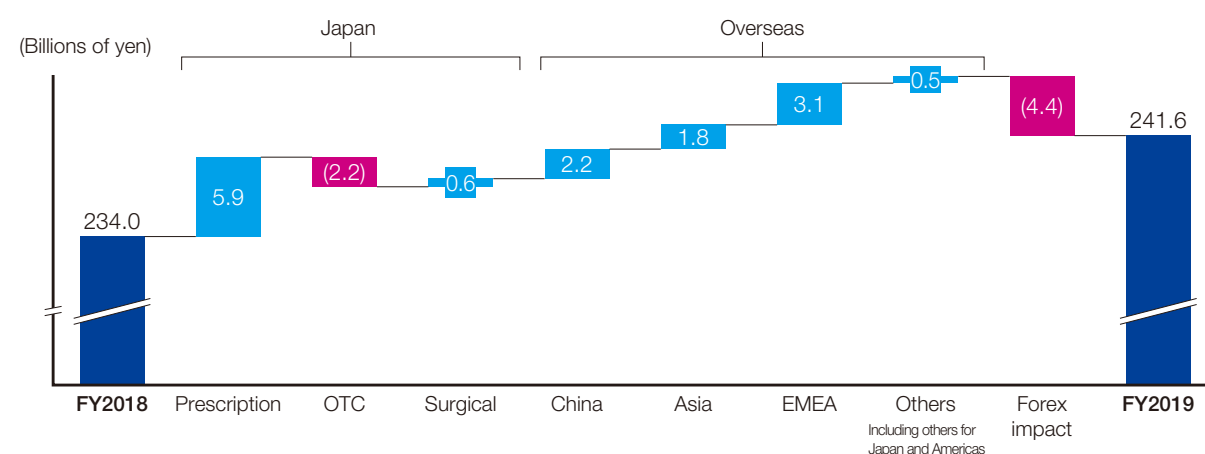
## Cash Flows

Cash and cash equivalents at the end of fiscal 2019 increased ¥20.6 billion from a year earlier to ¥91.4 billion. Net cash flows from operating activities totaled ¥39.9 billion for fiscal 2019, compared with ¥32.9 billion for the previous fiscal year. Factors providing cash included net profit for the year of ¥21.7 billion, income tax expenses of ¥10.4 billion, and depreciation and amortization of ¥16.6 billion, while income taxes paid used cash totaling ¥14.1 billion.

Net cash flows used in investing activities totaled ¥5.2 billion, compared with ¥2.9 billion for the previous fiscal year. Payments for acquisition of property, plant and equipment and payments for acquisition of intangible assets used cash totaling ¥9.2 billion, while proceeds from sale of investments provided cash totaling ¥3.5 billion.

Net cash flows used in financing activities totaled ¥12.7 billion, compared with ¥28.1 billion for the previous fiscal year. Key factors included dividends paid of ¥10.4 billion and repayments of lease obligations of ¥2.9 billion.

## Revenue by Region



## Management's Discussion and Analysis of Results and Finances

### Dividend Policy

Santen prioritizes shareholder returns, and distributes earnings to shareholders primarily through dividends as well as share repurchases after comprehensively considering the medium-to-long-term business environment, funding requirements, internal capital reserves, and capital

structure. Santen increased cash dividends per share for fiscal 2019 by ¥1.00 from the previous fiscal year to ¥27.00 after comprehensively considering factors including business performance and financial position. As a result, the consolidated payout ratio was 45.6%.

### Medium-Term Plan (MTP2020)

MTP2020 has prioritized the following three financial indicators based on proactive investment to achieve profit targets and growth.

- **Grow faster than the market:**  
Revenue growth (CAGR) 6%
- **Maintain/grow profit ratio:**  
Core OP Ratio 21% (MTP average)
- **Maintain/improve capital efficiency:**  
ROE 11% (MTP average)

Note: Core ROE excluding special factors is also positioned as a secondary management indicator.

