

NOTICE: This is a translation of a part of the notice issued on June 3, 2024 in Japanese and is made solely for the convenience of the foreign shareholders. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

BUSINESS REPORT

(From April 1, 2023 to March 31, 2024)

1. Matters Regarding the Status of the Corporate Group

(1) Basic Policy on Management

As a specialized company dedicated to eye health, the Santen Group* aspires to contribute to the realization of “Happiness with Vision” by providing products and services to patients, consumers, and medical professionals around the world. Since its establishment, and guided by its CORE PRINCIPLE, “*Tenki ni sanyo suru,*” the Santen Group has been committed to helping people maintain and improve their eye health for more than 130 years. The Santen Group is engaged in the global research and development, manufacturing, and sales and marketing of pharmaceutical products in the field of eye care, supporting the eye health of approximately 50 million people in more than 60 countries and regions worldwide. The Santen Group’s mission is to provide essential and significant value to patients and society in the prevention, diagnosis, and treatment of eye diseases through products and services created from its expertise in the ophthalmology field and from the patient’s perspective. To create a future in which as many patients as possible can lead happy and fulfilling lives, the Santen Group is committed to doing its utmost to realize a society in which people around the world can experience “Happiness with Vision.”

* The Company (Santen) and its affiliate companies.

(2) Progress and Achievement in Business

(i) Consolidated Results

(A) Core basis*¹

(JPY 100 millions)

	FY2022	FY2023	Year-on-year change
Revenue	2,790	3,020	8.2%
Core operating profit	442	628	41.9%
Core net profit for the year	332	485	46.0%
Core net profit for the year attributable to owners of the company	333	485	45.7%

[Revenue]

Revenue in the fiscal year ended March 31, 2024 increased by 8.2% year-on-year to ¥302.0 billion.

In the prescription pharmaceuticals business, sales grew globally by 8.0% year-on-year to ¥281.0 billion. This is due to the Company's focus on expanding sales of mainstay products despite the impact of drug price revisions in Japan, as well as a recovery from the resurgence of COVID-19 in China in the previous fiscal year, and a solid performance from mainstay products in Asia/EMEA.

The breakdown of revenue is as follows:

Upper: Value

Lower: Year-on-year change

【 】 : Year-on-year change excluding FX impact

(JPY 100 millions)

	Japan	China	Asia	EMEA	Americas	Total
Prescription pharmaceuticals	1,602	294	277	614	2	2,810
	(1.6%)	39.0%	19.1%	22.5%	(19.6%)	8.0%
	【-】	【35.4%】	【12.1%】	【11.3%】	【(24.0%)】	【4.9%】
OTC pharmaceuticals	101	3	8	-	-	112
	5.2%	18.5%	8.4%	-	-	5.8%
Medical devices	36	1	1	33	7	78
	9.8%	1.0%	640.6%	40.7%	29.5%	24.1%
Others	18	1	1	-	-	19
	1.3%	6.5%	(12.1%)	-	-	0.7%
Total	1,756	299	287	648	31	3,020
	(1.0%)	38.6%	18.9%	23.3%	(11.8%)	8.2%
	【-】	【35.1%】	【11.9%】	【12.1%】	【(16.5%)】	【5.2%】

(Note) Represents revenue from sales to external customers.

Classified into countries or regions based on customer location. China is not included in Asia.

EMEA means Europe, the Middle East and Africa.

