

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.



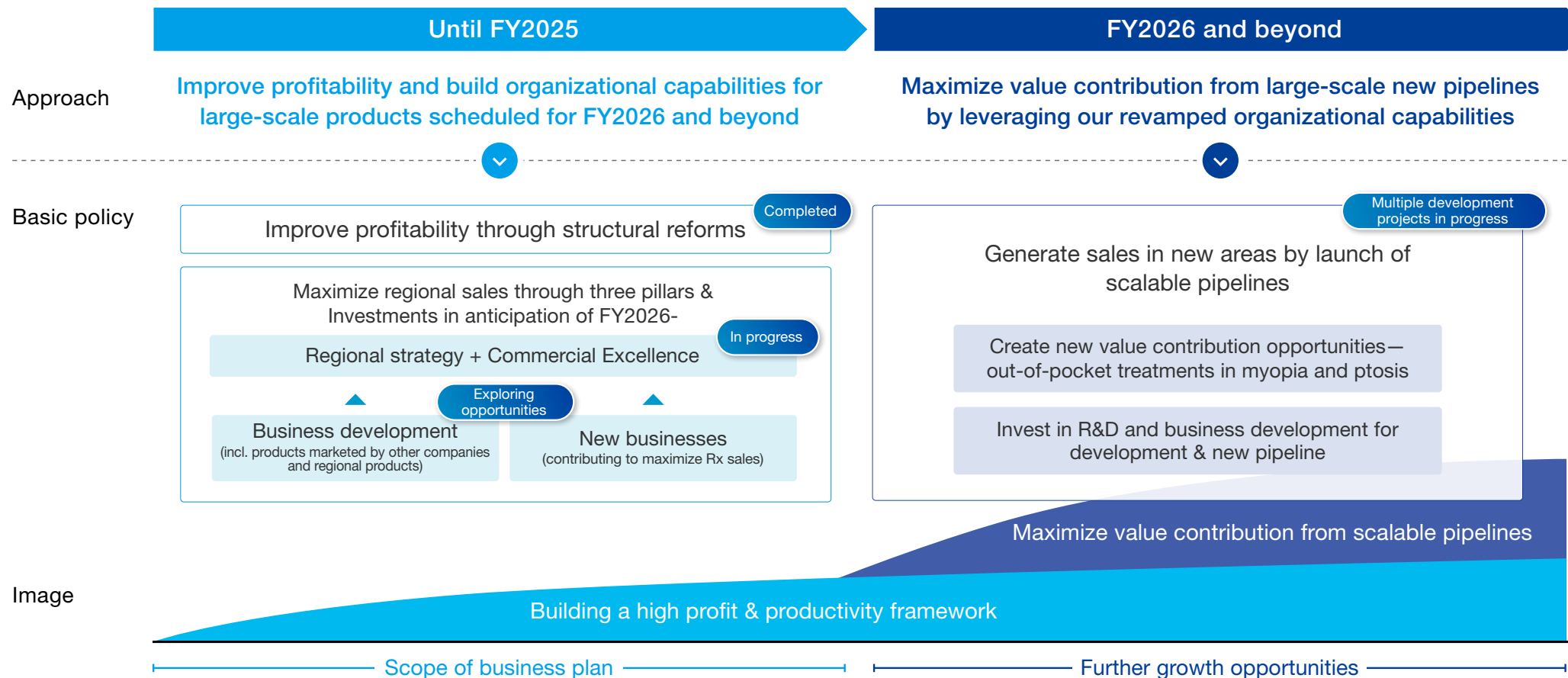
Takeshi Ito

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 302.0 bil.	JPY 280.0 bil.
Core operating profit/margin	JPY 62.8 bil. / 21 %	JPY 56.0 bil. / 20 %
Revenue growth ratio per overseas employee	+33 % (year-on-year) ¹	Over 7 % ^{2,3}
Core ROE	16.2 %	13 %
Growth rate of core EPS	+54 % (year-on-year)	Over 10 % ³

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

³ 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 2050.¹ Moreover, the rate of high myopia, which increases the risk of complications such as retinopathy and glaucoma, is predicted to reach 10% in 2050.^{1,2} 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 patients³ 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 leaders⁴ 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.

¹ *Ophthalmology*. 2016 May; 123(5):1036-42 ² *Invest Ophthalmol Vis Sci*. 2020 Apr 9;61(4):49 ³ Santen estimate ⁴ 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 units¹ 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