For fiscal 2019, the revenue growth rate was 3.2%, the core operating profit margin was 20.7%, and IFRS ROE was 8.0%. The single-year revenue growth rate fell short of the targeted level due to factors including NHI drug price revisions in Japan, the impact of currency translation and the impact of COVID-19, as well as the effect on ROE of impairment losses and other one-time factors. However, as a result of appropriate control of expenses and other measures, core operating profit margin remained in line with the target.

<https://www.santen.com/en/ir/document/pdf/mtg2018to2020.pdf>

### Outlook for Fiscal 2020

In fiscal 2020, the final year of MTP2020, Santen forecasts that revenue will decrease 2.7% year on year to ¥235.0 billion due to the decline in patient visits caused by the COVID-19 outbreak. However, Santen forecasts that core operating profit, an indicator of recurring profitability, will increase 4.0% year on year to ¥52.0 billion, thus increasing for the third consecutive fiscal year. Santen will be able to generate sustainable profit growth despite lower revenue by balancing deployment of resources for future growth with even more disciplined operating

expense management. These forecasts are premised on foreign exchange rates of 1 USD = 110 JPY, 1 EUR = 120 JPY and 1 CNY = 15 JPY

The forecasts are based on regional assumptions for when the COVID-19 outbreak will subside, and actual results may differ according to circumstances. Santen will promptly disclose any changes to its full-year earnings forecasts in the event of changes of a magnitude sufficient to warrant a revision.

### Development Status

The 10 projects in the pipeline shown below are some of the projects being developed at Santen. Expanding beyond the list below, there are approximately 30 projects in progress globally (as of April 30, 2020). These include

projects for which an investigational new drug (IND) application is scheduled in the near future and projects for improved product formulations and more functional containers to enhance patient convenience.

#### Glaucoma

As of April 2020

Dev. code	Generic name	Indication	Original/Licensor	Region	Phase			Filed	Approved
					P1	P2	P3		
DE-111	Tafprost/ timolol maleate	Glaucoma/ ocular hypertension	Co-development with AGC	China					
DE-117	Omidenepag isopropyl	Glaucoma/ ocular hypertension	Co-development with Ube Industries	U.S.					
				Japan					Launched Nov. 2018
				Asia					Dec. 2019
DE-126	Sepetaprost	Glaucoma/ ocular hypertension	ONO PHARMACEUTICAL	U.S.			Phase 2b		
				Japan			Phase 2b		
DE-128	Glaucoma implant device	Glaucoma	Original	U.S.			Phase 2/3		
				Europe					Launched Jan. 2019
				Asia					Mar. 2020
DE-130A (Catioprost)	Latanoprost	Glaucoma/ ocular hypertension	Original	Europe					
				Asia					

#### Keratoconjunctival Disorders

DE-114A	Epinastine hydrochloride	Allergic conjunctivitis	Nippon Boehringer Ingelheim	Japan					Launched Nov. 2019
DE-076C	Ciclosporin	Vernal keratoconjunctivitis (VKC)	Original	Europe					Launched Oct. 2018
				Asia					Launched Aug. 2019
				Others*1					Launched Nov. 2019

#### Retinal and Uveal Disorders

DE-109	Sirolimus	Uveitis	Original	U.S.					
				Japan					
				Europe					
				Asia					Apr. 2015

#### Refractive Disorders

DE-127	Atropine sulfate	Myopia	Singapore Health Services, Nanyang Technological University	Japan			Phase 2/3		
				Asia					

#### Others

MD-16	Intraocular lens	Cataract	Oculentis	Japan					Nov. 2019
-------	------------------	----------	-----------	-------	--	--	--	--	-----------

\*1 Canada

For details on the status of the development pipeline, please refer to "Main Products in Pipeline" on the Company's website.

