



# Santen Report 2024

Year ended March 31, 2024





## CORE PRINCIPLE

# 天機に参与する

*Tenki ni sanyo suru*

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

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

## WORLD VISION

# Happiness with Vision

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



## Number of People Affected Worldwide

**Myopia**  
**2.6 bil.**

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

**Dry eye**  
Approx. **1.0 bil.**

**Age-related macular degeneration**  
**196 mil.**

**Presbyopia**  
**1.8 bil.**

**Glaucoma**  
**76 mil.**

**Diabetic retinopathy**  
**146 mil.**



Source: Myopia, glaucoma, age-related macular degeneration, diabetic retinopathy, presbyopia: WHO, *World report on vision*/Ptosis and eyelid conditions, dry eye: Estimated by Santen.



# Contents

Our CORE PRINCIPLE is Santen's DNA, and a constant reminder that Santen is here to serve patients and humanity as a whole. We aspire to realize Happiness with Vision by providing valuable products and services to patients, consumers, and healthcare professionals around the world.

As a company specialized in ophthalmology, with a focus on the prescription pharmaceuticals business, we have supported the eye health of more than 50 million people in more than 60 countries/regions worldwide.

In fiscal 2023, we completed structural reforms. As we prepare for the next major stage of growth, we will continue to promote our Commercial Excellence framework around the world, among other initiatives.

We are pursuing advancements in eye care. Our aim is to increase the number of patients we serve by tackling challenges not only in our existing disease areas such as glaucoma, but also in new areas such as myopia and ptosis. Moreover, we strive for reliable and transparent business practices and to establish an effective governance system, with the goal of achieving sustainable development for ourselves and for society.



The Dimple Bottle is an eye drop container developed in-house after extensive studies of ideal shapes for usability. The single drop from this bottle symbolizes Santen's initiatives, while the wave motif expresses the expanding contribution we want to make to patients around the world through business activities that are based on our CORE PRINCIPLE.

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# CEO's Message

I would first like to express my sincere sympathies to all those who were affected by the earthquake that struck the Noto region of Ishikawa Prefecture early this year. We hope for the earliest possible recovery for all those affected.

Our mission is to continue to provide new value to patients and society through products and services that leverage our expertise in the field of ophthalmology and are created from the perspective of patients. For Santen, fiscal 2023 was a year of change. We completed our structural reforms and shifted our focus to activities targeting medium- to long-term growth. We have also embarked on the challenge of launching products in new therapeutic areas such as myopia and ptosis.

Based on our CORE PRINCIPLE of *Tenki ni sanyo suru* (exploring the secrets and mechanisms of nature in order to contribute to people's health), we will strive to bring people Happiness with Vision by resolving current and future eye-related problems through our business.



*Takeshi Ito*

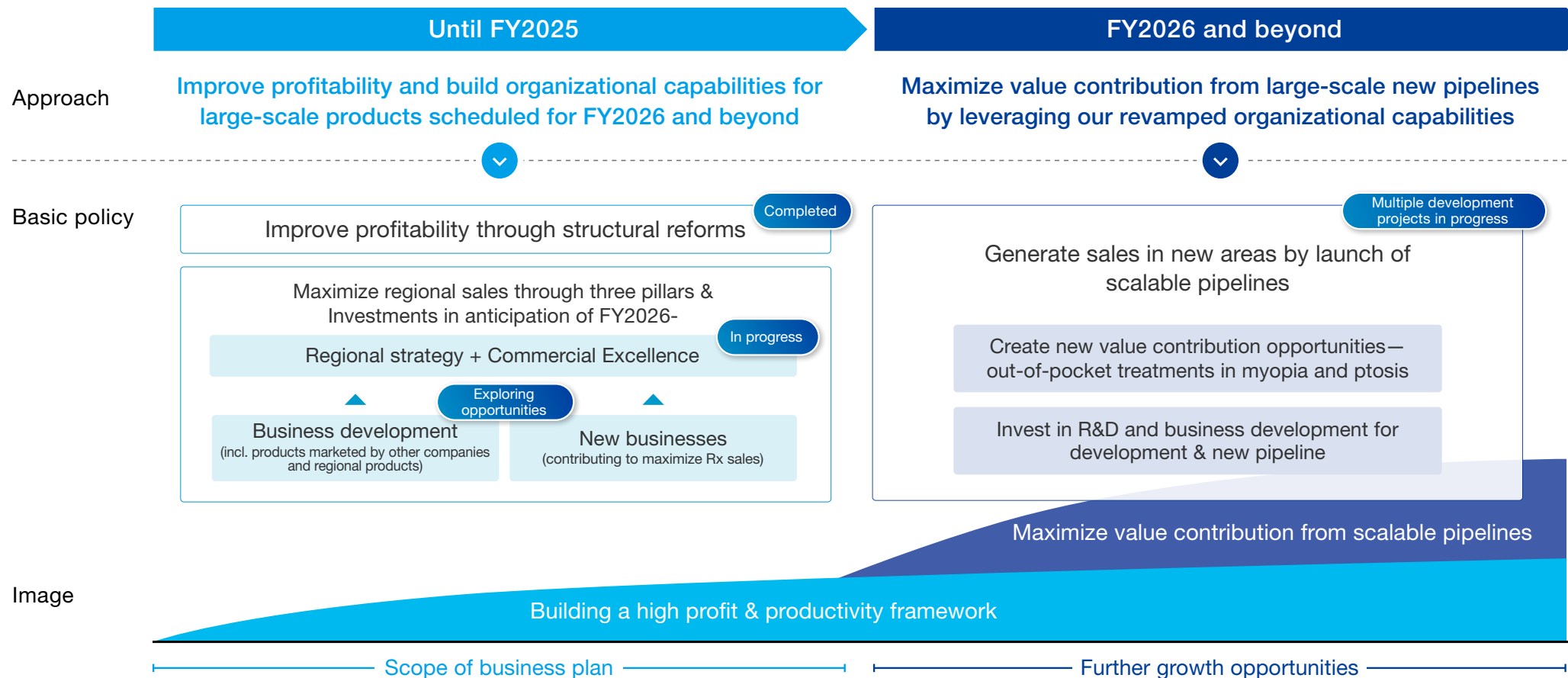
**Takeshi Ito**  
Representative Director,  
President & CEO



# A year in which we steadily executed our strategy for medium- to long-term growth

In fiscal 2023, the first year of the medium-term management plan for fiscal 2023 through fiscal 2025, we steadily executed our strategy, and ended the year with record revenue and core operating profit. Improving profitability is one of the basic policies of our strategy, and to this end we completed structural reforms earlier than we had originally expected, including the streamlining of our pharmaceutical sales operations in the Americas. These measures had the effect of improving profitability on the scale of JPY 15.0 billion in FY2023. While these reforms were of an unprecedented scale, our entire senior management team worked together to push them through with a great sense of urgency, leading to significant results.

For maximization of sales in regional operations, another basic policy of our strategy, I feel that following structural reforms the importance of working to increase productivity and the pursuit of Commercial Excellence (▶ Page 20) have been disseminated throughout the organization. Additionally, we also made steady progress in product development, the cornerstone of regional business growth. We obtained approval for and/or launched products that offer new added value; among them *Catiolanze*, which can also offer value to glaucoma patients with ocular surface disease, and *Alesion* eyelid cream, the world's first cream-format treatment for allergic conjunctivitis.



As a company specialized in ophthalmology, one of the strengths we have built over many years is our ability to always listen to the voices of patients and work tirelessly to develop new products that give them new treatment options, as well as easier-to-use formulations such as eye drops with reduced frequency of application. Furthermore, to continue to grow sustainably, we need to expand into new areas that are different from those we are currently engaged in. Our first such effort was entry into the areas of myopia and ptosis (► Page 28). We made

substantial progress in fiscal 2023—for example, we filed for manufacturing and marketing approval of STN1012700, which we hope to make the first drug for slowing the progression of myopia approved in Japan, and achieved significant milestones in the Phase 3 clinical trial of STN1013800. **We are confident in our ability to develop these into scalable products that will support medium- to long-term growth. Moreover, we believe in their potential to make significant contributions to society.**

## Making appropriate investments that leverage our strong cash flow generation to continue maximizing earnings growth and shareholder value while adapting to changes in the environment

With the steady progress of our various measures for medium- to long-term growth, we raised our ability to generate profit and moved toward establishing an organization capable of adapting to changes in the environment. As a result, in fiscal 2023 we realized the KPIs we set as targets for fiscal 2025, including revenue and profitability targets, earlier than planned. Although our growth direction has not changed—we will continue to maximize the growth of overseas business by pursuing Commercial Excellence and promote value contribution from our scalable pipelines—there have been a number of changes in our business environment. For example, October 2024 marks the start of co-pay hikes on certain long-listed drugs in Japan. This will likely have some impact on our Japan business and consolidated performance. In light of these circumstances, we are formulating a new medium-term management plan that will start in fiscal 2025.

In fiscal 2023, we continued to generate strong cash flow with operating cash flow of JPY 72.6 billion, a new record. In light of our solid growth trajectory, we decided to increase the dividend based on our progressive dividend policy, and are returning profits to shareholders through flexible share buybacks. **We will strive to maximize shareholder value** (► Page 13) **by making appropriate investments while continuing to identify business development and other growth opportunities.**

KPIs	FY2023	Medium-Term Management Plan (FY2025)
Revenue	JPY <b>302.0</b> bil.	JPY <b>280.0</b> bil.
Core operating profit/margin	JPY <b>62.8</b> bil. / <b>21</b> %	JPY <b>56.0</b> bil. / <b>20</b> %
Revenue growth ratio per overseas employee	<b>+33</b> % (year-on-year) <sup>1</sup>	Over <b>7</b> % <sup>2,3</sup>
Core ROE	<b>16.2</b> %	<b>13</b> %
Growth rate of core EPS	<b>+54</b> % (year-on-year)	Over <b>10</b> % <sup>3</sup>

<sup>1</sup> Total for China, Asia, and Europe, the Middle East, and Africa (EMEA). Excludes *Ikeris* one-time factor in FY2023. <sup>2</sup> Total for China, Asia, and EMEA. Excludes foreign exchange (FX) impact. Calculated based on the rate in the medium-term management plan.

<sup>3</sup> CAGR for FY2022 forecast through FY2025



## Drawing on Santen's strengths to resolve social issues through our businesses

Next, I want to briefly touch on the areas of myopia and ptosis, which will support our medium- to long-term growth. Currently, the prevalence rate of myopia is approximately 30% worldwide, and is projected to rise to 50% in 2050.<sup>1</sup> Moreover, the rate of high myopia, which increases the risk of complications such as retinopathy and glaucoma, is predicted to reach 10% in 2050.<sup>1,2</sup> Measures to control myopia during childhood are important as they can be expected to reduce the risk of visual impairments. In contrast, ptosis typically affects people in middle and older age groups, and surgery is currently the only treatment available. In Japan, it is estimated that as many as 30 million ptosis patients<sup>3</sup> go untreated. A drug therapy that we hope to make the first available in Japan will not only lead to treatment of ptosis, but will also encourage people previously unfamiliar with ophthalmology to visit a doctor, resulting in increased discovery of other diseases such as dry eye and glaucoma.

**In particular, diseases such as glaucoma can be hard to detect without an ophthalmic visit due to the relative lack of subjective symptoms. Receiving a diagnosis for such diseases enables patients to receive appropriate treatment, which is highly meaningful if it reduces the risk of sight loss later in life. Undoubtedly, overcoming challenges in the new therapeutic areas of myopia and ptosis will not be easy, but as a specialized company leading the ophthalmology market, it is incumbent upon us to take them on.** By working with key opinion leaders<sup>4</sup> to raise awareness, we have also been market makers for dry eye, which in the past was not widely recognized as a disease, in Japan, Asia and, more recently, EMEA. We are also determined to develop markets in the myopia and ptosis segments.

## Aiming for the sustainable development of Santen and society based on our CORE PRINCIPLE

Santen is a pharmaceutical company specialized in ophthalmology, with a history of more than 130 years. Throughout that history, we have provided a variety of products and services to treat and prevent eye diseases with an understanding of the needs of patients and healthcare professionals, while staying true to our CORE PRINCIPLE of *Tenki ni sanyo suru*. In April 2024, we announced our Sustainability Commitment (▶ Page 27), which is based on our aim of sustainable development for Santen and society, guided by our CORE PRINCIPLE.

We place particular importance on resolving social issues through our business operations, and in our materiality assessment we have identified two materialities as our most important priorities: Market penetration of products with social significance (▶ Page 31) and People development and promotion (▶ Page 24) to support and drive business growth.

<sup>1</sup> *Ophthalmology*. 2016 May; 123(5):1036-42 <sup>2</sup> *Invest Ophthalmol Vis Sci*. 2020 Apr 9;61(4):49 <sup>3</sup> Santen estimate <sup>4</sup> Doctors and other professionals who have an influence on treatment settings and the industry

I mentioned our determination to take eye diseases seriously and invest in product development and to contribute to reducing the number of people suffering from severe eye diseases by moving into new areas such as myopia and ptosis. Moreover, as a pharmaceutical company, we also have an important obligation to continue stable product supply. As part of our effort to strengthen production operations, we made the first shipment of products manufactured at the new building of the Shiga Product Supply Center in February 2024, and completed the construction phase of a new plant in Suzhou, China in April. Currently, we manufacture approximately 400 million units<sup>1</sup> of ophthalmic products per year at three plants—the Noto and Shiga plants in Japan and the Suzhou Plant in China. We will strengthen our capacity to continue stably supply high-quality products to patients around the world while also introducing new equipment with lower environmental impact (▶ Page 42).

Regarding product supply, I would like to talk a little about our response to the Noto Peninsula Earthquake (▶ Page 65) on January 1, 2024. First, I must apologize to the patients, healthcare providers, and others affected by the situation—it has taken time to restore one of the production lines at the Noto Plant that was impacted by the earthquake, and we have also been unable to stably supply certain products. This was a very dire situation as our main plant was damaged, but all departments, including product supply and sales departments, as well as employees who had been personally impacted by the event, have been continuing to cooperate across organizational boundaries to deal with the situation every day. **We are currently focusing on instilling our CORE PRINCIPLE** (▶ Page 38) **throughout Santen. However, in tackling this great difficulty head-on, we all felt the importance of acting based on the CORE PRINCIPLE, and I think that is why the cooperation across our organization happened so naturally.**

As we proceeded with our transformation in fiscal 2023, I had several opportunities to communicate with employees (▶ Page 46). I have conveyed my thoughts in our online town hall meetings, and through the messages I send out at every milestone, but my focus during the year was visiting operating sites in Japan and overseas and engaging in face-to-face communication. In Japan, we held the first hybrid town hall meeting since I became CEO, and by having direct communication while seeing the facial expressions of employees, I sensed an enthusiasm that was different from online meetings. In addition, I visited overseas sites in EMEA, Asia, and China, and, after the start of fiscal 2024, facilities including the Noto Plant and the Shiga Product Supply Center. During these visits, I reiterated the importance of our CORE PRINCIPLE and shared my unwavering commitment to achieving Happiness with Vision, and interacted directly with many employees.



Town hall meeting in Asia

<sup>1</sup> 5mL unit equivalent



What I realized in that process is that our employees around the world, not just in Japan where we have a history and are well known, feel the value of their work, take Santen's growth seriously, and have a strong desire to contribute to it. I found that reassuring and encouraging, and it reaffirmed my conviction in our ability to grow in the future.

It is essential to empower our employees to support and drive business growth. For people development, which we emphasize in our human capital strategy, it is important for

the Company to have the necessary systems, but nothing can replace the spirit of challenge cultivated through practical experience. **We are taking various steps to improve our training system, such as appointing mid-level employees who will drive the next generation to leading roles in market launch projects for new products and new therapeutic areas. Moreover, the Company is promoting more women to managerial positions in frontline sales and marketing operations, in addition to administrative positions.**

## Continuing to strengthen governance with a new Board of Directors

Our information management and monitoring systems deal with various risks. After the Noto Peninsula Earthquake struck, we immediately mobilized the Crisis Management Committee, which confirmed the safety of employees, checked on damage to the plant, and reported to the Board of Directors as appropriate.



We have a system in place to maximize the effectiveness of monitoring and management roles of the Board of Directors. As CEO, I feel that issues and progress are reported to the Board of Directors with a high degree of transparency, and that the appropriate sharing of information has improved the quality of discourse in Board meetings, including discussion of key management issues and anticipated risks. **In particular, we are drawing on the lessons we have learned so far to discuss matters concerning growth strategy and investment proposals more carefully, such as contribution to earnings, our overall risk appetite, and the possibility that investments might damage our financial position in the future.** In June 2024, the composition of the Board dramatically changed, including the appointment of new Inside Directors. By having open and frank discussions among members with diverse backgrounds, we will work to realize sustainable growth, continue to operate the Board with a high level of transparency and effectiveness, and strengthen governance.

As a leading company in ophthalmology, Santen remains committed to serving society through people's eye health. I want to thank our shareholders and all other stakeholders for their continued support.

**Takeshi Ito**

President & CEO

# Santen's History

Founded in Osaka in 1890, we have continued to evolve our selection and concentration in the field of eye health, creating and innovating to meet the unmet needs of people and society.

Establishment — Laying the Foundation

Growth

Transformation

1890

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

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



1950s

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

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



1990s

## Strengthening the global production system toward internationalization and entering the European market

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



2000s

## Expanding solutions and building a business foundation in Asia

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



2010s

## Rapidly accelerating globalization to contribute to eye health worldwide

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

2020s

## Realizing Happiness with Vision

To realize "The Happiest Life for every individual, through the Best Vision Experience," Santen continues to take on challenges worldwide to provide products and services with true value by bringing together knowhow and expertise through partnerships with external organizations, M&A, and other approaches.



Our strength lies in the outstanding ophthalmic expertise we have developed over the years, the patient-centric solutions we create, our network of national and regional talent and our ophthalmic communities and partners.

**Ophthalmic expertise developed over the years**

We engage in product development (▶ Page 28) by listening to patients and healthcare professionals to meet their needs.

**Patient-centric solutions**

The Dimple Bottle was developed to make it easier for patients who use eye-drops. As an initiative to reduce environmental load (▶ Page 42), in 2021 Santen began using bottles made of biomass plastic for some of its products.

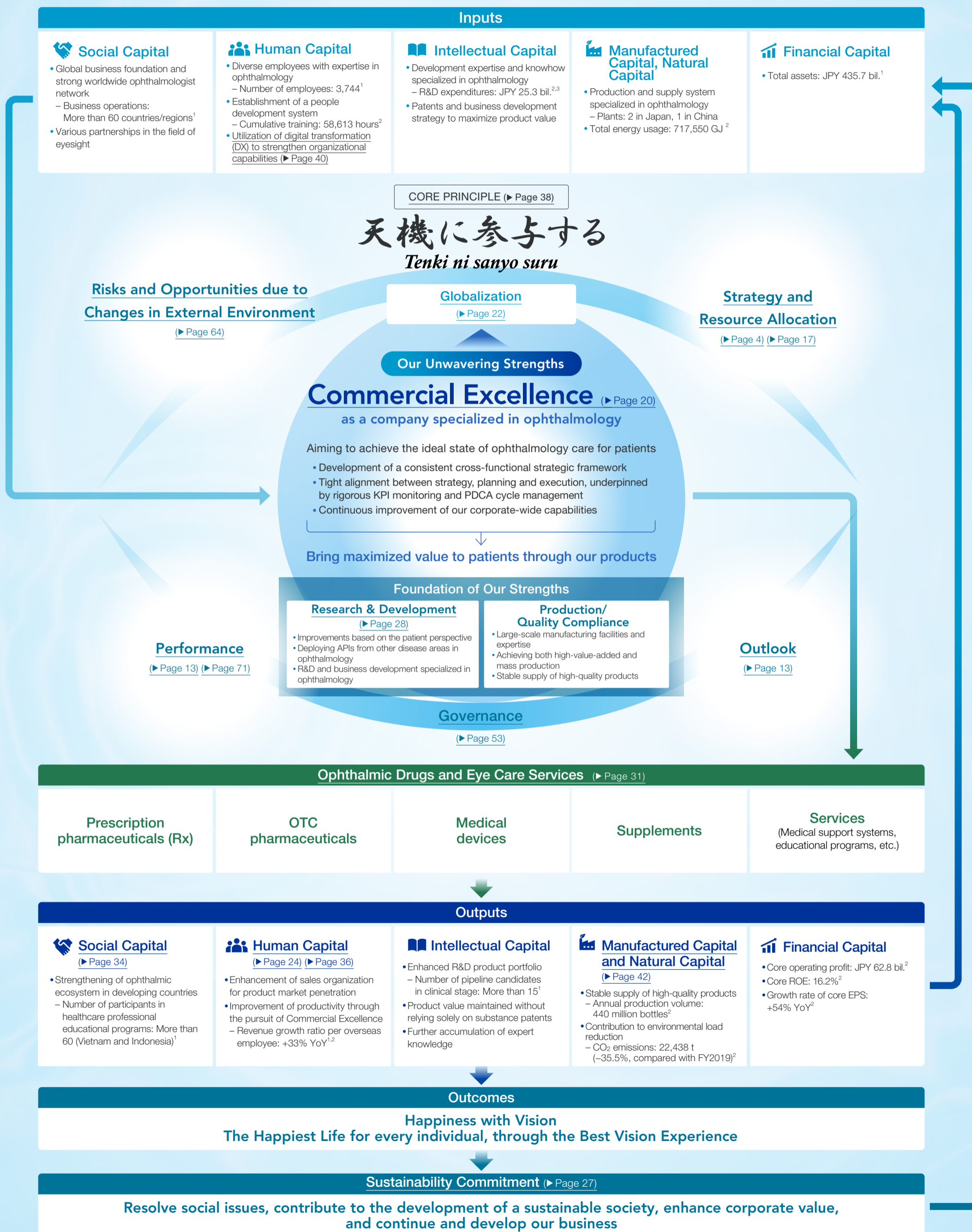
**Network of talent and ophthalmic communities/partners**

We are contributing to improve ophthalmic market access (▶ Page 34) to provide educational opportunities for ophthalmic healthcare professional through cooperating with external partners and educational institutions.



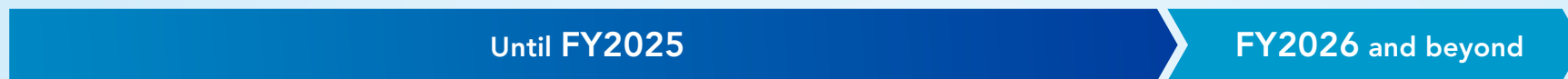
# Value Creation Process

Santen is a pharmaceutical company specialized in ophthalmology, with a history of more than 130 years. As such, we deploy the various forms of non-financial and financial capital we have cultivated over those years to enhance our corporate value. Based on our CORE PRINCIPLE, *Tenki ni sanyo suru* (exploring the secrets and mechanisms of nature in order to contribute to people's health), we will increase our value contribution to patients by pursuing Commercial Excellence as a company specialized in ophthalmology, and contribute to the sustainable development of society as a company that is valued and trusted by people worldwide.



<sup>1</sup> As of the end of March 2024 <sup>2</sup> FY2023 result <sup>3</sup> Core basis

# Medium- to Long-Term Value Creation



Basic Policy	<p>Improve profitability and build organizational capabilities for large-scale products scheduled for FY2026 and beyond</p>	<p>Maximize value contribution from large-scale new pipelines by leveraging our revamped organizational capabilities</p>
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## Initiatives

- Improve profitability through structural reforms
- Maximize regional sales and investments in anticipation of FY2026–

  - Regional strategy and Commercial Excellence
  - Business development (incl. products marketed by other companies and regional products)
  - New businesses (contributing to maximize Rx sales)
- Cash allocation

  - Growth investments
  - Shareholder returns
- Market penetration of products with social significance
- People development and promotion

## FY2025 KPIs

<p>Revenue</p> <p>JPY <b>280.0</b> bil.</p>	<p>Core operating profit/margin</p> <p>JPY <b>56.0</b> bil./<b>20%</b></p>	
<p>Revenue growth ratio per overseas employee</p> <p>Over <b>7%</b><sup>1,2</sup></p>	<p>Core ROE</p> <p><b>13%</b></p>	<p>Growth rate of core EPS</p> <p>Over <b>10%</b><sup>2</sup></p>
<p><b>Shareholder returns</b></p> <p>Increase annual dividend in line with medium- to long-term profit growth with current JPY 32<sup>3</sup> as the floor + Flexibly implement share buybacks</p>		
<p><b>Market penetration of products with social significance</b></p> <p>Contribute to more than <b>50</b> million patients<sup>4</sup></p>		
<p><b>People development and promotion</b></p> <p>(1) All employees completed the people development program                  (2) Evaluated and coached all managers in key positions<sup>5</sup>                  (3) Implemented specific measures to systematically secure, train, and assign candidates successors for key positions</p>		

**Generate sales in new areas by launch of scalable pipelines**

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



## Continuous Enhancement of Corporate Value

Formulate a new medium-term management plan starting in FY2025

<sup>1</sup> Total for China, Asia, and EMEA. Excludes foreign exchange (FX) impact. Calculated based on the rate in the medium-term management plan. <sup>2</sup> CAGR for FY2022 forecast through FY2025 <sup>3</sup> FY2024 annual forecast: JPY 34 per share  
<sup>4</sup> Estimated total number of patients to which Santen contributed (disease areas: inflammation/allergies, cornea, glaucoma, cataracts) in FY2019 was approx. 43 million, calculated based on JMDC's estimated total number of patients for Santen's Rx products and Santen's shipment data. We revised our target when the medium-term management plan was formulated. <sup>5</sup> Major roles in the formulation and execution of business strategy and major roles in each function and region.

# Materiality (KPIs and Progress)

Major Category	Materiality	KPI (FY2025)	Progress in FY2023
Development and Stable Supply of Socially Significant Products and Services	Market Penetration of Products with Social Significance	<ul style="list-style-type: none"> <li>Aiming to contribute to more than 50 million patients</li> </ul>	<ul style="list-style-type: none"> <li>Contributed to more than 50 million patients (calculated based on previous year's results)</li> </ul>
	Evaluation and Management of the Supply Chain	<ul style="list-style-type: none"> <li>CSR survey evaluation rate: 85% or higher</li> <li>Supplier training implementation rate: 80% or higher</li> <li>ESG education in the procurement department: 100%</li> </ul>	<ul style="list-style-type: none"> <li>Supplier assessment rate: 95.8%</li> <li>Supplier training implementation rate: 96.0%</li> <li>ESG education in the procurement department: 100%</li> </ul>
	Assurance of Quality and Safety, and Establishment of an Appropriate Supply System	<ul style="list-style-type: none"> <li>Production and supply capacity of 500 million bottles or more</li> <li>OTIF (on-time and in-full) shipping: 100% Japan, 97% EMEA, 97% Asia, 97% U.S.</li> </ul>	<ul style="list-style-type: none"> <li>Production and supply results: 440 million bottles</li> <li>OTIF shipping: 99% Japan, 97% EMEA, 97% Asia (U.S. stopped measuring)</li> </ul>
	Providing Appropriate Information on Products and Services	<ul style="list-style-type: none"> <li>Thorough education of medical representatives (MRs): 100%</li> </ul>	<ul style="list-style-type: none"> <li>Education of MRs: 100%</li> </ul>
Encouragement of an Organizational Culture that Promotes Value Creation	Promoting Diversity, Equity & Inclusion	<ul style="list-style-type: none"> <li>Increased diverse representation in senior management globally</li> <li>Increase representation percentage of female managers to 20% in Japan</li> <li>Philosophy is permeated into all employees by implementation of the BLIND EXPERIENCE and others</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of female managers in Japan: 19%</li> <li>Approx. 800 employees globally participated in an experience of the visible and invisible. In this way and others, we are building environments within the Company that foster an understanding of diversity as a CORE PRINCIPLE.</li> </ul>
	Building a High-Value-Added and Highly Productive Work Environment	<ul style="list-style-type: none"> <li>Conduct global engagement surveys on an annual basis</li> <li>Improve score related to communication</li> </ul>	<ul style="list-style-type: none"> <li>Conducted a standardized, concurrent global engagement survey in November. (Response rate: 93%, Score: 64%)</li> <li>Score for the "communication" category remained unchanged. The CEO and executive officers held face-to-face town hall meetings to share the Company's direction and engage in open dialogue with employees.</li> </ul>
	People Development and Promotion	<ul style="list-style-type: none"> <li>Complete people development program restructuring in FY2023, and have all employees complete the training program by FY2025</li> <li>Evaluate and coach all managers in key positions by FY2025</li> <li>Clarify candidates for succession of key positions by FY2023 and implement specific measures to systematically secure, train, and assign candidates successors by FY2025</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to rebuild our people development programs. Intend to introduce a global skill assessment and a wide range of learning and training opportunities for all employees beginning in FY2024.</li> <li>Conducted a pilot trial of the Asia Senior Leader Development Program and coaching. This program will serve as a reference for global programs. Planning to expand target regions and positions, implementing leader development and coaching beginning in FY2024.</li> <li>Started working on succession plans for executive officers. Planning to provide direction by the end of FY2024 under a globally unified planning format and timing.</li> </ul>
Strengthening Governance, Contributing to the Realization of Fair and Equal Society	Corporate Governance	<ul style="list-style-type: none"> <li>Outside Director ratio: Maintain at over 50%</li> </ul>	<ul style="list-style-type: none"> <li>Outside Director ratio: 50% (as of the end of June 2024)</li> </ul>
	Compliance	<ul style="list-style-type: none"> <li>Implementation of annual compliance education: Maintain at 95% or higher</li> <li>Major compliance violations: 0</li> </ul>	<ul style="list-style-type: none"> <li>Annual compliance education implementation rate: 99.9%</li> <li>Major compliance violations: 0</li> </ul>
	Risk Management	<ul style="list-style-type: none"> <li>Development of Group risk management system, development and penetration of related regulations, strengthening of cooperation with the risk management department and departments related to internal control defense lines</li> <li>Business continuity: Disaster recovery plan (IT area) completed</li> <li>Major information security-related incidents to be resolved and controlled with clear SLA/OLA (90% or more)</li> </ul>	<ul style="list-style-type: none"> <li>Conduct risk assessments for regions to gather information regularly from each region/function during times of normal business</li> <li>Formulate disaster recovery frameworks and plans</li> <li>Major information security-related incidents to be resolved and controlled with clear SLA/OLA: 100%</li> </ul>
	Respect for Human Rights	<ul style="list-style-type: none"> <li>Implementation rate of human rights education</li> </ul>	<ul style="list-style-type: none"> <li>Implementation rate of human rights education: 95% (Japan)</li> </ul>
Conservation of the Global Environment	Measures against Climate Change	<ul style="list-style-type: none"> <li>Shift of Company-owned vehicles to electric vehicles (HEVs, PHEVs, EVs, and FCVs): 100%</li> <li>100% shift of power used at plants and laboratories in Japan to renewable energy-based power by 2023</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of Company-owned vehicles shifted to electric vehicles: Japan: 99.2%, EMEA: 21.5%</li> <li>Completed conversion to renewable energy for energy purchased at plants and the laboratory in Japan in February 2022</li> </ul>
		<ul style="list-style-type: none"> <li>Facilitating wider use of transportation means with low environmental loads, including railroads, for commuting and business trips, and encouraging remote work and meetings</li> <li>Reduction of CO<sub>2</sub> emissions (compared with the base year)               <ul style="list-style-type: none"> <li>Scope 3 Category 6 (Business travel) (non-consolidated): 21.6% reduction (1,600 t-CO<sub>2</sub>)</li> <li>Scope 3 Category 7 (Employee commuting) (non-consolidated): 31.0% reduction (1,025 t-CO<sub>2</sub>)</li> </ul> </li> <li>Reduction of CO<sub>2</sub> emissions (compared with FY2019)               <ul style="list-style-type: none"> <li>Scope 1 and 2: 25% reduction</li> <li>Scope 3 Category 1 (non-consolidated): 8% reduction</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions (compared with FY2019)               <ul style="list-style-type: none"> <li>Scope 1 and 2: 35.5% reduction (22,438 t-CO<sub>2</sub>)</li> <li>Scope 3 Category 1 (non-consolidated): 10.6% reduction (102,440 t-CO<sub>2</sub>)</li> </ul> </li> </ul>
	Environmental Load Reduction	<ul style="list-style-type: none"> <li>Water consumption per unit of production: 12.4 m<sup>3</sup>/10,000 bottles or less</li> <li>Recycling rate: 98% or higher</li> <li>60% of plastic eye drop containers being produced from biomass plastic in 2030</li> <li>10% reduction in plastic used for wrapping and packing materials (compared with FY2019)</li> </ul>	<ul style="list-style-type: none"> <li>Water consumption per unit of production: 12.9 m<sup>3</sup>/10,000 bottles</li> <li>Recycling rate (Non-landfill disposal rate): 99.6%</li> <li>Switching to biomass plastic eye drop container: 14 eye drop product replacements have been completed</li> <li>Investigating alternative means of plastic materials for wrapping and packing materials</li> </ul>



# CFO's Message

## Financial Strategy for Supporting Improvements in Profitability and Sustainable Growth

### FY2023 Results and FY2024 Outlook

We achieved a V-shaped recovery in FY2023, the first year of the FY2023-2025 Medium-Term Management Plan.