¹ 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

1890 — 1989

Growth

1990 — 2009

Transformation

2010 and beyond

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

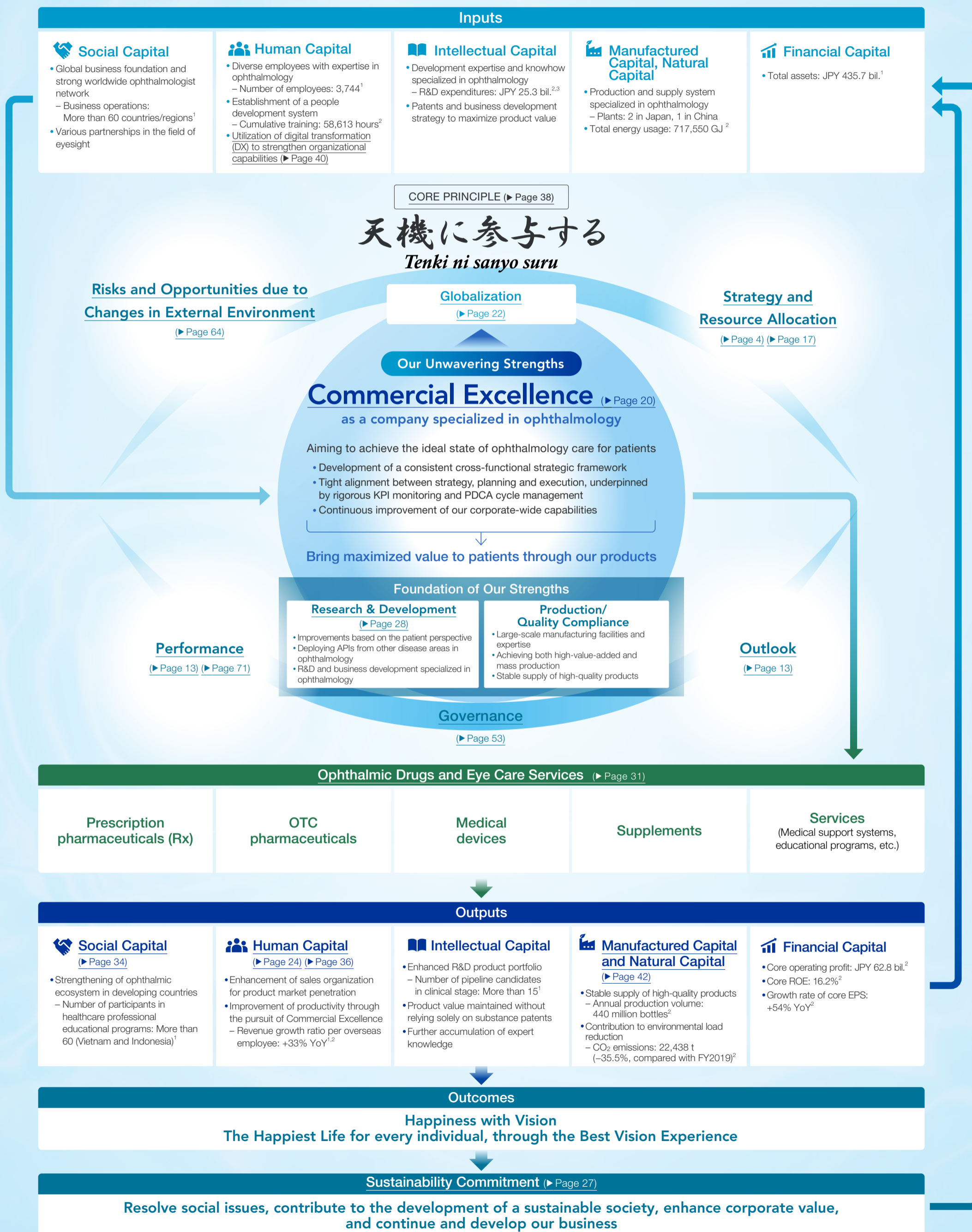
The Dimple Bottle was developed to make it easier for patients who use eye-drops. As an initiative to reduce environmental load (▶ Page 42), in 2021 Santen began using bottles made of biomass plastic for some of its products.

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.

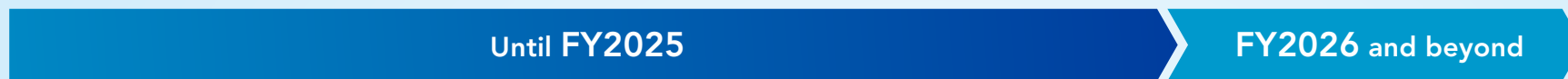
Value Creation Process

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.