<https://www.santen.com/en/rd/pdf/pipeline.pdf>



# Eleven-Year Summary of Selected Financial Data

	Millions of yen										
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
	JGAAP	JGAAP	JGAAP	JGAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>For the year:</b>											
Net sales/Revenue	110,594	110,812	114,416	119,066	146,260	161,831	195,291	199,096	224,942	234,026	241,555
Cost of sales	34,710	34,437	35,385	41,501	57,353	56,373	72,829	74,966	86,378	90,764	94,831
Selling, general and administrative expenses*1	32,121	32,415	35,073	36,164	41,642	48,893	59,406	62,193	68,788	71,273	73,360
Research and development expenses	14,123	13,221	17,225	16,719	16,862	17,477	19,990	22,786	24,398	23,759	23,341
Operating profit	29,640	30,739	26,733	24,681	29,878	35,374	80,180	32,479	38,691	45,098	33,535
Core operating profit	—	—	—	—	30,403	39,088	43,067	39,687	45,378	48,230	50,023
Income taxes/Income tax expenses	9,887	9,741	10,630	9,070	10,643	11,831	26,097	8,331	4,000	11,174	10,377
Net income/Net profit for the year	18,722	21,333	17,160	16,520	19,718	24,032	53,373	21,724	35,261	31,943	21,714
Core net profit for the year	—	—	—	—	19,813	25,948	29,163	29,125	33,458	36,092	35,894
Capital expenditures/Payments for acquisition of property, plant and equipment, and intangible assets	1,315	1,651	3,281	3,609	5,879	66,440	9,092	9,500	9,937	8,332	9,228
Depreciation and amortization	3,421	2,976	2,949	3,291	2,841	6,958	9,338	9,882	10,896	10,969	16,573
<b>At year-end:</b>											
Total assets	166,878	184,801	198,801	199,640	237,640	304,200	355,399	358,906	388,463	391,186	408,768
Net assets/Total equity	137,603	156,404	164,861	165,132	187,210	211,779	260,009	255,929	287,557	292,572	302,560
Liabilities	29,275	28,397	33,940	34,507	50,430	92,421	95,391	102,977	100,905	98,614	106,208
<b>Per share data (Yen):</b>											
EPS (Net income – basic/Basic earnings)*2	220.10	249.71	196.96	195.81	47.78	58.18	128.99	52.96	86.73	78.67	59.16
Core EPS*2	—	—	—	—	48.01	62.82	70.48	70.99	82.29	88.89	90.00
Equity/Equity attributable to owners of the company*2, *3	1,614.08	1,793.15	1,887.81	1,998.44	452.43	511.14	627.78	628.09	702.54	728.97	758.50
Cash dividends, applicable to the period*2	16.00	18.00	20.00	20.00	20.00	22.00	25.00	26.00	26.00	26.00	27.00
<b>Cash flows:</b>											
Net cash flows from (used in) operating activities	26,110	17,768	21,483	9,942	26,686	25,386	22,525	10,843	42,843	32,894	39,947
Net cash flows from (used in) investing activities	(829)	(7,676)	(10,272)	(4,595)	(7,847)	(61,709)	37,052	(28,201)	(8,259)	(2,935)	(5,175)
Net cash flows from (used in) financing activities	(6,753)	(1,570)	(8,559)	(21,557)	(7,954)	28,960	(24,066)	(28,657)	(17,631)	(28,107)	(12,729)
Free cash flow*4	24,795	16,118	18,203	6,334	20,807	(41,054)	13,433	1,342	32,906	24,562	30,719
Interest coverage ratio (times)	558.1	488.5	1,285.0	3,037.8	2,855.4	309.8	230.9	206.6	1,573.6	4,330.0	210.1
<b>Financial data:</b>											
ROE (Return (Net income) on equity/Return (Net profit for the year) on equity attributable to owners of the company) (%)*3	14.3	14.5	10.7	10.0	11.1	12.0	22.6	8.4	13.0	11.1	8.0
Core ROE (%)	—	—	—	—	11.2	13.0	12.4	11.3	12.4	12.5	12.1
ROA (Return (Net income/Net profit for the year) on total assets) (%)	11.8	12.1	8.9	8.3	8.9	8.9	16.2	6.1	9.4	8.2	5.4
Equity ratio/Equity attributable to owners of the company ratio (%)*3	82.3	84.5	82.8	82.6	78.8	69.6	73.2	71.1	73.6	74.4	74.1
Debt equity ratio (Interest-bearing debt to equity ratio/ Interest-bearing debt to equity attributable to owners of the company ratio) (times)*3	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.0	0.0	0.0
PER (Price earnings ratio) (times)	12.7	13.3	17.9	22.7	19.2	30.1	13.1	30.4	19.8	21.0	31.4
Dividend payout ratio (%)	36.3	36.0	50.8	51.1	41.9	37.8	19.4	49.1	30.0	33.0	45.6
Issued shares at fiscal year-end (thousands, including treasury shares)	86,992	87,053	87,147	82,469	82,583	82,653	414,192	406,173	406,848	399,782	400,028
Number of employees	2,756	2,867	3,053	3,050	3,072	3,230	3,463	3,667	3,805	4,073	4,108