<Prescription pharmaceuticals>

◇ Japan

Revenue in the fiscal year ended March 31, 2024 decreased by 1.6% year-on-year to ¥160.2 billion. This was due to the mid-2% impact of drug price revisions, which was offset by the focus on growing mainstay products including *Diquas LX* and *Alesion LX* products. Revenues of major products are as follows:

• Glaucoma and ocular hypertension

Tapros ophthalmic solution ¥5.9 billion (YoY: - 23.5%)

Tapcom ophthalmic solution ¥2.2 billion (YoY: - 17.3%)

Cosopt ophthalmic solution ¥4.0 billion (YoY: - 15.4%)

Eybelis ophthalmic solution ¥4.3 billion (YoY: + 11.3%)

• Dry eye

Diquas ophthalmic solution*³ ¥20.1 billion (YoY: + 23.5%)

• Allergy

Alesion ophthalmic solution*² ¥29.3 billion (YoY: - 12.3%)

- Intravitreal VEGF inhibitor

*EYLEA**4
(solution for intravitreal injection) ¥72.7 billion (YoY: + 2.0%)

◇ **China**

On a JPY basis, revenue in the fiscal year ended March 31, 2024 increased by 39.0% year-on-year (+ 35.4% excluding FX impact), to ¥29.4 billion, boosted by the strong performance of mainstay products reflecting a recovery from the resurgence of COVID-19 in the previous fiscal year. Revenues of major products are as follows:

- Glaucoma and ocular hypertension

Tapros ophthalmic solution ¥1.8 billion (YoY: + 69.7%)

- Dry eye

Diquas ophthalmic solution ¥3.3 billion (YoY: + 19.6%)

Hyalein ophthalmic solution ¥8.8 billion (YoY: + 36.9%)

- Bacterial conjunctivitis

Cravit ophthalmic solution ¥8.8 billion (YoY: + 40.1%)

◇ **Asia (excluding China)**

On a JPY basis, revenue in the fiscal year ended March 31, 2024 increased by 19.1% year-on-year (+12.1% excluding FX impact), to ¥27.7 billion, due to steady growth of mainstay products in major countries including South Korea, as listed below.

- Glaucoma and ocular hypertension

Tapros ophthalmic solution ¥2.4 billion (YoY: + 4.8%)

Tapcom ophthalmic solution ¥1.3 billion (YoY: + 26.8%)

Cosopt ophthalmic solution ¥6.9 billion (YoY: + 12.6%)

- Dry eye

Diquas ophthalmic solution ¥2.5 billion (YoY: + 25.9%)

Ikervis ¥1.9 billion (YoY: + 24.8%)

- Bacterial conjunctivitis

Cravit ophthalmic solution ¥3.2 billion (YoY: + 36.2%)

◇ EMEA

On a JPY basis, revenue in the fiscal year ended March 31, 2024 increased by 22.5% year-on-year (+11.3% excluding FX impact), to ¥61.4 billion. This is mainly due to growth in sales of glaucoma products, the disease area in which Santen holds No. 1 market share, as well as the impact of a reevaluation of the reimbursement claim settlement for *Ikervis* in the fiscal year under review. Revenues of major products are as follows:

• Glaucoma and ocular hypertension

<i>Tapros</i> ophthalmic solution	¥8.4 billion (YoY: + 10.0%)
<i>Tapcom</i> ophthalmic solution	¥5.7 billion (YoY: + 26.8%)
<i>Cosopt</i> ophthalmic solution	¥14.8 billion (YoY: + 14.4%)
<i>Trusopt</i> ophthalmic solution	¥3.6 billion (YoY: + 4.6%)

• Dry eye

<i>Ikervis</i>	¥10.2 billion (YoY: + 92.3%)
<i>Cationorm</i>	¥2.9 billion (YoY: + 11.3%)

• Allergy

<i>Verkazia</i>	¥1.2 billion (YoY: + 57.9%)
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◇ Americas

On a JPY basis, revenue in the fiscal year ended March 31, 2024 decreased by 19.6% year-on-year (-24.0% excluding FX impact), to ¥2.4 billion. This is due to efforts to streamline sales and marketing activities.

<OTC pharmaceuticals>

Revenue in the fiscal year ended March 31, 2024 increased by 5.8% year-on-year to ¥11.2 billion.

