

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.

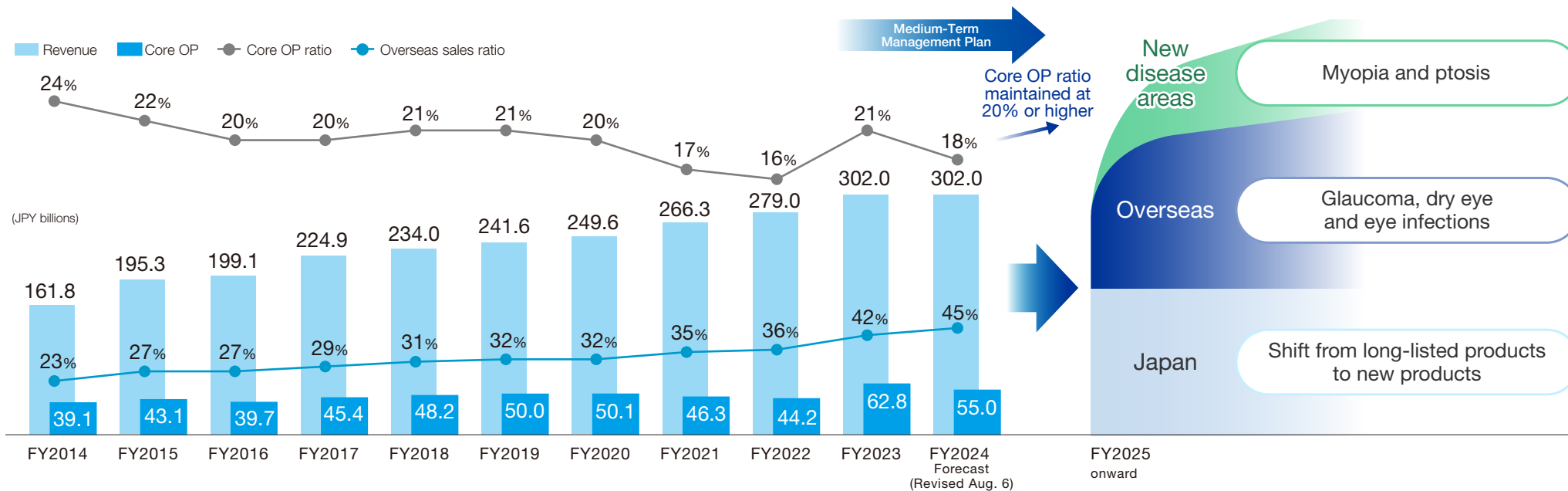
In the FY2023-2025 Medium-Term Management Plan, we are working to maximize ROE and ROIC as general indicators of profitability, efficiency, and financial soundness. Given that accounting profits were expected to fluctuate due to structural reforms, balance sheet optimizations, and other improvements 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.