\*1 Research and development expenses are excluded under JGAAP.

\*2 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.

\*3 Equity is calculated by deducting stock subscription rights from net assets under JGAAP.

\*4 Free cash flow = Net cash flows from operating activities minus capital payments for acquisition of property, plant and equipment, and intangible assets

# Main Financial Information

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

Santen Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries

	Millions of yen	
	FY2018	FY2019
Revenue	234,026	241,555
Cost of sales	(90,764)	(94,831)
<b>Gross profit</b>	143,262	146,724
Selling, general and administrative expenses	(71,273)	(73,360)
Research and development expenses	(23,759)	(23,341)
Amortization of intangible assets associated with products	(6,988)	(9,898)
Other income	4,028	390
Other expenses	(172)	(6,980)
<b>Operating profit</b>	45,098	33,535
Finance income	901	950
Finance expenses	(2,881)	(2,393)
Profit before tax	43,117	32,091
Income tax expenses	(11,174)	(10,377)
<b>Net profit for the year</b>	31,943	21,714
<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	9	(253)
Net gain or loss on financial assets measured at fair value through other comprehensive income	(3,289)	2,696
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation adjustments	794	(3,972)
Other comprehensive income	(2,486)	(1,529)
<b>Total comprehensive income for the year</b>	29,456	20,185
<b>Profit attributable to</b>		
Owners of the company	31,954	23,618
Non-controlling interests	(11)	(1,904)
<b>Net profit for the year</b>	31,943	21,714
<b>Total comprehensive income attributable to</b>		
Owners of the company	29,519	22,162
Non-controlling interests	(62)	(1,977)
<b>Total comprehensive income for the year</b>	29,456	20,185
<b>Earnings per share (Yen)</b>		
Basic earnings per share	78.67	59.16
Diluted earnings per share	78.43	59.01

## Consolidated Statement of Financial Position

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

	Millions of yen	
	FY2018	FY2019
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	31,699	35,601
Intangible assets	131,110	119,850
Financial assets	30,044	30,848
Deferred tax assets	1,771	2,100
Other non-current assets	1,819	1,813
<b>Total non-current assets</b>	196,444	190,212
<b>Current assets</b>		
Inventories	35,235	35,282
Trade and other receivables	84,618	86,999
Other financial assets	267	452
Other current assets	3,826	4,392
Cash and cash equivalents	70,796	91,430
<b>Total current assets</b>	194,742	218,556
<b>Total assets</b>	391,186	408,768
<b>Equity</b>		
Equity attributable to owners of the company		
Share capital	8,252	8,366
Capital surplus	8,661	8,746
Treasury shares	(1,131)	(1,033)
Retained earnings	258,659	273,422
Other components of equity	16,461	13,364
<b>Total equity attributable to owners of the company</b>	290,900	302,865
Non-controlling interests	1,672	(305)
<b>Total equity</b>	292,572	302,560
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Financial liabilities	23,520	27,592
Net defined benefit liabilities	1,992	1,738
Provisions	1,255	570
Deferred tax liabilities	9,389	7,228
Other non-current liabilities	1,795	1,483
<b>Total non-current liabilities</b>	37,951	38,611
<b>Current liabilities</b>		
Trade and other payables	32,079	32,578
Other financial liabilities	12,116	18,777
Income tax payable	7,185	6,848
Provisions	717	633
Other current liabilities	8,566	8,761
<b>Total current liabilities</b>	60,663	67,597
<b>Total liabilities</b>	98,614	106,208
<b>Total equity and liabilities</b>	391,186	408,768



