

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.**

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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.

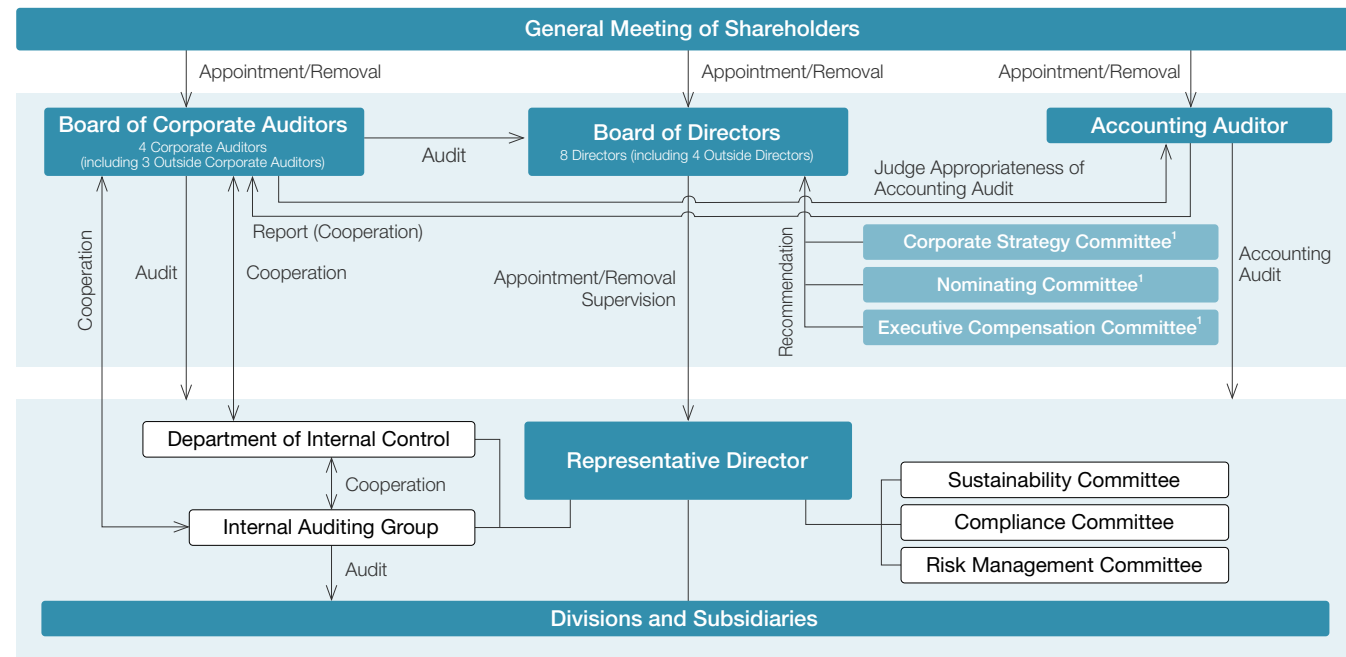
As members of the Board of Directors, Santen expects its Outside Directors to be actively involved in decision-making on specific managerial issues, and to leverage their wide range of experience and knowledge when doing so. Santen also asks them to provide opinions and recommendations

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)



¹ 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

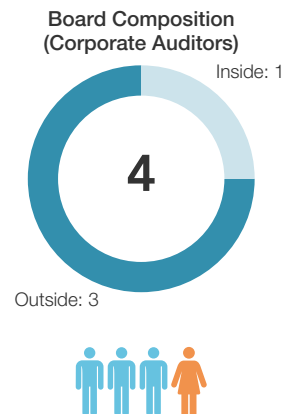
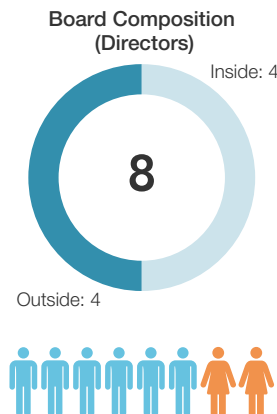
Makes decisions regarding important matters relating to the execution of business and supervises the management team and the Directors in the execution of their duties.