Santen continues to focus on high-end products such as the *Sante Medical* series, *Sante Beuteye* series, and *Soft Santear* series as well as *Hyalein S*, which is a switch OTC product and *Sante FX* series.

<Medical devices>

Revenue in the fiscal year ended March 31, 2024 increased by 24.1% year-on-year to ¥7.8 billion, due to steady progress in sales of intraocular lenses such as *LENTIS Comfort* in Japan as well as the strong performance in EMEA of *PRESERFLO MicroShunt*. Revenues of major products are as follows:

<i>LENTIS Comfort</i>	¥1.3 billion (YoY: -5.2%)
<i>PRESERFLO MicroShunt</i>	¥4.1 billion (YoY: + 70.6%)

<Others>

Other revenues amounted to ¥1.9 billion. This is due to sales of supplements, and cleaning of dustless and aseptic clothing at consolidated subsidiary Claire Co., Ltd.

[Core operating profit]

Gross profit in the fiscal year ended March 31, 2024 increased by 7.7% year-on-year to ¥178.9 billion.

SG&A expenses in the fiscal year ended March 31, 2024 decreased by 2.9% year-on-year (-6.9% excluding FX impact) to ¥90.8 billion.

R&D expenses in the fiscal year ended March 31, 2024 decreased by 10.7% year-on-year (-14.5% excluding FX impact) to ¥25.3 billion.

As a result, operating profit on a core basis in the fiscal year ended March 31, 2024 increased by 41.9 % year-on-year (+39.9% excluding FX impact) to ¥62.8 billion.

***1** With the adoption of IFRS in the fiscal year ended March 31, 2015, the Santen Group discloses financial information on a core basis, which is calculated by excluding certain income and expense items from the IFRS basis, as an indicator of ordinary performance. The core basis is calculated by adjusting the following income and expense items, which are deducted from IFRS results, and the related income tax expenses.

- Amortization on intangible assets associated with products
- Other income
- Other expenses
- Finance income
- Finance expenses
- Share of profit (loss) of investments accounted for using equity method
- Expenses related to acquisitions of companies and initiatives for the resumption of growth such as productivity improvements and streamlining measures

***2** Includes *Alesion LX*

***3** Includes *Diquas LX*

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

(B) IFRS

(JPY 100 millions)

	FY2022	FY2023	Year-on-year change
Revenue	2,790	3,020	8.2%
Operating profit (loss)	(31)	385	–%
Net profit for the year (loss)	(150)	267	–%
Net profit (loss) for the year attributable to owners of the company	(149)	266	–%

[Revenue]

There are no adjustments from the core basis.

[Operating profit]

For the adjustments from the core basis, with regard to expenses related to the streamlining of costs in the Americas, adjustments of ¥0.2 billion, ¥0.7 billion and ¥0.2 billion were made to Cost of Sales, SG&A and R&D expenses respectively.

Amortization on intangible assets associated with products in the fiscal year ended March 31, 2024 decreased by 0.5% year-on-year (-3.6% excluding FX impact) to ¥9.5 billion. This was mainly due to the amortization on intangible assets associated with products acquired from Merck & Co., Inc. (U.S.) in 2014, *PRESERFLO MicroShunt* acquired in connection with the acquisition of InnFocus, Inc. (U.S.) in 2016, *Ikervis* which Santen began selling in Europe in 2015, and *Rhopressa / Rocklatan* which Santen began selling in Europe in 2023.

Other income amounted to ¥1.5 billion. This is mainly due to the asset transfer of some products related to the prescription pharmaceutical business in Americas.

Other expenses amounted to ¥15.3 billion. This is mainly due to the recording of impairment losses on intangible assets related to cell therapy products mainly composed of retinal progenitor cells given a review of the business plan, extraordinary expenses pertaining to the Early Retirement Program implemented in Japan, and also mainly due to the maximum streamlining of the pharmaceutical commercial business in the Americas.