On a core basis, which indicates recurring profitability, revenue, and profits increased year-on-year in all overseas regions. We also moved forward on profitability improvements outlined in the medium-term management plan. In the first half, the streamlining of the Americas business proceeded ahead of schedule, and we sped up the pace of measures such as optimization of the Company-wide organization and the restructuring of overseas operations, as well as cost optimization. These measures had the effect of improving profitability on the scale of JPY 15.0 billion in FY2023. Revenue rose 8.2% year-on-year to JPY 302.0 billion, and core operating profit increased 41.9% year-on-year to JPY 62.8 billion.

Operating profit was JPY 38.5 billion. Factors included costs related to structural reforms (including streamlining of the Americas business and an early retirement program in Japan), losses related to the suspension of operations at the Noto Plant as a result of the 2024 Noto Peninsula Earthquake, and an impairment loss on intangible assets. However, we view these factors as accounting treatments associated with structural reforms and strengthening of our balance sheet to position the Company for growth in FY2024 and beyond.

In FY2024, we are looking for robust growth to continue in overseas regions, but in Japan, the impact of generics, National Health Insurance (NHI) drug price reductions on our mainstay products, the suspension of shipments of *Diquas LX* for dry eye treatment, and the co-pay hikes on certain long-listed drugs that are set to begin in the second half of the period, will likely have some impact. We are projecting revenue of JPY 302.0 billion, effectively unchanged from the previous fiscal year, and a 12.4% decrease in core operating profit to JPY 55.0 billion. On the other hand, the one-time expenses incurred in FY2023, including structural reform costs and an impairment loss, will not recur in FY2024, so we expect operating profit to increase 15.5% year-on-year to JPY 44.5 billion, and earnings per share to increase 27% to JPY 92.2.

Note: The Company revised the forecast for FY2024 on August 6, 2024 in the financial results for the first quarter of FY2024 mainly due to a change in assumptions, including FX assumptions. Figures reflect the revised numbers.



**Kazuo Koshiji**

Corporate Officer,  
Chief Financial Officer (CFO)

### • Growth Strategies

# Financial Strategy under the Medium-Term Management Plan

Our basic strategy is to increase profitability by building a competitive advantage in the field of ophthalmology, maximize our ability to generate cash, improve capital efficiency (i.e., ROE and ROIC), and ultimately to maximize shareholder value. We believe that in order to demonstrate an awareness of expectations from the capital markets it is vital not only to monitor the cost of capital, but also to achieve a level of profitability that satisfies investors' expected rate of return.

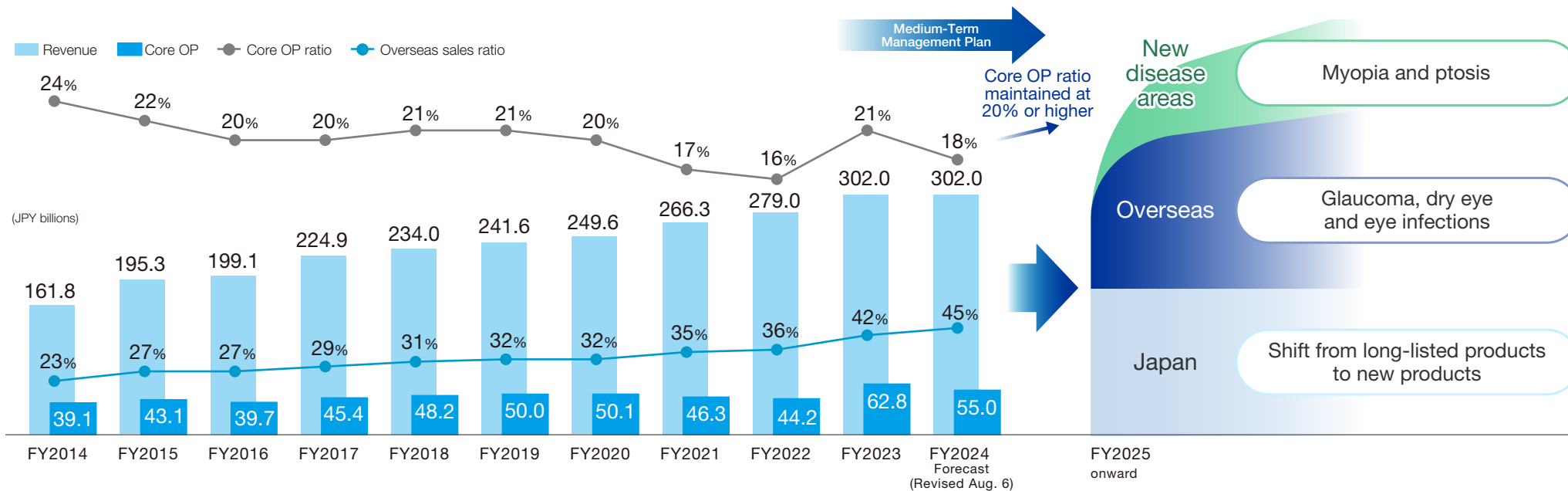
In the FY2023-2025 Medium-Term Management Plan, we are working to maximize ROE and ROIC as general indicators of profitability, efficiency, and financial soundness. Given that accounting profits were expected to fluctuate due to structural reforms, balance sheet optimizations, and other improvements under the medium-term management plan, we set our financial indicators for levels to be reached in FY2025 on a core basis. However, in FY2023, we achieved a core ROE of 16% vs. the target of 13%, and core EPS year-on-year growth of 54% (JPY 132) vs. the target of 10% or more CAGR (JPY 114). In FY2024 and beyond, we will strive for sustained improvement in indicators on an IFRS basis as well as on a core basis.

## 1 Improving Profitability

Our fundamental task in recent years has been to improve profitability. The core operating profit margin in FY2023 was 21%, exceeding the FY2025 target (20%). However, it is expected to drop to 18% in FY2024 due to the impact of revenue and profit declines in the Japan business. To maintain ROE at a level of at least 10% and achieve ongoing improvements, we believe we must maintain a core operating profit margin of 20% or higher. The cost of sales ratio is projected to deteriorate in FY2024 because of inflation and changes in the product mix, but SG&A expenses will be kept at 30% of revenue as a result of streamlining of the Americas business and other structural reforms.

At the same time, we will prioritize allocation of R&D expenses to projects that will contribute to growth in the future. The level of expenses will fluctuate with the progress of development projects, but we project that they will be in the range of about JPY 25.0–30.0 billion.

## • Growth Strategies



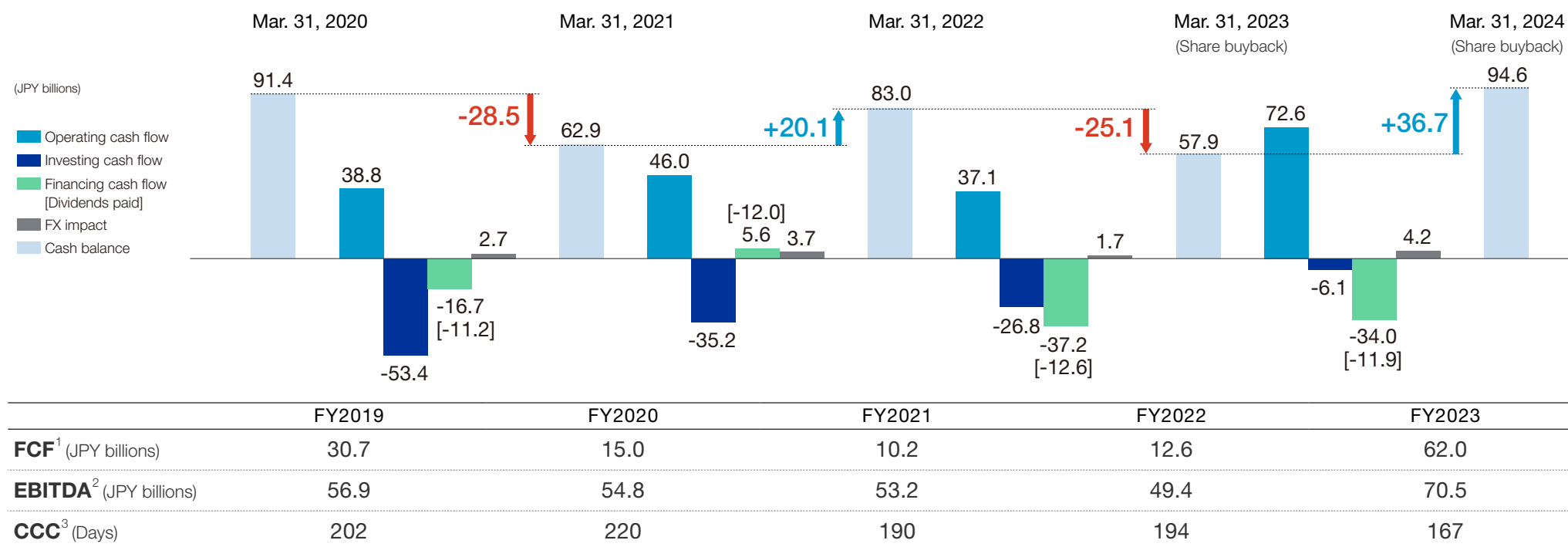
## 2 Strengthening Cash Generating Capacity and Reducing the Cost of Capital

We consider the capacity to generate cash to be the driver for enhancing shareholder value. As such, we are working to strengthen our ability to generate cash and manage our assets efficiently through maximization of our operating cash flow and debt capacity in order to maximize our investment capacity for future growth. We manage the cash generated centrally under the International Financial Headquarters (IFHQ) in Switzerland, including management of foreign exchange (FX) factors and interest rates. Through a cash management system that meets the cash needs of each region, we will work to improve capital efficiency and reduce the cost of capital.

As we worked to improve the cash conversion cycle (CCC), we took steps to securitize accounts receivable in the Japanese market in FY2023. As a result, the CCC, which had stayed at 190 days or more in recent years, declined to 167 days in FY2023. Given the nature of pharmaceuticals, we aim to reduce invested capital, mainly through further securitization of accounts receivable, and thereby improve ROIC, while ensuring stable inventory levels. In FY2024, we will continue to promote securitization of accounts receivable by expanding the range of applicable transaction partners and regions.

### • Growth Strategies

### Cash Flow



<sup>1</sup> Free cash flow = (Net cash flows from operating activities) – (Capital payments for acquisition of property, plant and equipment, and intangible assets) <sup>2</sup> EBITDA = (Operating profit) – (Other income) + (Other expenses) + (Depreciation)

<sup>3</sup> Cash conversion cycle: Based on turnover period of trade and other receivables, inventories, and business operation related expenses



### 3 Capital Allocation for Sustainable Growth

By increasing our capacity to generate cash while also improving earnings, we will be able to prioritize investment of the generated funds in plant and equipment, research and development, and business development where we can expect returns above the cost of capital as investments in future growth.

We plan to reduce the total amount of capital expenditures (with cumulative investment of JPY 26.0 billion planned for FY2023 to FY2025) as the current cycle of construction of new plants in Japan and overseas reaches completion. For R&D investment, we will allocate over JPY 100.0 billion during the same period as a top priority for future growth. Business development in FY2023 was limited, but that was a result of avoiding contracts with terms and other factors that could hurt future profits. We aim to achieve inorganic growth in areas where we can make use of Santen's strengths, predicated on maintaining financial discipline.

However, if there are no promising investment opportunities, we will implement share buybacks as an investment strategy greater than the cost of capital, while taking into account our stock price. Excess liquidity on hand will be returned to shareholders.

In FY2024, we will buy back shares up to a maximum of JPY 38.0 billion (no more than 5.8% of outstanding shares). We believe our shares are still undervalued at the current stock

price level, and we intend to improve ROE and EPS through buybacks. The FY2024 buyback and the repurchases in FY2022 and FY2023 (which totaled JPY 41.9 billion, representing 9.8% of outstanding shares) will result in total repurchases over the three-year period of JPY 80.0 billion (representing approximately 16% of outstanding shares).

In accordance with our progressive dividend policy, we have not reduced dividends, and have increased them in conjunction with profit growth. Following the JPY 1 per share dividend increase in the second half of FY2023 based on this policy, we expect to pay out annual dividends of JPY 34 per share in FY2024. Combining share buybacks and dividends, we forecast a total payout ratio of 154% in FY2024.

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

## • Growth Strategies

Inflow <sup>1</sup>	Outflow <sup>1</sup> Use <sup>1</sup>	Amount <sup>1</sup>	FY2023 actual/outlook	
Operating cash flow Approx. <b>JPY 250.0 bil.</b>	Growth investments	Capital expenditures	<b>JPY 26.0 bil.</b>	<ul style="list-style-type: none"> <li>FY2023: JPY 10.2 billion (mainly production related)</li> <li>Expect some investment in Noto Plant, but overall decrease in large-scale investment after FY2024</li> </ul>
		Research and development expenses	<b>Over JPY 100.0 bil.</b> Including development milestones	<ul style="list-style-type: none"> <li>FY2023: JPY 25.3 billion (core basis)</li> <li>Prioritize investment including in early-stage pipelines</li> </ul>
		Business development investment	<b>JPY 80.0 bil.</b> to <b>JPY 90.0 bil.</b>	<ul style="list-style-type: none"> <li>Investment opportunities to contribute to cash flow and align with regional needs, and capture global medium- to long-term growth</li> </ul>
	Shareholder returns	Share buybacks	<b>JPY 90.0 bil.</b>	<ul style="list-style-type: none"> <li>FY2023: JPY 16.2 billion, FY2024: JPY 38.0 billion (maximum)</li> <li>Flexibly implement share buybacks, factoring in business development opportunities and stock price</li> </ul>
		Dividends	<b>JPY 37.5 bil.</b>	<ul style="list-style-type: none"> <li>FY2023: JPY 11.9 billion (Full-year dividend: JPY 33 per share)</li> <li>Continue progressive dividend policy in line with medium- to long-term profit growth</li> </ul>

<sup>1</sup> Cumulative total for FY2023–FY2025

# COO's Message



**Rie Nakajima**

Director, Corporate Officer,  
Chief Operating Officer (COO)

## We will drive strong growth in each region by continuing to improve Santen's organizational capabilities and maximize product value through enhancement of Commercial Excellence.

I am now in my second year as Chief Operating Officer after being appointed in March 2023. Over the past year, I have realized that Santen's specialization in ophthalmology and deep understanding of patients, healthcare professionals, and eye diseases are powerful advantages. The Company conducts strategic planning based on detailed logic and the depth of its insight, to formulate action plans that encompass the points of contact with patients and consumers as well as healthcare professionals, and to diligently carry out those plans. In overseas markets as well, Santen is poised for greater accomplishments, with a product portfolio based on local needs, a strong brand, and solid relationships with ophthalmologists. Although these strengths align with the expectations I had before joining the Company, the pride that employees in each region take in working for a company specializing in ophthalmology is greater than I had imagined. I strongly feel that the vast majority of them, regardless of their career path or their position, are committed to contributing to the treatment of eye diseases and the provision of eye care. **Having this pride and commitment embedded in the organization will be a major driving force at a time when we aim to fully establish Commercial Excellence, and need to further strengthen cross-regional and cross-functional cooperation.**

### • Growth Strategies

On the other hand, there are some things that the Company must change in order to continue to grow and further develop its organizational capabilities. Recognizing this, I have been visiting operating sites in each region and engaging in discussions with our colleagues to identify issues, and I am now working to address these issues. Generally, in our overseas business operations, but particularly in EMEA and Asia, which are characterized by the diversity of their constituent countries and regions, we have been growing by seizing

opportunities large and small, which demonstrates our exceptional agility. However, in the past, sales growth was basically proportional to personnel expansion, and the structure lacked sufficient robustness to enable the whole organization to pursue and realize its full growth potential. To resolve these issues, **we created a model of Commercial Excellence, and have been focusing on fostering a mindset of pursuing not only sales but also profitable growth by instilling the ideas of that model and raising productivity.**

## Systematize and disseminate Commercial Excellence

In pursuing Commercial Excellence (▶ Page 20), first of all, we have systematized the elements of Santen's strengths in Japan that we want to develop into global strengths, and have launched a cross-regional task force to move that effort forward. For example, in terms of maximizing product value, by utilizing a brand strategy framework when launching new products, we are now able to incorporate value maximization throughout the process from the development of strategies with ambitious goals to the formulation of action plans. Our KPIs measure whether the progress of action plans is being monitored and the PDCA (Plan-Do-Check-Action) cycle is functioning effectively, and whether product messages are being communicated to customers in line with the strategy, leading to changes in customer behavior.

We followed these Commercial Excellence processes when introducing ROCK inhibitors in Europe in fiscal 2022, which resulted in a successful product launch. Penetration of Commercial Excellence is already progressing in countries with relatively large markets such as Germany, the U.K., and South Korea, and we are looking to intensify these efforts. However, it is also true that not all elements can be deployed in the same way in markets of limited size. **To strengthen Santen's organizational capabilities globally, it is important for employees to understand the meaning of Commercial Excellence and continue to work diligently with pride, and to implement the model in a way that suits each country/region, while keeping the essential points in mind.**

## Implement Commercial Excellence to accelerate business growth

We will accelerate growth in each region by taking advantage of inorganic growth opportunities through business development, in addition to achieving organic growth through the application of Commercial Excellence in therapeutic areas we currently serve, such as glaucoma and dry eye, and in new areas such as myopia and ptosis.

In the breakdown by region, Japan will continue to be our main market, and we will leverage our dominant market share<sup>1</sup> and our relationships with patients and healthcare professionals to maximize the value of core products. *Alesion* (▶ Page 31), one of those core products, has gone through numerous improvements since the market debut of the

<sup>1</sup> Source: Copyright © 2024 IQVIA. JPM 2023.4-2024.3. Santen analysis based on IQVIA data. Reprinted with permission.

### • Growth Strategies



four-times-daily *Alesion* ophthalmic solution in 2013, including a reduction of dosage frequency, helping to enable all-day comfort for patients. The once-daily application *Alesion* eyelid cream, launched in May 2024, provides new value to patients. For myopia and ptosis, two new therapeutic areas we are pursuing, a different approach will be required. Where there is no precedent, we will need to create the market together with healthcare professionals, so we will establish the necessary organizational structure and develop the necessary human resources.

In EMEA, we will promote growth with a focus on the glaucoma and dry eye areas, where we are strong, and the market penetration of two glaucoma products—the ROCK inhibitors that are already on the market and *Catiolanze*, which is scheduled for launch during this fiscal year—will be key to growth. We have plenty of room for market share growth, depending on the country, and we will focus more of our resources on countries with large markets, such as the EU4,<sup>1</sup> the U.K., and Northern Europe, where we have a substantial presence. We are aiming for a growth rate of around 10% in the medium to long term,



Town hall meeting in EMEA

including market penetration of preservative-free formulations of established products such as *Tapros* and *Cosopt*.

In Asia, while South Korea accounts for more than half of our sales, we are also focusing on developing new key markets including Thailand and Vietnam. With our broad product lineup centered on glaucoma, dry eye and infectious diseases, we can cover a wide range of needs according to the market characteristics of each country or region. In Southeast Asia in particular, there is significant need in the self-medication market of therapeutic areas such as dry eye, and we know that sales of over-the-counter products in the pharmacy channel are growing. This is a market we seek to tap into, but we had previously not allocated many resources to. For the region as a whole, we are targeting medium- to long-term growth in the 10% to low-teen range.

Finally, in China, we have not changed our view that this is a market with high growth potential in the medium to long term due to its demographic profile in terms of size and aging population. In the short term, we see it as a market with high volatility because of the impacts of volume-based purchasing of *Diquas* and the macroeconomic environment. We will diversify risk with a multichannel strategy that includes private hospitals and pharmacies, and will continue to improve our organizational capabilities in order to steadily capture future growth in the glaucoma market and growth potential in other areas such as myopia. In the medium to long term, we aim for growth from the high single digits to the low-10% range.

**The dissemination of Commercial Excellence and our growth in each region will be driven by our people, and what will bring out their full potential is the quality of leaders. We will promote job rotation between different functions and regions to develop leadership talent who will fill key positions at the corporate headquarters and in regional operations. We will also foster an organizational culture in which all managers, regardless of their position, face their own growth challenges as leaders and continue to learn.**

The entire Company will work in unison to drive strong growth in each region to continue to deliver Happiness with Vision. We appreciate the steady support of our stakeholders.

## • Growth Strategies

<sup>1</sup> EU4: Germany, France, Spain, and Italy

# Regional Strategy

Our product portfolio, built through our history of over 130 years, is our strength. We continue to leverage our solid relationships with ophthalmologists and other healthcare professionals, our brand power, and our expertise in ophthalmology. Based on these foundations, we improve productivity by pursuing Commercial Excellence and maintain a growth trajectory while absorbing the effects of factors that cause fluctuations such as the external business environment.

## Commercial Excellence at Santen

At Santen, Commercial Excellence is our conviction to achieve the ideal state of ophthalmology care for patients. From early-stage R&D to the delivery of products to patients, adherence to a high-quality strategy based on a standardized global framework with tight alignment between strategy, planning and execution, underpinned by rigorous KPI monitoring and PDCA cycle management, helps us realize ideal ophthalmology care for patients and drives our Commercial Excellence.

This follows the strength of our Japan business,

where we have a standardized strategic framework that delivers consistency in strategy, activity planning, and execution. Performance is thoroughly monitored and continuous adjustments are made as needed. These methodologies and mechanisms are thoroughly implemented with the aspiration of maximizing value to patients. We have systematized the essence of this strength into Commercial Excellence and are expanding its application to each region, while considering the unique characteristics of each market.

The effects of Commercial Excellence are evident in the high level of peak sales of new products and the speed at which they reach peak sales. Moreover, it can be seen in the performance of existing products that have been on the market for some time, where delivering targeted key messages to healthcare professionals has enhanced their understanding of product value, which leads to increased prescription frequency.

## • Growth Strategies

The Santen Methodology in Japan

### Conviction

Conviction that we can bring maximized value to patients through Santen's products and services to achieve optimal eye disease treatment and eye care for patients

- 1 **Framework** Master a standardized strategic framework
- 2 **Consistency** Consistency in our strategy, action planning & execution, and collaboration of related departments
- 3 **Rigor** Rigor in KPI monitoring & PDCA cycle management

Commercial Excellence Framework

### Successful Product Launches

Maximize peak sales and achieve peak sales faster

e.g., Launch of *Rocklatan* (under the brand name *Roclanda*) in Europe



### Maximization of Existing Product Value

Achieve differentiation from competitors beyond product characteristics leading to increased prescription frequency

e.g., Achieve market penetration for *Eybelis* in South Korea



### Three Workstreams for the Pursuit of Commercial Excellence

<p><b>1</b></p> <p><b>Asset Value Maximization</b></p> <p>Develop a framework for thoroughly evaluating assets to maximize their value</p>	<p><b>2</b></p> <p><b>Brand Planning Framework</b></p> <p>Create a structured and consistent approach to cross-functional brand planning</p>	<p><b>3</b></p> <p><b>Customer Engagement</b></p> <p>Strengthen the internal processes and PDCA cycle management that underpin our customer engagement</p>
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In fiscal 2023, we established three workstreams (Asset Value Maximization, Brand Planning Framework, and Customer Engagement). Based on these workstreams, the global team and regional teams have been working together to pursue Commercial Excellence throughout the Company.

We are already seeing positive results from our Commercial Excellence initiatives. When launching ROCK inhibitor *Rocklatan* in Europe, a cross-functional working group formulated brand strategies, set clear, aspirational targets and closely monitored the execution of activities to maximize product value and confirm solid progress.

In fiscal 2023, one initiative under the Commercial Excellence taskforce was to conduct a sales and marketing alignment assessment to ensure existing business processes facilitated execution of commercial strategy at the field level. In South Korea, we have marketed *Eybelis* in the glaucoma area since 2021. The assessment of this market revealed the opportunity to optimize key message delivery to customers, and we put in place training interventions to that end. We were able to confirm that the key message of *Eybelis* has begun to penetrate since the second half of fiscal 2023, resulting in increased frequency of prescription and market share.

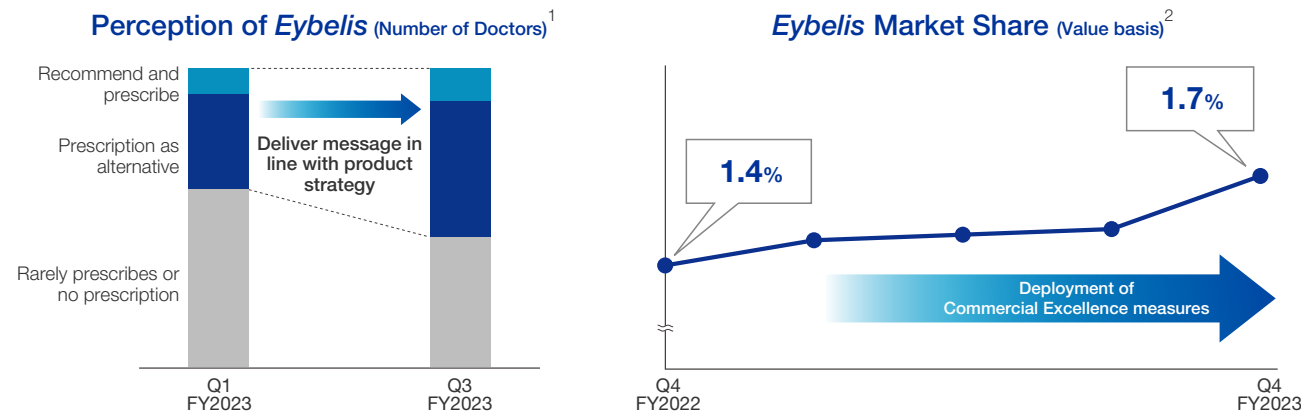
In fiscal 2024, we will deepen the use of our cross-functional strategic brand planning framework for strategic products in all regions. In addition, we will promote other initiatives that consider the unique characteristics of each region. In EMEA, we will further apply the PDCA cycle management methodology while leveraging findings from fiscal 2023 on how to improve head office and field team alignment to achieve greater customer impact. In China, we will undertake a detailed review of medical representative (MR) execution of brand strategy to uncover areas where we can

accelerate brand performance. In Asia, we will expand use of the PDCA cycle management methodology to smaller-scale markets, while in Japan, the provision of Commercial Excellence is the key to the market penetration of *Alesion* eyelid cream, the world's first allergic conjunctivitis treatment marketed as a cream formulation.

Santen is committed to bringing maximum value to patients through its products and services, and to achieving optimal eye disease treatment and eye care for patients.

## • Growth Strategies

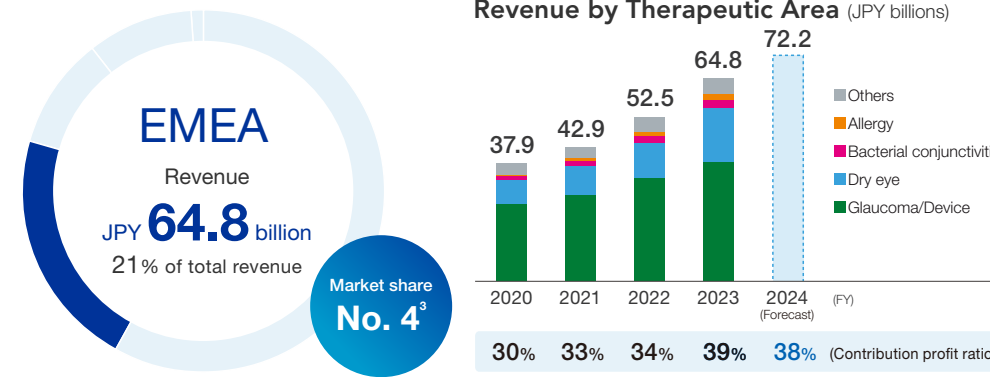
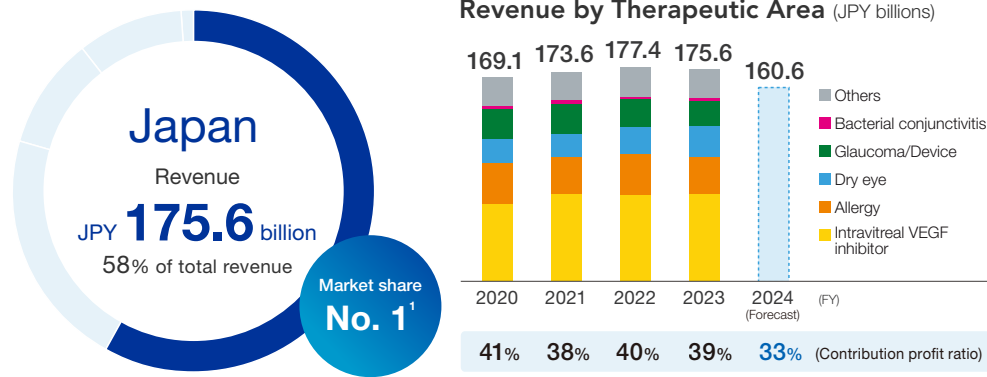
### Case Study in South Korea



<sup>1</sup> Survey by Santen <sup>2</sup> Source: Copyright © 2024 IQVIA. IQVIA MIDAS 2023.Q1–2024.Q1. Santen analysis based on IQVIA data. Reprinted with permission.



## Overview by Region



Opportunities	<ul style="list-style-type: none"> <li>Increase in number of eye examinations in new patient segments and discovery of potential patients, following the development of drugs in areas that lack approved drugs, such as myopia and ptosis</li> <li>Discovery of potential patients and improvement in adherence rates as a result of greater disease awareness and understanding</li> <li>Increase in number of consultations as a result of the availability of online consultations and other services that offer improved medical care convenience</li> </ul>
	Risks <ul style="list-style-type: none"> <li>Co-pay hikes on certain long-listed drugs</li> <li>Reform of drug pricing system and Japan's National Health Insurance (NHI) system</li> <li>Market entry of generics for mainstay products</li> </ul>

Opportunities	<ul style="list-style-type: none"> <li>Increase in glaucoma patient numbers due to aging populations, and dry eye patient numbers due to higher disease awareness</li> <li>Room for growth in glaucoma product portfolio in key markets</li> <li>Potential geographical portfolio expansion in smaller markets</li> <li>Increase in disease recognition for new therapeutic areas such as myopia and ptosis</li> </ul>
	Risks <ul style="list-style-type: none"> <li>Changes in reimbursement coverage and price reductions in response to pressure on healthcare system finances in various countries</li> <li>Accelerated market penetration of generics</li> <li>Increase in outsourcing manufacturing costs mainly due to price hikes</li> </ul>

In fiscal 2023, revenue was JPY 175.6 billion, down 1% year-on-year. Despite a decrease in sales of *Alesion* products due to less pollen dispersion compared with the previous fiscal year and the impact on *Tapros* and *Tapcom* from generic drugs, we were able to minimize the decline in revenue by focusing on expansion of *Diquas LX* and other products. We were able to maintain a strong presence with a market share of above 50%.<sup>1</sup>

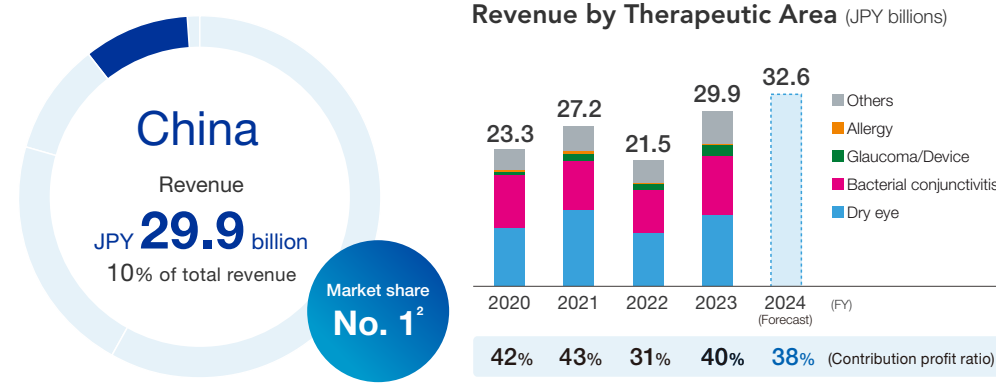
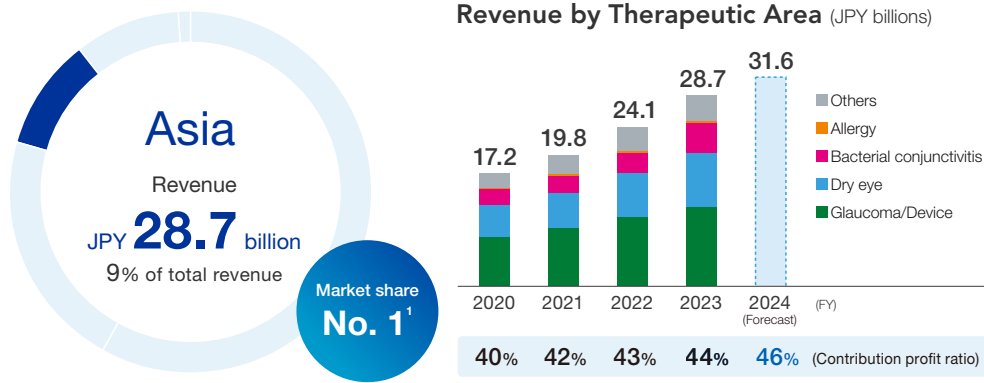
For fiscal 2024, we forecast revenue of JPY 160.6 billion, down 9% year-on-year due to the impact of NHI price reductions for mainstay products, the impact of generics, co-pay hikes on certain long-listed drugs (scheduled to start in October) and voluntary recall of *Diquas LX* for dry eye. We will maintain our earnings base by expanding sales of *EYLEA* 8mg,<sup>2</sup> an intravitreal VEGF inhibitor launched in April 2024, as well as sales of *Alesion* eyelid cream, the world's first cream-type allergic conjunctivitis treatment (applied to the upper and lower eyelids), launched in May 2024. At the same time, we will provide new value through further market penetration for existing products such as glaucoma treatment *Eybelis* and the glaucoma surgical device *PRESERFLO MicroShunt*. In February 2024, the Company filed an application for manufacturing and marketing approval of STN1012700, a product to slow the progress of myopia.