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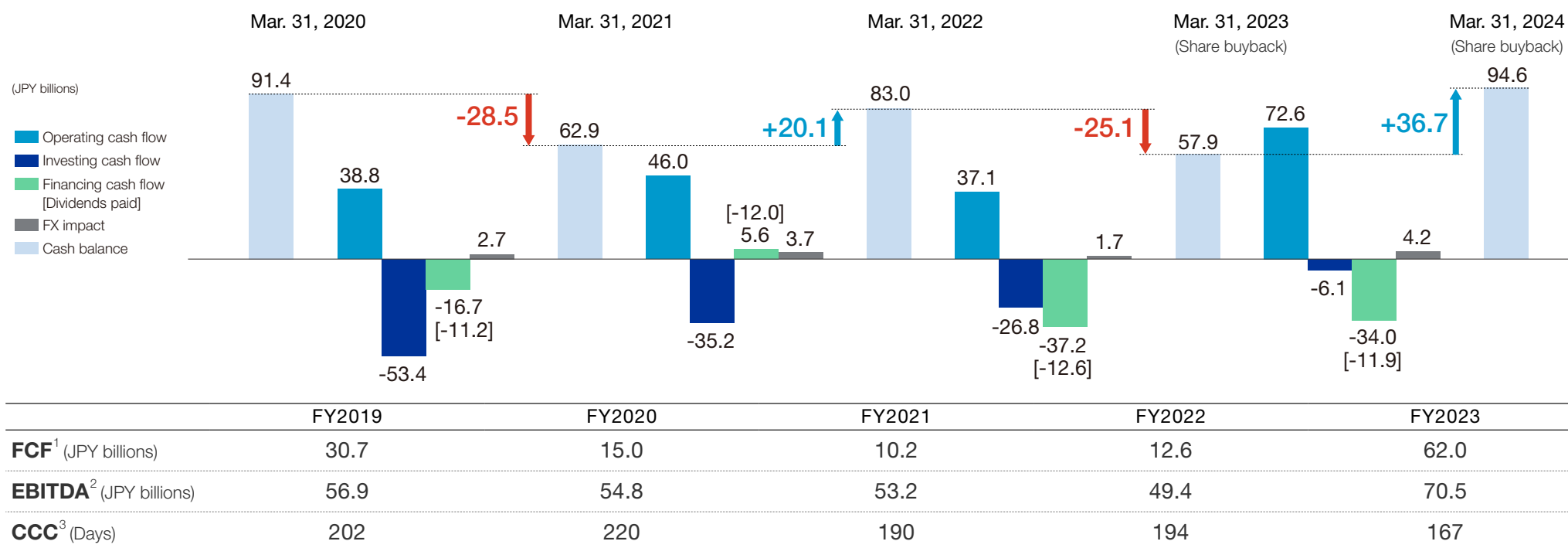
2 Strengthening Cash Generating Capacity and Reducing the Cost of Capital

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.

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Cash Flow



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

³ 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.

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

¹ 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.**

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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 share¹ 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

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

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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 EU4,¹ 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.

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¹ 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.

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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>1</p> <p>Asset Value Maximization</p> <p>Develop a framework for thoroughly evaluating assets to maximize their value</p>	<p>2</p> <p>Brand Planning Framework</p> <p>Create a structured and consistent approach to cross-functional brand planning</p>	<p>3</p> <p>Customer Engagement</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.

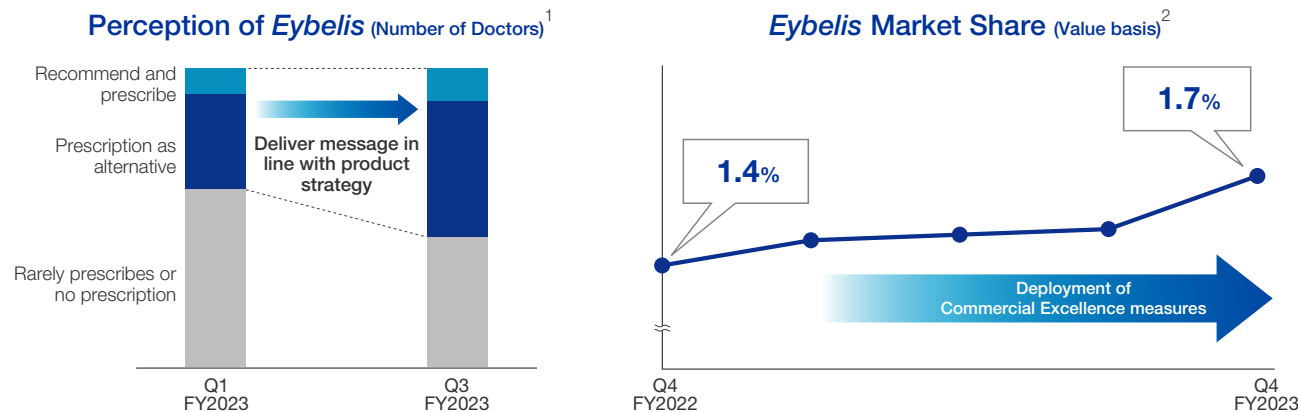
In fiscal 2024, we will deepen the use of our cross-functional strategic brand planning framework for strategic products in all regions. In addition, we will promote other initiatives that consider the unique characteristics of each region. In EMEA, we will further apply the PDCA cycle management methodology 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.