As a result, the operating profit on an IFRS basis in the fiscal year ended March 31, 2024 was ¥38.5 billion (operating loss of ¥3.1 billion for the previous fiscal year).

[Net profit for the year]

Finance income amounted to ¥1.6 billion.

Finance expenses amounted to ¥2.7 billion

Share of loss of investments accounted for using equity method amounted to ¥7.6 billion from recording impairment losses on the equity method investments and profit and loss amount attributable to the equity held in Twenty Twenty Therapeutics LLC (U.S.), and Plano Pte. Ltd. (Singapore).

Income tax expenses amounted to ¥3.2 billion, down ¥6.0 billion year-on-year. This reflects the recognition of deferred tax assets related to the business environment of overseas subsidiaries and the performance trend outlook, despite the increase in profit before tax associated with the aforementioned increase in operating profit on an IFRS basis.

As a result, net profit for the fiscal year ended March 31, 2024 was ¥26.7 billion (net loss of ¥15.0 billion for the previous fiscal year).

[Net profit for the year attributable to owners of the company]

Net profit attributable to owners of the company in the fiscal year ended March 31, 2024 was ¥26.6 billion (net loss for the year attributable to owners of the company of ¥14.9 billion for the previous fiscal year).

The ratio to revenue was 8.8%.

(ii) Status of Other Operations

[Research & Development Activities]

<Glaucoma and ocular hypertension area>

STN1011101 (DE-111A, generic name: tafluprost / timolol maleate) is a fixed dose combination drug of a prostaglandin F_{2α} derivative and a beta-adrenergic receptor blocker. The Company filed for marketing approval in December 2022 in China.

STN1012600 (DE-126, generic name: sepetaprost) is a dual agonist that activates both FP and EP3 receptors. An additional Phase 2 trial was completed in December 2021 in the U.S. Phase 3 trial was completed in June 2023 in Japan. Phase 2 trial (exploratory study) was completed in Europe.

STN1013001 (DE-130A, generic name: latanoprost) is an ophthalmic emulsion of a prostaglandin F_{2α} derivative. Phase 3 trial was completed in March 2022 in Asia. The Company received marketing approval in November 2023 in Europe.

STN1013900 (AR-13324, generic name: netarsudil mesilate) is a ROCK inhibitor. Phase 3 trial has been under way since November 2020 in Japan. Marketing approval has been received in Europe and the Company has launched the product in Sweden and other countries from February 2023 onward. The Company has successively filed for marketing approval in Asian countries and received approval in Thailand and other countries from January 2023 onward.

STN1014000 (PG-324, generic name: netarsudil mesilate / latanoprost) is a fixed dose combination drug of a ROCK inhibitor and a prostaglandin F_{2α} derivative. Marketing approval has been received in Europe and the Company has launched the product in Germany and other countries from January 2023 onward. The Company has successively filed for marketing approval in Asian countries and received marketing approval in Thailand and other countries from January 2023 onward.

<Keratoconjunctival disease area including dry eye>

STN1007603 (DE-076C, generic name: ciclosporin) for vernal keratoconjunctivitis has been approved and launched in Europe, Asia, and Canada. Marketing approval has been received in April 2022 in China. It was launched in the U.S. in May 2022. In July 2023, the Company granted Harrow Health, Inc. (U.S.) exclusive rights in the U.S. and Canada for product manufacturing and commercialization.

STN1008903 (DE-089C, generic name: diquafosol sodium) is for the treatment of dry eye. The Company launched the product in November 2022 in Japan. In Asia, the Company received marketing approval in March 2024 in South Korea.

STN1014100 (generic name: olodaterol hydrochloride) is for the treatment of dry eye. Phase 1/2a trial was completed in March 2024 in Japan.

STN1010904* (generic name: sirolimus) is for the treatment of Fuchs endothelial corneal dystrophy. The Company has executed a joint development agreement with ActualEyes Inc. Phase 2a trial has been under way in U.S., France and India since May 2022. (*The development code (STN1010904) is due to be assigned to the product when Santen obtains an exclusive license upon completion of Phase 2 clinical trial.)