In fiscal 2023, revenue was JPY 64.8 billion, up 23% year-on-year. This was mainly due to steady sales growth of glaucoma and dry eye products in major countries including the EU4,<sup>4</sup> the U.K., and countries in Northern Europe, as well as an *Ikervis*-related one-time financial factor (JPY 2.3 billion) and the impact of changes in exchange rates.

For fiscal 2024, we forecast revenue of JPY 72.2 billion, up 12% year-on-year, mainly due to growth of mainstay products for glaucoma and dry eye, despite the absence of fiscal 2023's one-time *Ikervis* factor. In the glaucoma area, we continue to respond to the need for preservative-free formulations with products such as *Cosopt*, *Tapros*, and *Tapcom*. At the same time, we will continue to promote market penetration of new products such as *Rocklatan* and *Catiolanze* while continuously enhancing Commercial Excellence. Santen is the market leader<sup>5</sup> in the treatment of glaucoma and offers an end-to-end glaucoma portfolio (including *PRESERFLO MicroShunt*, a glaucoma surgery device) serving patients at all stages of the disease. In the dry eye area, we cover the early stages of dry eye treatment, from self-medicating patients through *Cationorm* and *Ocutears* (artificial tears), to more severe patients through *Ikervis* (a ciclosporin formulation for severe dry eye).

## • Growth Strategies

<sup>1</sup> Source: Copyright © 2024 IQVIA. JPM 2023.4-2024.3. Santen analysis based on IQVIA data. Reprinted with permission. <sup>2</sup> Product co-promoted with Bayer Yakuhin, Ltd. (MAH) <sup>3</sup> Excluding retina segment. Source: Copyright © 2024 IQVIA. IQVIA MIDAS 2023.Q1-2023.Q4. Santen analysis based on IQVIA data. Reprinted with permission. <sup>4</sup> Germany, France, Spain and Italy <sup>5</sup> Source: Copyright © 2024 IQVIA. IQVIA MIDAS 2023.Q1-2023.Q4. Santen analysis based on IQVIA data. Reprinted with permission. Note: The Company revised the forecast for FY2024 on August 6, 2024 in the financial results for the first quarter of FY2024 mainly due to a change in assumptions, including FX assumptions. The revised numbers are reflected on this page.



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

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

In fiscal 2023, revenue was JPY 28.7 billion, up 19% year-on-year. This was mainly due to growth in major countries such as South Korea and Vietnam (including the one-time factor of an infectious conjunctival disease outbreak). For fiscal 2024, we forecast revenue of JPY 31.6 billion, up 10% year-on-year, with growth mainly in the glaucoma and dry eye areas in South Korea.

In the glaucoma area, we have many products with different mechanisms of action, such as *Tapros*, *Tapcom*, *Cosopt*, and *Eybelis*, as well as *PRESERFLO MicroShunt*, a glaucoma surgical device. In fiscal 2024, we will respond to a wider range of therapeutic needs by launching ROCK inhibitors. In the dry eye area, we are also covering all stages from those that can be met with self-medication to severe cases with *Cationorm*, *Hyalein*, *Diquas*, and *Ikervis*. In Southeast Asia in particular, we will expand the number of patients that we serve through products such as *Hyalein* and *Sancoba* by strengthening the development of pharmacy channels through engagement with pharmacists. By utilizing digital technology suitable for the region, we will promote awareness of eye disease and communication with healthcare professionals, as well as improve access to healthcare.

In fiscal 2023, revenue was JPY 29.9 billion, up 39% year-on-year. This was mainly due to the solid performance of mainstay products, supported by the promotion of a multi-channel strategy and reflecting a recovery from the COVID-19 resurgence of the previous fiscal year. For fiscal 2024, we forecast revenue of JPY 32.6 billion, up 9% year-on-year, due to the full-year negative impact from volume-based purchasing of our mainstay product *Diquas* despite expected increases in sales of *Hyalein*, *Tapros*, and newly launched *Cationorm*.

In the Chinese market, in addition to *Hyalein* and *Cravit*, we sell a wide range of high-quality products, including a cataract agent and a diagnostic agent for eyes. We also maintain a strong presence due to our early entry into the market and our ability to develop the market in collaboration with academic societies and key opinion leaders. Although the market is highly volatile, there is considerable room for growth, and we expect to maintain a growth trajectory over the medium to long term. We are actively expanding our sales channels to private hospitals and pharmacies through a multi-channel strategy. Our efforts will focus on strengthening our product development, forging strategic partnerships, and improving Commercial Excellence in anticipation of medium- to long-term market expansion.

• Growth Strategies

<sup>1</sup> Excluding retina segment. Countries and regions included: South Korea, Vietnam, Thailand, Philippines, Indonesia, Malaysia, Singapore, Taiwan, and Hong Kong. Source: Copyright © 2024 IQVIA. IQVIA MIDAS 2023.Q1–2023.Q4. Santen analysis based on IQVIA data. Reprinted with permission. <sup>2</sup> Excluding retina segment. Source: Copyright © 2024 IQVIA. IQVIA MIDAS 2023.Q1–2023.Q4. Santen analysis based on IQVIA data. Reprinted with permission.  
Note: The Company revised the forecast for FY2024 on August 6, 2024 in the financial results for the first quarter of FY2024 mainly due to a change in assumptions, including FX assumptions. The revised numbers are reflected on this page.

# Human Capital Strategy

To solve social issues in the field of ophthalmology based on our CORE PRINCIPLE, we need talent capable of contributing to the eye health of people worldwide.



**Kentaro Kakihana**  
Global Head of Human  
Resources

Santen has consistently provided treatment options to patients by focusing on prescription pharmaceuticals that are covered by insurance. In the new disease areas of myopia and ptosis, which will support our medium- to long-term growth, different competencies and knowledge will be required. Moreover, we will strengthen our organizational capabilities through people development and promotion of the next generation of leaders, building knowledge and skill sets needed to respond to globalization, changes in the market environment, digitalization, and other trends.

For Santen to continue to contribute to eye health, it is important for employees to feel that they are growing, and to work with high aspirations. Another key theme is enhancing well-being to ensure that everyone can work in good health and with a sense of fulfillment. With individual values and lifestyles becoming increasingly diverse, we are also putting effort into creating a work environment where diverse employees can thrive (▶ Page 36), including our New Work Style policy, flextime, and various leave policies.

## • Growth Strategies

### The Talent We Most Seek

To realize Happiness with Vision, we will venture into new fields and cultivate new markets.  
To this end, we believe it will be important to assemble the kind of talent described below.

Those who always think and act by putting people and patient happiness first

Those who are attentive to changes in the ophthalmology landscape and people's needs, and think with a viewpoint considering all possibilities and all of Santen's unique strengths in order to drive our strategy

Those who co-create, continue to innovate, and take on new challenges to solve problems globally

Those who are independent and lead by example, striving for personal growth and career development to maximize the value of their contributions



## Employee Engagement

Based on our belief that improving employee engagement leads to improvement of well-being and productivity, we conducted an engagement survey and are now addressing the issues identified.

The engagement survey conducted in fiscal 2022 revealed “communication” and “collaboration” as areas for improvement. In fiscal 2023, senior management, including the CEO, held town hall meetings and increased opportunities for communication with employees.

The survey was repeated in fiscal 2023, and the results highlighted strengths in our employees’ pride in their work and team’s accomplishments, as well as a strong alignment to our WORLD VISION. On the other hand, as in the previous year, our analysis found a need for continued improvement in “communication” and “collaboration.” Specifically, issues that have become apparent include information-sharing and dialogue from management and

supervisors, as well as involvement and sense of participation of employees. Additionally, in the free-response section of the survey, many employees expressed their wish for more ongoing education and training opportunities to be provided for personal career development.

### FY2023 Engagement Survey Results

<b>Target</b>	All employees globally (All permanent employees excluding employees on long-term leave including childcare leave)
<b>Period conducted</b>	November 2023
<b>Response rate</b>	93%
<b>Score</b>	<b>64%</b> Maintained the score at the level of the previous year amid several changes (e.g., structural reforms) in the internal environment
<b>Strengths</b>	Pride in one’s own work and in teams, alignment with the WORLD VISION
<b>Areas for improvement</b>	Communication, Collaboration

Region	Initiatives by Region and Examples of Improvement
<b>Japan</b>	Held quarterly town hall meetings in sales and marketing departments. Promoted understanding of current conditions, targets, and important matters. Score on “I feel I make a difference here” improved by 1 point.
<b>Asia</b>	Held quarterly town hall meetings, and adopted a format that encourages more two-way communication in fiscal 2023, including panel discussions and sharing of case studies. Score on “Communication” improved by 2 points.
<b>China</b>	Conducted quarterly employee awards. Presented awards at quarterly town hall meetings and announced winners on internal employee social media platform. Score on “Management shows appreciation for good work and extra effort” improved by 11 points.
<b>EMEA</b>	Held information sessions on the evaluation and compensation process. Explained the various compensation elements in detail. Score on “People here are paid fairly for the work they do” improved by 3 points.
<b>North America</b>	In addition to quarterly town hall meetings, held communication sessions on the organizational changes. The score on “Management keeps me informed about important issues and changes” improved by 10 points.

In fiscal 2024, holding two-way communication sessions between Corporate Officers and employees at least twice a year was set as a Company-wide non-financial indicator. By detailing and sharing the organization’s direction through regular dialogue opportunities between management and employees, we aim to ensure the transparency of management and increase the understanding of employees.

## • Growth Strategies


## People Development Programs

In the fiscal 2022 engagement survey results, given growing requests for opportunities to develop business understanding and take part in training, we carried out various training programs in each region with objectives such as instilling learning habits and ways to build relationships with colleagues.

In the Learning Festival held in EMEA, a total of 1,671 employees participated over two weeks, and in a post-participation questionnaire, their level of satisfaction was very high, averaging 9.13 points on a scale of 10. The event consisted of a program in which employees acted as instructors to teach each other their areas of expertise. This also led to fostering a corporate culture in which people “teach themselves and learn from each other,” not only by acquiring knowledge, but through the active participation of each person.

We are also restructuring our common global people development program.

In the program, which covers all employees, a skills assessment is conducted to visualize the skills of each employee. Every year, all employees have the opportunity to talk with their supervisor about their career, as well as to discuss their desired career path, the specific steps they will take, and their future work style and training direction. The content and details of those discussions are recorded in the personnel system. The direction of career development is defined while reconciling the desired career paths of employees with supervisors’ expectations for their subordinates, and a wide range of learning and training



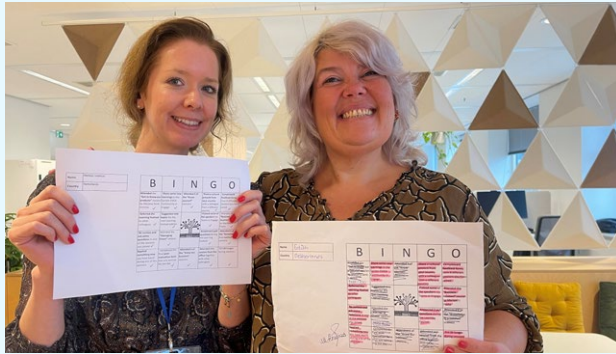

**EMEA  
Learning  
Festival**

**Period held:** October 30–November 10, 2023; 35 sessions (online)

**Cumulative number of participants:** 1,671 (number of EMEA employees: 737<sup>1</sup>)

**Cumulative training time:** 1,821 hours

<sup>1</sup> As of March 31, 2024

opportunities are provided, taking the assessment results into account.

For systematic management development and succession planning, we conducted a people development program and coaching for senior leaders in Asia in fiscal 2023. From fiscal 2024 onward, we plan to expand this program globally to include other regions.

In succession planning, we are visualizing the pipeline and readiness of potential successors to Corporate

Officers, and taking the results of that into consideration as we build a talent pool for the medium to long term, and develop and acquire the people needed to address new therapeutic areas and a new business environment.

People development and promotion is a top priority of management, and we aim to be an organization where professionals can grow and flourish while making contributions to the field of ophthalmology.

## • Growth Strategies

# Our Sustainability Commitment

We offer products and services to treat and prevent eye diseases based on our CORE PRINCIPLE of *Tenki ni sanyo suru*, or exploring the secrets and mechanisms of nature in order to contribute to people's health. As a company specialized in ophthalmology, we understand the needs of patients and healthcare professionals. We are committed to expanding our business across the globe, delivering high-quality products consistently, and making a meaningful contribution to as many people as we can. We will continue to pursue the Happiest Life for every individual, through the Best Vision Experience. We aim for the sustainable development of our company and society according to the following values.

## Realization of Happiness with Vision

### To be a company consistently valued by people over the long term

- Through initiatives related to the development, supply, and communication of products and services to eliminate or mitigate vision impairment, we bring patients the joy of clear vision, working together with medical professionals and their patients.
  - (Examples) • Developing a new drug for slowing the progression of myopia
  - Developing and marketing medicine and medical devices, and implementing initiatives to support ongoing treatment for glaucoma
- Increase the value of our contributions through **Commercial Excellence**, which is one of our greatest strengths

### To supply products and services over the long term

- Commit to maintaining the highest levels of quality and safety in our products and services, and stable supply
- Develop and promote highly specialized personnel capable of advancing better eye health for people worldwide
- Utilize our intellectual property, IT, and other assets with the utmost diligence

### To always earn the trust of society

- Provide products and services friendly to the natural environment, ensuring the clear vision of a beautiful world for all
- Create and nurture highly transparent and appropriate relationships with stakeholders, including healthcare professionals
- Responsibility to respect human rights

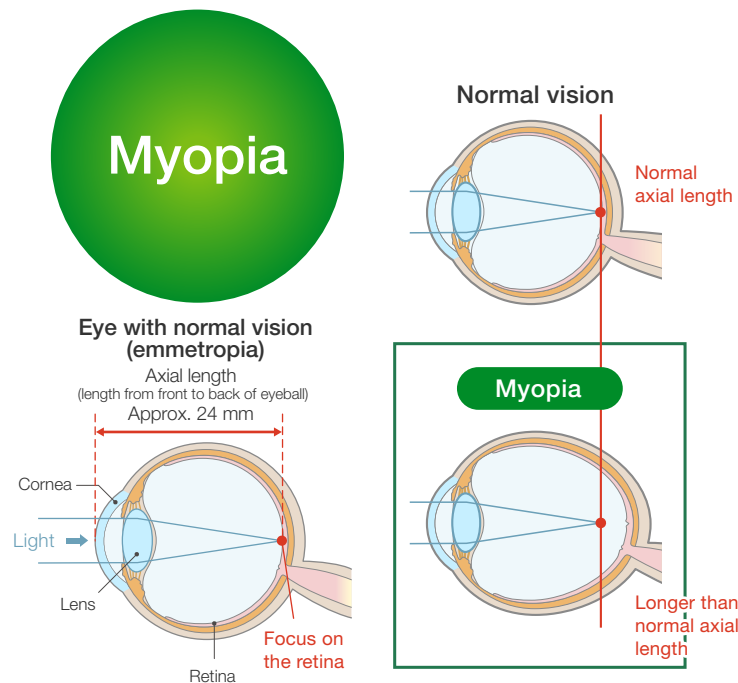
Establish a reliable and transparent governance structure

- Achieving Sustainable Growth



# Product Development Aimed at Expanding Contribution to Patients in New Areas

Santen is conducting research and development to provide products with new added value for patients. In order to help patients live more comfortably, we are actively pursuing R&D in disease areas for which drug-based treatments have not been the mainstay, as well as to improve existing products, such as by reducing the required frequency of administration. This section presents R&D activities aimed at slowing the progression of myopia in children and at treatment of acquired ptosis, which is mainly caused by aging.



## The Rapidly Growing Worldwide Myopia Population

Myopia (commonly known as nearsightedness) is a condition in which the focal point for distant objects is in front of the retina, instead of directly on it, and is primarily caused by elongation of the axial length (front to back) of the eye. It is considered to have genetic and environmental causes, the latter including maintaining a prolonged focus on nearby objects or spending less time on outdoor activities, among other factors.<sup>1</sup> Once myopia develops, it progresses as the body grows. The condition is progressive and irreversible, affecting patient quality of life (QOL)—and when the patient is a child, that of their parents.<sup>2,3</sup> Myopia progresses more rapidly per year in younger age groups,<sup>4</sup> particularly those of school age. As such, for treatment it is considered crucial to suppress the progression of myopia during this period.<sup>5</sup>

At present, approximately 30% of the world population is estimated to have myopia, a figure that is expected to reach 50% in 2050.<sup>6</sup> The rate of high myopia, which raises the risk of complications such as retinopathy and glaucoma that can potentially lead to blindness,<sup>7</sup> is predicted to reach 10% of the world population by 2050.<sup>6</sup> The global rise in the myopia population is a major social issue. This is particularly the case in Asia, where the prevalence of myopia is higher than average.<sup>6</sup> China and Singapore are among the regions where government-led prevention efforts are under way, in view of myopia's negative potential impacts at a national level. Myopia is generally corrected with glasses or contact lenses. Outside Japan, the use of ophthalmic solutions, therapeutic contact lenses, orthokeratology, and other methods are being investigated as treatments for slowing the progression of myopia, and several have received regulatory approval.

## • Achieving Sustainable Growth

### Perception of myopia reported by parents of elementary school students with the condition<sup>8</sup>

I want my child to be able to go about daily life without needing glasses/contact lenses	80%
I want my child to be able to safely participate in hobbies and sports without wearing glasses/contact lenses	77%
I want to alleviate any anxieties my child has about their vision steadily declining with age	69%

In Japan, the number of children with visual acuity less than 1.0 (less than 20/20 vision) has been increasing every year, and the percentage is reported to be approximately 38% of primary school students and 61% of lower secondary school students.<sup>9</sup> Santen conducted a survey of parents of elementary school students with myopia. Many responded that they wish for their children to be able to go about their daily lives with the minimum of inconvenience due to myopia. We hope to contribute to the QOL of many people, including those who live with and alongside patients, to which end we are conducting research and development in the myopia area.

<sup>1</sup> Lancet. 2012 May 5;379(9827):1739-48 <sup>2</sup> Curr Eye Res. 2023 Dec;48(12):1189-1194 <sup>3</sup> Invest Ophthalmol Vis Sci. 2021 Apr 28;62(5):2 <sup>4</sup> Eye (Lond). 2014 Feb;28(2):134-41 <sup>5</sup> Sci Rep. 2022 Feb 21;12(1):2879

<sup>6</sup> Ophthalmology. 2016 May;123(5):1036-42 <sup>7</sup> Invest Ophthalmol Vis Sci. 2020 Apr 9;61(4):49 <sup>8</sup> Santen surveyed 552 parents (22-55 years old) of elementary school students with myopia. Percentage of parents who responded "strongly agree" or "agree." Survey response options were "strongly agree," "agree," "somewhat agree," "somewhat disagree," "disagree," and "strongly disagree." (Survey items translated from Japanese for reference purposes only.)

<sup>9</sup> Press Release: Publication of School Health Statistics (Fixed Figures) for the 2022 School Year. Ministry of Education, Culture, Sports, Science and Technology. [https://www.mext.go.jp/content/20231115-mxt\\_chousa01-000031879\\_1a.pdf](https://www.mext.go.jp/content/20231115-mxt_chousa01-000031879_1a.pdf) (Japanese only)

## Toward Contributing to Pediatric Myopia Patients

We estimate 130 million potential pediatric patients with myopia in the four regions of Japan, China, Asia, and EMEA where Santen is developing its business.<sup>1</sup> We are developing STN1012700/01 (generic name: atropine sulfate) with a commitment to providing new treatment options for this entire patient population.

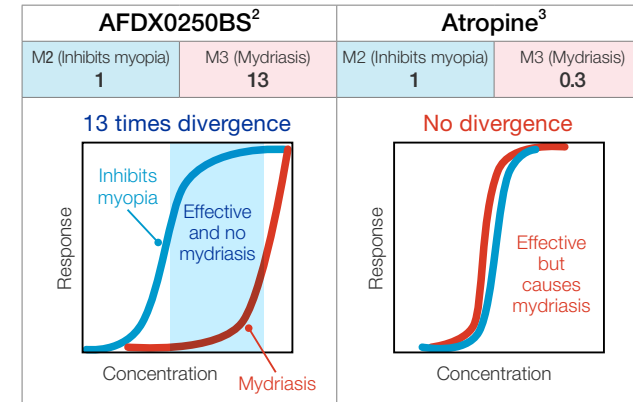
In February 2024, Santen filed for manufacturing and marketing approval of STN1012700 in Japan. We anticipate that it will be launched in fiscal 2025, ahead of other regions. If approved, it will be the first approved suppression treatment for myopia progression in Japan (among ophthalmic solutions, orthokeratology, and therapeutic contact lenses). In EMEA, Santen signed an

exclusive licensing agreement with Sydnexis Inc. in 2021 for an atropine formulation that is currently undergoing a Phase 3 trial in Europe and the United States, with the goal of launching the formulation in fiscal 2025. A Phase 2/3 trial in China is scheduled for completion in fiscal 2026. In Asia, we plan to file after obtaining approval in Japan.

We are also working on STN1013400 as a next-generation medication that aims to slow the progression of myopia. Atropine is a nonselective muscarinic receptor antagonist and increasing the concentration enhances its action on both the muscarinic M2 receptor (which inhibits myopia) and the muscarinic M3 receptor (which can lead to mydriasis), so it is crucial to set a concentration that balances therapeutic efficacy and side effects. AFDX0250BS is an active ingredient of STN1013400 that has divergent affinities for these two receptors compared with atropine.<sup>2,3</sup>

We therefore expect that it will be more effective while also reducing side effects, and we are currently conducting a Phase 2a trial.

### Comparison of Ki Value (Affinity) for M3 Receptor (Ki Value for M2 Receptor = 1)



• Achieving Sustainable Growth

### Comment from a Leading Ophthalmologist



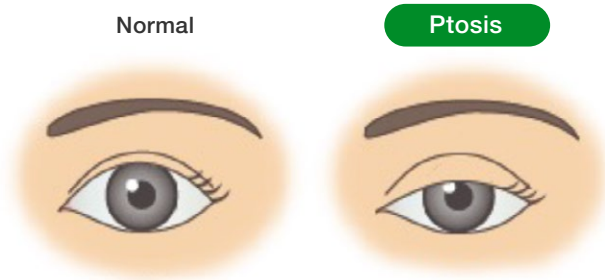
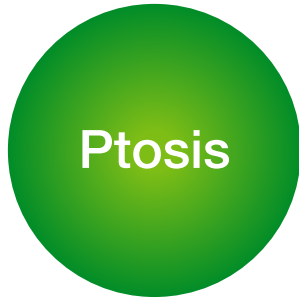
**Kyoko Ohno-Matsui**  
MD, PhD

Professor and Chairwoman,  
Ophthalmology and Visual Science,  
Tokyo Medical and Dental University  
President, Japan Myopia Society

In recent years, myopia in children has been increasing worldwide and has become a social problem. In Japan, the number of children with visual acuity less than 1.0 (less than 20/20 vision) has been increasing, and the percentage is reported to be approximately 38% of primary school students and 61% of lower secondary school students.<sup>4</sup> Myopia, even if mild, has been found to increase the risk of eye diseases such as glaucoma and retinal detachment in adulthood.<sup>5</sup>

Therefore, preventing myopia from developing and progressing in childhood is very important to maintaining long-term eye health. Besides recommendations for modifying everyday behaviors, such as increasing time spent outdoors or taking occasional breaks when performing a task that requires focusing on very close objects, the use of eye drops, contact lenses, orthokeratology, and other methods are being studied worldwide as treatments to slow myopia progression. I expect Santen, as a company specialized in ophthalmology, to contribute to resolving social issues through the creation of effective products and services.

<sup>1</sup> Santen estimate. Countries and regions included: Japan, China, South Korea, Taiwan, Singapore, Thailand, Philippines, Hong Kong, Indonesia, Vietnam, Malaysia, the U.K., France, Germany, Spain, Italy, Switzerland, Austria, Netherlands, Denmark, Norway, Sweden, Finland, Ireland, and Portugal <sup>2</sup> *J Pharmacol Exp Ther.* 1991;256(2):727-33 <sup>3</sup> *Life Sciences.* 1999;64(25):2351-58 <sup>4</sup> Press Release: *Publication of School Health Statistics (Fixed Figures) for the 2022 School Year.* Ministry of Education, Culture, Sports, Science and Technology. [https://www.mext.go.jp/content/20231115-mxt\\_chousa01-000031879\\_1a.pdf](https://www.mext.go.jp/content/20231115-mxt_chousa01-000031879_1a.pdf) (Japanese only) <sup>5</sup> *Invest Ophthalmol Vis Sci.* 2020 Apr 9;61(4):49



## Ptosis as an Underrecognized Disease

Ptosis is a disease where the eyelids droop, making it harder to see. It is caused when the muscles that elevate the upper eyelid, or the tendons they are attached to, weaken. Symptoms include a restricted upper visual field, shoulder stiffness, headaches, and susceptibility to fatigue, as well as effects on physical appearance, such as making the patient “look sleepy.” Aging is considered to be the most common cause of acquired ptosis, and we estimate 391 million potential patients with acquired ptosis in the

four regions of Japan, China, Asia, and EMEA, where Santen is developing its business.<sup>1</sup> In the United States, there is an approved eye drop available, but in other regions surgery is the only treatment option.

## Bringing New Treatment Options to the World

In 2020, Santen in-licensed an approved drug marketed for the treatment of acquired ptosis in adults in the United States and is developing it as STN1013800 (generic name: oxymetazoline hydrochloride). Oxymetazoline hydrochloride

is a direct-acting alpha adrenergic receptor agonist that acts on the  $\alpha_2$  adrenoceptor in the Müller’s muscle, and could potentially help to elevate the upper eyelid by inducing the muscle to contract.<sup>2,3,4</sup> In a Phase 3 trial in Japan, there was a statistically significant improvement in the primary endpoint—change in MRD-1 (Marginal Reflex Distance-1, the margin distance between the upper eyelid and the center of the pupil) at two hours after the dose at 14 days of treatment—in both the 0.1% STN1013800 once-daily and twice-daily eye drop groups versus the placebo group. In the trial, safety and tolerability have also been investigated for up to 6 months. Based on these results, in fiscal 2024 we plan to file for manufacturing and marketing approval in Japan, and to begin Phase 3 trials in China and EMEA. In Asia, we plan to file for approval in fiscal 2026.

### • Achieving Sustainable Growth

(As of July 2024)

Indication	Generic name	Development code	Region	Clinical trial			Filed	Approved	Expected launch year
				Phase 1	Phase 2	Phase 3			
Myopia	Atropine sulfate	STN1012700/DE-127	Japan	[Progress bar]					FY2025
			China	[Progress bar]					FY2028
			Asia	[Progress bar]					FY2027
		STN1012701/SYD-101	Europe	[Progress bar]					FY2025
AFDX0250BS	STN1013400	Japan	[Progress bar]					FY2031 onward	
		China	[Progress bar]						
Ptosis	Oxymetazoline hydrochloride	STN1013800	Japan	[Progress bar]					FY2026
			China	[Dashed progress bar]					FY2029
			Asia	[Dashed progress bar]					FY2027
			Europe	[Dashed progress bar]					FY2027

<sup>1</sup> Santen estimate. Countries and regions included: Japan, China, South Korea, Taiwan, Singapore, Thailand, Philippines, Hong Kong, Indonesia, Vietnam, Malaysia, the U.K., France, Germany, Spain, Italy, Switzerland, Austria, Netherlands, Denmark, Norway, Sweden, Finland, Ireland, and Portugal

<sup>2</sup> *Ophthalmic Plast Reconstr Surg.* 1999 Mar;15(2):92-9 <sup>3</sup> *Fundam Clin Pharmacol.* 2010 Dec;24(6):729-39 <sup>4</sup> *Br J Pharmacol.* 1996 Jul;118(5):1246-52



# Market Penetration of Products with Social Significance

The cornerstone of our growth strategy and the very reason for our existence as a company is the contribution we make to patients. This contribution includes addressing unmet needs by bringing innovations to products and services in the ophthalmology field, and our pursuit of Commercial Excellence. With the aim of achieving the sustainable development of the Company and society, we are striving for market penetration of products with social significance.



**Ippei Kurihara**

Director, Corporate Officer,  
Head of Japan Business,  
Global Commercial Strategy

## Strengths in Japan

I always stress to my colleagues at Santen's Japan business that we must continue to be a "leading company" in eye health. This means more than simply us having the No. 1 market share,<sup>1</sup> it also entails being a thought leader when considering the kind of company we should be and what is most important in providing new value for the eye health of patients. By continuing to develop new markets through

this approach, we will contribute to eye care in blue ocean areas (i.e., where there is limited competition) that will constitute our main domain. In turn, this will enable us to broaden our contribution to reach new patients.

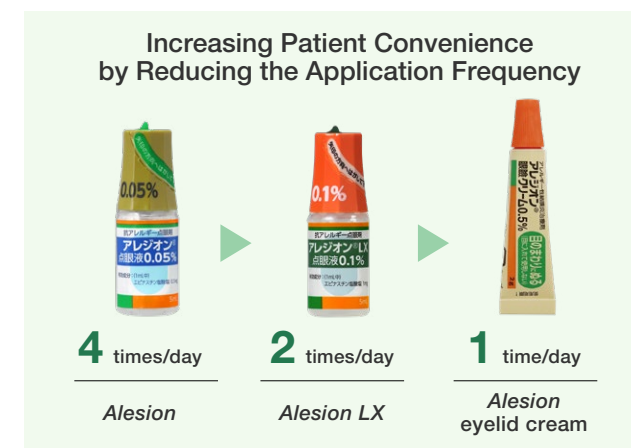
To continue to be a leading company, the most important thing is to provide new value from the perspectives of patients and consumers. It is essential to provide and propose blueprints for the kind of world that will be realized once such new value has been disseminated. By successfully doing so we will realize business growth. Throughout our history, various departments (not only R&D but also sales and marketing functions, including ourselves) have held the same vision and continued to strive for the same goals, starting from the development phase. This has enabled us to achieve market penetration for our products that offer new value, leading to significant results. Such cross-departmental collaboration is a strength of Santen's Japan business and a driver of Santen's Commercial Excellence.

## Offering New Value to Drive Business Growth

Providing new value is not limited to launching a new compound. Improvements to enhance the value of existing drugs (life cycle management (LCM)) and the provision of services that support patients and healthcare professionals

are also essential. These are activities that only Santen, a company specialized in ophthalmology, can accomplish. Below we introduce LCM for anti-allergy eye drops as an example of specific activities to provide new value.

Allergic conjunctivitis is a condition in which allergens such as pollen adhere to the surface of the eye, causing inflammation of the conjunctiva. Many patients suffer from symptoms such as severe itching and redness of the eyes, which leads to decreased quality of life (QOL). The first line of treatment is typically anti-allergy eye drops. Conventional treatment in Japan generally involves the use of eye drops to suppress itching only after itching is felt. Seeking to develop the best allergy treatment for patients and enhance their QOL, Santen arrived at the concept of an "itch-free world;"



## • Achieving Sustainable Growth

<sup>1</sup> Source: Copyright © 2024 IQVIA. JPM 2023.4–2024.3; Santen analysis based on IQVIA data. Reprinted with permission.

the idea being to prevent the onset of itching. Because recurrent itching can also impact a patient’s personal life and leisure time, Santen concluded that preempting symptoms before they appear was critically important.