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

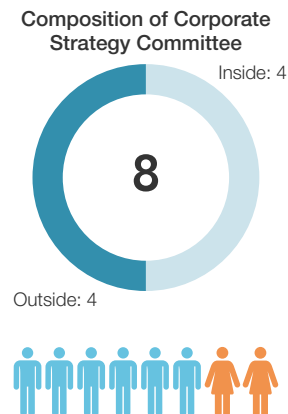
Deliberates on matters with a focus on key strategic issues such as business strategies.

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

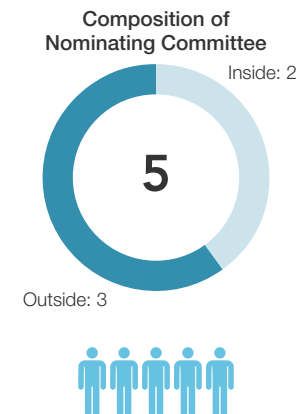
Deliberates and makes recommendations on the selection of candidates for the positions of Director and Corporate Auditor, and provides advice in response to requests concerning the selection of candidates for the position of Corporate Officer.

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

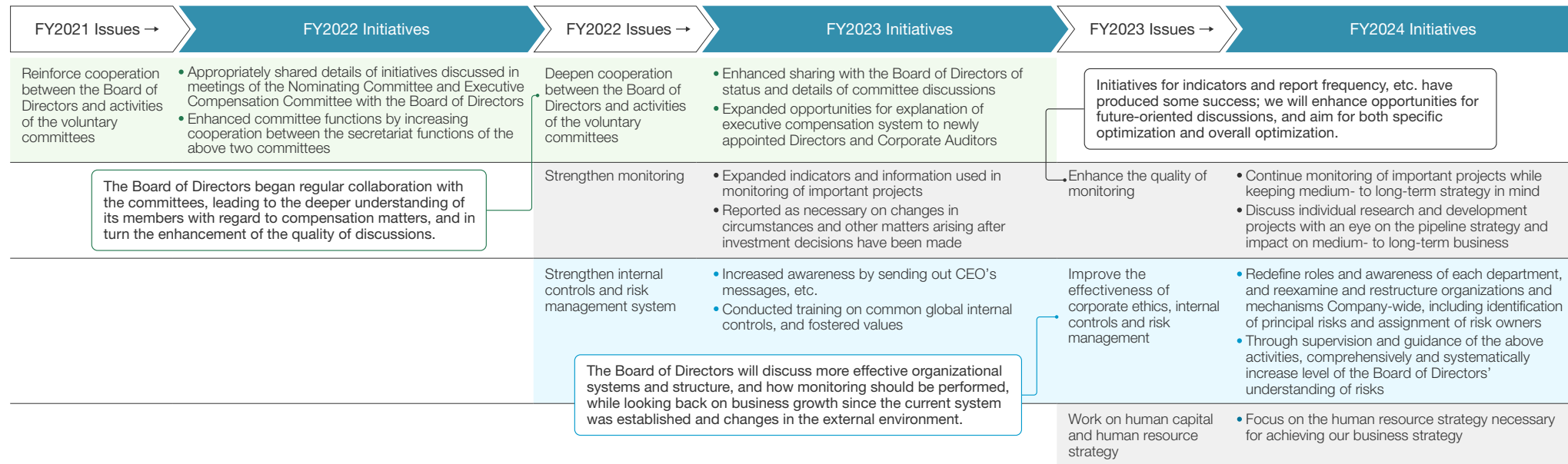
Analysis and Evaluation of the Board of Directors' Effectiveness

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 ¹ | | | | | | |
|---|---|--------------------|-----------------------------|------------------------------|----------------------|----------------------------------|---------------------------|-----------------------|--|-------------------|------------------------|--------------------------------|----------------|
| 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) ² | ○ | | ○ | | ○ | | ● | | ● | | | |
| | 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) | ○ | ○ | | | | | | | | ● | ● | ● |

¹ 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. ² 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.

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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).