STN1010905 (generic name: sirolimus) is for the treatment of meibomian gland dysfunction. Phase 2a trial was completed in August 2022 in Japan and the Company is planning an additional Phase 2a trial.

STN1011402 (generic name: epinastine hydrochloride) is eyelid cream for the treatment of allergic conjunctivitis. The Company received manufacturing and marketing approval in March 2024 in Japan.

STN1011403 (generic name: epinastine hydrochloride) is high dose formulation to instill twice a day for the treatment of allergic conjunctivitis. Phase 3 trial was started in March 2024 in China.

<Refractive error>

STN1012700 (DE-127, generic name: atropine sulfate) is for the treatment of myopia in children. The Company filed for manufacturing and marketing approval in February 2024 in Japan. Phase 2/3 trial has been under way since June 2022 in China. Phase 2 trial was completed in April 2020 in Asia.

STN1012701 (SYD-101, generic name: atropine sulfate) is for the treatment of myopia in children. Sydnexis Inc., (U.S.) the licensor, is conducting Phase 3 trials in Europe and the U.S. Santen has obtained the exclusive license for Europe, Middle East and Africa.

STN1013400 (compound name: AFDX0250BS) is for the treatment of myopia. The Company is conducting Phase 2a trial from May 2023 in Japan. Phase 1 trial was completed in March in China.

STN1013600 (generic name: ursodeoxycholic acid) is for the treatment of presbyopia. The Company discontinued development following the review of P2a trial data.

<Others>

STN1013800 (generic name: oxymetazoline hydrochloride) is for the treatment of ptosis. Phase 3 trial was completed in March 2024 in Japan.

* The numbering method for development codes has changed. Both existing development codes (DE-XXX) and new development codes (STNXXXXXXXX) are shown. AR-13324/PG-324 and SYD-101 are the development codes of Alcon Inc. (Switzerland) and Sydnexis Inc. (U.S.) respectively.

* STN1011700 (DE-117, generic name: omidenepag isopropyl) is sold as *Eybelis* in Japan and Asia. In the U.S., Santen has received approval as *OMLONTI* and has granted exclusive rights for product manufacturing and commercialization to Visiox Pharmaceuticals, Inc. (U.S.) in July 2023.

(3) Status of Capital Expenditures and Financing

Capital expenditures in the fiscal year ended March 31, 2024 amounted to ¥10.2 billion. In addition to the upgrading of manufacturing facilities and equipment for R&D,, Santen has continued investing in a new factory for Santen Pharmaceutical (China) Co., Ltd., with the aim of addressing expanding demand and strengthening the production and supply structure. This adds production capacity to proactively cater to anticipated market growth, thereby establishing Santen's competitive edge globally for further business growth. In addition, Santen has continued to invest in next-generation ERP, with the aim of enhancing administrative standardization of the Company's operations and productivity to support global business expansion.

The capital investments above were self-financed.

(4) Issues to be Addressed

FY 2023-FY 2025 Medium-Term Management Plan and the Target Managerial Indicator

Under the FY2023-2025 Medium-Term Management Plan, we are focused anew on maximizing our strength in the prescription pharmaceuticals business. We are engaged in maximizing the value of our contribution to consumers and patients through consolidating our resources toward an improvement of profitability, the prescription pharmaceuticals business and other efforts directly linked thereto, and also engaged in strengthening the organizational operation system and structures which support these efforts. As described below, we achieved the KPI in relation to profitability in FY 2023, earlier than scheduled. We will foster such achievement towards maximization of our value contribution through large-scale pipelines from FY 2026 onward.

While the development of large-scale pipelines is proceeding smoothly, we also face environmental changes, such as changes in application of selected treatment of long-term listed products in Japan. Based on these circumstances, we are scheduled to renew the medium-term management plan.