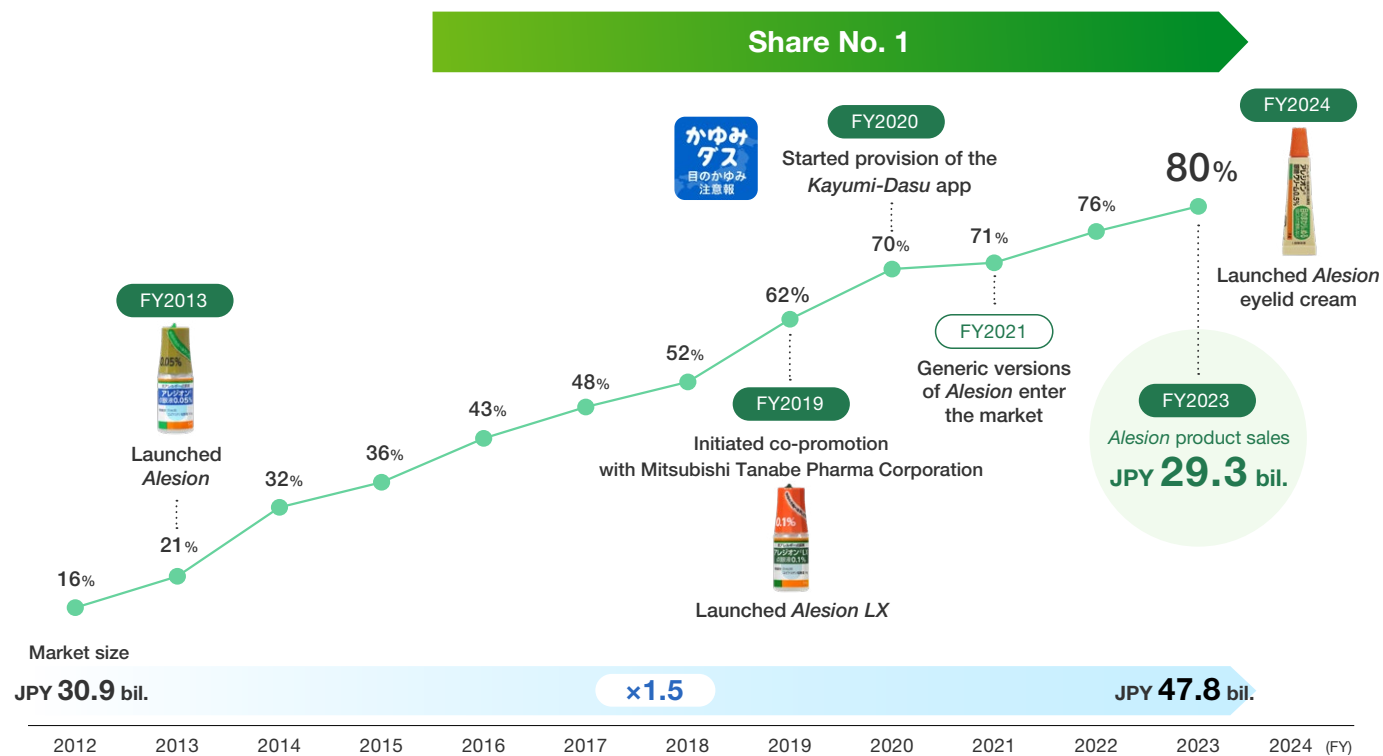
Achieving the indicated treatment efficacy is dependent upon the patient following the recommended administration method and dosage. With the aim of making it easier for patients to instill eye drops according to the appropriate regimen, we developed and launched *Alesion LX*, a twice-a-day instillation that reduces the frequency of administration from *Alesion*, which required a four-times-a-day instillation. However, interviews with patients and doctors, together with information from academic papers and other sources, revealed that many patients were still using eye drops only when their eyes felt itchy, while others could not use eye drops during the day due to constraints at work or school, or other factors—including young age or physical disability—and struggled to adhere to application instructions. Realizing the need for a dosage form that facilitated patient adherence, we began a new LCM development project. The result was the launch in May 2024 of *Alesion* eyelid cream, the world’s first cream-type allergic conjunctivitis treatment requiring just once daily administration to the upper and lower eyelids. In parallel with the improvements these new formulations offer, we have collected data to demonstrate the efficacy of proactive eye drop use<sup>1</sup> in order to help disseminate our ideal of an “itch-free world.” We also developed *Kayumi-Dasu* under the supervision of an ophthalmologist as a software app for

patients.<sup>2</sup> We are co-promoting *Alesion* products with Mitsubishi Tanabe Pharma Corporation to enhance market penetration outside ophthalmology clinics.

As a result of our continued pursuit of enhanced QOL for patients since we launched our first *Alesion* formulation in 2013, we have led the expansion of the anti-allergy drug market as well as achieved significant expansion of our own

share, enabling us to reach No. 1.<sup>3</sup> Sales have grown significantly beyond our initial expectations. Going forward, the Japan business will continue Santen’s contributions to ophthalmology as a leading company by providing new value for the eye health of patients. At the same time, we will grow the business to stably support Group performance.

Santen’s Share of the Japan Anti-Allergy Prescription Ophthalmic Market<sup>3</sup> (Value basis)



• Achieving Sustainable Growth

<sup>1</sup> Using eye drops in compliance with the dosage guidelines during symptom onset, even if itching has not yet begun, to reduce the frequency of itchy eyes.

<sup>2</sup> The *Kayumi-Dasu* smartphone app helps people deal with itchy eyes caused by pollinosis. It provides information on caution levels and countermeasures for itchy eyes and other eye symptoms based on the daily weather forecast, and includes an eye drop notification function to support “proactive eye drop use” during the onset period. (Available in Japanese only.) <sup>3</sup> Source: Copyright © 2024 IQVIA. JPM 2012.4–2024.3; Santen analysis based on IQVIA data. Reprinted with permission. *Alesion* product sales according to Santen data.

Enhancing the Lives of Glaucoma Patients in EMEA with a Wide Range of Products

Glaucoma is a disease in which damage occurs to the optic nerve that transmits information from the eyes to the brain, leading to narrowing of the visual field. In many countries it is one of the main causes of visual impairment, including vision loss and blindness.<sup>1,2</sup> The primary risk factor for glaucoma progression is the elevation of intraocular pressure (a measure of eyeball hardness) beyond an individual's pressure tolerance.<sup>1,2</sup> Because the disease is generally progressive and irreversible, having a significant impact on a patient's life, early detection and treatment to control the progression are crucial. Lowering intraocular pressure has been shown to be an effective means of reducing the prevalence of damage to the optic nerve.<sup>3,4</sup> There are various treatments, such as drug therapy, laser therapy, and surgery, that apply different mechanisms of action or surgical techniques. In many cases, lifelong treatment is necessary, with methods personalized to the condition of each patient.

As it does in Japan and Asia, in EMEA Santen offers an end-to-end portfolio for the treatment of glaucoma, including ophthalmic pharmacological solutions containing single drugs or combination drugs, as well as a medical device. There is also a high need for preservative-free glaucoma medicines, and approximately 70% of EMEA glaucoma medicine sales are preservative-free. *PRESERFLO MicroShunt*, launched in 2019,<sup>5</sup> is an implant device that requires only minimally invasive glaucoma surgery and is made of highly biocompatible material. As a result, we have expanded our contribution in the field of glaucoma surgery. In fiscal 2022, Santen launched *Roclanda* in Europe. *Roclanda* is the first glaucoma treatment applying a new mechanism of action in the last 25 years in Europe.<sup>6</sup> *Catiolanze*, which has already been approved by the European Commission and is scheduled to be launched in fiscal 2024, is a preservative-free latanoprost eye drop that uses the core technology of cationic emulsion—a technology also used in other Santen-marketed products, including artificial tears for dry eye. We have supporting evidence that *Catiolanze* improves the ocular surface in glaucoma patients with associated ocular surface disease (OSD). Given reports

that approximately 60% of patients with open-angle glaucoma or ocular hypertension show signs and/or symptoms of OSD in one or both eyes,<sup>7</sup> we expect *Catiolanze* to be a valuable new treatment option in patient care across EMEA.

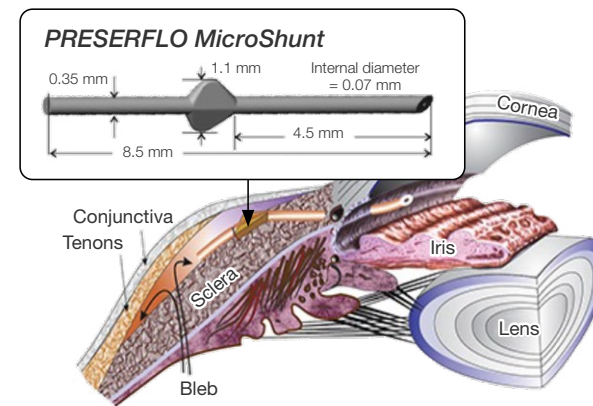
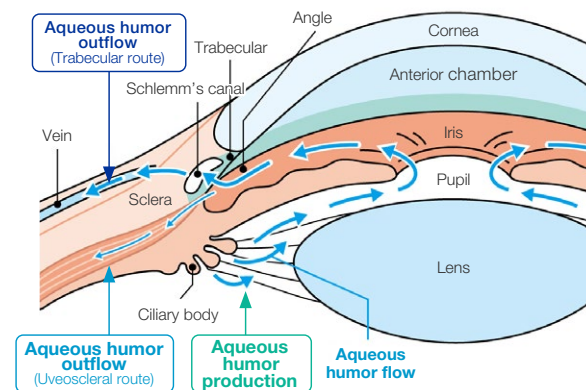
With its broad and innovative portfolio offering, Santen leads the glaucoma market in EMEA and will further enhance and expand its contribution to patients by continuing to provide products that address various unmet clinical needs.

Typical Treatment Options Provided by Santen in EMEA

(As of June 2024; status of approval and launch varies by country; product names are those mainly used globally)

	Brand name	Generic name	Mechanism of action (MOA)
Single drugs based on various MOAs	<i>Tapros</i>	Tafuprost	Prostaglandin F <sub>2α</sub> derivative ● Facilitate uveoscleral outflow
	<i>Timoptol</i>	Timolol maleate	β-blocker ● Suppress aqueous humor production
	<i>Trusopt</i>	Dorzolamide hydrochloride	Carbonic anhydrase inhibitor ● Suppress aqueous humor production
Combination drugs based on multiple MOAs	<i>Rhopressa (Rhokiinsa)</i>	Netarsudil mesilate	ROCK inhibitor ● Facilitate trabecular outflow
	<i>Cosopt</i>	Dorzolamide hydrochloride/ timolol maleate	Carbonic anhydrase inhibitor/ β-blocker ● Suppress aqueous humor production
	<i>Tapcom</i>	Tafuprost/ timolol maleate	Prostaglandin F <sub>2α</sub> derivative/ β-blocker ● Facilitate uveoscleral outflow ● Suppress aqueous humor production
Minimally invasive glaucoma surgical device	<i>Rocklatan (Roclanda)</i>	Netarsudil mesilate/ latanoprost	ROCK inhibitor/ prostaglandin F <sub>2α</sub> derivative ● Facilitate trabecular outflow ● Facilitate uveoscleral outflow
	<i>PRESERFLO MicroShunt</i>	—	Implantation from the subconjunctival space into the anterior chamber creates an artificial aqueous outflow route between the anterior chamber and the extraocular space, allowing intraocular pressure reduction

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<sup>1</sup> Lancet Glob Health. 2017 Dec.;5(12):e1221-e1234 <sup>2</sup> Lancet Glob Health. 2021 Feb.;9(2):e144-e160 <sup>3</sup> Ophthalmology. 127.12 (2020):1642-1651 <sup>4</sup> Arch Ophthalmol. 2002 Jun.;120(6):701-13 <sup>5</sup> PRESERFLO MicroShunt was launched in 2019 after being marketed to some glaucoma surgeons including key opinion leaders (KOLs) <sup>6</sup> Drugs. 2019 Jul.;79(10):1031-1036 <sup>7</sup> J Glaucoma. 2008 Aug;17(5):350-5

# Improving Access to Healthcare

Santen is creating a mechanism to raise the quality and productivity of ophthalmic care teams in developing countries to make eye care accessible to more people.

## Challenges in Access to Ophthalmic Care

We are striving to deliver Happiness with Vision to people around the world. To achieve that, we need to develop products with social significance and create systems for making such products available to more people. Many developing countries lack sufficient healthcare resources—for example, the number of ophthalmologists per million people<sup>1</sup> is only 16.5 in Vietnam and 8.7 in Indonesia, in contrast to 89.6 in Japan. To alleviate such shortages, we are collaborating with external partners to promote education and training of ophthalmologists and allied eye care professionals such as nurses and orthoptists in developing countries.

## Creating a New Mechanism for Developing Ophthalmic Care Teams through Training of Allied Eye Care Professionals

In Asia, demand for ophthalmic care is expanding with population growth and aging, and in many regions there is a shortage of ophthalmologists. To address this problem, we are focusing on the role of allied eye care professionals. In ophthalmology, given that the equipment used in examinations and the treatment flow is specialized and varied, the skills of allied eye care professionals are critical to the smooth provision of treatment. The results of a study showed that roughly 30% of the work done by

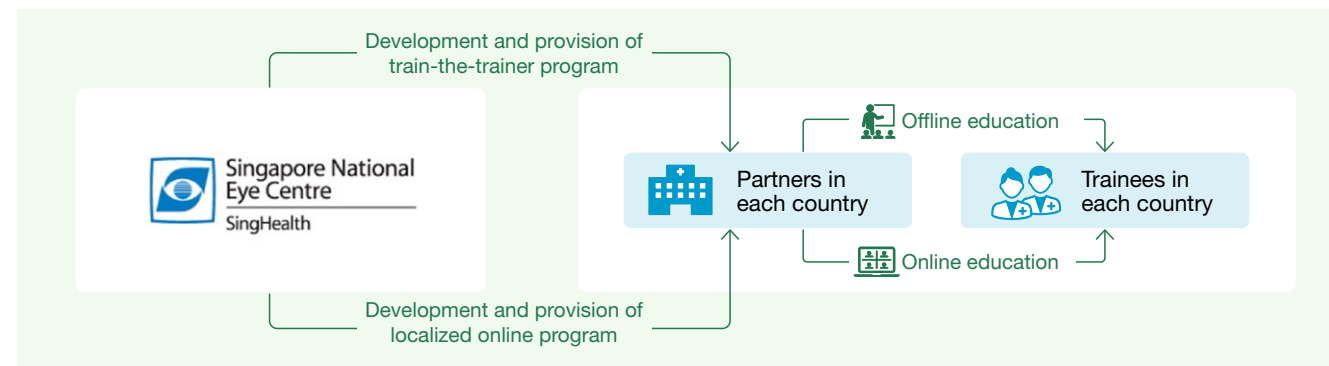
ophthalmologists could be transferred to properly trained nurses and orthoptists. Transferring that work enables doctors to devote their time to caring for more patients and developing their own expertise, and enhances the capability and productivity of the whole medical team.

However, many regions do not have comprehensive training systems specifically for allied eye care professionals. Therefore, we have entered a strategic partnership with Singapore National Eye Centre (SNEC), a global leader in ophthalmology research and education. Under this partnership, we have digitalized SNEC’s training programs for allied eye care professionals and created an online-offline hybrid training model. We are also cultivating local trainers and building a framework for providing this internationally certified program through ophthalmic educational institutions in Southeast Asia.

In 2022, 10 people became qualified as trainers through the program at Vietnam National Eye Hospital, which is the central hospital under the jurisdiction of Vietnam’s Ministry of Health and serves as a clinical training facility for Hanoi Medical University. The following year, a pilot program in Vietnamese was developed, and 40 trainees participated. The plan is to train 600 ophthalmic nurses by the end of 2030, and we estimate that the additional resource capacity thus created will be equivalent to 180 ophthalmologists. In Indonesia, we are conducting similar activities at Dr. Cipto Mangunkusumo National Central Public Hospital, which is affiliated with the University of Indonesia, and the Indonesian Clinical Training and Education Center. Through these activities, we are training 15 trainers and have started a program in the Indonesian language.

## • Achieving Sustainable Growth

Overview of Mechanism for Providing Educational Programs to Eye Care Professionals



<sup>1</sup> Estimated by Santen based on information disclosed by academic societies in each country





### Committed to Establishing Self-Sufficient Training Programs in a Sustainable Format

In this partnership with SNEC, we place particular emphasis on ensuring that programs are not short-lived, but that they will ultimately be able to sustain themselves. We believe that in order to build an effective medical ecosystem, it is essential that local educational institutions run the program independently and that the program is self-sufficient, including in terms of profitability. Therefore, in principle, the expenses required to run the program should be covered by tuition. Tuition fees are set at the lowest level possible, such that they can be recouped by the allied eye care

professionals who took the course through their contribution to the improved productivity of ophthalmologists and the overall revenue of the hospital. In regions where there is significant economic disparity between urban and rural areas, trainees can also use the online program to lessen the financial burden of accommodation and other expenses.

Improving the quality and productivity of ophthalmology in Asia will contribute to the eye health of more people, and will also lead to the creation of a sustainable business foundation for Santen. In emerging markets, we will contribute to society in ways that only Santen can, and pursue further business growth through those contributions.

### • Achieving Sustainable Growth

#### Project Member's Voice



**Hiroaki Kurashima**

Head of Patient Journey Solutions, Alliance Cluster, Santen Pharmaceutical Asia Pte. Ltd.

Functioning as the project management office in the strategic partnership with SNEC, we lead the development of regional expansion strategies, support partnering and pilot activities, and formulate and implement business plans in preparation for the full program launch, working with a wide range of internal and external stakeholders. The project management and business development experience provided by Santen was a major driving force for the launch of the business. Challenging situations often arose because of differences in laws and regulations, language, and business customs in each country, but the support of the Asia local members and their in-depth knowledge of the region played a significant role in resolving those issues. We have also built invaluable, constructive relationships with healthcare professionals for the future of ophthalmology in each country. We are passionate about continuing this initiative, which will in turn contribute to the foundation for Santen's sustainable business growth.



Team members in Asia who supported the project

# A Work Environment Where Diverse Employees Can Thrive

To foster an organizational culture that promotes value creation, we are enhancing well-being and establishing work environments and systems where anyone can thrive, regardless of characteristics such as gender, nationality, and disability.

## A Positive Work Environment

Starting in 2021, we have been advancing New Work Style initiatives that are aligned with Santen's values. These initiatives center on "flexible workplace," "digitalized processes," "well-being and lifestyle," "flexible worktime," and "community contribution." Today, many employees use the option to work from home, and can carry out their roles while meeting with team members online, regardless of global location.

Furthermore, the flextime system allows employees to deal with responsibilities such as dropping off and picking up children, or caring for a family member at home, enabling them to build their career while still fulfilling their private responsibilities.

## Expanding the Leave System to Enable More Flexible Work Styles

In Japan, we expanded the accumulated annual leave system<sup>1</sup> in 2024. Now, in addition to reasons such as

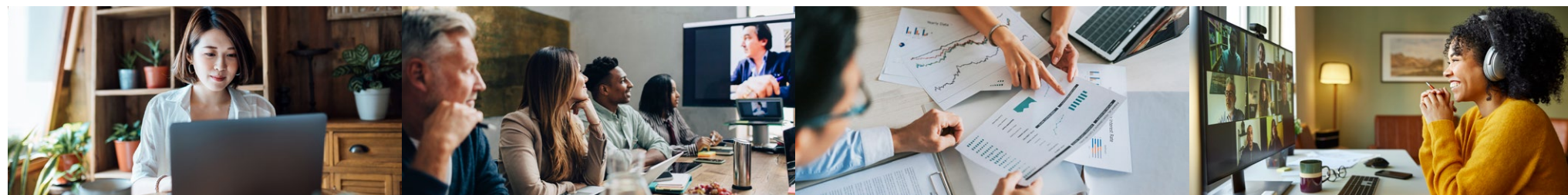
sick leave, family care, childcare, prenatal checkups, refreshment leave, and volunteer activities, employees are able to use their accumulated leave for such purposes as women's health issues (menstrual period, premenstrual syndrome), fertility treatment, follow-up checkups, cancer screening, comprehensive checkups, eye examinations, nursing care, self-improvement, and reskilling. Leave for health-related reasons is collectively referred to as "wellness leave," allowing employees to use the system without having to declare a specific reason to their supervisor/colleagues. Family care and nursing care has been expanded to include not only care for spouses, children, and parents, but also for grandparents and siblings. For childcare, accumulated leave can be used for children, and grandchildren through lower secondary school age, as well as for school events and medical checkups.

## Diversity, Equity & Inclusion (DE&I)

Organizations that leverage diversity bring in a variety of perspectives, ideas, and creativity, which promotes innovation and better decision-making. Gender diversity in particular is a key theme, and to that end we held DE&I webinars for our global employees. We expect this to lead to the development of workplaces where employees can work with excitement and enthusiasm, making full use of their individual abilities while reflecting on their everyday actions and accepting each other's differences.

In our efforts to promote empowerment of women in the workplace, we held seminars for employees in Japan, where the need to address this issue is more pronounced than in other regions. Our ratio of female managers in Japan was 19.0% at the end of fiscal 2023, compared with our target of 20% by 2025. Moreover, female managers have been playing an increasingly active role, including in sales departments.

## • Achieving Sustainable Growth



<sup>1</sup> Instead of expiring after two years, unused leave is carried over as "accumulated leave"

Contribution of Special Subsidiary to Corporate Value



Claire Co., Ltd. is a special subsidiary of Santen. Claire employs persons who have intellectual disabilities, providing them with opportunities and places to engage in fulfilling and meaningful work. Its business consists primarily of cleaning of antibacterial, sterile, and dustproof clothes, which are indispensable in the manufacture of eye drops, as well as cleaning and light work at production plants. In this way Claire is contributing to high-quality production activities.

Leveraging the Characteristics of Diverse Members

The cleaning of clothing must consistently meet deadlines of one or two days. Furthermore, the work volume varies daily and is unknown until it arrives. Therefore, to enable the flexible assignment of staff according to the volume of work, Claire has expanded the types of work contracted to include tasks such as cleaning and manufacturing preparation at plants. As such, it has built a structure in which each person can handle multiple tasks and where there is greater workforce mobility. In addition, Claire employees perform Mail Center<sup>1</sup> work and other tasks, not only at Santen’s plant site in Shiga, but also at its corporate headquarters in Osaka. To ensure that employees with various disabilities can make the most of their abilities in the most suitable roles, and considering the need for multiple people to perform certain work tasks, Claire is simplifying and visualizing work processes as much as possible and **expanding the scope of work it engages in.**

Individual Growth Strengthens the Organization

Employees from Claire also engage in manufacturing preparation work and a number have acquired forklift and building maintenance qualifications. Furthermore, joining the plant

production line requires certain qualifications, so employees must first receive training in Good Manufacturing Practices (GMP)<sup>2</sup> standards for manufacturing and quality management of pharmaceutical products. Studying hard, they check work processes during downtime, think about how they can carry out tasks faster and more accurately, and practice repeatedly. **Claire’s strength is its people who are serious and filled with ambition to improve themselves.**

Pride in Contributing to Society Is a Source of Strength

Keeping in mind our task of contributing to end-users (i.e., patients) through the manufacture of ophthalmic solutions, employees at Claire strive to acquire qualifications and learn every day so that they can fulfill and broaden the scope of their role. Because of that, the quality of its cleaning services is high, and it often receives inquiries from the manufacturing departments of other companies. **With their ingenuity and sustained efforts, Claire’s employees will continue contributing to Santen’s business and society, and make the most of their strengths.**

• Achieving Sustainable Growth



Left: Claire’s cleaning team / Top right: Cleaning team at work / Bottom right: A member of the manufacturing preparation group at work

Comment from a Plant Manager

We contract with Claire for a variety of work, including cleaning of work uniforms, and general cleaning, product consolidation, and material shipping at the plant. Their team’s attention to detail, strong commitment, and dedication, along with the stability they provide through their long-term service, are one of the advantages of keeping production processes within the Santen Group. We appreciate Claire as a valuable partner that is essential to our production activities.



Left: Atsushi Tanemoto (Plant Manager, Shiga Plant, Manufacturing Division)  
Right: Miwako Asai (President, Claire Co., Ltd.)

<sup>1</sup> A function that handles tasks such as receiving, sorting, collection, and forwarding of mail and parcels delivered to the Company <sup>2</sup> Standards for manufacturing control and quality control of drugs and quasi-drugs



# Deepening Understanding of Our CORE PRINCIPLE

We will enhance corporate value through ongoing initiatives to ensure that all employees understand and embody our CORE PRINCIPLE, as well as share the best practices that they or their team/organization have developed.

For more than 130 years, we have continued to conduct business activities based on our CORE PRINCIPLE of *Tenki ni sanyo suru*. To realize the CORE PRINCIPLE, in each area of our business—from research and development, to production, sales and marketing, and administration—employees practice understanding, acceptance, and cooperation on a day-to-day basis.

In that regard, we launched the Santen Value Award program in fiscal 2020 to commend this behavior. This award program is intended to encourage the implementation of our CORE PRINCIPLE globally. With awards presented by the President and CEO, the program promotes the sharing, mutual understanding, and utilization

of examples of excellent initiatives in each region and division, and connects those initiatives to enhancement of corporate value.

In fiscal 2023, entries encompassing a wide variety of themes were submitted. As a result of a fair and impartial evaluation carried out by the project team (led by the President and CEO), five themes received the Santen Value Award.

First, the *Tenki Ni Sanyo Suru Award* (the grand prize) was given for “Work Leading to Approval of *Alesion* eyelid cream 0.5%.” This award recognized the process in which the departments involved—chiefly sales and marketing and R&D—cooperated to identify and fully understand patient

needs for allergic conjunctivitis treatments, and reflected the results in product development.

Given the difficulties of developing a cream preparation that is applied to the eyelids and acts on the conjunctiva, teams went through a trial-and-error process to overcome many challenges, which ultimately led to approval as the world’s first cream-type allergic conjunctivitis treatment.

This product was awarded the grand prize in recognition of the new treatment choice it provides patients and medical professionals who sought a formulation with reduced application frequency or a drug therapy alternative to eye drops. We expect it to contribute to patients’ quality of life.

## • Achieving Sustainable Growth

### Comment from Winners of the *Tenki Ni Sanyo Suru Award*

#### Team representatives

Shinji Koyama, Yuka Haruma, and Yusuke Sano

The success of this project was the culmination of the efforts of various Japan business departments and the R&D department. They have worked closely together since the original development of *Alesion* and *Alesion LX* ophthalmic solutions, consistently applying our CORE PRINCIPLE over the long term. This has provided the foundation for understanding and respecting each other’s intentions, including over the course of internal and external negotiations, which has helped in selecting the optimal courses of action. The result—developing and launching a product based on a new concept—is one that every member of the project team is proud of.

In the future, we hope to reach as many allergic conjunctivitis patients as possible with our products.



Award winners with President & CEO Takeshi Ito at the ceremony



Besides the grand-prize winner, entries under four themes received awards.

Under “Third-Party Due Diligence System/Process,” we built a system focused on conducting due diligence of specific potential high-risk third parties with regard to anti-bribery and anti-corruption measures, from the perspective of strengthening fundamental governance. In addition to ensuring compliance with laws and regulations, the program will promote internal and external understanding of Santen’s compliance practices among the people involved in its business.

Both the “EMEA Learning Festival (creation of self-directed learning opportunities)” (▶ Page 26) and “Flux China HR Team: A Resource Centre for Driving Organizational Effectiveness” originated with ideas that came from the results of an engagement survey. To improve job motivation and satisfaction, we assessed the

current situation in each region, generated ideas, and then systematically put them into action. Specifically, we rolled out educational programs for professional skills development (e.g., computer skill improvement tools and presentation skills training). In addition, sales departments strengthened their leadership approach through talent discovery/development, and promoted mutual understanding of diverse values, which is helping to build the foundation for human capital management.

In “Rapid Recovery from Noto Earthquake,” (▶ Page 65) with efforts centering on the manufacturing department, local employees worked hard to restore operations while themselves recovering from the personal effects of the disaster, driven by a strong commitment to Santen’s mission of ensuring stable product supply. On-site staff calmly and precisely assessed and reported the damage, and a restoration plan was quickly drawn up and implemented.

Following the earthquake, which occurred on January 1, 2024, we established a framework for surveying the damage and maintaining stable supplies, while prioritizing the safety of employees. As a result, all but one of the production lines had resumed operation by the end of March.

Through these and other initiatives, **employees have the opportunity to deepen their understanding of our CORE PRINCIPLE and how their daily work benefits consumers and patients. Building on this foundation, we will encourage all employees to share their activities and results.**

We will continue to create mechanisms to increase synergy across our global operations based on our CORE PRINCIPLE.

• Achieving Sustainable Growth



# A Commitment to Company-wide Digital Transformation (DX)

Medium- to long-term enhancement of corporate value is crucial to realizing Happiness with Vision. To achieve that goal from a digital perspective, we are strategically implementing multifaceted measures, including development of digital talent, to increase productivity through DX.











In fiscal 2023, we began introducing generative AI. Currently, we are using a generative AI chat solution in all but a few regions, which is reducing the number of hours spent on routine work such as summarization, translation, and proofreading. We also use it as a sounding board for ideas, drafting document outlines, gathering information, and other tasks to create output faster. In the future, generative AI will be able to develop processes for personalized medical care, design marketing strategies, and optimize clinical studies, and we believe it will drastically alter our approach to achieving market penetration of products with social significance. To make that happen, many employees are working ambitiously on further applications. All of our employees will incorporate generative AI into their work as a matter of course, which will dramatically advance our DX.

We are also focusing on the promotion of robotic process automation (RPA),<sup>1</sup> and have conducted training and workshops globally. Business departments and the Digital & IT Division are cooperating in the automation of

routine work using RPA tools. More than 80 programs are already running, and are contributing to reduction of human error and more efficient use of human resources. To further apply RPA, we are centrally collecting application examples and know-how, and have established a system that enables the Digital & IT Division to provide appropriate support for consultations and requests from employees who use RPA.

To make maximum use of generative AI, RPA, and other new digital tools to create new value, it is essential to enhance the ability of employees to utilize them effectively. By motivating employees who are interested in utilizing IT and setting up training opportunities for them to interact, we are building a framework in which knowledge and skills are independently transmitted to divisions and teams. We will also promote citizen development<sup>2</sup> to accelerate Company-wide DX, not just at the Digital & IT Division. With individual employees becoming “doers” themselves, we aim to utilize digital technology to quickly create new measures from ideas and underlying needs.

## Initiatives to Promote Use of Generative AI at Santen

-  • Released guidance for internal use of generative AI
-  • Launched generative AI chat globally
-  • Held regional and division-based learning sessions
-  • Held generative AI chat briefing sessions
-  • Released instructional video on using generative AI chat
-  • Published prompts
-  • Conducted survey on use of generative AI chat
-  • Held regional and division-based workshops
-  • Held open-format Q&A sessions
-  • Global pilot use and feasibility verification of a generative AI-based business support tool
-  • Use case contest

## • Achieving Sustainable Growth

<sup>1</sup> A mechanism for using software robots to automate routine business processes

<sup>2</sup> Development by non-engineers (who have no specialized programming or software development knowledge) using tools to make simple work apps and implement automation

Application Examples



As we work to shape sales strategies and to deploy them at the divisions that will execute them, we get ideas from generative AI on what kind of storylines can be used to explain them effectively. It can change our thinking as it gives us insight into possible perspectives that we may not realize on our own and helps to organize talking points. We plan to develop the use of AI in field operations as well as in staff divisions, and expect that to lead to further enhancement of our sales capabilities, which are already one of Santen's strengths.

**Miho Kamei**

Sales Planning Team, Sales Planning and Promotion Group, Sales Department, Japan Sales and Marketing Division, Japan Business



In Japan, maximum limits on working hours and overtime work are determined by law and labor-management agreements, and proper management of those hours and prevention of excessive working hours are seen as natural obligations of companies. At the human resources division, the process for extraction of data from the working time management system, detection of employees who may exceed their maximum working hours, and notification of those employees and their supervisors, which had been done manually before, has been automated using RPA. We have reduced compliance risk by preventing human error and by sending timely notifications, and succeeded in improving work efficiency by 276 hours annually. We will continue to seek opportunities to leverage digital technology to make the best use of our human resources.

**Soshi Ito**

Head of Labor Relations, HR, Japan Region, Human Resources

• Achieving Sustainable Growth



Chemistry, Manufacturing and Control (CMC)<sup>1</sup> involves a wide range of activities from the non-clinical phase to post-marketing. To that end, we are required to collect a variety of information, ranging from scientific literature to overseas pharmaceutical regulations. Using generative AI allows us to obtain summaries and citation sources in half the time it took previously. It also plays a role in broadening our intellectual curiosity because it is easier to look up information on areas outside our own expertise, and the time we save can be used for experimental work.