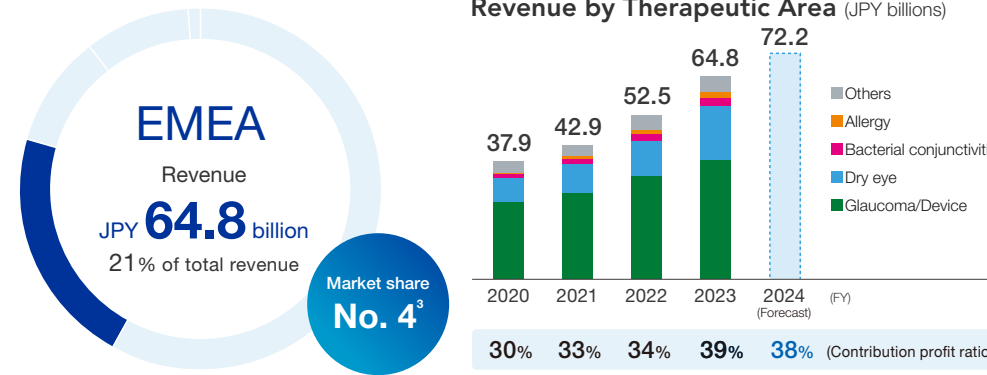
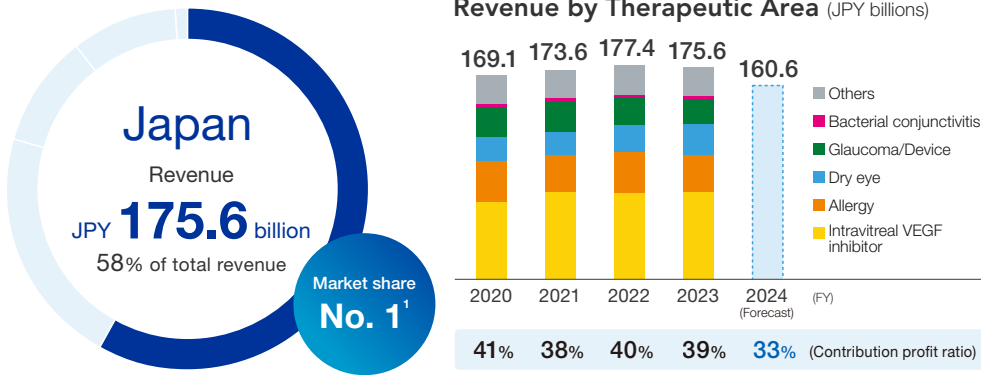
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Case Study in South Korea



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

Overview by Region



Opportunities

- 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
- Discovery of potential patients and improvement in adherence rates as a result of greater disease awareness and understanding
- Increase in number of consultations as a result of the availability of online consultations and other services that offer improved medical care convenience

Risks

- Co-pay hikes on certain long-listed drugs
- Reform of drug pricing system and Japan's National Health Insurance (NHI) system
- Market entry of generics for mainstay products

Opportunities

- Increase in glaucoma patient numbers due to aging populations, and dry eye patient numbers due to higher disease awareness
- Room for growth in glaucoma product portfolio in key markets
- Potential geographical portfolio expansion in smaller markets
- Increase in disease recognition for new therapeutic areas such as myopia and ptosis

Risks

- Changes in reimbursement coverage and price reductions in response to pressure on healthcare system finances in various countries
- Accelerated market penetration of generics
- Increase in outsourcing manufacturing costs mainly due to price hikes

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%.¹

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,² 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 EU4,⁴ 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.