1. Basic policy for growth

Until FY 2025, we are engaged in maximizing earnings centered on two axes: maximizing regional sales and moving ahead on structural reforms. For maximizing regional sales, we are engaged in boosting sales based on a clear regional strategy and strengthening commercial excellence on a global basis. We are also working on business development to maximize sales of each regional business and new businesses that can generate synergies with the prescription pharmaceuticals business. From FY 2026 onward, we will leverage our revamped organizational capabilities to provide new value contribution to people and patients from its large-scale pipelines, including myopia and ptosis, and enter a new growth phase.

As for structural reforms, we addressed and completed them as follows in FY 2023:

In the Americas, we minimized personnel in accordance with a transfer of assets of products pertaining to the prescription pharmaceuticals business, streamlined operation of the respective locations, including offices, and, concurrently therewith, rebuilt the corporate organization and personnel structure. We also implemented, and are continuing to pursue, global cost optimization. As a result, we realized the 15 billion yen scale revenue improvement expected during FY 2025 earlier than scheduled.

Also, in addition to strengthening the leadership team which takes a key role in strategy planning and execution, we are engaged in revamping our operational model and the business administration management and human resources development systems that support it.

Furthermore, pipelines supporting the medium and long term growth are proceeding smoothly. For example, in FY 2023, we applied for manufacturing and marketing approval in Japan for STN1012700 (for myopia) and achieved the primary endpoint in the Phase 3 trial in Japan for STN1013800 (for ptosis).

2. FY 2025 company-wide numerical targets and key performance indicators (KPIs)

We committed to steady improvement in profitability, including growth in overseas revenue per employee, and enhancement in capital efficiency, for which the indicators were achieved ahead of schedule in FY 2023.

KPIs (Key Performance Indicators)	FY 2023 actual	FY 2025 target
Revenue	JPY 302.0 billion	JPY 280.0 billion
Core operating profit	JPY 62.8 billion	JPY 56.0 billion
Core operating profit margin	21%	20%
Revenue growth ratio per overseas employee	33% (increase-decrease rate over the previous fiscal year)	Growth of over 7% (CAGR for FY2022 - 2025)
Core ROE (Return on Equity attributable to owners of the company)	16%	13%
Core EPS (profit for the year per share) Growth Rate	54% (increase-decrease rate over the previous fiscal year)	Over 10% (CAGR for FY2022 - 2025)

3. Capital allocation and shareholder return

As to our financial strategy, it is our basic approach to improve profitability by establishing superiority in the field of ophthalmology, thereby maximizing our cash generating power, and as a result, maximizing shareholder value.

In the Medium-Term Management Plan (FY 2023-FY 2025), we will exert efforts to improve the ROE (return on equity for owners of the Company) focusing on enlarging profitability, pursuing efficiency, and ensuring soundness. Among them, we aim to ramp up ROE by maximizing excess earning power against capital costs.

In particular, we will enhance cash generating power concurrently with improving profits, and then allocate the cash generated to investments for future growth, prioritizing facilities, R&D and business development with good prospects for return that outweigh capital costs. In the absence of promising opportunities for growth investments, we will return profits through share buybacks, subject to share price levels.

Also, as to dividend distribution, based on progressive dividend, we will consider a dividend increase in alignment with a medium-term profit growth, with the current level (*i.e.*, JPY 17 for the half-year period) as a floor. The dividend distributions are scheduled at JPY 33/year (interim: JPY 16; term-end: JPY 17) for FY 2023, and at JPY 34/year (interim: JPY 17; term-end: JPY 17) for FY 2024.

4. Environmental, Social and Governance (ESG) Initiatives

As a specialized company dedicated to eye health, we will continue to contribute to patients and society through its business activities.