**Shinya Umezaki**

Pharmaceutical Development, Pharmaceutics and Pharmacology Department, Product Development Division



Asia Commercial Operation Team  
Upper left: Chee Wai Yow  
Upper right: Tae-Won Han  
Lower left: Michelle Tan  
Lower right: Sayako Manabe

We have automated the report creation process using accumulated data to optimize customer engagement. This is achieved through a combination of a customer relationship management system and RPA. Specifically, we have automated data output, report generation, and email distribution using RPA. As a result, we reduced additional costs for system functionality by USD 20,000 and anticipate an annual savings of 1,152 work hours. Additionally, we will continue to enhance the customer experience by utilizing available digital platforms.

**Chee Wai Yow**

Regional Senior Commercial Execution Manager, Asia Commercial Operations, Asia CFU Function Santen Pharmaceutical Asia Pte. Ltd.

<sup>1</sup> The function of developing products, manufacturing processes and quality assessment methods to enable a constant supply of pharmaceuticals of appropriate quality

# Conservation of the Global Environment

We adopt an integrated approach to realizing a carbon-free and recycling-oriented society and protecting biodiversity. On that basis, we will contribute to the development of a sustainable society while strengthening our ability to achieve sustainable business growth.

## Building Our Value Creation Capabilities

Santen's CORE PRINCIPLE of *Tenki ni sanyo suru* means exploring the secrets and mechanisms of nature in order to contribute to people's health. The "secrets and mechanisms of nature" are the very origin of life science and the starting point for our mission. As such, maintaining the rich underlying ecosystems is an important responsibility, and we are promoting integrated activities including those related to the protection of biodiversity.

Negative impacts on the environment, including the emission of greenhouse gases, are unavoidable in the value chain from product manufacturing to supply. To build sustainable value creation capabilities, it is important that we minimize negative impacts. We have established an environmental vision, Santen Vision for the Earth 2050, which sets concrete targets for accomplishing that objective.

We view climate change as a key management issue that presents both risks and opportunities. Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which we endorsed in

June 2022, we identified related risks and opportunities and conducted scenario analysis to measure the financial impact of climate change. Accelerating the transition to low-carbon energy, which is a major transition risk, comes with financial risks in the form of increased investment and costs, but reviewing processes for efficient use of resources can also be a driver for ongoing improvement and innovation. Through a cross-organizational task force, we are already proposing and examining measures for realizing carbon-neutral factories.

Furthermore, we recognize that regulation of plastics used in eye drop containers and other packages and securing the water resources necessary for product manufacturing are key elements for our business continuity. We will promote recycling and reduction of plastic materials, the switch to using biomass plastics for containers, and efficient use of water resources, among other measures to reduce those risks and contribute to the realization of a recycling-oriented society.

**TCFD** | TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES

- Achieving Sustainable Growth





## Toward a Carbon-Free Society

Our greenhouse gas emission reduction targets for fiscal 2030, which we set as a milestone on the path to achieving net-zero greenhouse gas emissions by 2050, have been scientifically determined and approved by the Science Based Targets initiative (SBTi). One measure to achieve these targets is switching all purchased electricity for our plants and laboratories in Japan to electricity from renewable energy sources. CO<sub>2</sub> emissions (Scope 1 and Scope 2 total) in fiscal 2023 decreased 36% compared with fiscal 2019, the base year.

In October 2023, we began solar power generation at the Suzhou Plant in China. Using 1,784 solar panels with a total annual power generation capacity of approximately

1 million kWh, the plant is able to cover about a tenth of its total power consumption with green energy. We expect this to reduce annual CO<sub>2</sub> emissions by about 700 t-CO<sub>2</sub>. In Japan, we have set a goal of improving energy consumption intensity by 1% a year to promote efficient use of energy, and are upgrading to more efficient equipment that uses the latest technologies, mainly at production sites, after ascertaining cost effectiveness.

We will continue to study action plans targeting further reduction of CO<sub>2</sub> emissions and energy consumption, as well as switching to lower emission energy sources, and will work to mitigate climate change and realize a carbon-free society.



Solar panels installed at the Suzhou Plant



The Suzhou Plant solar photovoltaic project team

### Comment from a Project Member



**Xiaolong Bi** (First from right)  
Project Leader, Suzhou Plant Solar Photovoltaic Project  
Director of EHS Management, Santen Pharmaceutical (China) Co., Ltd.

Santen's Suzhou Plant strives to help mitigate climate change by reducing CO<sub>2</sub> emissions utilizing low-carbon resources and energy sources and other means, as well as to create a great place to work. The photovoltaic project construction process involved significant high-risk work, including working at height, operations involving fire hazards, and digging operations. Nevertheless, by ensuring that the safety awareness and conduct of construction workers satisfied Santen site safety management requirements and by identifying and effectively controlling risks during the large-scale construction, the project was successfully completed. We will continue our efforts to implement sustainable production activities in the future.

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## Moving toward a Recycling-Oriented Society

Our targets for fiscal 2030 for environmental load reduction include water consumption per unit of production of 12.4 m<sup>3</sup>/10,000 bottles or less, a 98% or higher recycling rate (non-landfill disposal rate), and a 15% reduction (versus fiscal 2019) in plastic used for wrapping and packaging. By installing equipment for reusing water resources and recycling wherever possible, our water consumption per unit of production was 12.9 m<sup>3</sup>/10,000 bottles, and the recycling rate was 99.6% in fiscal 2023.

To establish sustainable product supply capability, it is important to enhance functions for reducing environmental impact in parallel with the expansion of production capacity. Since more than 80% of our waste is generated at our production bases, in completing construction of a new building at the Shiga Product Supply Center we also built a new recycling building in 2022, as part of our focus on waste management including recycling and reducing waste. For example, the manufacturing process of eye drop containers is our main source of waste plastics. To reduce and recycle waste plastics, we analyzed the process, and finely categorized these plastics according to properties

such as adhesion of pharmaceutical ingredient residues, the presence of colorants, and shape. We then established appropriate disposal methods in cooperation with waste disposal service providers. As a result, we were able to recycle the entire volume of waste plastics. Having improved the efficiency of the waste separation process and transport methods, some waste can now be sold as valuable materials, which also helps to reduce costs. Furthermore, we have begun examining measures for reduction of waste alkali and other forms of waste generated in large volumes.



Recycling building at the Shiga Product Supply Center

As a measure for the product-use stage, we have decided to reduce plastic medication dispensing bags that come with ophthalmic solutions from fiscal 2024, except in cases where they are necessary to preserve the quality of the formulation, for example by protecting the solutions from light or preventing moisture loss. We support the recommendations of the Japan Ophthalmic Pharmaceutical Manufacturer's Association, and industry-wide efforts are expected to lead to elimination of most disposable plastic bags used in conjunction with ophthalmic solution prescriptions.



Eye drop bottles pulverized for disposal

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## Protecting Biodiversity

We established the Santen Group Biodiversity Policy in July 2024 with the aim of maintaining a healthy natural environment and protecting biodiversity. In addition to incorporating conservation of the environment into our business activities, we also adhere to rules for the use of biological resources, including genetic resources. As a pharmaceutical company, we are committed to business growth in harmony with the environment.

### Santen Group Biodiversity Policy

The Santen Group contributes to sustainable global environments based on our CORE PRINCIPLE, *Tenki ni sanyo suru*. We recognize the importance of biodiversity, the fountain of benefits derived from ecosystems, including water, which is the most important element in ophthalmic solutions. We pursue the following activities toward becoming nature positive.

<b>Integrated Efforts</b>	We strive to preserve biodiversity, foster decarbonize societies, and create recycling-oriented societies in an integrated manner, ensuring the clear vision of a beautiful world for all.
<b>Impact Assessment</b>	We assess the impact of our supply chain and other business activities on biodiversity.
<b>Business Activities and Conservation</b>	We conduct business activities in consideration of ecosystems, preventing water, air, and soil pollution, and avoiding forest destruction. We avoid and reduce impacts in areas related to our business that are highly important from the perspective of biodiversity.
<b>Use of Ecosystem Services</b>	We aim for sustainable procurement and the sustainable use of ecosystem services in our business activities.
<b>Use and Management of Genetic Resources</b>	As a company that develops and supplies pharmaceuticals around the world, we use and manage genetic and other biological resources appropriately, complying with local and international rules.
<b>Communication and Partnerships</b>	We communicate with domestic and international NGOs, educational and research institutions, local governments, supply chains, etc., seeking collaboration and cooperation in conserving biodiversity.
<b>Education</b>	We conduct education and awareness-raising activities for employees regarding biodiversity conservation.

To increase the sustainability of our business operations, it is important to understand external expectations and requests through dialogue with stakeholders, and to reflect them in our activities. For protection of biodiversity, in March 2024 we invited Dr. Shin-ichi Meguro (Senior Researcher, Japanese Center for International Studies in Ecology, Institute for Global Environmental Strategies) to talk with senior management of our manufacturing and sustainability divisions. First, he explained the connection between securing water resources, which are essential for eye drops, and protecting biodiversity, and exchanged ideas on what measures to start with to accomplish that. In addition, he shared his thoughts about the intensification of natural disasters due to erosion of ecosystem functions,

and commented that proactive measures are expected, given that environmental protection aligns with the mission of pharmaceutical companies in terms of protecting life. After the dialogue, Dr. Meguro gave a lecture on the topic of “biodiversity and true nature” to raise the awareness of employees. The lecture covered how vegetation is the basic foundation of ecosystems, so its destruction or degradation may harm forests, which can in turn impact our ability to secure rich water resources. The lecture also addressed ways to restore vegetation. After hearing his thoughts on natural systems, the participating managers were able to reaffirm our stance of starting with what we can do for protecting biodiversity.



Dialogue session

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# Stakeholder Engagement

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



## Shareholders and Investors

For institutional investors and securities analysts, we hold financial results briefings, one-on-one meetings, and other events. In addition to the face-to-face dialogue we hold in and outside Japan, we also work to enhance communication opportunities (▶ Page 67) and make active use of a web conferencing system. At the Capital Markets Day on Overseas Business briefing, held in March 2024, we disclosed our efforts in pursuit of Commercial Excellence and our growth strategy for overseas businesses, which are pillars of future growth. We have also been continuing our engagement initiatives, including through shareholder dialogue at Board of Directors meetings.



## Employees

We hold town hall meetings at our sites in Japan, EMEA, Asia, China, and the Americas. These meetings provide opportunities for dialogue between employees and management. Furthermore, for more detailed discussion on the business environment and our strategies, the Head of Japan Business and department heads conducted a “caravan” across Japan. As a forum for regular dialogue between management and the employee union in Japan, we held meetings of the labor-management council, where both sides work to resolve issues. The aim is to strengthen organizational capabilities through discussions that support autonomous career development and build organizational culture. In addition, we conduct an employee engagement survey globally (▶ Page 25) to help inform organizational reform.



Town hall meeting in Japan

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## Suppliers

To maintain a stable supply of pharmaceuticals and fulfill our responsibility to society throughout the supply chain, we strive for dialogue with our suppliers. We ask critical suppliers to respond to our supplier evaluations on a regular basis and encourage all suppliers to comply with the Santen Group Sustainable Procurement Policy and Guidelines. Furthermore, we have worked to confirm matters related to respect for human rights, and disclosed a Modern Slavery and Human Trafficking Statement in August 2024.



## Partnerships to Realize a More Inclusive Society

In collaboration with Houkago NPO Afterschool, we developed an educational program for elementary school students called “Take Care of Your Eyes! Blind Challenge.” This program encourages children to consider the importance of vision and inclusion by sharing in what it is like to experience the world without sight. We continue to conduct the program in conjunction with local governments, schools, and after-school organizations throughout Japan. In addition, we organized an event for employees and their families to deepen understanding of our CORE PRINCIPLE and enhance employee engagement.



Employees and their children participating in the “Take Care of Your Eyes! Blind Challenge” event



# Chairman's Message

The Board of Directors is at the heart of governance. As such, it discusses strategies with a medium- to long-term perspective, and has two main functions: making decisions on important business execution matters and supervising management's business execution. In fiscal 2023, the Board, in its responsibility for representing the interests of shareholders, deliberated and made decisions on various management issues to achieve a recovery of business performance and sustainable growth.

The Board also monitored measures and their execution from the perspectives of whether the expectations of customers and investors were being met, and whether the measures were connected to contributing to ophthalmology.

In order for Santen to achieve medium- to long-term growth, the Board of Directors too must evolve and develop. In June 2024, new Outside and Inside Directors joined the Board, creating a structure for more multidimensional discussions to support the capture of growth opportunities and steady execution of strategies. Personally, I relinquished my authority as a Representative Director at the end of March 2024, and am now fulfilling my responsibilities from a position that more closely emphasizes supervision. Under the new structure, as I continue to run the Board of Directors as chair I will encourage lively discussion in a free and open atmosphere.

In order to fulfill its CORE PRINCIPLE of *Tenki ni sanyo suru*, it is important for the Santen Group to contribute to the advancement of eye care as a global player in the ophthalmology market. A key to accomplishing this will be enhancing the capabilities of its valued employees and the organizations that will execute each strategy. The Board of Directors will strive to enhance its effectiveness while strongly supporting business execution and will work for the benefit of all stakeholders, from patients and employees, to investors and society as a whole.



**Akira Kurokawa**  
Director, Chairman



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# Messages from the New Chairpersons of the Nominating Committee and the Executive Compensation Committee



**Noboru Kotani**

Outside Director  
Nominating Committee  
Chairperson



**Masahiko Ikaga**

Outside Director  
Executive Compensation  
Committee Chairperson

As an Independent Outside Director, I was appointed chairperson of the Nominating Committee in fiscal 2024. Santen's Nominating Committee, which serves as an advisory body to the Board of Directors, deliberates and considers proposals related to the appointment and dismissal of Directors, and the selection and training of successor candidates for Corporate Officers, including the CEO. The question of how to structure the management team and encourage continuous growth relates to the lifeblood of any company and is a matter of the utmost importance. The answer should evolve along with the stages and circumstances of the company.

Santen has been implementing structural reforms for the past year and a half, clearing away legacy issues and restructuring its operating framework so that it is aligned with the Company's capabilities. Now, this needs to be taken to the next level as Santen moves into the future. To that end, the Company has increased the number of Corporate Officers (who will lead the next generation of management) on the Board of Directors and has also replaced a significant number of Outside Directors.

The Nominating Committee will monitor whether the management team of Corporate Officers is functioning properly, evaluate them from various perspectives, and encourage the growth and development of the next generation of management. In doing so, we will ensure that Santen generates sustainable growth and enhances corporate value.

The structure of the Board of Directors changed on June 25, 2024, and the Executive Compensation Committee was restructured to have fewer members. As its newly appointed chairperson, I am committed to facilitating frank and lively discussions and sharing the content of those discussions with the Board of Directors in a highly transparent manner.

Needless to say, the executive compensation system is an important mechanism for appropriately motivating management to achieve business goals over the short, medium and long term, and ultimately to realize Santen's WORLD VISION. The committee will strive to continuously improve the structure of the executive compensation system and its operation to steadily advance Santen's current medium-term management plan, and will also act as a bridge between the executive team and the Board of Directors so that reforms and reviews of the executive compensation system proceed in step with discussions on the formulation of the next medium-term management plan to generate additional growth opportunities from fiscal 2026 onward.

Furthermore, these initiatives will involve careful consideration of how to disclose information so that Santen can better communicate the basic approach and details of its executive compensation system to stakeholders.

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# Dialogue with an Outside Director

The Role of the Board of Directors: Looking toward the Medium-Term Management Plan and Future Growth



■ **Noboru Kotani**

Outside Director  
Independent Officer

■ **Yoko Saiki**

Corporate Officer,  
Global Head of Corporate Strategy

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In aiming for continued growth after structural reforms, Santen must anticipate and respond to various risks, as well as develop and promote the appropriate people, the backbone of any company. An Outside Director and a Corporate Officer (Global Head of Corporate Strategy) present their views on these two points.

## Structural Reform and Approach to People Promotion

**Kotani:** Over the last few years, Santen has launched various new projects to realize its long-term vision. In a number of cases, costs increased because upfront investments failed to yield results. I believe that last year's structural reforms were an effort to return to normal operation. In particular, about 180 people in Japan left the Company through the early retirement program, which I see as necessary from a long-term perspective given the business environment and our personnel structure in Japan. However, such events can also affect employee morale and lead to a decrease in engagement. Therefore, the Board of Directors considers from multiple perspectives whether it was the implementation of the above program that is the cause of a given issue under discussion, so as to preempt any negative impact to Santen. The Company will have to consider bringing in additional personnel as necessary.

**Saiki:** I agree. I do not think there were any major fundamental problems with Santen's long-term direction, but we had issues with the feasibility and execution of strategies, and the fact is that several investments did not go well. The structural reform was a means to get back on track, and I believe that over the past year we have accomplished almost everything we had initially envisioned. We are now in a phase of restoring growth, and we are currently discussing strategies for doing so. From inside and outside the Company, we need to continue to **systematically develop and promote people who empathize with Santen's direction and vision as a company and who can execute accordingly.**

**Kotani:** Santen needs to ensure appointments to key positions are more on point, including Corporate Officers. Simply because the Company is embarking on new initiatives does not necessarily mean that bringing in external hires is the right course of action. **Developing internal talent that understands Santen is also important.** Indeed, two Inside Directors were newly appointed to the Board of Directors in 2024. The Company is currently in a transitional period, so naturally it is mindful of the need to cultivate the next generation of management leaders. Of course, there is full awareness that changes are necessary, including the ratio of Outside Directors, and the Company is proceeding with the transition of Board members with a view to the future.

## Earthquake Response

**Kotani:** The first challenge Santen faced in 2024 was the damage to the Noto Plant from the Noto Peninsula Earthquake that occurred on January 1. The Company had established a very efficient three-shift production system that was in continuous operation at the plant. This is in itself an outstanding achievement, but considering the burden on frontline employees and the risks of concentrating production in one location, there had been discussions of the need to decentralize production. This major earthquake occurred in the midst of these discussions, and **damage to the main plant was extensive. However, we received initial reports promptly, and the Company's response has also been excellent. Frontline personnel have adroitly handled the many challenges that confronted them, and I was impressed by their determination and initiative in addressing the situation.**

**Saiki:** We were able to minimize the impact of the disaster thanks to the efforts of the manufacturing department and many other departments. Not only did the CEO and the other members of the Crisis Management Committee take action with a priority on stable supply, so did frontline personnel, even as some of them were dealing with the effects of the disaster on their own homes. At the same time, **we were able to confirm areas with room for improvement in terms of our business continuity plan (BCP) and production system, and this crisis was an opportunity to think about what additional preparations we should make.**

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## Risk Management and Taking on the Challenge of Entering New Areas

**Kotani:** I agree. Santen has much to consider from the perspective of risk management. For example, **as Santen ventures into myopia, ptosis, and other new therapeutic areas with large potential demand, naturally it will need to anticipate risks that are new to the Company. The expectations of society are also changing rapidly because of technological advances and other factors, and the ability to keep up with change is a risk in itself.** One of the Company's advantages is the strong

relationships of trust it has with ophthalmology professionals. Nonetheless, there is still the need to raise disease awareness among consumers and patients, and encourage them to seek treatment.

**Saiki:** New areas present new challenges. For example, myopia involves multiple bottlenecks, from initial identification of the condition, through to awareness of medication as an alternative treatment to glasses and

contact lenses. We are looking into ways to address the gap between what we see as the ideal medical treatment and the current situation. This is going to be difficult, but it will be an opportunity that empowers us to contribute to Happiness with Vision for many people.

**Kotani:** **Yes, this is a new challenge, so Santen needs to be flexible and ready to change direction if circumstances are not unfolding as desired.** The Company's extensive experience means it can stay the course in the existing therapeutic areas its drugs serve, but its approaches will need to be different in new areas. Serving new areas is no simple task, but I think it provides Santen with a good opportunity to enhance its capabilities globally.

**Saiki:** Certainly, we will need to be more flexible than ever before in implementing strategies. I also think that a culture that is not afraid of failure is important. I believe that we need to change our frameworks and mechanisms, including our personnel system. We will of course continue to develop our human resources internally, but we will also consider teaming up with external partners as necessary. Therefore, **we want to consistently be the partner of choice among external organizations for collaboration in the field of ophthalmology. This is also a way for us to mitigate risk.**

“  
Naturally Santen will need  
to anticipate risks that  
are new to the Company.  
”

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**Kotani:** After all, successful drug development can generate great opportunities, but the risk of failure is also high. That is the nature of the pharmaceutical industry. Pharmaceutical manufacturers must necessarily take bold risks. Unsuccessful approaches in the past are not necessarily complete failures at the conceptual level, and there is the potential to learn from them. If a company does not take on challenges, it will not be able to generate growth going forward. Therefore, I believe that **Outside Directors must also encourage the executive team to take on risks at the appropriate level.**

**Saiki:** While we need to maintain an appropriate risk appetite, **the executive team also needs to thoroughly consider whether those risks are within reason, and guidance from the Board of Directors is also crucial.** There are cases when the Company should accept greater risk, and as such we plan to empower that process by being even more careful in considering the effectiveness of due diligence and the status of the risk management framework.

**Kotani:** I agree. In order to strengthen its risk-taking framework and lead its business to success, Santen is now strengthening its business foundation globally. I understand that the Commercial Excellence Santen is promoting on the front lines means consistently doing what needs to be

done. While this approach is not flashy, I believe it is becoming a strength because Santen is able to do it better than other companies.

**Saiki:** The keys to Commercial Excellence are the ambition to maximize the value we provide to patients and the attitude of following through on relevant initiatives. We are integrating product development, production, planning, and sales.

In doing so, **we need to consistently execute on fundamentals such as taking advantage of our diversity, quickly learning from successes in the regions we serve, and extending those successes to other regions. This will maximize our current assets, and by repeating such a cycle we will deliver value to patients and consequently give back to all stakeholders. This is the starting point for sustainability at Santen.**

“  
**The executive team also needs to thoroughly consider whether risks are within reason.**  
 ”



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# Corporate Governance

## Corporate Governance Basic Approach and Related Initiatives

Santen believes that it is vital to upgrade and strengthen its corporate governance system in order to achieve and enhance corporate value, and thus returns to shareholders. Santen has adopted a “Company with Board of Corporate Auditors” system as defined in Japan’s Companies Act. The Company will continuously work to upgrade and strengthen corporate governance through the effective operation of its current system. The functions of the Board of Directors are to make decisions regarding important

matters relating to the execution of business as well as to supervise business execution by the management team and Directors. Santen’s Board shall operate in a manner that maximizes the effectiveness of both these functions.

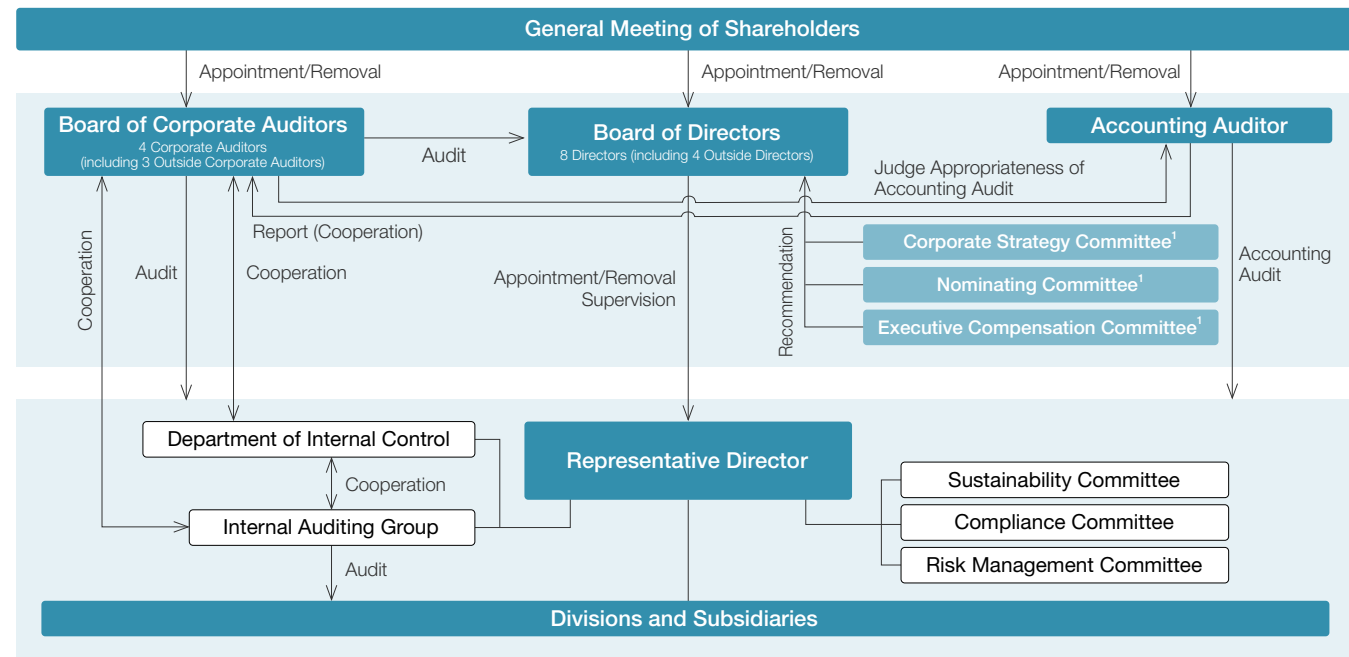
As members of the Board of Directors, Santen expects its Outside Directors to be actively involved in decision-making on specific managerial issues, and to leverage their wide range of experience and knowledge when doing so. Santen also asks them to provide opinions and recommendations

from the perspective of strengthening the management supervisory function. Furthermore, Santen has established the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, each of which is a voluntary committee comprising Inside and Outside Directors, with the aim of improving management transparency and objectivity. Also, under its Corporate Officer system, Santen realizes steady management and speedy business execution.

As an independent organ with a fiduciary responsibility to shareholders, the Board of Corporate Auditors audits Directors’ execution of duties, not only from the perspective of legal compliance, but also in terms of the appropriateness of the decision-making process as well as the efficacy of corporate governance, and provides recommendations for strengthening the functions of the Board of Directors and executives.

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## Management System (As of August 31, 2024)



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

## Board of Directors and Subordinate Committees

### Board of Directors

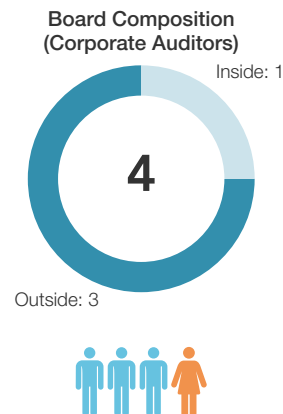
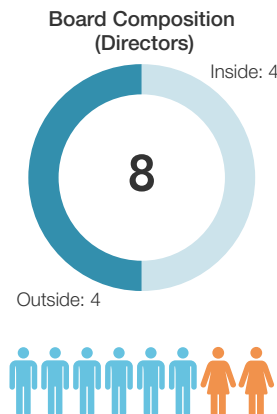
Makes decisions regarding important matters relating to the execution of business and supervises the management team and the Directors in the execution of their duties.

Meetings **13**

Attendance Outside Directors: **98.5%**  
 Outside Corporate Auditors: **97.4%**  
 (Inside Directors: **96.2%**, Inside Corporate Auditor: **100%**)

#### Major topics of deliberation

- Management policies and strategies: Business plan and budget for next fiscal year; quarterly reports on execution of business; important strategic projects; progress in important projects; productivity and profitability enhancement measures
- Capital policy and shareholder returns: Share buybacks and cancellation of treasury shares; dividends
- Governance: Agenda concerning compensation including policies for determining executive compensation; report on voluntary committee activities; evaluation of Board of Directors' effectiveness; reduction of strategic shareholdings
- Sustainability: Employee engagement
- Internal control and risk management: Report on improvement and operation of internal control system; report on improvement and operation of global compliance system



### Corporate Strategy Committee

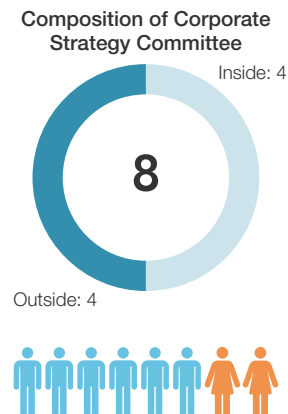
Deliberates on matters with a focus on key strategic issues such as business strategies.

Meetings **3**

Attendance **100%**

#### Major topics of deliberation

- Business portfolio strategy
- Product supply strategy
- Rx business strategy
- Sustainability strategy
- Medium- to long-term growth plan



### Nominating Committee

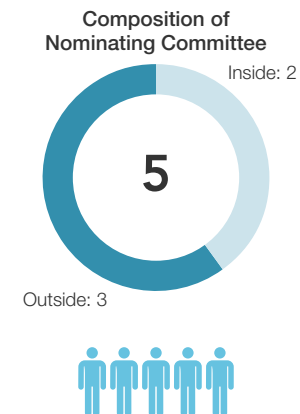
Deliberates and makes recommendations on the selection of candidates for the positions of Director and Corporate Auditor, and provides advice in response to requests concerning the selection of candidates for the position of Corporate Officer.

Meetings **9**

Attendance **98.1%**

#### Major topics of deliberation

- Composition of the Board of Directors, appropriate governance, appointment of new Inside and Outside Directors, and related topics
- Approach to nurturing succession candidates for the position of CEO, discussions on the nurturing of candidates
- Discussions on the managerial system for fiscal 2024
- Appointment of Directors and Corporate Auditors for approval at the 112th Annual General Meeting of Shareholders



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Note: Board of Directors and respective committee meetings and attendance in FY2023; composition of Directors and Corporate Auditors as of June 25, 2024



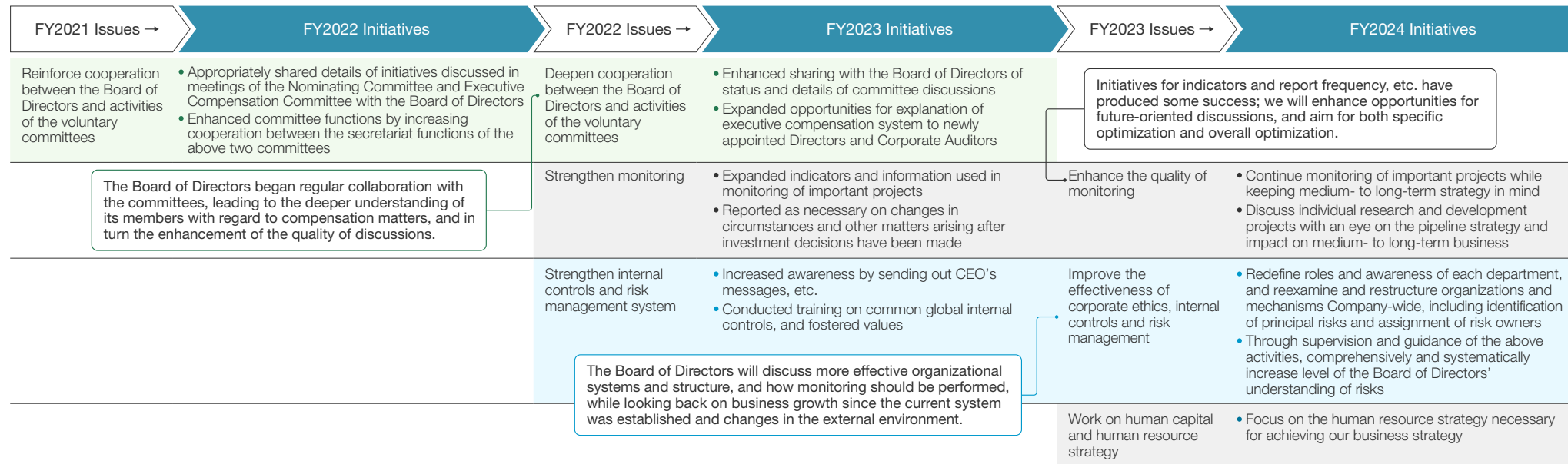
## Analysis and Evaluation of the Board of Directors' Effectiveness

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

The evaluation uses a questionnaire of items scored on a four-point scale, with the opportunity for write in comments. Furthermore, to understand the content of questionnaire responses in greater depth, individual interviews were conducted with all Outside Directors and Outside Corporate Auditors. Based on the foregoing, the evaluation results were discussed at the Board of Directors meeting held in March 2024. To enhance the evaluation in qualitative terms, the support of a third-party organization was employed in the implementation and analysis of the evaluation of effectiveness.