## Main Financial Information

## Consolidated Statement of Changes in Equity

Santen Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries (Fiscal 2018)

	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, 2018</b>	8,032	8,657	(11)	249,225	—	14,364
<b>Comprehensive income</b>						
Net profit for the year				31,954		
Other comprehensive income					9	(3,289)
Total comprehensive income for the year	—	—	—	31,954	9	(3,289)
<b>Transactions with owners</b>						
Issuance of new shares	152	152				
Acquisition of treasury shares		(148)	(13,911)			
Retirement of treasury stock		(12,791)	12,791			
Transfer from retained earnings to capital surplus		12,791		(12,791)		
Dividends				(10,581)		
Share-based payments	67	(1)				
Other				853	(9)	(844)
<b>Total transactions with owners</b>	220	4	(1,120)	(22,519)	(9)	(844)
<b>Balance at March 31, 2019</b>	8,252	8,661	(1,131)	258,659	—	10,230

	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, 2018</b>	4,583	975	19,921	285,823	1,734	287,557
<b>Comprehensive income</b>						
Net profit for the year			—	31,954	(11)	31,943
Other comprehensive income	845		(2,435)	(2,435)	(51)	(2,486)
Total comprehensive income for the year	845	—	(2,435)	29,519	(62)	29,456
<b>Transactions with owners</b>						
Issuance of new shares		(173)	(173)	132		132
Acquisition of treasury shares			—	(14,059)		(14,059)
Retirement of treasury stock			—	—		—
Transfer from retained earnings to capital surplus			—	—		—
Dividends			—	(10,581)		(10,581)
Share-based payments			—	67		67
Other			(853)	—		—
<b>Total transactions with owners</b>	—	(173)	(1,025)	(24,442)	—	(24,442)
<b>Balance at March 31, 2019</b>	5,428	802	16,461	290,900	1,672	292,572

Santen Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries (Fiscal 2019)

	Millions of yen					
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	
					Remeasurements of defined benefit plans	Net gain or loss on financial assets measured at fair value through other comprehensive income
<b>Balance at April 1, 2019</b>	8,252	8,661	(1,131)	258,659	—	10,230
<b>Comprehensive income</b>						
Net profit for the year				23,618		
Other comprehensive income					(253)	2,696
Total comprehensive income for the year	—	—	—	23,618	(253)	2,696
<b>Transactions with owners</b>						
Issuance of new shares	114	114				
Acquisition of treasury shares			(22)			
Retirement of treasury stock		(85)	121			
Dividends				(10,379)		
Share-based payments		56				
Other				1,523	253	(1,776)
<b>Total transactions with owners</b>	114	85	99	(8,856)	253	(1,776)
<b>Balance at March 31, 2020</b>	8,366	8,746	(1,033)	273,422	—	11,150

	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, 2019</b>	5,428	802	16,461	290,900	1,672	292,572
<b>Comprehensive income</b>						
Net profit for the year			—	23,618	(1,904)	21,714
Other comprehensive income	(3,899)		(1,457)	(1,457)	(73)	(1,529)
Total comprehensive income for the year	(3,899)	—	(1,457)	22,162	(1,977)	20,185
<b>Transactions with owners</b>						
Issuance of new shares		(117)	(117)	112		112
Acquisition of treasury shares			—	(22)		(22)
Retirement of treasury stock			—	35		35
Dividends			—	(10,379)		(10,379)
Share-based payments			—	56		56
Other			(1,523)	—		—
<b>Total transactions with owners</b>	—	(117)	(1,640)	(10,198)	—	(10,198)
<b>Balance at March 31, 2020</b>	1,529	686	13,364	302,865	(305)	302,560