¹ As of the end of March 2024 ² FY2023 result ³ Core basis

Medium- to Long-Term Value Creation



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

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

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

Happiness with Vision

Continuous Enhancement of Corporate Value

Formulate a new medium-term management plan starting in FY2025

¹ Total for China, Asia, and EMEA. Excludes foreign exchange (FX) impact. Calculated based on the rate in the medium-term management plan. ² CAGR for FY2022 forecast through FY2025 ³ FY2024 annual forecast: JPY 34 per share ⁴ 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. ⁵ 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"> Aiming to contribute to more than 50 million patients 	<ul style="list-style-type: none"> Contributed to more than 50 million patients (calculated based on previous year's results)
	Evaluation and Management of the Supply Chain	<ul style="list-style-type: none"> CSR survey evaluation rate: 85% or higher Supplier training implementation rate: 80% or higher ESG education in the procurement department: 100% 	<ul style="list-style-type: none"> Supplier assessment rate: 95.8% Supplier training implementation rate: 96.0% ESG education in the procurement department: 100%
	Assurance of Quality and Safety, and Establishment of an Appropriate Supply System	<ul style="list-style-type: none"> Production and supply capacity of 500 million bottles or more OTIF (on-time and in-full) shipping: 100% Japan, 97% EMEA, 97% Asia, 97% U.S. 	<ul style="list-style-type: none"> Production and supply results: 440 million bottles OTIF shipping: 99% Japan, 97% EMEA, 97% Asia (U.S. stopped measuring)
	Providing Appropriate Information on Products and Services	<ul style="list-style-type: none"> Thorough education of medical representatives (MRs): 100% 	<ul style="list-style-type: none"> Education of MRs: 100%
Encouragement of an Organizational Culture that Promotes Value Creation	Promoting Diversity, Equity & Inclusion	<ul style="list-style-type: none"> Increased diverse representation in senior management globally Increase representation percentage of female managers to 20% in Japan Philosophy is permeated into all employees by implementation of the BLIND EXPERIENCE and others 	<ul style="list-style-type: none"> Percentage of female managers in Japan: 19% 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.
	Building a High-Value-Added and Highly Productive Work Environment	<ul style="list-style-type: none"> Conduct global engagement surveys on an annual basis Improve score related to communication 	<ul style="list-style-type: none"> Conducted a standardized, concurrent global engagement survey in November. (Response rate: 93%, Score: 64%) 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.
	People Development and Promotion	<ul style="list-style-type: none"> Complete people development program restructuring in FY2023, and have all employees complete the training program by FY2025 Evaluate and coach all managers in key positions by FY2025 Clarify candidates for succession of key positions by FY2023 and implement specific measures to systematically secure, train, and assign candidates successors by FY2025 	<ul style="list-style-type: none"> 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. 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. 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.
Strengthening Governance, Contributing to the Realization of Fair and Equal Society	Corporate Governance	<ul style="list-style-type: none"> Outside Director ratio: Maintain at over 50% 	<ul style="list-style-type: none"> Outside Director ratio: 50% (as of the end of June 2024)
	Compliance	<ul style="list-style-type: none"> Implementation of annual compliance education: Maintain at 95% or higher Major compliance violations: 0 	<ul style="list-style-type: none"> Annual compliance education implementation rate: 99.9% Major compliance violations: 0
	Risk Management	<ul style="list-style-type: none"> 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 Business continuity: Disaster recovery plan (IT area) completed Major information security-related incidents to be resolved and controlled with clear SLA/OLA (90% or more) 	<ul style="list-style-type: none"> Conduct risk assessments for regions to gather information regularly from each region/function during times of normal business Formulate disaster recovery frameworks and plans Major information security-related incidents to be resolved and controlled with clear SLA/OLA: 100%
	Respect for Human Rights	<ul style="list-style-type: none"> Implementation rate of human rights education 	<ul style="list-style-type: none"> Implementation rate of human rights education: 95% (Japan)
Conservation of the Global Environment	Measures against Climate Change	<ul style="list-style-type: none"> Shift of Company-owned vehicles to electric vehicles (HEVs, PHEVs, EVs, and FCVs): 100% 100% shift of power used at plants and laboratories in Japan to renewable energy-based power by 2023 	<ul style="list-style-type: none"> Percentage of Company-owned vehicles shifted to electric vehicles: Japan: 99.2%, EMEA: 21.5% Completed conversion to renewable energy for energy purchased at plants and the laboratory in Japan in February 2022
		<ul style="list-style-type: none"> Facilitating wider use of transportation means with low environmental loads, including railroads, for commuting and business trips, and encouraging remote work and meetings Reduction of CO₂ emissions (compared with the base year) <ul style="list-style-type: none"> Scope 3 Category 6 (Business travel) (non-consolidated): 21.6% reduction (1,600 t-CO₂) Scope 3 Category 7 (Employee commuting) (non-consolidated): 31.0% reduction (1,025 t-CO₂) Reduction of CO₂ emissions (compared with FY2019) <ul style="list-style-type: none"> Scope 1 and 2: 25% reduction Scope 3 Category 1 (non-consolidated): 8% reduction 	<ul style="list-style-type: none"> Reduction of CO₂ emissions (compared with FY2019) <ul style="list-style-type: none"> Scope 1 and 2: 35.5% reduction (22,438 t-CO₂) Scope 3 Category 1 (non-consolidated): 10.6% reduction (102,440 t-CO₂)
	Environmental Load Reduction	<ul style="list-style-type: none"> Water consumption per unit of production: 12.4 m³/10,000 bottles or less Recycling rate: 98% or higher 60% of plastic eye drop containers being produced from biomass plastic in 2030 10% reduction in plastic used for wrapping and packing materials (compared with FY2019) 	<ul style="list-style-type: none"> Water consumption per unit of production: 12.9 m³/10,000 bottles Recycling rate (Non-landfill disposal rate): 99.6% Switching to biomass plastic eye drop container: 14 eye drop product replacements have been completed Investigating alternative means of plastic materials for wrapping and packing materials