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

### Initiatives to Address Issues Recognized through Board of Directors Evaluations



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The Board of Directors has assessed that its effectiveness was confirmed for fiscal 2023. Among the responses, the following items obtained a high evaluation in the questionnaire and the individual interviews:

- That the composition of the Board of Directors includes a majority of Outside Officers (both Directors and Corporate Auditors), and consists of diverse individuals.
- Independent Outside Directors can express their frank opinions in a free and open environment, and fulfill their roles.

Also, in the evaluation, the items that improved the most were those in the categories of business performance monitoring and evaluation-based executive compensation. We believe this shows we are producing positive results in our efforts (based on last year's evaluation) to reinforce cooperation between the committees and the Board of Directors regarding compensation, to strengthen evaluation metrics for investments and their progress, and to enhance discussions.

On the other hand, some aspects for which discussion by the Board of Directors should be enhanced, and other aspects requiring further work were identified. The Board of Directors will set priorities and then offer suggestions to and direct the executive team, working with the executive team to realize the improvements.

### Skill Matrix of Directors and Corporate Auditors

Santen believes that, when nominating candidates for the positions of Director and Corporate Auditor, it is important to establish an effective governance system that supports the sustainable enhancement of corporate value by ensuring: (i) At Board of Directors meetings, Directors and Corporate Auditors in attendance engage in multifaceted deliberations on the appropriateness of business strategies, risks relating to the realization of those strategies, and other topics, and also appropriately supervise the status of execution thereof; and (ii) The Board of Corporate Auditors conducts audits from the perspective of not only the status of legal compliance but also appropriateness and effectiveness of the Board of Directors and executives, and thereby fulfills its function.

Meanwhile, based on the medium-term management plan, we are focusing on maximizing the prescription pharmaceuticals business. We will expand sales based on a clear regional strategy and strengthen Commercial Excellence globally. In addition, we will develop businesses that contribute to sales growth in each region and engage in new businesses that generate synergies in the prescription pharmaceuticals business.

Santen considers that the knowledge, experience, and ability described in the skill matrix below are particularly important from the perspective of the aforementioned principles and business orientation of the Company. When selecting candidates, in addition to knowledge of the life

science business, a global viewpoint and appropriate business management, Santen will continue to emphasize fields relating to sustainability.

Given the amount of time required for dedication to Company-related duties, Santen limits the number of entities other than the Company at which Outside Directors and Outside Corporate Auditors can hold concurrent outside/ external officer or other positions, to four, in principle.

Furthermore, in order to ensure their ability to fulfill their roles and responsibilities, Directors and Corporate Auditors are each required to attend no less than 75% of Board of Directors meetings, in principle.

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Composition of Corporate Governance Organizations (©: Chairpersons of voluntary committees) (As of June 25, 2024)							Skill Matrix <sup>1</sup>						
Position	Name	Board of Directors	Board of Corporate Auditors	Corporate Strategy Committee	Nominating Committee	Executive Compensation Committee	Corporate management	Life science business	Understanding medical field and patients	Global leadership	Finance and accounting	Legal affairs and risk control	Sustainability
Director	Akira Kurokawa (Director)	○ (Chair)		○	○	○	●	●	●				
	Takeshi Ito (Representative Director)	○		◎	○	○	●	●	●				
	Rie Nakajima (Director)	○		○				●		●			●
	Ippei Kurihara (Director)	○		○				●	●				
	Noboru Kotani (Outside Director)	○		○	◎	○	●	●					
	Tamie Minami (Outside Director) <sup>2</sup>	○		○		○		●		●			
	Masahiko Ikaga (Outside Director)	○		○	○	◎	●				●	●	
	Minoru Kikuoka (Outside Director)	○		○	○		●			●	●		
Corporate Auditor	Hiroshi Isaka (Standing Corporate Auditor)	○	○ (Chair)					●	●				
	Junichi Asatani (Outside Corporate Auditor)	○	○					●			●	●	
	Yaeko Hodaka (Outside Corporate Auditor)	○	○						●			●	●
	Yuichiro Munakata (Outside Corporate Auditor)	○	○								●	●	●

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

## Reasons for Appointment of New Directors and Corporate Auditors



**Rie Nakajima**  
(Director)

Ms. Nakajima has an understanding of Santen's CORE PRINCIPLE and its underlying ethos. In addition, she has served as Corporate Officer, Chief Operating Officer since 2023, thereby contributing to the enhancement of the Company's corporate value. Furthermore, she has been responsible for management in general, as well as business administration and supervisory functions at the Company, is strongly committed to the Company's globally expanding business, and has high ethical standards.



**Ippei Kurihara**  
(Director)

Mr. Kurihara has an understanding of Santen's CORE PRINCIPLE and its underlying ethos. In addition, he has experience working at various divisions including within the surgical business and the Japan business, and has served as Corporate Officer since 2021, carrying out his duties as Head of Marketing Department, Japan Sales and Marketing Division (from 2021), Head of Japan Business, Head of Japan Sales and Marketing Division and Head of Marketing Department (from 2022), and Head of Japan Business, Global Commercial Strategy (from 2024), thereby contributing to the enhancement of the Company's corporate value. Furthermore, he has been responsible for management in general, as well as business administration and supervisory functions at the Company, is strongly committed to growing the Company's business by building relationships of trust with customers, and has high ethical standards.



**Masahiko Ikaga**  
(Outside Director)

Mr. Ikaga has expertise concerning financial affairs and accounting as a certified public accountant, as well as extensive international experience and knowledge including the promotion of globalization as a corporate executive. Furthermore, he previously served as the Company's Corporate Auditor for two years from June 2022, during which he provided accurate advice from a Company-wide point of view.



**Minoru Kikuoka**  
(Outside Director)

Mr. Kikuoka has extensive knowledge and experience concerning financial and accounting affairs as well as corporate management, which includes providing leadership as CFO or CEO at multiple global organizations.



**Yuichiro Munakata**  
(Outside Corporate Auditor)

Mr. Munakata has expertise concerning financial affairs and accounting as a certified public accountant, as well as a high degree of expertise concerning auditing, internal control, corporate governance, and related topics, and has amassed extensive international experience and global awareness from overseas and other postings.

## • Management Foundations

## Strategic Shareholdings

Santen shall hold strategic shareholdings only when it determines that doing so will lead to stronger business relationships with the Company over the medium to long term and contribute to enhancing the Company's corporate value. These holdings are verified by the Board of Directors, and Santen works to reduce them on an ongoing basis. In fiscal 2023, the total sale value of liquidated shares was JPY 4,127 million.

### Number of Stocks Held

	FY2019	FY2020	FY2021	FY2022	FY2023
Unlisted stocks	9	8	8	8	8
Other than unlisted stocks	14	14	11	11	10

### Balance Sheet Amounts

	FY2019	FY2020	FY2021	FY2022	FY2023
Unlisted stocks	488	128	122	122	122
Other than unlisted stocks	26,840	26,098	20,866	19,425	13,598

(JPY millions)

## Executive Compensation

For the purpose of encouraging Inside Directors to proactively engage in advancing Santen’s vision and strategies, and to further align their interests with those of shareholders, we have implemented a stock-based compensation program with the aim of contributing to ongoing growth and the medium- to long-term improvement of corporate value. The program has two components: the Performance Share Unit and the Restricted Stock plans.

Compensation for Directors (excluding Outside Directors) consists of three elements: base salary, annual bonus (annual incentive), and stock-based compensation (medium- to long-term incentive).

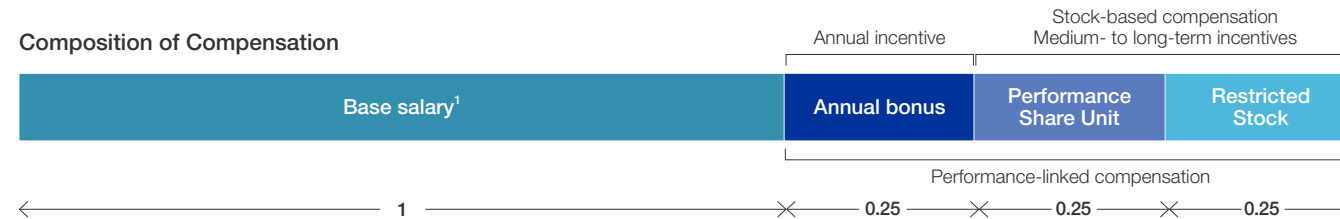
In order to prevent the Company’s executive compensation program from providing financial incentives that encourage excessive risk-taking, and ensure the soundness of the

program’s operation, Santen has established a so-called “malus and clawback clause” that, in the event of a legal violation or improper accounting requiring retraction of or correction to the Company’s financial statements, allows the Board of Directors, following discussion by the Executive Compensation Committee, to cancel or demand repayment of incentive compensation, in part or in full, regardless of whether that compensation has already been paid or not, based on such reasons.

Since fiscal 2024, compensation for the Chairman consists of two elements: base salary and Restricted Stock (in a 1:0.5 ratio). This remuneration structure promotes the maintenance and enhancement of medium- to long-term corporate value by encouraging the Chairman in carrying out supervisory duties.

Outside Directors receive fixed base salary only.

### Composition of Compensation



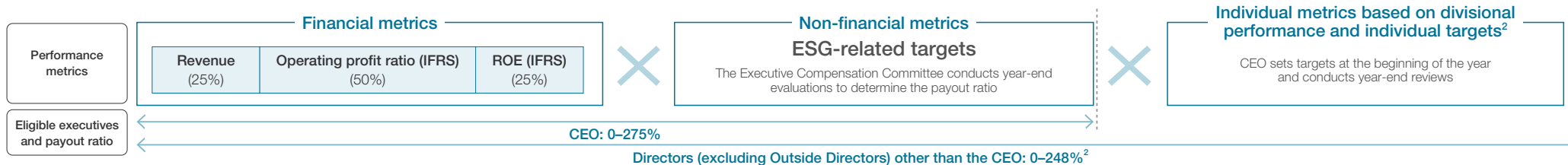
## Annual Incentive

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

payout amount is calculated by multiplying the target amount for each position by the payout ratio for each evaluation factor. Bonuses are paid after the end of each fiscal year.

For fiscal 2024, non-financial performance metrics (ESG-related targets) will include items relating to “communication and collaboration,” and “people development and promotion”

for enhancement of engagement, as well as “online security” and “compliance” as risk prevention measures.



## • Management Foundations

<sup>1</sup> Fixed monthly salary based on grade and job. <sup>2</sup> Corporate Officers operate under a similar system that uses the operating profit margin as the core basis, with the payout ratio set in the range of 0–248%.



## Medium- to Long-term Incentives

Medium- to long-term incentives are composed of the Performance Share Unit and the Restricted Stock plans.

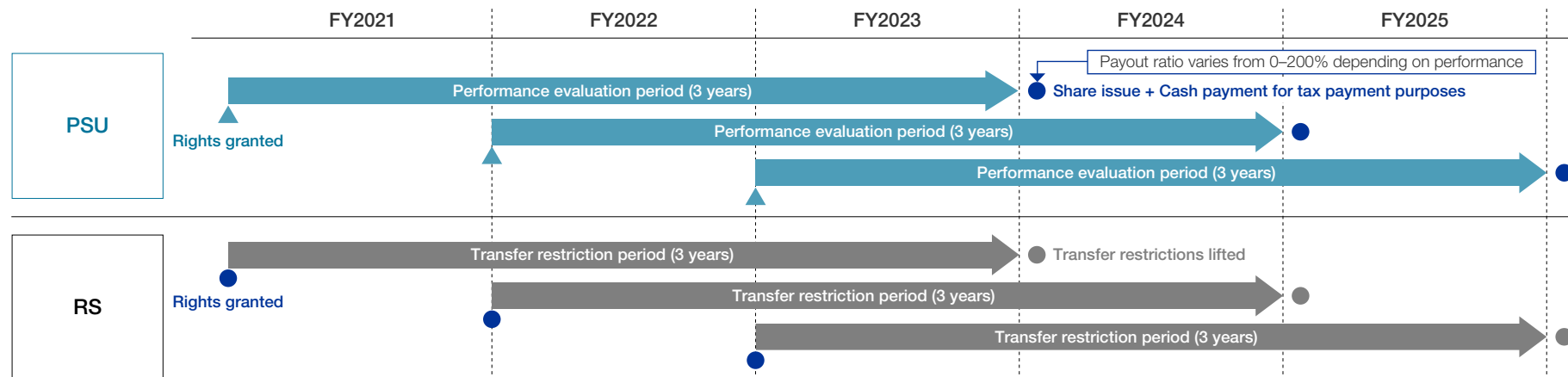
<b>Performance Share Unit</b>	<ul style="list-style-type: none"> <li>• A performance-linked stock compensation plan in which the number of shares granted varies according to the level of achievement of target performance metrics set for a certain period (the "Performance Evaluation Period"), such as the period of the medium-term management plan.</li> <li>• Shares are issued within a range of 0–200% determined according to the achievement of targets for total shareholder return relative to that of global life science companies (80% weighting) and ESG metrics (20% weighting).</li> <li>• Shares are issued after the Performance Evaluation Period ends, subject to conditions including that the individual remains an eligible Director at the time of vesting.</li> <li>• The total amount of monetary compensation claims to be granted for the issuance of common shares of Santen during the Performance Evaluation Period (i.e., three to five consecutive fiscal years as decided by the Company) is capped at no more than JPY 100 million per fiscal year; the upper limit of the number of shares to be issued at no more than 100 thousand shares per fiscal year; and the aggregate amount of cash for tax payment purposes calculated as (no more than 100 thousand shares per fiscal year) multiplied by the share price at the time of issuance. Units are granted every year; and stocks and money are issued/paid after the Evaluation Period.</li> </ul>
<b>Restricted Stock</b>	<ul style="list-style-type: none"> <li>• A stock-based compensation plan in which restricted shares are granted each fiscal year.</li> <li>• Selling restrictions are lifted three years after the grant, subject to conditions including that the participant remains an eligible Director at the time of vesting.</li> <li>• For the Restricted Stock System, the total monetary compensation claims to be granted in one fiscal year is capped at no more than JPY 100 million.</li> </ul>

### PSU Evaluation Metrics for FY2022–FY2024, FY2023–FY2025, and FY2024–FY2026

<p><b>Relative Total Shareholder Return (TSR):</b> <b>80%</b></p>	<p>Comparison and ranking against 21 global healthcare peer companies (seven companies headquartered in each of Japan, Europe, and the U.S.)</p> <p>Santen's ranking by TSR among peer companies for the period April 1, 2024–March 31, 2027</p>
<p><b>ESG-related Metrics:</b> <b>20%</b></p>	<p>Selection to an index in the Dow Jones Sustainability Indices (DJSI), or the relative position of the Company's score among participating pharmaceutical companies overall.</p> <p>Note: Given substantial improvements in score for ESG-related metrics since targets were first set in 2021, evaluation standards were revised in FY2024.</p>

• Management Foundations

### Mechanism for Performance Share Unit (PSU) and Restricted Stock (RS)



## Executive Compensation Committee

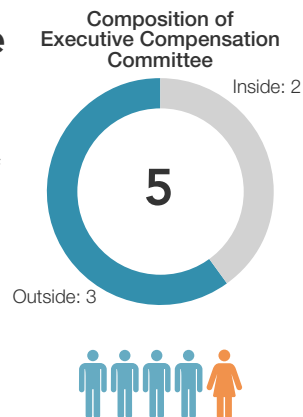
Deliberates on compensation for Directors and Corporate Officers and submits recommendations to the Board of Directors, and also provides advice to the Board of Corporate Auditors regarding the compensation of Corporate Auditors, taking into account market standards.

Meetings **9** Attendance **96%**

### Major topics of deliberation

- Basic policy on the determination of compensation for executives including Directors
- Level and composition of compensation for Directors
- Establishment of targets for non-financial metrics (i.e., ESG-related targets) for the annual bonus in fiscal 2023, and other details
- Revision to the stock-based compensation plan rules
- Revision to the Chairman's pay level and mix in accordance with the change of role

Note: Committee meetings and attendance in FY2023; composition of Directors and Corporate Auditors as of June 25, 2024



## Total Compensation and Eligible Directors and Corporate Auditors (FY2023)

Position	Total compensation (JPY millions)	Total by type (JPY millions)					Number of individuals <sup>1</sup>
		Base salary	Annual bonus	Performance Share Unit	Restricted Stock	Non-monetary compensation included at left	
Directors (excluding Outside Directors)	366	171	78	83	35	76	2
Corporate Auditors (excluding Outside Corporate Auditors)	31	31	—	—	—	—	1
Outside Directors	97	97	—	—	—	—	5
Outside Corporate Auditors	41	41	—	—	—	—	5

<sup>1</sup> Includes officers whose term expired

## • Management Foundations

## Annual Bonus Performance Targets and Results (FY2023)

### Financial Performance Metrics

Targets	Results	Payout ratio
<ul style="list-style-type: none"> <li>• Revenue: JPY 273,000 mil.</li> <li>• Operating profit ratio (IFRS): 11.7%</li> <li>• ROE (IFRS): 7.5%</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue: JPY 302,023 mil.</li> <li>• Operating profit ratio (IFRS): 13.4%</li> <li>• ROE (IFRS): 9.3%</li> </ul> <p>Figures adjusted to take into account one-off impacts associated with the Noto Peninsula Earthquake, etc.</p>	<ul style="list-style-type: none"> <li>• CEO: 177.7%</li> <li>• Chairman: 151.8%</li> </ul>

### Non-Financial Metrics

ESG-related targets	Payout ratio
<ul style="list-style-type: none"> <li>• Promoting DE&amp;I through promotion of women's success</li> <li>• Conducting initiatives for enhancing employee engagement</li> <li>• Reinforcing global risk management</li> </ul>	<p>107%</p> <p>Evaluation by the Executive Compensation Committee in April 2024</p>

## Medium- to Long-term Incentive Results

### Performance Share Unit (Evaluation Period: FY2021–FY2023)

Relative total shareholder return (TSR)	ESG-related metrics	Payout ratio
42.1 %ile	16 pt. increase in score (deemed equivalent to inclusion in the DJSI Asia Pacific Index)	97.4%

Note: For details of evaluation criteria up to FY2023, see *Santen Report 2023*



# Corporate Executives (As of June 25, 2024)



• Management Foundations

**6**  
**Tamie Minami**  
 Outside Director  
 Independent Officer

**8**  
**Minoru Kikuoka**  
 Outside Director  
 Independent Officer

**4**  
**Ippei Kurihara**  
 Director, Corporate Officer,  
 Head of Japan Business,  
 Global Commercial Strategy

**7**  
**Masahiko Ikaga**  
 Outside Director  
 Independent Officer

**1**  
**Akira Kurokawa**  
 Director,  
 Chairman

**5**  
**Noboru Kotani**  
 Outside Director  
 Independent Officer

**2**  
**Takeshi Ito**  
 Representative Director,  
 President & CEO

**9**  
**Hiroshi Isaka**  
 Standing Corporate Auditor

**3**  
**Rie Nakajima**  
 Director, Corporate Officer,  
 COO

**10**  
**Junichi Asatani**  
 Outside Corporate Auditor  
 Independent Officer

**11**  
**Yaeko Hodaka**  
 Outside Corporate Auditor  
 Independent Officer

**12**  
**Yuichiro Munakata**  
 Outside Corporate Auditor  
 Independent Officer



Directors



**Akira Kurokawa**  
Director,  
Chairman

1977 Joined the Company  
1997 Director, General Manager, Head of the Office of Sales & Marketing Division, Prescription Pharmaceuticals  
2001 Corporate Officer, Head of Sales & Marketing Division, Prescription Pharmaceuticals  
2004 Senior Corporate Officer, Head of Sales & Marketing Division, Prescription Pharmaceuticals  
2006 Representative Director, President & COO  
2008 Representative Director, President & CEO  
2018 Representative Director, Chairman & CEO  
2020 Representative Director, Chairman  
2024 Director, Chairman (incumbent)



**Takeshi Ito**  
Representative  
Director,  
President & CEO

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 & Marketing Division, Prescription Pharmaceuticals  
2019 Director, Executive Corporate Officer, Head of Japan Sales & Marketing Division  
2022 Representative Director, Executive Vice President, Head of Japan Business, Head of Japan Sales & Marketing Division  
Representative Director, President & CEO (incumbent)



**Rie Nakajima**  
Director,  
Corporate Officer,  
COO

2000 Joined Toyota Motor Corporation  
2008 Joined Boston Consulting Group  
2011 Joined MSD K.K.  
2016 Corporate Officer, Head of Corporate Strategy Department and in Charge of Long-Term Listed Product Business of MSD K.K.  
2017 Corporate Officer, Head of Corporate Strategy & Commercial Excellence Department and in Charge of Long-Term Listed Product Business of MSD K.K.  
2019 President of MSD Taiwan  
2020 Vice President, Strategy Innovation Lead of Organon of Merck & Co., Inc.  
2021 Vice President, Strategy Innovation Lead of Organon & Co.  
2023 Joined the Company  
Corporate Officer, COO  
2024 Director, Corporate Officer, COO (incumbent)



**Ippei Kurihara**  
Director,  
Corporate Officer,  
Head of Japan  
Business, Global  
Commercial Strategy

2005 Joined CYBIRD Co., Ltd.  
2008 Joined A.T. Kearney, Inc.  
2013 Joined K.K. Hay Consulting Group  
2015 Joined the Company  
2018 Head of Surgical Development and Strategy Integration Department, Surgical Division  
2019 Head of Strategic Planning Department, Japan Business  
2021 Corporate Officer, Head of Marketing Department, Japan Sales & Marketing Division  
2022 Corporate Officer, Head of Japan Business, Head of Japan Sales & Marketing Division and Head of Marketing Department  
2024 Director, Corporate Officer, Head of Japan Business, Global Commercial Strategy (incumbent)



**Noboru Kotani**  
Outside Director  
Independent Officer

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



**Tamie Minami**  
Outside Director  
Independent Officer

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



**Masahiko Ikaga**  
Outside Director  
Independent Officer

2000 Representative Director and President of Tohmatsu Consulting Co., Ltd. (currently, Deloitte Tohmatsu Consulting LLC)  
2010 Director and Chairman of Tohmatsu Consulting Co., Ltd.  
2016 Representative Accountant, Masahiko Ikaga Certified Public Accountant Office (incumbent)  
Representative Director of PrajnaLink Co., Ltd. (incumbent)  
External Audit & Supervisory Board Member of Morinaga Milk Industry, Co., Ltd. (incumbent)  
2017 Outside Audit & Supervisory Board Member of Yamaha Motor Co., Ltd. Outside Director of RYOBI LIMITED (incumbent)  
2022 Outside Corporate Auditor of the Company  
2024 Outside Director of the Company (incumbent)



**Minoru Kikuoka**  
Outside Director  
Independent Officer

2004 General Manager, Business Planning Department of Nitto Denko Corporation and Vice President of Nitto Americas  
2006 General Manager, Membrane Business Department of Nitto Denko Corporation and CEO of Hydranautics (U.S.)  
2011 Administration Officer, Business Integration Department of Nitto Denko Corporation  
2014 Corporate Officer of NIDEC CORPORATION  
2019 President, Representative Director and CEO of Japan Display, Inc.  
2020 President, Representative Executive Officer and CEO of Japan Display, Inc.  
2021 Senior Advisor of Ichigo Asset Management, Ltd.  
2022 Senior Corporate Executive, CFO of Astellas Pharma Inc.  
2023 Senior Advisor of Ichigo Asset Management, Ltd.  
2024 Outside Director of the Company (incumbent)

Corporate Auditors



**Hiroshi Isaka**  
Standing Corporate  
Auditor

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



**Junichi Asatani**  
Outside Corporate  
Auditor  
Independent Officer

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



**Yaeko Hodaka**  
Outside Corporate  
Auditor  
Independent Officer

1992 Registered as an attorney-at-law and joined ISHII LAW OFFICE  
2005 Joined Morrison & Foerster, Partner  
2011 Joined Baker & McKenzie, Partner  
2020 Fellow of Centre for the Fourth Industrial Revolution Japan, World Economic Forum  
2021 External Corporate Auditor of Sumitomo Heavy Industries, Ltd.  
2023 Joined ISSHIKI & PARTNERS, Partner (incumbent)  
Outside Director, Member of the Audit and Supervisory Committee of YASKAWA Electric Corporation (incumbent)  
Outside Corporate Auditor of the Company (incumbent)  
2024 External Director of Sumitomo Heavy Industries, Ltd. (incumbent)



**Yuichiro Munakata**  
Outside Corporate  
Auditor  
Independent Officer

1993 Registered as a Certified Public Accountant  
Joined Ota Showa Audit Corporation (currently Ernst & Young ShinNihon LLC)  
1998 Stationed at Ernst & Young LLP New York Office  
2000 Joined Century Ota Showa & Co. as Partner (currently Ernst & Young ShinNihon LLC)  
2001 Obtained US Certified Public Accountant license  
2014 Leader of EY Japan Area Accountants and member of the Steering Committee, ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC)  
2016 EY Japan Area Assurance Deputy Leader, Ernst & Young ShinNihon LLC  
2018 General Manager of FAAS Division of Ernst & Young ShinNihon LLC  
Representative Director of Ernst & Young Solutions Co., Ltd.  
2022 Outside Director and Audit & Supervisory Board Member of Kasumigaseki Capital Co., Ltd. (incumbent)  
2023 Outside Director and Audit/Supervisory Committee Member of SINANEN HOLDINGS CO., LTD. (incumbent)  
2024 Outside Corporate Auditor of the Company (incumbent)

• Management Foundations

# Messages from the Newly Appointed Outside Director and Corporate Auditor



**Minoru Kikuoka**  
Outside Director



**Yuichiro Munakata**  
Outside Corporate Auditor

I have spent the first half of my career in finance and investment banking, and the second half in business management. I have also been involved in the pharmaceutical industry, and have experience as CEO of a company in a difficult business environment, and directed the turnaround of that business. I lived in the United States for 17 years, including part of my childhood, and am qualified as an attorney in the state of New York. By drawing on these experiences, I want to contribute to all aspects of Santen's further global growth.

Risk is part of doing business. One of the keys to growing corporate value is to figure out how to maximize output while managing risk. Also, for any company's continued sustainability, it is vital to routinely build good relationships of trust not just with shareholders, but with all stakeholders, including patients, suppliers, lenders, employees, local residents, and society in general. My personal belief is that an ongoing commitment to being a good corporate citizen is an effective way to become a company that stakeholders will back even in the face of unforeseen events. From that point of view, I will do my utmost to support Santen from an objective standpoint so that it can carry out optimal business execution and accurate, timely disclosure, both proactively and defensively.

Santen's worldview of contributing to Happiness with Vision based on its CORE PRINCIPLE of *Tenki ni sanyo suru* resonates strongly with me, and I believe it will lead to the Company's sustainable growth and enhanced corporate value. My role is to support Santen's contribution. This entails engaging in active discussions with inside/outside officers and employees, and performing monitoring and advisory functions—including to ensure that decision-making is valid and demonstrates an awareness of internal and external environmental changes as well as risk factors, and to ensure the effective establishment and implementation of globally based strategies, organizational structures, and business processes. I hope that Santen will continue to deliver new value to patients and society as a whole, and make further inroads on the global stage through the products and services it can provide as a company specialized in ophthalmology. I myself will leverage my auditing and advisory experience at a global accounting firm, my international experience, and my management experience to contribute to that effort.

## • Management Foundations

# Risk Management

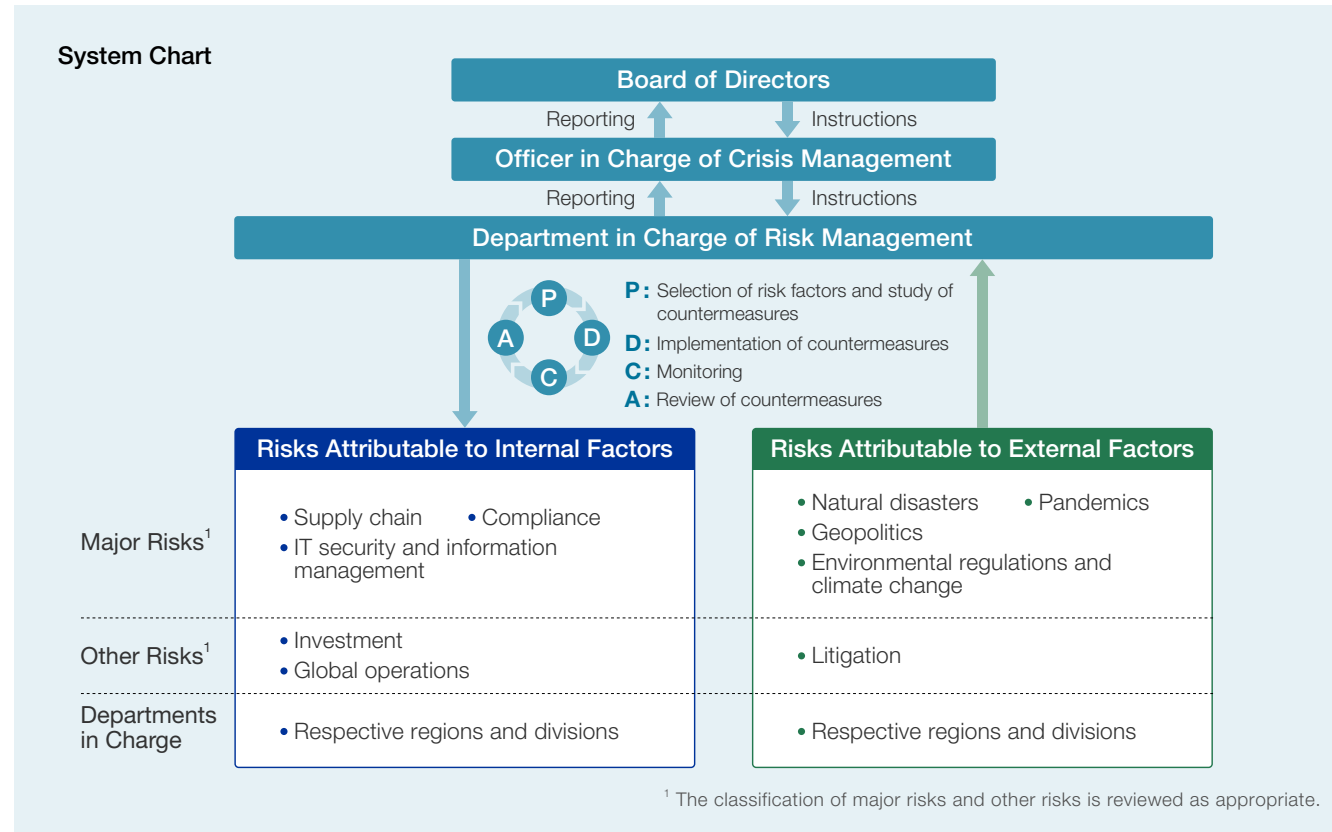
## Risk Management System

In accordance with our internal rules for risk management, we regularly identify, evaluate, and monitor risks in each region and division. The aim is to deal with assumed major risks of loss related to the execution of our business activities and to avoid or minimize the risk of loss during times of normal business operations. At the same time, we have been building a risk management system that effectively improves the sophistication of risk management. To this end, in fiscal 2022 we began dividing risks into risks attributable to internal factors and risks attributable to external factors, identifying and categorizing each risk factor in an integrated manner, and communicating this information throughout the Company.

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

To address the variety of risks that may affect our business in particular, we continue to strengthen risk management activities under the leadership of the Officer in Charge of Crisis Management, who is responsible for identifying major risks, formulating preventive measures, and encouraging discussion.

In the event (or report) of an event that has the potential to develop into a serious crisis, we mobilize the Crisis



## • Management Foundations

Management Committee, chaired by the President and CEO. This committee responds to and works to contain the situation in question as we implement measures to prevent recurrence.

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

Details on major, emerging, and other risks are disclosed on our global corporate website.

## Noto Plant's Earthquake Response

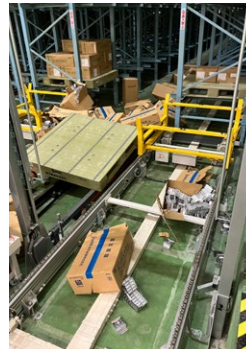


**Makito Joumen**

Plant Manager, Noto Plant,  
Manufacturing Division



Plant entrance immediately  
after the disaster



Inside the warehouse  
after the disaster



Sharing information



Restoration work

Santen's Noto Plant in the town of Hodatsushimizu was damaged in the Noto Peninsula Earthquake that occurred on January 1, 2024. Since the earthquake, we have worked hard on the plant's recovery. We will further strengthen our crisis resilience to ensure that our products continue to reach the patients who need them.

### Ensuring an Uninterrupted Supply

At the time of the disaster, the plant had shut down for the New Year holiday period. Personally, I was also affected by the disaster. When I received the tsunami warning, I quickly moved to an evacuation center on higher ground, but I was able to check on the plant later that day. Although no major problems were found with the structure itself, there was damage to parts of the manufacturing building as well as various equipment. Some damage was discovered during later inspections, including partial damage to piping, water leaks, and problems with other equipment, revealing the true extent of the earthquake. My first impression was that there were serious challenges to overcome; nevertheless it was not an option to let the production lines stop at the Noto Plant, which handles more than 60 percent of the Santen Group's manufacturing. So after having confirmed the safety of employees, we began the recovery immediately.