## Consolidated Statement of Cash Flows

Santen Pharmaceutical Co., Ltd. and Its Consolidated Subsidiaries

	Millions of yen	
	FY2018	FY2019
<b>Cash flows from operating activities</b>		
Net profit for the year	31,943	<b>21,714</b>
Depreciation and amortization	10,969	<b>16,573</b>
Impairment losses	—	<b>5,825</b>
Gain on disposal of non-current assets	(3,592)	<b>(0)</b>
Finance expenses (income)	(700)	<b>(592)</b>
Income tax expenses	11,174	<b>10,377</b>
Decrease (increase) in trade and other receivables	(6,303)	<b>(3,054)</b>
Decrease (increase) in inventories	(5,000)	<b>(981)</b>
Increase (decrease) in trade and other payables	2,445	<b>717</b>
Increase (decrease) in provisions and net defined benefit liabilities	(518)	<b>(1,242)</b>
Increase (decrease) in accounts payable—other	1,181	<b>1,305</b>
Increase (decrease) in long-term accounts payable—other	1,885	<b>1,279</b>
Other	2,116	<b>1,584</b>
Subtotal	45,601	<b>53,506</b>
Interest received	187	<b>200</b>
Dividends received	521	<b>581</b>
Interest paid	(8)	<b>(190)</b>
Income tax paid	(13,408)	<b>(14,149)</b>
Net cash flows from (used in) operating activities	32,894	<b>39,947</b>
<b>Cash flows from investing activities</b>		
Payments for acquisition of investments	(931)	<b>(398)</b>
Proceeds from sale of investments	2,156	<b>3,503</b>
Payments for acquisition of property, plant and equipment	(5,470)	<b>(5,824)</b>
Proceeds from sales of property, plant and equipment	4,338	<b>0</b>
Payments for acquisition of intangible assets	(2,863)	<b>(3,404)</b>
Other	(166)	<b>949</b>
Net cash flows from (used in) investing activities	(2,935)	<b>(5,175)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans	567	<b>1,477</b>
Repayments of long-term loans	(4,098)	<b>(500)</b>
Purchase of treasury stock	(14,124)	<b>(22)</b>
Dividends paid	(10,580)	<b>(10,379)</b>
Repayments of lease obligations	(4)	<b>(2,859)</b>
Other	132	<b>(447)</b>
Net cash flows from (used in) financing activities	(28,107)	<b>(12,729)</b>
Net increase (decrease) in cash and cash equivalents	1,852	<b>22,044</b>
<b>Cash and cash equivalents at the beginning of year</b>	69,283	<b>70,796</b>
Effect of exchange rate changes on cash and cash equivalents	(338)	<b>(1,410)</b>
<b>Cash and cash equivalents at the end of period</b>	70,796	<b>91,430</b>

## Stock Information (As of March 31, 2020)

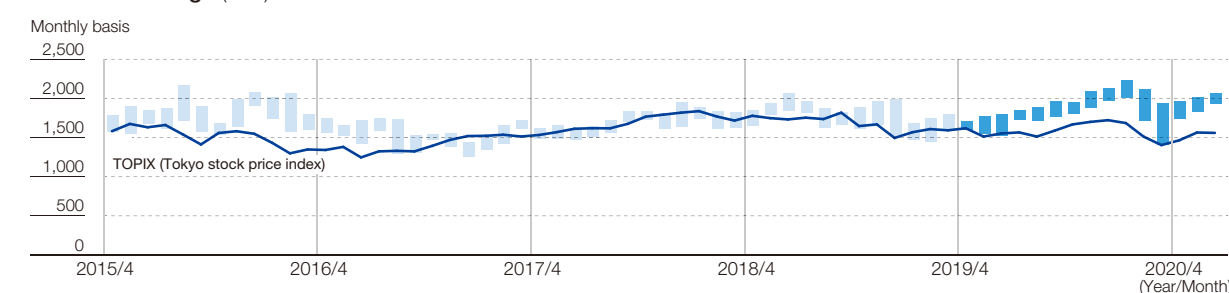
## Major Shareholders (Top 10)