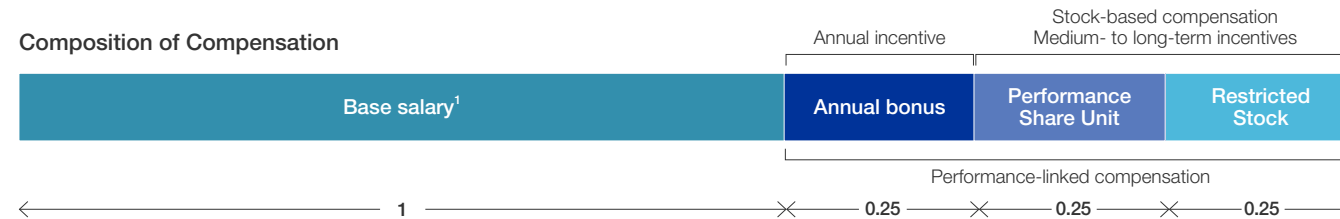
In order to prevent the Company’s executive compensation program from providing financial incentives that encourage excessive risk-taking, and ensure the soundness of the

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



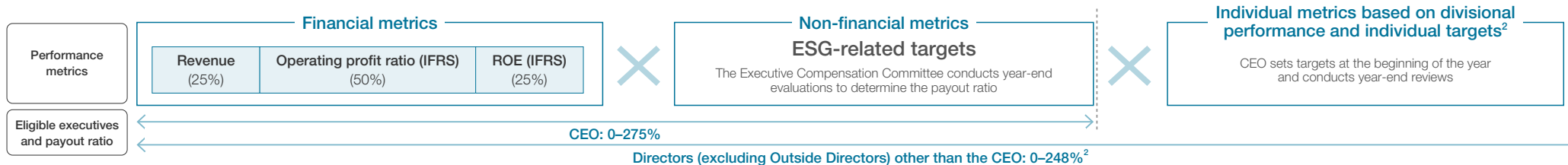
Annual Incentive

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.



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¹ Fixed monthly salary based on grade and job. ² 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.

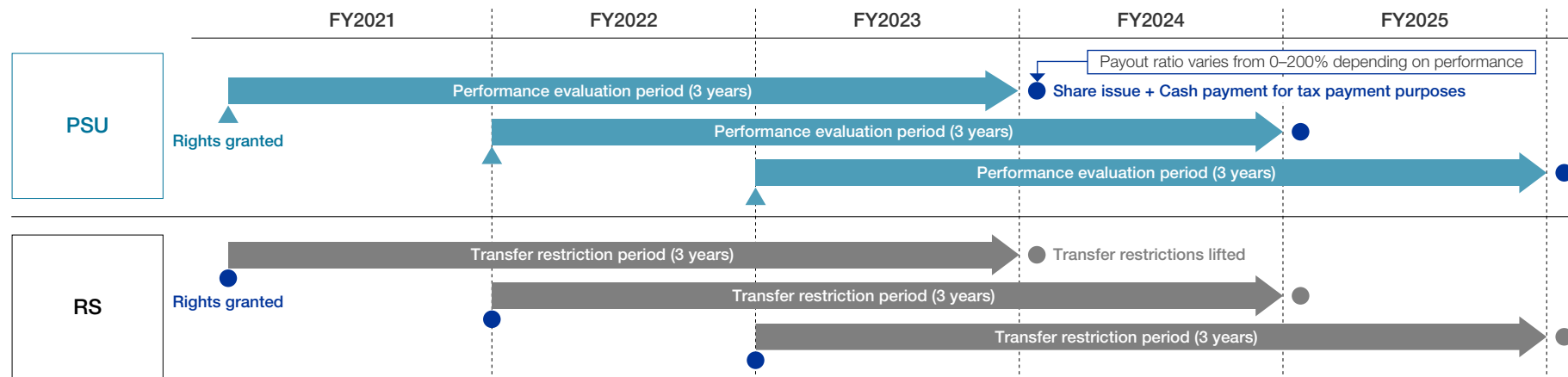
| | |
|-------------------------------|--|
| Performance Share Unit | <ul style="list-style-type: none"> • A performance-linked stock compensation plan in which the number of shares granted varies according to the level of achievement of target performance metrics set for a certain period (the "Performance Evaluation Period"), such as the period of the medium-term management plan. • 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). • 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. • 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. |
| Restricted Stock | <ul style="list-style-type: none"> • A stock-based compensation plan in which restricted shares are granted each fiscal year. • 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. • 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. |