If the Noto Plant, our main manufacturing facility, were to halt production for several months, the impact on our ability to do business would be enormous. As such, the day after the earthquake, the Crisis Management Committee (chaired by the CEO) and the Business Continuity Plan (BCP) Headquarters (led by the head of the Manufacturing Division) were launched, driving a Company-wide effort to create a framework for surveying the damage and maintaining stable supply, placing top priority on the safety of employees. As a result, thanks to

the efforts of everyone involved, all but one of the production lines had resumed operation by the end of March.

### Thorough Information Sharing and Cooperative Restoration Work

Since we manufacture pharmaceuticals, having a system for following Good Manufacturing Practice (GMP)<sup>1</sup> was a major factor in the progress of restoration work. When seeking to maintain stable quality, it is necessary to verify that manufacturing processes and methods are science-based, valid, and optimal. All production lines must meet Installation Qualification (IQ), Operational Qualification (OQ), and Performance Qualification (PQ) requirements. Particularly in the filling process for eye drops, lines must pass tests to demonstrate that they are aseptic, and the strong efforts and cooperation of our team were essential to satisfying these requirements in the shortest time possible.

Amid ongoing aftershocks and in a hazardous work environment, many people were working in places different from usual, so as they worked, they put tags on equipment such as "inspected" and "not-yet-inspected" to prevent confusion. The day's work plans and possible risks were shared with all employees at morning and end-of-the-day all-hands meetings. Information was shared fully, and any unexpected issues were immediately raised.

## • Management Foundations

<sup>1</sup> Standards for manufacturing control and quality control of drugs and quasi-drugs



### The People Behind the Restoration

Having an expert facility team in-house also played a major role in the quick recovery. Part of the disaster response required work at heights that the team was unaccustomed to, so we employed the assistance of a scaffolding company. Moreover, some situations required expert judgment. However, the Santen Group has engineers with the skills to make repairs, and personnel dispatched from the Shiga Plant worked together with those from the Noto Plant to mount a unified response.

With a shared commitment to restoring operations swiftly so that patients and consumers could use our products, and do so with peace of mind, each person considered

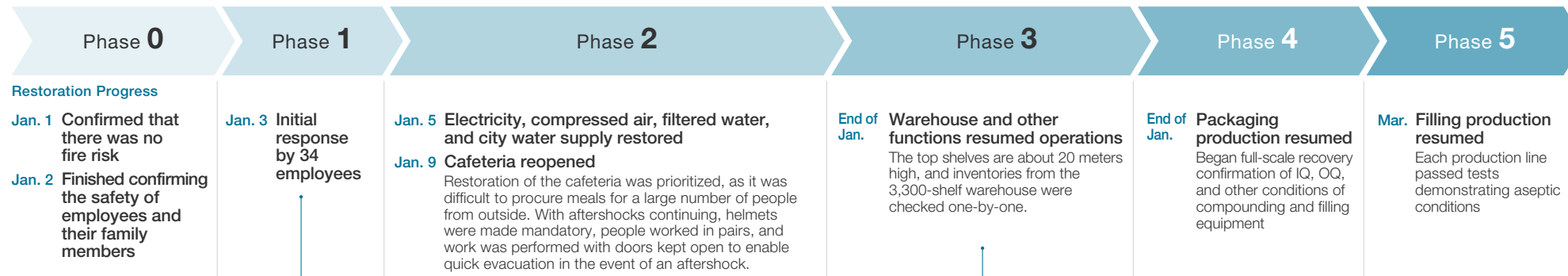
how to contribute to that goal and took the appropriate action. Even as a number of our people were dealing with damage to their own homes, they also made the time to come to work and contribute to the plant's recovery. I am truly grateful for everyone's dedication and hard work.

The stable supply of medicines is the mission of a pharmaceutical company, and we responded with a renewed sense of the importance and responsibility of delivering pharmaceuticals to the patients who need them, as well as of the significance of our purpose. We will continue to build frameworks that are resilient in times of crisis to realize Happiness with Vision for people around the world.



Key members who supported restoration efforts

#### Warning Levels (Taking frequency of aftershocks and other factors into account)



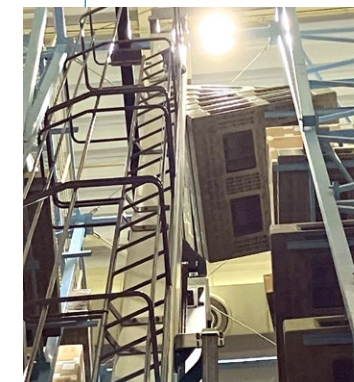
### • Management Foundations



Initial inspection



Cafeteria immediately after reopening



Displaced goods lodged in the high areas of the warehouse


# Dialogue with Shareholders and Investors

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

In fiscal 2023, we created approximately 280 occasions for dialogue, including IR meetings with top management and IR staff, as well as SR and other ESG-related meetings also

attended by members from the sustainability, general affairs, or legal departments, leading to improvements in the quality of our management.

Below are some of the questions and opinions we receive most frequently during these exchanges. Click on the page links for content relating to these questions and opinions in this report. Pages containing related content<sup>1</sup> are denoted by the letter **Q** and the corresponding number in the upper right corner.

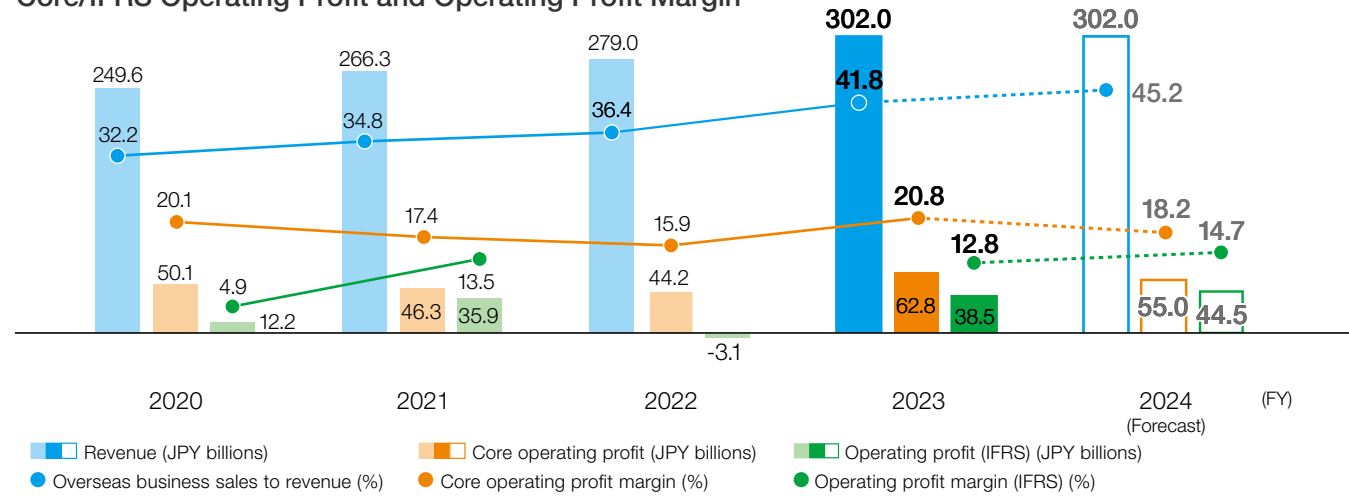
Category	Question/Opinion	 Corresponding Pages in <i>Santen Report 2024</i>
Management	Q1 What progress has been made, including on structural reforms, under the medium-term management plan?	➡ CEO's Message (Pages 4–5) ➡ CFO's Message (Pages 13–16)
	Q2 Which Santen strategies and strengths will enable it to achieve medium-to long-term growth?	➡ CEO's Message (Page 6) ➡ Value Creation Process (Page 10) ➡ COO's Message (Pages 17–19) ➡ Regional Strategy (Pages 20–23) ➡ Market Penetration of Products with Social Significance (Pages 31–33) ➡ A Work Environment Where Diverse Employees Can Thrive (Pages 36–37)
	Q3 It is the third consecutive year that Santen has conducted share repurchases. While investment for future growth is also important, what are your policies for capital allocation and shareholder returns?	➡ CFO's Message (Page 16)
Business/R&D	Q4 What is the outlook for the Japan business given factors including the impacts of co-pay hikes on certain long-listed drugs (the "sentei ryoyo" system coming into effect in October 2024), and the market entry of generics competing against mainstay products?	➡ COO's Message (Pages 18–19) ➡ Regional Strategy (Page 22) ➡ Market Penetration of Products with Social Significance (Pages 31–32)
	Q5 Given that growth in the Japan business is slowing in the short term, the role of Santen's overseas businesses is becoming increasingly important. What growth opportunities are there in the overseas businesses?	➡ COO's Message (Pages 18–19) ➡ Regional Strategy (Pages 22–23) ➡ Market Penetration of Products with Social Significance (Page 33)
	Q6 What is the market potential in the myopia and ptosis areas, which are expected to be growth drivers from fiscal 2026 onward?	➡ CEO's Message (Page 6) ➡ Product Development Aimed at Expanding Contribution to Patients in New Areas (Pages 28–30)
	Q7 Where can we find basic information, such as data on the ophthalmic market, major disease areas, and patient numbers, that will allow us to evaluate Santen's growth potential?	➡ Product Development Aimed at Expanding Contribution to Patients in New Areas (Pages 28, 30) ➡ Market Penetration of Products with Social Significance (Page 32) ➡ Ophthalmology Market Data (Page 76)
Sustainability	Q8 What issues and themes are discussed at Board of Directors meetings? What opinions do Outside Directors proffer in these discussions?	➡ Chairman's Message (Page 47) ➡ Messages from the New Chairpersons of the Nominating Committee and the Executive Compensation Committee (Page 48) ➡ Dialogue with an Outside Director (Pages 49–52) ➡ Corporate Governance (Page 54)
	Q9 A strong earthquake struck the region where Santen's main plant is located. What lessons have been learned about risk management from the disaster?	➡ Dialogue with an Outside Director (Page 50) ➡ Risk Management (Pages 65–66)
	Q10 Santen has declared its aim for the sustainable development of the Company and society in its Sustainability Commitment. What kind of impact do your business activities have on society?	➡ CEO's Message (Pages 6–8) ➡ Materiality (KPIs and Progress) (Page 12) ➡ Our Sustainability Commitment (Page 27) ➡ Improving Access to Healthcare (Pages 34–35) ➡ Conservation of the Global Environment (Pages 42–45)
	Q11 What is Santen doing in regard to corporate culture and human resources?	➡ Materiality (KPIs and Progress) (Page 12) ➡ Human Capital Strategy (Pages 24–26) ➡ A Work Environment Where Diverse Employees Can Thrive (Pages 36–37) ➡ Deepening Understanding of Our CORE PRINCIPLE (Pages 38–39) ➡ A Commitment to Company-wide Digital Transformation (DX) (Pages 40–41)
	Q12 Given increasing public interest in climate change and related issues, corporate environmental initiatives are more important than ever. What initiatives unique to Santen are being implemented?	➡ Materiality (KPIs and Progress) (Page 12) ➡ Conservation of the Global Environment (Pages 42–45)

• Performance and Key Metrics

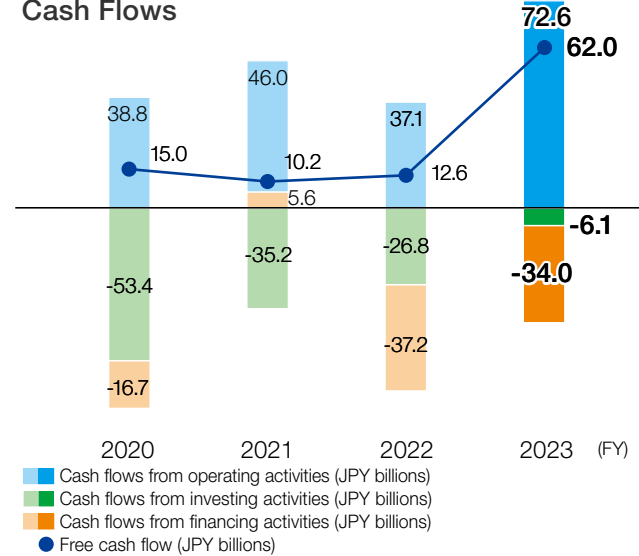
<sup>1</sup> The first page when content spans multiple pages.

# Financial and Non-Financial Highlights (Financial)

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



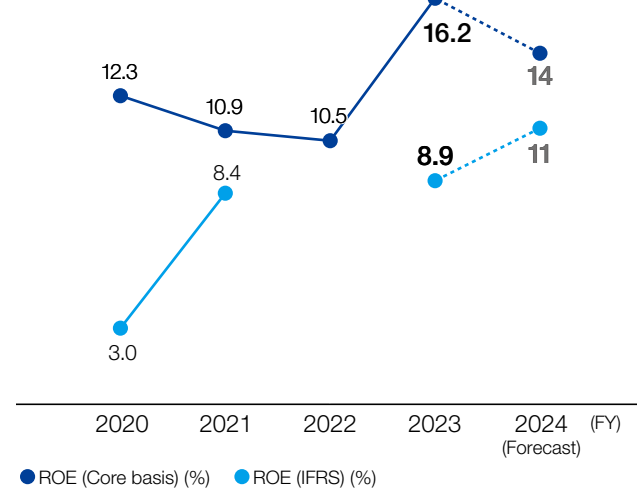
Cash Flows



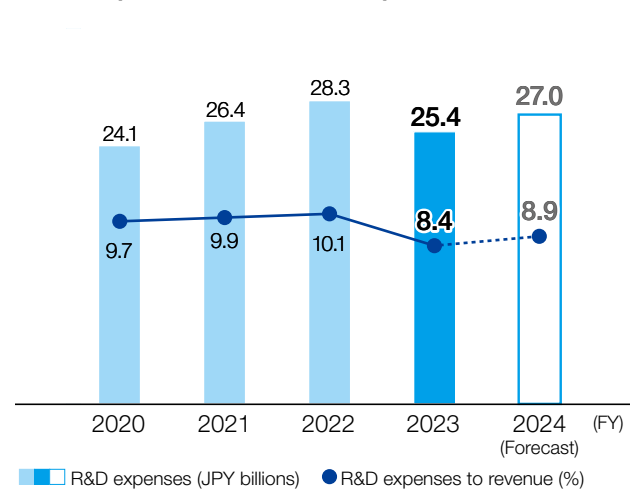
Free cash flow = Net cash flows from operating activities minus capital payments for acquisition of property, plant and equipment, and intangible assets

• Performance and Key Metrics

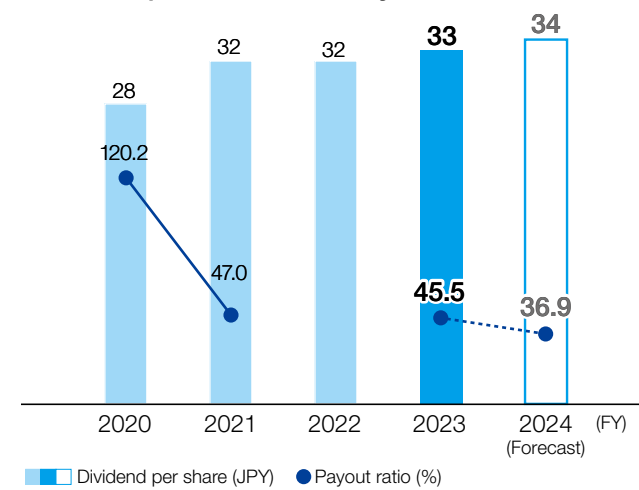
ROE



R&D Expenses and R&D Expenses to Revenue



Dividend per Share and Payout Ratio



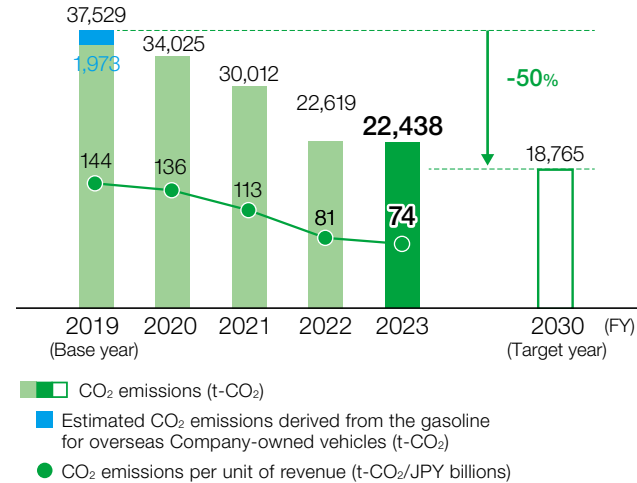
Dividend payout ratio for FY2020 was 120.2% mainly due to the effects of impairment losses on intangible assets relating to InnFocus, Inc. (U.S.)

Note: The Company revised the forecast for FY2024 on August 6, 2024 in the financial results for the first quarter of FY2024 mainly due to a change in assumptions, including FX assumptions. The revised numbers are reflected on this page.

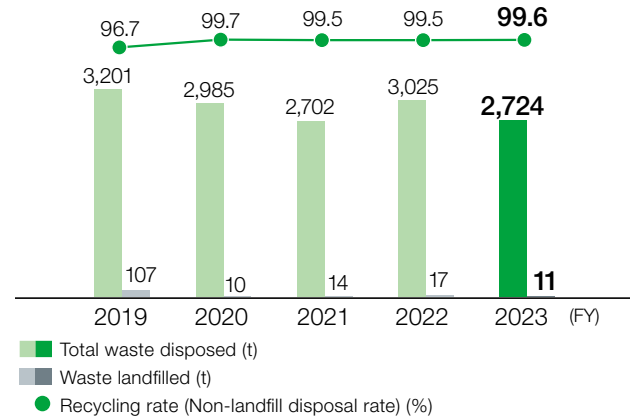
# Financial and Non-Financial Highlights (Non-Financial)

## Environment

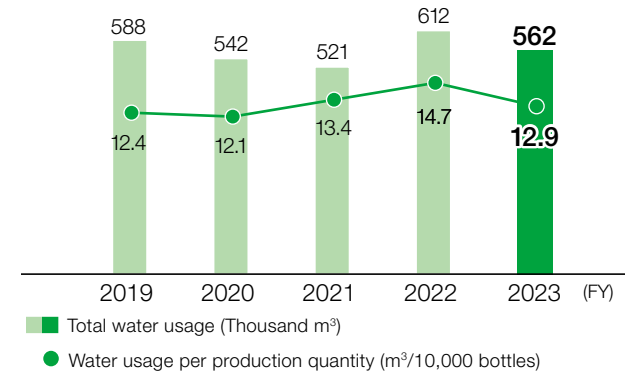
### CO<sub>2</sub> Emissions



### Waste and Related Data



### Total Water Usage

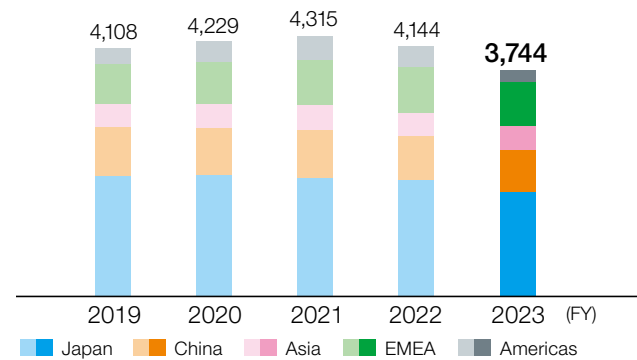


Note: With the setting of targets for FY2030, the boundary and CO<sub>2</sub> conversion factors have been revised to the SBT standard and retroactively revised from FY2019 onward. CO<sub>2</sub> emissions before revision of the standard include the emissions of the Tampere Plant (Finland). CO<sub>2</sub> emissions in FY2019 include emissions derived from gasoline in overseas Company-owned vehicles.

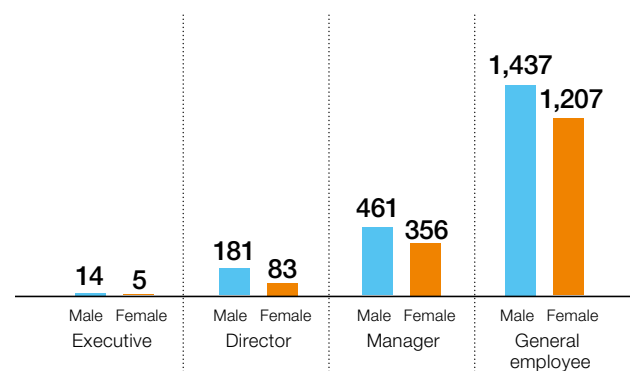
## • Performance and Key Metrics

## Human Resources

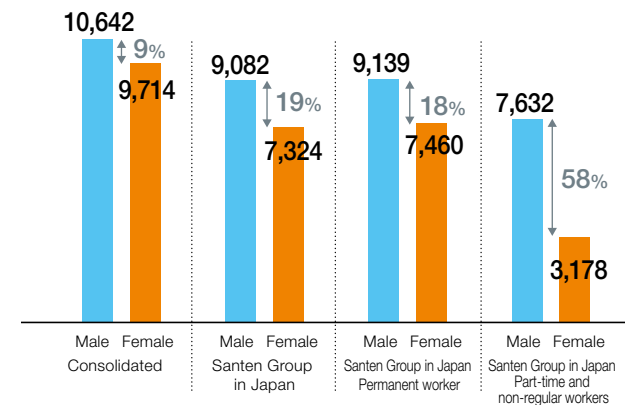
### Number of Employees



### Number of Employees by Gender and Rank (FY2023)



### Average Annual Salary by Gender (FY2023; JPY thousands)

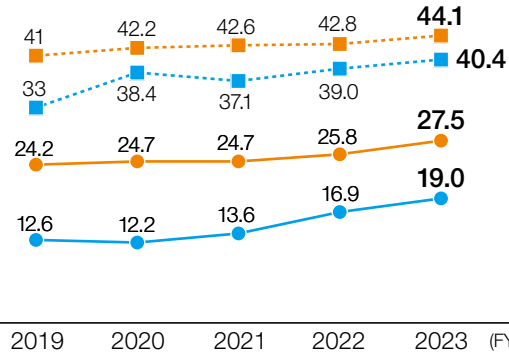


Note: This gender differences in wages are not based on the wage system or structure. The differences are primarily due to differences in the ratio of male to female managers and employment status. Figures exclude executive compensation and stock options.



Human Resources

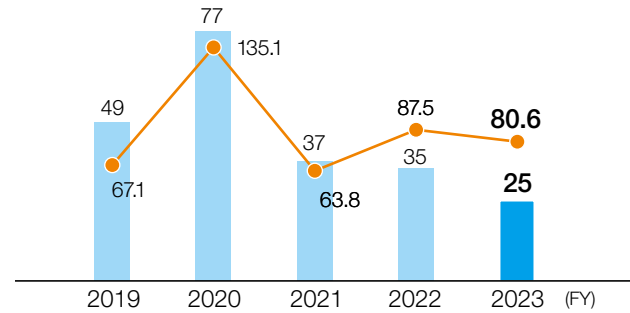
Female Employee and Female Manager Ratios



- Female employee ratio (consolidated) (%)
- Female employee ratio (Santen Group in Japan<sup>1</sup>) (%)
- Female manager ratio (consolidated) (%)
- Female manager ratio (Santen Group in Japan<sup>1</sup>) (%)

<sup>1</sup> Non-consolidated until FY2021  
 Note: The method of calculating the consolidated female employee ratio and female manager ratio was changed in FY2020.

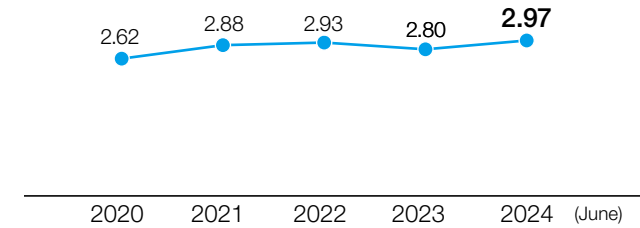
Male Employees Taking Childcare Leave



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

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

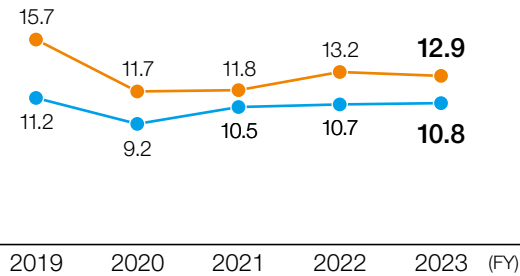
Ratio of Employees with Disabilities (%)



Note: Santen Pharmaceutical Co., Ltd. and consolidated subsidiaries in Japan

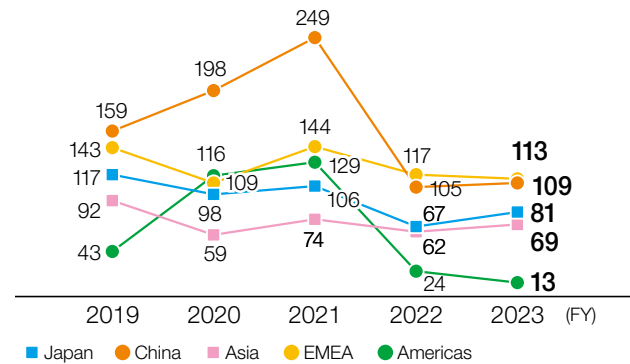
• Performance and Key Metrics

Average Days of Annual Paid Leave and Average Monthly Overtime



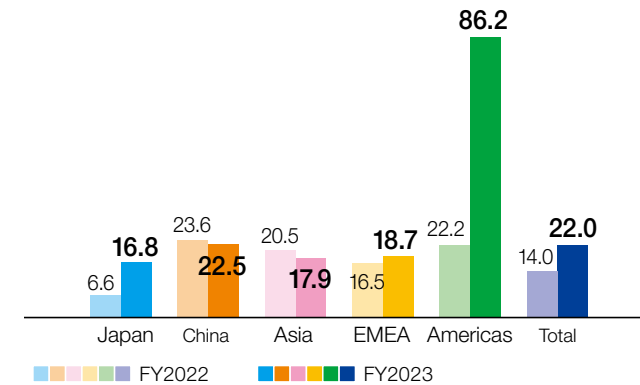
- Average days of annual paid leave (Santen Group in Japan) (Days)
- Average monthly overtime (Santen Group in Japan) (Hours/employee/month)

Number of Newly Hired Employees



- Japan
- China
- Asia
- EMEA
- Americas

Employee Turnover (%)



Note: Structural reforms were implemented in FY2023.

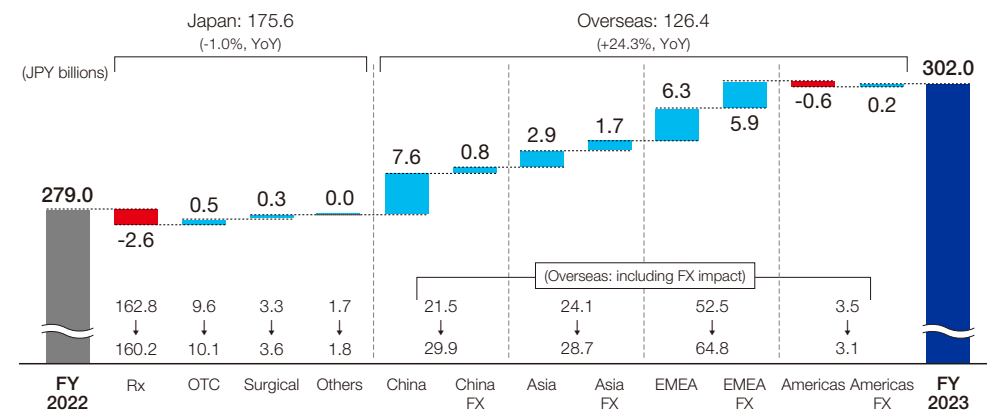
# MD&A

## Summary of Consolidated Results in Fiscal 2023

Revenue in fiscal 2023 increased by 8.2% year-on-year to JPY 302.0 billion. This was due to Santen's focus on expanding sales of mainstay products despite the impact of drug price revisions in Japan, as well as a recovery from the resurgence of COVID-19 in China in the previous fiscal year, and solid performance from mainstay products in Asia and EMEA. Gross profit on a core basis increased by 7.7% year-on-year to JPY 178.9 billion due to increased sales related to the strong performance in overseas businesses and change in the region/product mix, among other reasons. SG&A expenses decreased by 2.9% year-on-year to JPY 90.8 billion due to progress in structural reforms including cost optimization measures and streamlining of costs in the Americas, as well as a decrease in royalty payments. R&D expenses decreased by 10.7% year-on-year to JPY 25.3 billion due to changes in certain project development schedules and the timing of accounting recognition. As a result, operating profit on a core basis increased by 41.9% year-on-year to JPY 62.8 billion. In terms of adjustments from the core basis, with regards to expenses related to the streamlining of costs in the Americas, adjustments of JPY 0.7 billion were made resulting in SG&A expenses on an IFRS basis decreasing by 4.9% year-on-year to JPY 91.5 billion.

Amortization of intangible assets associated with products decreased by 0.5% year-on-year to JPY 9.5 billion. Other income amounted to JPY 1.5 billion. This was mainly due to the asset transfer of some products related to the prescription pharmaceutical business in the Americas. Other expenses amounted to JPY 15.3 billion. This was mainly due to the

### FY2023 Revenue Bridge



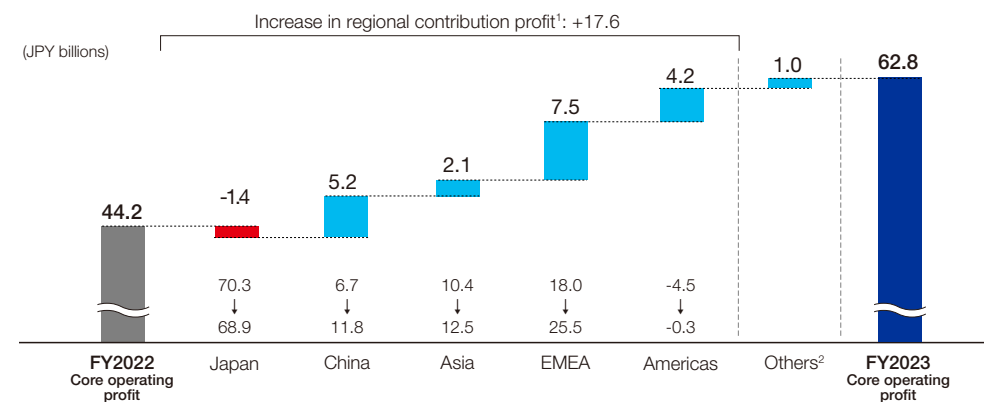
<sup>1</sup> Including impact of reorganization in overseas reflected in contribution profit <sup>2</sup> R&D and back-office expenses in regional and global functions

recording of impairment losses on intangible assets related to cell therapy products (mainly composed of retinal progenitor cells) following a review of the business plan, extraordinary expenses associated with the early retirement program implemented in Japan, and the extensive streamlining of the pharmaceutical commercial business in the Americas. As a result, operating profit on an IFRS basis in fiscal 2023 was JPY 38.5 billion (operating loss of JPY 3.1 billion in the previous fiscal year).

Finance income amounted to JPY 1.6 billion. Finance expenses amounted to JPY 2.7 billion. Share of loss of investments accounted for using the equity method amounted to JPY 7.6 billion due to recording of impairment losses on equity method investments and profit/loss amount attributable to the equity held in Twenty Twenty Therapeutics, LLC (U.S.) and Plano Pte. Ltd. (Singapore).

Income tax expenses amounted to JPY 3.2 billion, down JPY 6.0 billion year-on-year. This reflects the recognition of deferred tax assets related to the business environment of overseas subsidiaries and the overall performance trend outlook, despite the increase in profit before tax associated with the increase in operating profit on an IFRS basis. As a result, net profit in fiscal 2023 was JPY 26.7 billion (net loss of JPY 15.0 billion in the previous fiscal year). Net profit attributable to owners of the company was JPY 26.6 billion (net loss attributable to owners of the company of JPY 14.9 billion in the previous fiscal year).