Name	Number of shares held (Thousands)	Percentage of ownership (%)
Japan Trustee Service Bank, Ltd. (Trust Account)	34,387	8.6
STATE STREET BANK AND TRUST COMPANY 505223	33,391	8.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,565	7.9
Nippon Life Insurance Company	10,662	2.7
MUFG Bank, Ltd.	10,605	2.7
ONO PHARMACEUTICAL Co., Ltd.	9,307	2.3
Japan Trustee Service Bank, Ltd. (Trust Account 7)	8,639	2.2
RBC IST 15 PCT LENDING ACCOUNT – CLIENT ACCOUNT	7,876	2.0
Japan Trustee Service Bank, Ltd. (Trust Account 5)	7,585	1.9
Trust & Custody Services Bank, Ltd. as trustee for Eisai Co., Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	6,863	1.7

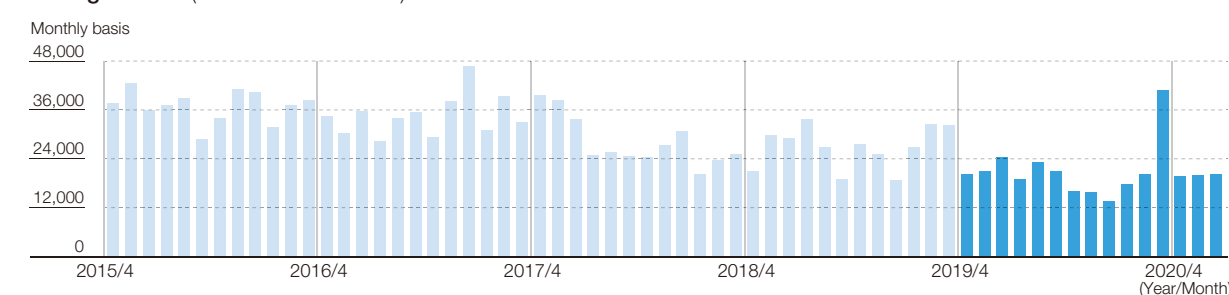
## Yearly High and Low Prices (Yen)

FY	2015	2016	2017	2018	2019
High	2,163	1,749	1,946	2,061	2,234
Low	1,542	1,251	1,463	1,450	1,408

## Stock Price Range (Yen)

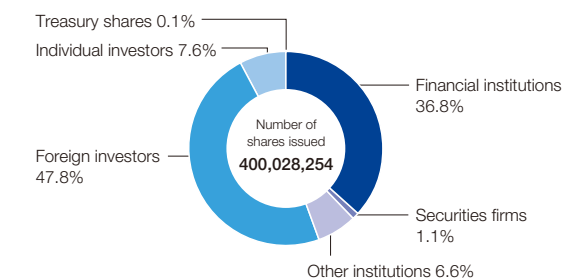


## Trading Volume (Thousands of shares)

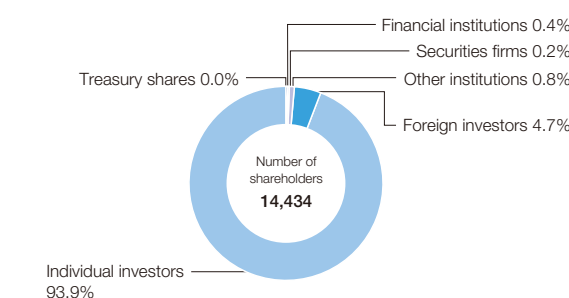


## Composition of Shareholders

## By number of shares



## By number of shareholders



## Total Shareholder Return

FY	2015	2016	2017	2018	2019
(%)	98.2	95.0	102.4	100.1	113.6
TOPIX including dividends (%)	89.2	102.3	118.5	112.5	101.8



<b>Corporate Headquarters</b>	Santen Pharmaceutical Co., Ltd. Grand Front Osaka Tower A, 4-20 Ofuka-cho, Kita-ku, Osaka 530-8552, Japan TEL: +81-6-6321-7000 (Main)
<b>E-mail</b>	ir@santen.com (IR) communication@santen.com (Corporate Communications)
<b>URL</b>	<a href="https://www.santen.com/">https://www.santen.com/</a>
<b>Established</b>	1890
<b>Paid-in Capital</b>	¥8,366 million
<b>Number of Employees</b>	4,108 (consolidated)

## Website

Please refer to Santen's website for more detailed information on each section of this report.