■ 13 Materialities

(1) Development and Stable Supply of Socially Significant Products and Services

- (i) Market Penetration of Products with Social Significance
- (ii) Evaluation and Management of the Supply Chain
- (iii) Assurance of Quality and Safety, and Establishment of an Appropriate Supply System
- (iv) Providing Appropriate Information on Products and Services

(2) Encouragement of an Organizational Culture that Promotes Value Creation

- (v) Promoting Diversity, Equity & Inclusion
- (vi) Building A High-Value-Added and Highly Productive Work Environment

- (vii) Human Resource Development and Promotion
- (3) Strengthening Governance, Contributing to the Realization of Fair and Equal Society
 - (viii) Corporate Governance
 - (ix) Compliance
 - (x) Risk Management
 - (xi) Respect for Human Rights
- (4) Conservation of the Global Environment
 - (xii) Measures against Climate Change
 - (xiii) Environmental Load Reduction

Of the above ESG materialities, we have identified “(i) Market Penetration of Products with Social Significance”, which will lead to the realization of the medium-term management plan and future sustainable growth, and “(vii) Human Resource Development and Promotion”, which will support and drive business growth, as the most important issues to address, towards which we will strengthen our efforts.

(5) Situation of Assets and Profit and Loss

(Transitional situation of the achievement and assets of the Corporate Group)

Classification	109th Term (April 1, 2020 to March 31, 2021)	110th Term (April 1, 2021 to March 31, 2022)	111th Term (Previous Consolidated Fiscal Year) (April 1, 2022 to March 31, 2023)	112th Term (Present Consolidated Fiscal Year) (April 1, 2023 to March 31, 2024)
Revenue (JPY 100 millions)	2,496	2,663	2,790	3,020
Operating profit (loss) (JPY 100 millions)	122	359	(31)	385
Net profit (loss) for the year (JPY 100 millions)	91	272	(150)	267
Basic earnings (loss) per share (yen)	23.30	68.07	(38.60)	72.59
Total assets (JPY 100 millions)	4,053	4,600	4,212	4,357
Total equity attributable to owners of the company (JPY 100 millions)	3,102	3,375	2,940	3,061

(Note) The consolidated financial statement has been prepared pursuant to IFRS under the provisions of Article 120(1) of the Regulation on Corporate Accounting of Japan.

(Transitional situation of the achievement and assets of the Company)

Classification	109th Term (April 1, 2020 to March 31, 2021)	110th Term (April 1, 2021 to March 31, 2022)	111th Term (Previous Fiscal Year) (April 1, 2022 to March 31, 2023)	112th Term (Present Consolidated Fiscal Year) (April 1, 2023 to March 31, 2024)
Net sales (JPY 100 millions)	1,861	1,908	1,966	1,952
Ordinary income (JPY 100 millions)	253	225	271	313
Net income or loss for the year (JPY 100 millions)	218	174	(594)	187
Per share net income (loss) (yen)	54.44	43.59	(153.18)	50.88
Total assets (JPY 100 millions)	3,536	3,638	2,829	2,718
Net assets (JPY 100 millions)	2,942	2,975	1,993	1,875

(Notes) Prepared pursuant to the Japanese accounting standard.

(6) Outline of the Major Business

The Santen Group manufactures and sells prescription pharmaceuticals, OTC pharmaceuticals and medical devices, the major products of which are as follows:

Category	Name of Major Products
Prescription Pharmaceuticals	EYLEA solution for IVT inj, ALESION ophthalmic solution* ¹ , DIQUAS ophthalmic solution* ² , COSOPT ophthalmic solution, TAPROS ophthalmic solution, Hyalein ophthalmic solution, Cravit ophthalmic solution, Ikervis, TAPCOM ophthalmic solution, TRUSOPT ophthalmic solution, EYBELIS ophthalmic solution
OTC Pharmaceuticals	Sante FX NEO, Soft Santear, Sante FX V +, Soft Santear Hitomi Stretch, Sante Beautéye, Sante Medical 12, Sante Medical Active, Sante Medical Guard EX, Sante Medical Antibacterial, Hyalein S
Medical Devices	PRESERFLO MicroShunt, LENTIS Comfort, Eternity

*1 Includes ALESION LX ophthalmic solution.