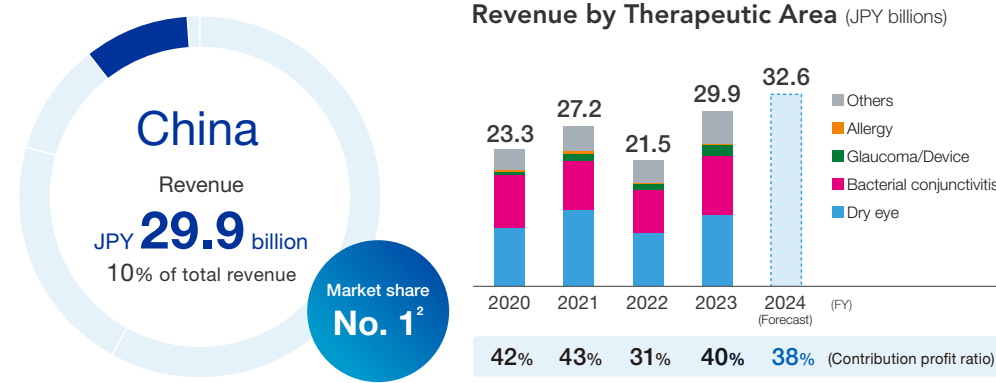
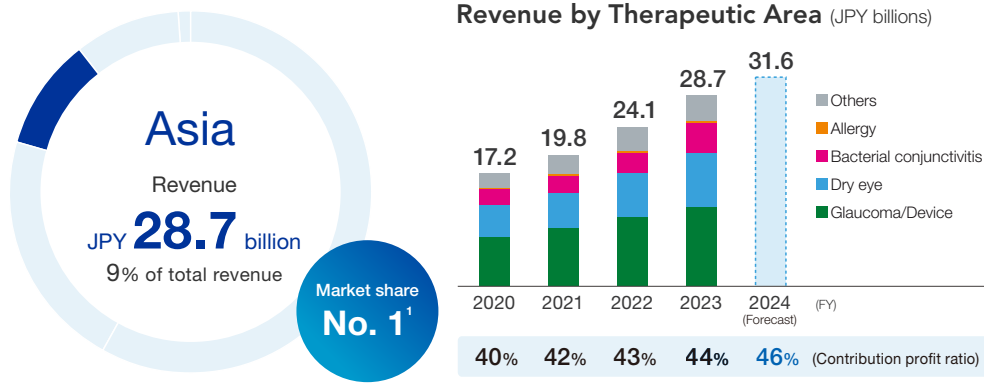
For fiscal 2024, we forecast revenue of JPY 72.2 billion, up 12% year-on-year, mainly due to growth of mainstay products for glaucoma and dry eye, despite the absence of fiscal 2023's one-time *Ikervis* factor. In the glaucoma area, we continue to respond to the need for preservative-free formulations 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 leader⁵ 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).

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¹ Source: Copyright © 2024 IQVIA. JPM 2023.4-2024.3. Santen analysis based on IQVIA data. Reprinted with permission. ² Product co-promoted with Bayer Yakuhin, Ltd. (MAH) ³ Excluding retina segment. Source: Copyright © 2024 IQVIA. IQVIA MIDAS 2023.Q1-2023.Q4.

Santen analysis based on IQVIA data. Reprinted with permission. ⁴ Germany, France, Spain and Italy ⁵ Source: Copyright © 2024 IQVIA. IQVIA MIDAS 2023.Q1-2023.Q4. Santen analysis based on IQVIA data. Reprinted with permission.

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

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

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.

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¹ 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. ² Excluding retina segment. Source: Copyright © 2024 IQVIA. IQVIA MIDAS 2023.Q1–2023.Q4. Santen analysis based on IQVIA data. Reprinted with permission.
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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

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

Region	Initiatives by Region and Examples of Improvement
Japan	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.
Asia	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.
China	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.
EMEA	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.
North America	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



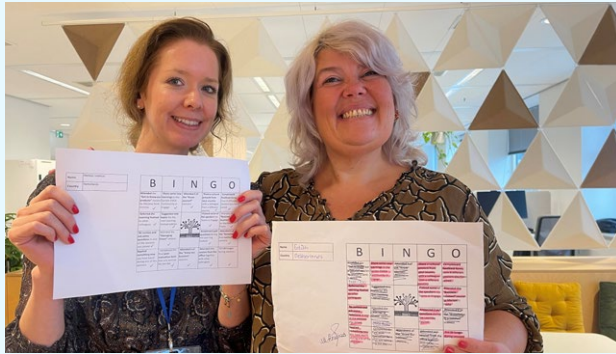

**EMEA
Learning
Festival**

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

Cumulative number of participants: 1,671 (number of EMEA employees: 737¹)

Cumulative training time: 1,821 hours

¹ 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