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

| | |
|---|--|
| <p>Relative Total Shareholder Return (TSR): 80%</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>ESG-related Metrics: 20%</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> |

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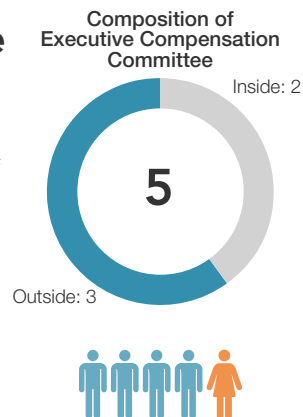
Mechanism for Performance Share Unit (PSU) and Restricted Stock (RS)



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 ¹ |
|---|-----------------------------------|------------------------------|--------------|------------------------|------------------|--|------------------------------------|
| | | 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 |

¹ 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"> • Revenue: JPY 273,000 mil. • Operating profit ratio (IFRS): 11.7% • ROE (IFRS): 7.5% | <ul style="list-style-type: none"> • Revenue: JPY 302,023 mil. • Operating profit ratio (IFRS): 13.4% • ROE (IFRS): 9.3% <p>Figures adjusted to take into account one-off impacts associated with the Noto Peninsula Earthquake, etc.</p> | <ul style="list-style-type: none"> • CEO: 177.7% • Chairman: 151.8% |

Non-Financial Metrics

| ESG-related targets | Payout ratio |
|---|---|
| <ul style="list-style-type: none"> • Promoting DE&I through promotion of women's success • Conducting initiatives for enhancing employee engagement • Reinforcing global risk management | <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