- Corporate Website  
<https://www.santen.com/>



- IR Website  
(subsection of corporate website)  
<https://www.santen.com/en/ir/>







- CSR Website  
(subsection of corporate website)  
<https://www.santen.com/en/csr/>



<b>Number of Shares Issued</b>	400,028,254
<b>Number of Shareholders</b>	14,434
<b>Stock Exchange Listing</b>	Tokyo
<b>Ticker Code</b>	4536
<b>Transfer Agent</b>	Osaka Corporate Agency Division, Mitsubishi UFJ Trust and Banking Corporation 6-3, Fushimi-cho 3-chome, Chuo-ku, Osaka 541-8502, Japan

## Inclusion in ESG Indexes

Index name	Overview
 <b>FTSE4Good Index Series</b>	Index Series developed by FTSE Russell in the U.K. The index series selects companies based on evaluations of their initiatives in the areas of Environmental, Social and Governance (ESG) activities.
 <b>FTSE Blossom Japan Index</b>	A broad index developed by FTSE Russell in the U.K. The index incorporates overall ESG considerations.
 <b>MSCI World ESG Leaders Indexes</b>	An index developed by MSCI in the U.S. The index selects companies from their respective industries based on outstanding ESG performance.
 <b>MSCI Japan ESG Select Leaders Index</b>	An index developed by MSCI in the U.S. The index selects companies that rate highly for ESG response from among the top 700 Japanese stocks by market capitalization.

The Santen Group has been issuing integrated reports since fiscal 2017. From this fiscal year, we aim to provide a deeper understanding of the Group's value creation by taking more of a medium-to-long-term perspective. Our initiatives have included disclosure regarding our unique business model and value creation as well as materialities, and enhanced information on specific measures that lead to the creation of value. We have also changed the name of the document from annual report to *Santen Report*.

This year is Santen's 130th anniversary as well as the final year of Vision 2020, and that, as well as additional factors including the announcement of Santen 2030, our new long-term vision, means that 2020 is a major milestone for Santen. I hope this report helps you understand how we approach eye-related social issues and what kind of social and economic value we intend to provide through Santen 2030 under the leadership of our new CEO. In addition, through a message from our Chairman, a conversation with an Outside Director and other sections, this report introduces our efforts to improve the effectiveness of the Board of Directors and further strengthen governance under our new governance system.

In preparing the report, we have edited it with the aim of making it easy to understand, objective and accurate, based on the opinions of investors and experts, with reference to various guidelines including *The International Integrated Reporting Framework* from the International Integrated Reporting Council and *The GRI Sustainability Reporting Standards* from the Global Reporting Initiative. As the person in charge of the organization responsible for editing and issuing the report, I hereby declare that the process of preparing the integrated report has been proper and its contents are accurate.

Santen will continue to strive to provide sustainable value to society and improve its corporate value through constructive dialogue with its stakeholders. We welcome your frank opinions.



**Satoshi Suzuki**

Senior Corporate Officer  
Head of Corporate Development Division

## Santen Report 2020 Production Members (Corporate Communications Group, IR Group, CSR Group)



## Editorial Policy

From fiscal 2017, Santen has integrated its former Annual Report and CSR Report into an integrated report that provides a view of overall business activities based on our CORE PRINCIPLE. The integrated report is edited with the intention of informing stakeholders about the value Santen provides to customers and society and includes comprehensive coverage of financial information as well as non-financial information such as management strategies, review of operations and 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. Detailed information is available on the corporate website listed above.

## Information Provided

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

## Applicable Scope

Santen Pharmaceutical Co., Ltd. and consolidated subsidiaries

## Reporting Period

Fiscal 2019 (April 1, 2019 to March 31, 2020)  
Certain information is updated after April 1, 2020.

## Reference Guidelines

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



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

"QR Code" used on each page of this report is a registered trademark of DENSO WAVE INCORPORATED.

**Santen**