### FY2023 Core Operating Profit Bridge



## • Performance and Key Metrics

## Revenue and Profit Contribution by Region

In the Japan business, revenue from prescription pharmaceuticals decreased by 1.6% year-on-year to JPY 160.2 billion. This was due to the focus on growing mainstay products including *Diquas LX* for dry eye treatment and *Alesion LX* anti-allergy eye drops, despite the impact of drug price revisions of around the low 2% mark. Revenue from OTC pharmaceuticals increased by 5.2% year-on-year to JPY 10.1 billion as a result of a continued focus on high-end products, Rx-to-OTC switch products such as *Hyalein S*, and the *Sante FX* series. In medical devices, revenue increased by 9.8% year-on-year to JPY 3.6 billion due to the strong performance of *PRESERFLO MicroShunt*. Overall, revenue from the Japan business decreased by 1.0% year-on-year to JPY 175.6 billion. Contribution profit decreased 2.0% year-on-year to JPY 68.9 billion and the contribution profit ratio decreased by 0.4 points year-on-year to 39.2%.

On a JPY basis, revenue in China increased by 38.6% year-on-year (+35.1% excluding FX impact) to JPY 29.9 billion, boosted by the strong performance of mainstay products, which reflected a recovery from the resurgence of COVID-19 in the previous fiscal year. Contribution profit increased 77.5% year-on-year to JPY 11.8 billion and the contribution profit ratio increased by 8.7 points year-on-year to 39.6%.

On a JPY basis, revenue in Asia increased by 18.9% year-on-year (+11.9% excluding FX impact) to JPY 28.7 billion, due to steady growth of mainstay products in our major markets, including South Korea. Contribution profit increased 20.7% year-on-year to JPY 12.5 billion and the contribution profit ratio increased by 0.7 points year-on-year to 43.6%.

On a JPY basis, revenue in EMEA increased by 23.3% year-on-year (+12.1% excluding FX impact) to JPY 64.8 billion. This was mainly due to growth in sales of glaucoma products, a disease area in which Santen holds the No. 1 market share,<sup>1</sup> as well as the impact of a reevaluation of the reimbursement claim settlement for *Ikervis* in fiscal 2023. Contribution profit increased 41.3% year-on-year to JPY 25.5 billion and the contribution profit ratio increased by 5.0 points year-on-year to 39.4%.

On a JPY basis, revenue in the Americas decreased by 11.8% year-on-year (–16.5% excluding FX impact) to JPY 3.1 billion. This was due to efforts to streamline sales and marketing activities. Contribution losses amounted to JPY 0.26 billion with losses decreasing JPY 4.23 billion year-on-year.

### • Performance and Key Metrics

## Financial Position

Total assets amounted to JPY 435.7 billion, up JPY 14.5 billion from the end of the previous fiscal year. Despite a decrease in trade and other receivables associated with the liquidation of trade receivables and a decrease in intangible assets, there were increases in cash, deferred tax assets, and property, plant and equipment associated with new plant construction in Suzhou, China.

Equity amounted to JPY 305.4 billion, an increase of JPY 12.1 billion from the end of the previous fiscal year. This was mainly due to an increase in retained earnings and other components of equity, which more than offset the impact of capital reduction as a result of

share repurchases. The Company cancelled treasury shares totaling JPY 15.4 billion (12 million shares) on March 29, 2024.

Liabilities amounted to JPY 130.3 billion, up JPY 2.4 billion from the end of the previous fiscal year. This was mainly due to an increase in other current liabilities associated with an increase in deposits received, which was only partially offset by a decrease in the provision associated with business structure reforms.

As a result, the ratio of equity attributable to owners of the company to total assets increased by 0.4 points from the end of the previous fiscal year to 70.2%

<sup>1</sup> Source: Copyright © 2024 IQVIA. IQVIA MIDAS 2023.Q1–2023.Q4. Santen analysis based on IQVIA data. Reprinted with permission.

## Cash Flows

Cash flows from operating activities in fiscal 2023 amounted to an inflow of JPY 72.6 billion (inflow of JPY 37.1 billion in the previous fiscal year). Main factors included net profit of JPY 26.7 billion, JPY 18.2 billion in depreciation and amortization, a decrease of JPY 18.4 billion in trade and other receivables associated with the liquidation of trade receivables, and the payment of JPY 12.1 billion in corporate tax.

Cash flows from investing activities in fiscal 2023 amounted to an outflow of JPY 6.1 billion (outflow of JPY 26.8 billion in the previous fiscal year). This was mainly due to payments for the acquisition of property, plant and equipment amounting to JPY 9.3 billion. There was a cash inflow of JPY 4.1 billion due to the sale of four equity holdings in fiscal 2023 as part of the ongoing review of strategic shareholdings.

Capital expenditures in fiscal 2023 amounted to JPY 10.2 billion. In addition to upgrading manufacturing facilities and equipment for R&D, Santen has invested in a new plant at Santen

Pharmaceutical (China) Co., Ltd, with the aim of addressing expanding demand and strengthening the production and supply structure. This adds production capacity to cater to anticipated market growth, thereby establishing Santen’s competitive edge globally in preparation for further business growth. In addition, Santen is making ongoing investments, including in a next-generation enterprise resource planning (ERP) system, with the aim of enhancing administrative standardization of the Company’s operations and productivity to support global business expansion.

Cash flows from financing activities amounted to an outflow of JPY 34.0 billion (outflow of JPY 37.2 billion in the previous fiscal year). This was mainly due to share repurchases and cash dividends paid of JPY 17.0 billion and JPY 11.9 billion, respectively.

As a result, cash and cash equivalents amounted to JPY 94.6 billion, up by JPY 36.7 billion from the end of the previous fiscal year.

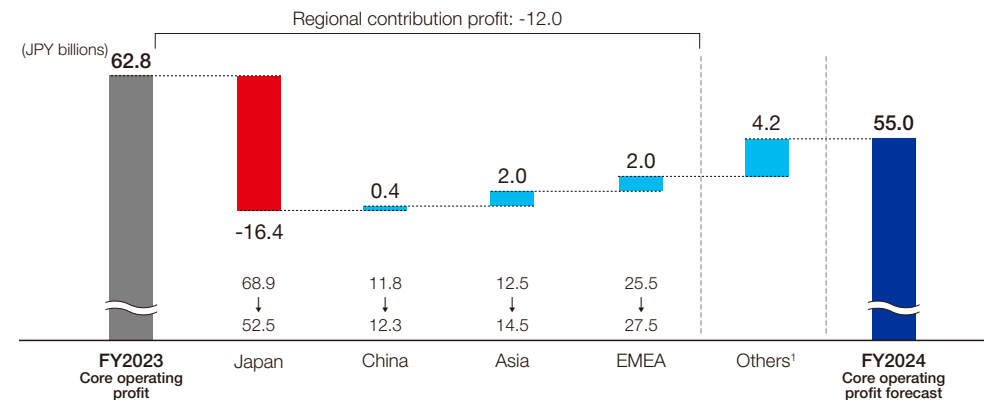
## Outlook for Fiscal 2024

Revenue in fiscal 2024 is forecast to be effectively unchanged from the previous fiscal year at JPY 302.0 billion, and core operating profit (an indicator of profitability from business activities) is expected to decrease by 12.4% year-on-year to JPY 55.0 billion. While in overseas businesses the Company projects continued stable growth, revenue for the Japan business is expected to decrease due to impacts from the market entry of generics, drug price revisions, suspension of shipments of *Diquas LX* for dry eye treatment, and co-pay hikes on certain long-listed drugs. SG&A expenses (core basis) are forecast to be JPY 91.0 billion, up 0.2% year-on-year as a result of ongoing cost optimizations. R&D expenses (core basis) are projected to be JPY 27.0 billion, up 6.9% year-on-year, as an investment for future growth. Core operating profit is expected to decrease by 12.4% year-on-year to JPY 55.0 billion, due to an assumed increase in the cost of sales ratio resulting from changes in the product mix and inflation impacting cost of sales. On an IFRS basis, operating profit is forecast to be JPY 44.5 billion, up 15.5% year-on-year, in view of an expected decrease in other expenses following the completion of structural reforms, and net profit is forecast to be JPY 33.5 billion, up 25.5% year-on-year. These forecasts are based on foreign exchange rates of USD 1 = JPY 155, EUR 1 = JPY 165 and CYN 1 = JPY 21.3.

The forecasts above are based on currently available information. Actual results may differ materially depending on a number of factors, including changes in the business environment.

## • Performance and Key Metrics

### FY2024 Core Operating Profit Outlook Bridge



<sup>1</sup> R&D and back-office expenses in regional and global functions, and profit and loss excluding regional businesses  
 Note: The Company revised the forecast for FY2024 on August 6, 2024 in the financial results for the first quarter of FY2024 mainly due to a change in assumptions, including FX assumptions. The revised numbers are reflected on this page.



# Eleven-Year Summary of Selected Financial Data

	JPY millions										
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>For the year:</b>											
Revenue	146,260	161,831	195,291	199,096	224,942	234,026	241,555	249,605	266,257	279,037	<b>301,965</b>
Cost of sales	57,353	56,373	72,829	74,966	86,378	90,764	94,831	98,221	109,671	112,950	<b>123,256</b>
Selling, general and administrative expenses	41,642	48,893	59,406	62,193	68,788	71,273	73,360	79,554	84,499	96,257	<b>91,529</b>
Research and development expenses	16,862	17,477	19,990	22,786	24,398	23,759	23,341	24,112	26,377	28,297	<b>25,416</b>
Operating profit/loss	29,878	35,374	80,180	32,479	38,691	45,098	33,535	12,187	35,886	-3,090	<b>38,541</b>
Core operating profit	30,403	39,088	43,067	39,687	45,378	48,230	50,023	50,101	46,348	44,242	<b>62,778</b>
Income tax expenses	10,643	11,831	26,097	8,331	4,000	11,174	10,377	2,562	8,427	9,184	<b>3,171</b>
Net profit/loss for the year	19,718	24,032	53,373	21,724	35,261	31,943	21,714	9,126	27,189	-14,983	<b>26,703</b>
Core net profit for the year	19,813	25,948	29,163	29,125	33,458	36,092	35,894	37,549	35,195	33,235	<b>48,513</b>
<b>At year-end:</b>											
Total assets	237,640	304,200	355,399	358,906	388,463	391,186	408,768	405,285	459,976	421,179	<b>435,699</b>
Total equity	187,210	211,779	260,009	255,929	287,557	292,572	302,560	309,646	336,844	293,297	<b>305,369</b>
Total liabilities	50,430	92,421	95,391	102,977	100,905	98,614	106,208	95,639	123,133	127,883	<b>130,329</b>
<b>Cash flows:</b>											
Net cash flows from (used in) operating activities	26,686	25,386	22,525	10,843	42,843	32,894	39,947	38,808	46,043	37,147	<b>72,649</b>
Net cash flows from (used in) investing activities	-7,847	-61,709	37,052	-28,201	-8,259	-2,935	-5,175	-53,355	-35,169	-26,777	<b>-6,145</b>
Net cash flows from (used in) financing activities	-7,954	28,960	-24,066	-28,657	-17,631	-28,107	-12,729	-16,685	5,557	-37,220	<b>-34,031</b>
Payments for acquisition of property, plant and equipment, and intangible assets	5,879	66,440	9,092	9,500	9,937	8,332	9,228	23,804	35,841	24,589	<b>10,686</b>
Depreciation and amortization	2,841	6,958	9,338	9,882	10,896	10,969	16,573	17,498	17,055	17,249	<b>18,178</b>
Free cash flow <sup>1</sup>	20,807	-41,054	13,433	1,342	32,906	24,562	30,719	15,004	10,203	12,558	<b>61,963</b>
Interest coverage ratio (times)	2,855.4	309.8	230.9	206.6	1,573.6	4,330.0	210.1	244.6	191.6	79.9	<b>87.5</b>

## • Performance and Key Metrics

<sup>1</sup> Free cash flow = Net cash flows from operating activities minus capital payments for acquisition of property, plant and equipment, and intangible assets

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>Per share data<sup>1</sup> (JPY):</b>											
EPS (Basic earnings)	47.78	58.18	128.99	52.96	86.73	78.67	59.16	23.30	68.07	-38.60	<b>72.59</b>
Core EPS	48.01	62.82	70.48	70.99	82.29	88.89	90.00	94.09	88.16	85.86	<b>132.13</b>
Equity attributable to owners of the company	452.43	511.14	627.78	628.09	702.54	728.97	758.50	776.16	843.60	783.30	<b>843.24</b>
Cash dividends, applicable to the period	20.00	22.00	25.00	26.00	26.00	26.00	27.00	28.00	32.00	32.00	<b>33.00</b>
<b>Financial KPIs and other data:</b>											
ROE (Return [Net profit for the year] on equity attributable to owners of the company) (%)	11.1	12.0	22.6	8.4	13.0	11.1	8.0	3.0	8.4	-4.7	<b>8.9</b>
Core ROE (%)	11.2	13.0	12.4	11.3	12.4	12.5	12.1	12.3	10.9	10.5	<b>16.2</b>
ROA (Return [Net profit for the year] on total assets) (%)	8.9	8.9	16.2	6.1	9.4	8.2	5.4	2.2	6.3	-3.4	<b>6.2</b>
Equity attributable to owners of the company ratio (%)	78.8	69.6	73.2	71.1	73.6	74.4	74.1	76.5	73.4	69.8	<b>70.2</b>
Debt equity ratio (Interest-bearing debt <sup>2</sup> to equity attributable to owners of the company ratio) (times)	0.0	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	<b>0.1</b>
PER (Price earnings ratio) (times)	19.2	30.1	13.1	30.4	19.8	21.0	31.4	65.4	18.0	-29.3	<b>21.2</b>
Dividend payout ratio (%)	41.9	37.8	19.4	49.1	30.0	33.0	45.6	120.2	47.0	—	<b>45.5</b>
Issued shares at fiscal year-end (thousands, including treasury shares)	82,583	82,653	414,192	406,173	406,848	399,782	400,028	400,369	400,695	375,886	<b>363,996</b>
Number of employees	3,072	3,230	3,463	3,667	3,805	4,073	4,108	4,229	4,315	4,144	<b>3,744</b>

- Performance and Key Metrics

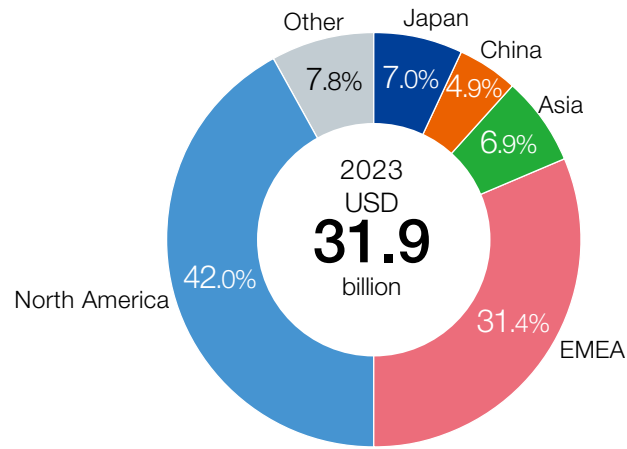
<sup>1</sup> The Company conducted a five-for-one share split of ordinary shares on the effective date of April 1, 2015. Per share data other than cash dividends applicable to the period for FY2013 and the subsequent fiscal years are calculated under the assumption that the share split took effect at the beginning of FY2013. Cash dividends applicable to the period have been retrospectively adjusted to reflect the impact of the share split.

<sup>2</sup> Excludes lease obligations

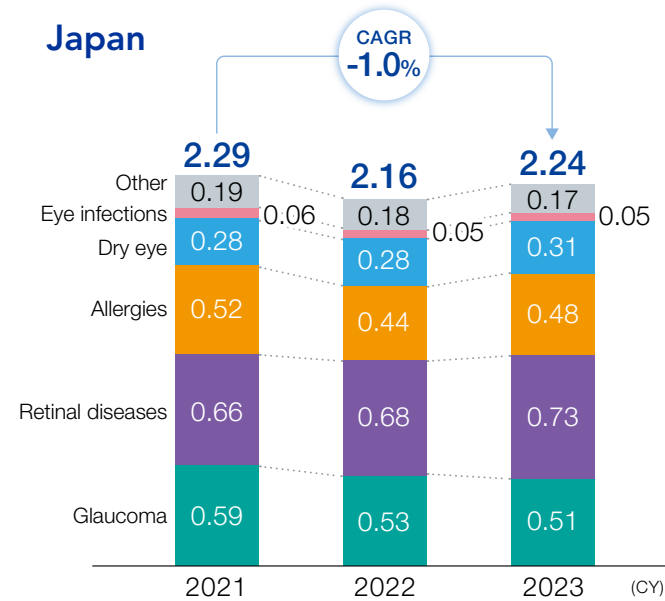
# Ophthalmology Market Data

(USD billions)

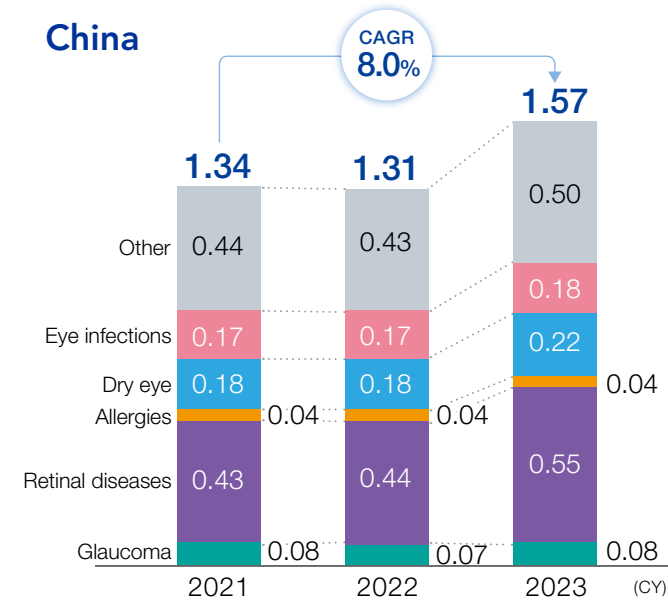
## Global



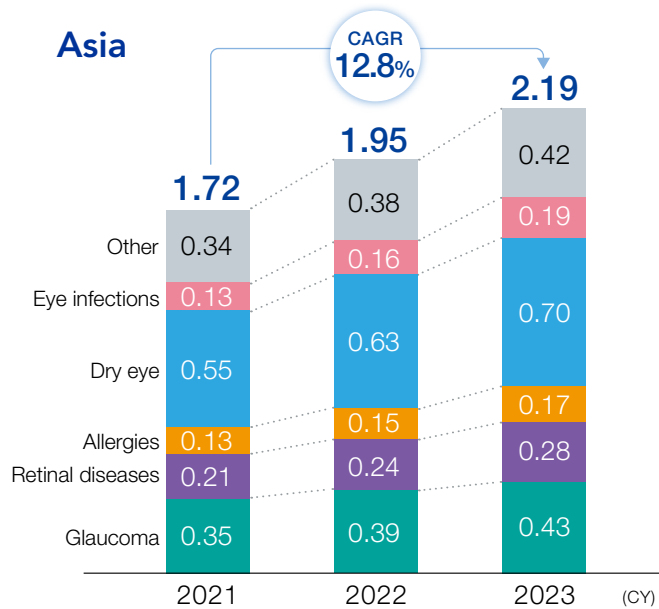
## Japan



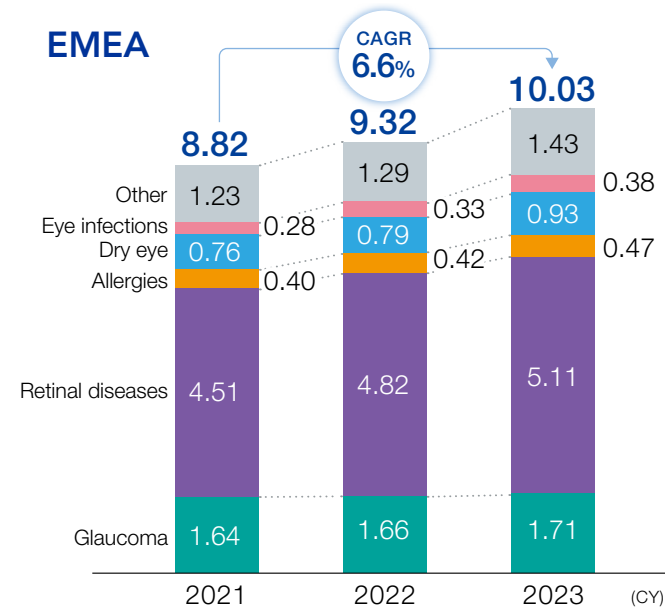
## China



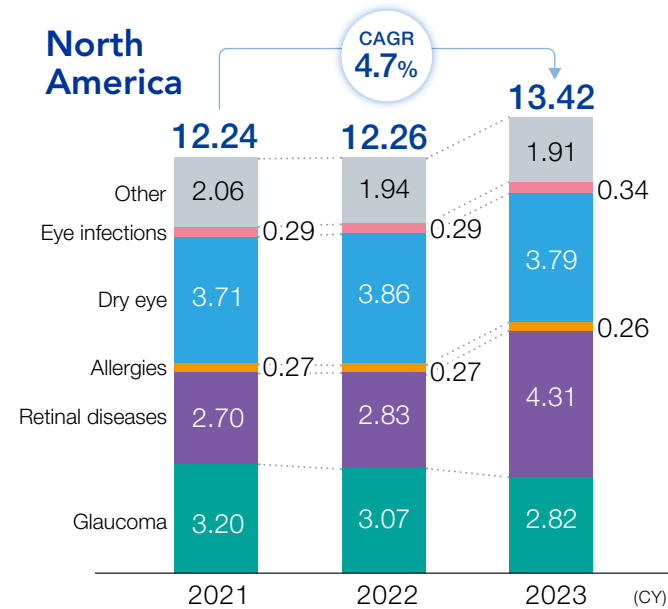
## Asia



## EMEA



## North America



### • Performance and Key Metrics

# Stock Information (As of March 31, 2024)

## Major Shareholders (Top 10)

Name/Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%) <sup>1</sup>
The Master Trust Bank of Japan, Ltd. (Trust account)	61,125	16.79
Custody Bank of Japan, Ltd. (Trust account)	19,598	5.38
BNYM AS AGT/CLTS NON TREATY JASDEC	13,546	3.72
Nippon Life Insurance Company	10,662	2.92
STATE STREET BANK AND TRUST COMPANY 505223	9,560	2.62
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	7,851	2.15
GOVERNMENT OF NORWAY	7,155	1.96
MUFG Bank, Ltd.	6,989	1.91
JPMorgan Securities Japan Co., Ltd.	6,292	1.72
Ono Pharmaceutical Co., Ltd.	6,204	1.70

## Yearly High and Low Prices (JPY)

FY	2019	2020	2021	2022	2023
High	2,234	2,216	1,718	1,251	1,590
Low	1,408	1,370	1,210	956	1,060

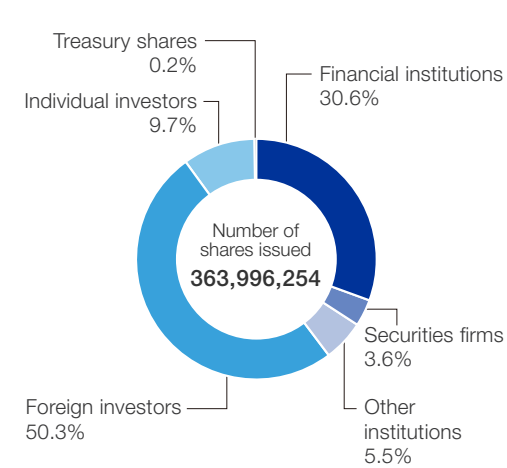
## Total Shareholder Return (%)

FY	2019	2020	2021	2022	2023
Total shareholder return	114.3	95.7	79.7	75.7	102.4
Comparative index: TOPIX including dividends	90.5	128.6	131.2	138.8	196.2

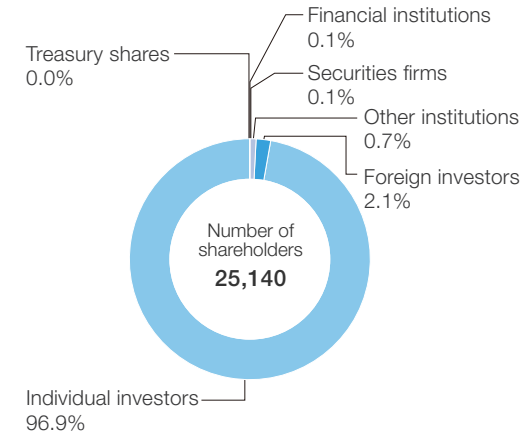
<sup>1</sup> Holding ratio of shares issued includes treasury shares.

## Composition of Shareholders

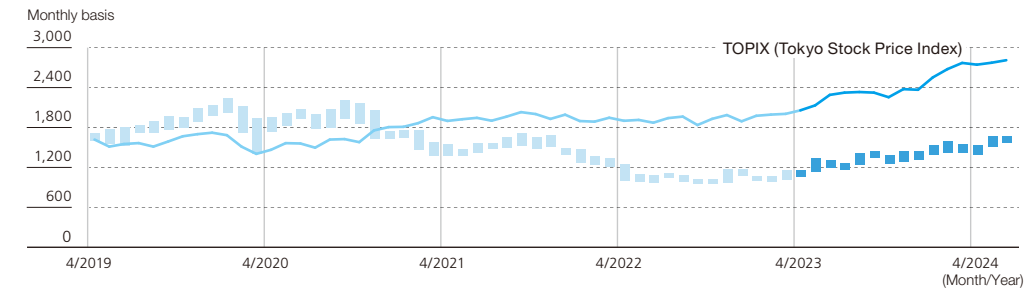
By number of shares



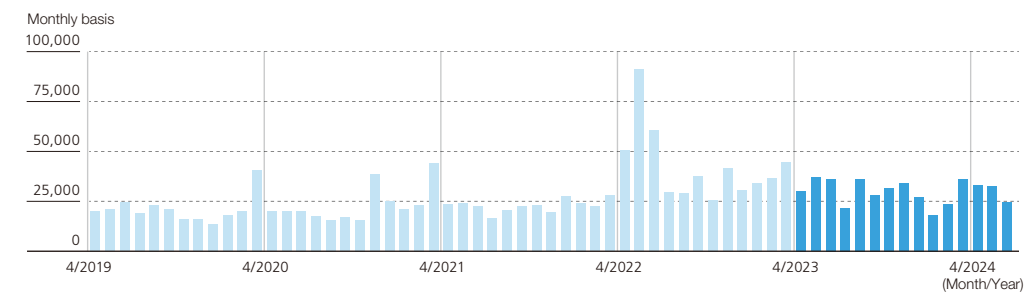
By number of shareholders



## Stock Price Range (JPY)



## Trading Volume (Thousands of Shares)



• Performance and Key Metrics

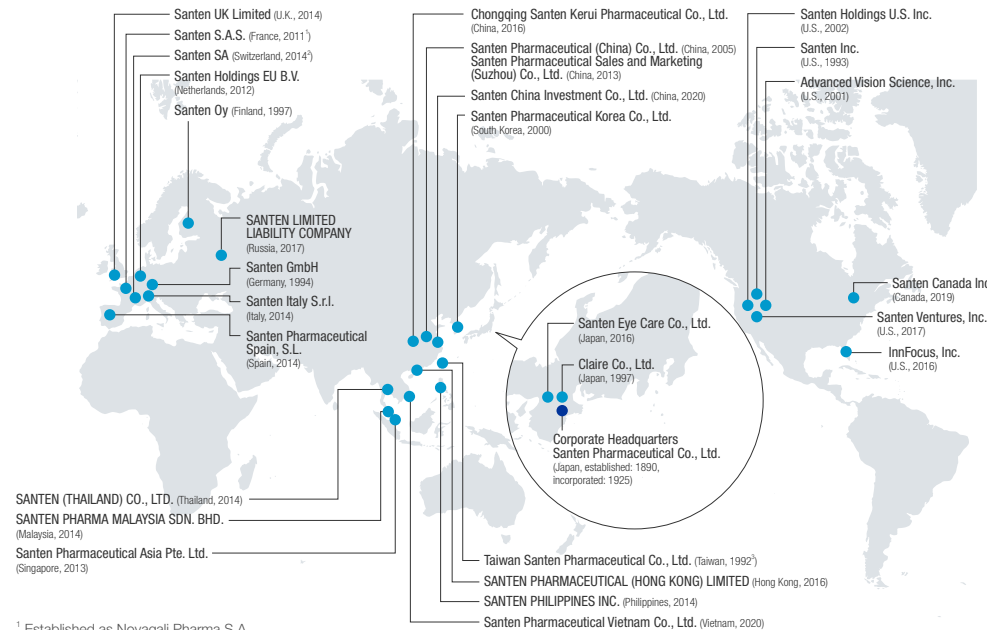


# Corporate Information (As of March 31, 2024)

<b>Corporate Headquarters</b>	Santen Pharmaceutical Co., Ltd. Grand Front Osaka Tower A, 4-20 Ofuka-cho, Kita-ku, Osaka 530-8552, Japan
<b>Website</b>	<a href="https://www.santen.com/en">https://www.santen.com/en</a>
<b>Established</b>	1890
<b>Paid-in Capital</b>	JPY 8,777 million

<b>Number of Employees</b>	3,744 (consolidated)
<b>Number of Shares Issued</b>	363,996,254
<b>Number of Shareholders</b>	25,140
<b>Stock Exchange Listing</b>	Tokyo Stock Exchange
<b>Ticker Code</b>	4536
<b>Shareholder Registry Administrator</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Transfer Agent</b>	Osaka Stock Transfer Agent Division, Mitsubishi UFJ Trust and Banking Corporation 6-3, Fushimi-cho 3-chome, Chuo-ku, Osaka 541-8502, Japan

## Group Companies (Major Group companies; country/region and year of establishment indicated in parentheses)



<sup>1</sup> Established as Novagali Pharma S.A.  
<sup>2</sup> Established as Santen Switzerland SA  
<sup>3</sup> Established as TAHMIN SANTEN CO., LTD.

## Inclusion in ESG Indexes

**FTSE4Good Index Series**

**FTSE Blossom Japan Index**

**MSCI Nihonkabu ESG Select Leaders Index**  
**2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX**

**MSCI Japan Empowering Women Index (WIN)**  
**2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)**

**SOMPO Sustainability Index**

**S&P/JPX Carbon Efficient Index**

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

## • Performance and Key Metrics

# Editorial Note

## Editorial Note for *Santen Report 2024*

Thank you for taking the time to read *Santen Report 2024*.

With the completion of the structural reforms carried out mainly in fiscal 2023, and the faster-than-expected progress of medium-term management plan initiatives, Santen is now placing greater focus on building the foundation for medium- to long-term growth.

In last year’s report we reviewed and renewed our value creation process. This year, we showcase it through a vertical page layout (as used for the introductory pages and front cover), making the flow of that process more visually intuitive. Commercial Excellence is one of Santen’s strengths. In that regard, the report talks about our business strategy overseas, primarily in the message from the COO, and also discusses new product areas that will be essential for our growth. From the viewpoint of sustainability, we cover our approach to people development and promotion in our human capital initiatives. Regarding the environment, we detail our biodiversity policy, as well as our efforts toward decarbonization and waste reduction.

- The color palettes used in this report comply with accessibility guidelines for readers with color vision impairments.
- We are creating Daisy audiobook versions on Sapie, a comprehensive network of information for the visually impaired.

We also introduce examples of digital transformation and how we share our CORE PRINCIPLE. On governance, we feature a dialogue between an Outside Director and a Corporate Officer (Global Head of Corporate Strategy), covering our approaches to human resources and risk management.

Each department worked with the CEO and the management team to create content for this report. This content takes the opinions received in our dialogue with investors and stakeholders, as well as various guidelines, into account. I assure you that this integrated report was appropriately prepared and that its contents are accurate. I hope that in reading this report, you will gain a better understanding of our thoughts on our business and our approach to sustainability.

### Takahiro Morita

Corporate Officer,  
Global Head of Core Principle & Sustainability

August 2024

<i>Santen Report 2024</i> Production Members (alphabetical order)	Investor Relations/Sustainability S. Akao, K. Harada, M. Inoue, K. Itagaki, S. Kajiya, M. Nitta, G. Sakuma, A. Tanaka, M. Yoshida
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### Editorial Policy

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

### Applicable Scope

Santen Pharmaceutical Co., Ltd. and consolidated subsidiaries  
Country/Regional classifications are based on Santen’s business operations.

### Reporting Period

Fiscal 2023 (April 1, 2023 to March 31, 2024)  
Certain information is updated after April 1, 2024.

### Concerning Forward-Looking Statements

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

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

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

- Alesion (Boehringer Ingelheim KG)
- Cravit (Daiichi Sankyo Co., Ltd.)
- EYLEA (Bayer AG)
- Rocklatan, Roclanda, Rhopressa, Rhokiinsa (Alcon Inc.)

### Reference Guidelines

The International Integrated Reporting Framework (International Integrated Reporting Council/IFRS Foundation), 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 Dialogue for Collaborative Value Creation 2.0 (Japan’s Ministry of Economy, Trade and Industry)



### The *Santen Report* and Santen’s Information Disclosure Framework

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

### Detailed Information