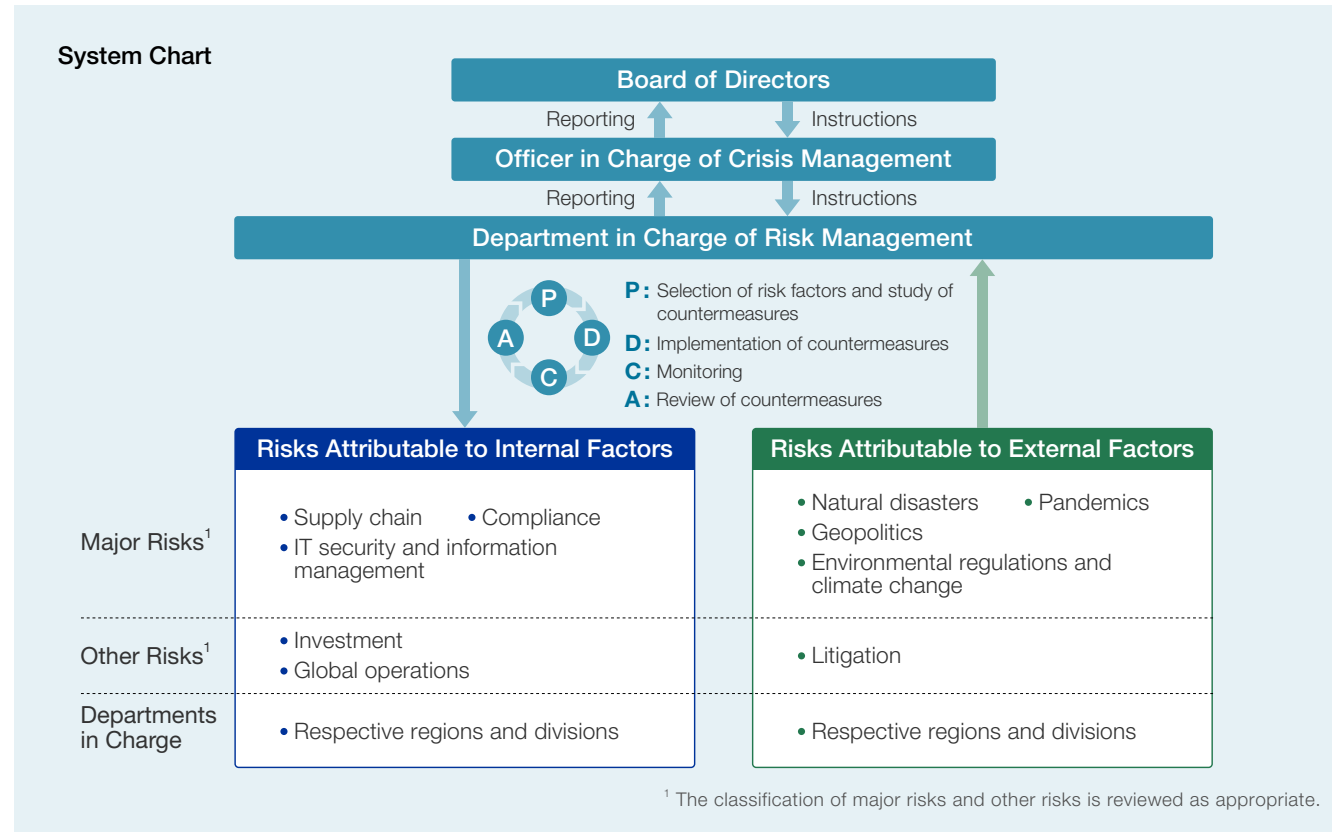
Risk Management System

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

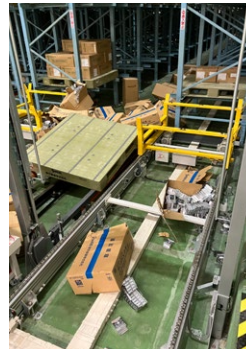


Makito Joumen

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)¹ 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

¹ 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

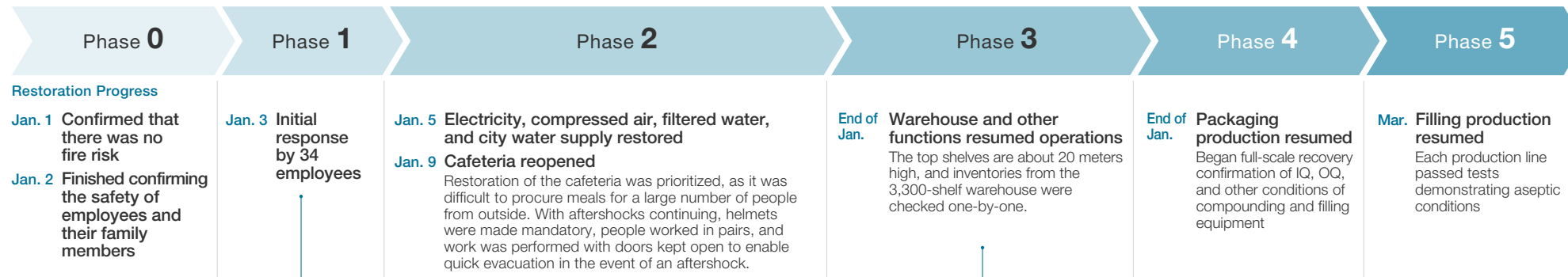
how to contribute to that goal and took the appropriate action. Even as a number of our people were dealing with damage to their own homes, they also made the time to come to work and contribute to the plant's recovery. I am truly grateful for everyone's dedication and hard work.

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

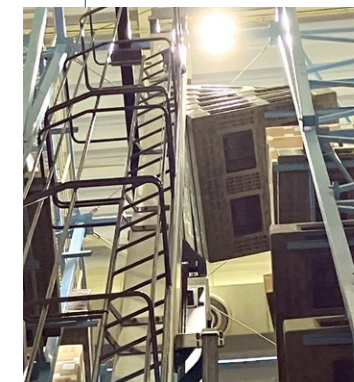
Warning Levels (Taking frequency of aftershocks and other factors into account)



Initial inspection



Cafeteria immediately after reopening



Displaced goods lodged in the high areas of the warehouse

• Management Foundations