*2 Includes DIQUAS LX ophthalmic solution.

(7) Major Business Locations, etc.**(i) The Company**

Corporate Headquarters Kita-ku, Osaka

Business Locations Tokyo Office (Chuo-ku, Tokyo), Shin Osaka Office (Yodogawa-ku, Osaka), Hokkaido-Tohoku Area Office (Aoba-ku, Sendai), Kanto Area-1 Office (Chuo-ku, Tokyo), Kanto Area-2 Office (Chuo-ku, Tokyo), Chubu Area Office (Naka-ku, Nagoya), Kansai Area Office (Yodogawa-ku, Osaka), Chugoku-Shikoku Area Office (Naka-ku, Hiroshima), Kyushu Area Office (Hakata-ku, Fukuoka), and 77 other offices

Plants Shiga Product Supply Center (Taga-cho, Inukami-gun, Shiga), Noto Plant (Houdatsushimizu-cho, Hakui-gun, Ishikawa)

Laboratories Nara Research and Development Center (Ikoma-shi, Nara)

(ii) Subsidiaries and Affiliated Companies

Santen Holdings U.S. Inc. (Emeryville, U.S.)

Santen Inc. (Emeryville, U.S.)

Santen Holdings EU B.V. (Amsterdam, the Netherlands)

Santen SA (Geneva, Switzerland)

Santen China Investment Co., Ltd. (Shanghai, P.R.C.)

Santen Pharmaceutical (China) Co., Ltd. (Suzhou, P.R.C.)

Santen Pharmaceutical Asia Pte. Ltd. (Singapore)

And 29 other companies

(8) Situation of Employees

(i) Situation of Employees of the Santen Group

Number of Employees	Year to Year Change
3,744	Decreased by 400

(Note) The number of employees means the number of working employees excluding temporary personnel, but including part-timers. The decrease by 400 compared with the number as of the end of the previous fiscal year is mainly due to retirements in accordance with the Early Retirement Program implemented in Japan as well as retirements in the Americas including those in accordance with maximum streamlining of the prescription pharmaceuticals business.

(ii) Situation of Employees of the Company

Number of Employees	Year to Year Change	Average age	Average years of being employed
1,676	Decreased by 131	43 years 9 months	16 years 9 months

(Note) The number of employees means the number of working employees excluding employees seconded to other companies and temporary personnel, but including employees seconded from other companies and part-timers. The decrease by 131 compared with the number as of the end of the previous fiscal year is mainly due to retirements in accordance with the Early Retirement Program.

(9) Situation of Material Subsidiaries

Company Name (country where it is located)	Capital	The Company's Equity Ratio () shows indirect holding	Major Business
Santen Holdings U.S. Inc. (U.S.)	\$24,784 (thousands)	(100.0%)	Management and control of the subsidiaries in North America
Santen Inc. (U.S.)	\$8,765 (thousands)	(100.0%)	Clinical development of prescription pharmaceuticals and business development
Santen Holdings EU B.V. (the Netherlands)	€50 (thousands)	100.0%	Pure holding company of Santen SA
Santen SA (Switzerland)	Fr.22,565 (thousands)	(100.0%)	Management, finance, control, manufacture and sale of prescription pharmaceuticals in the EMEA regions
Santen China Investment Co., Ltd. (P.R.C.)	RMB 449,439 (thousands)	100.0%	Management of investment/fund administration and support of business administration of the group companies in China
Santen Pharmaceutical (China) Co., Ltd. (P.R.C.)	RMB 692,293 (thousands)	(100.0%)	Manufacture and sale of prescription pharmaceuticals and clinical development
Santen Pharmaceutical Asia Pte. Ltd. (Singapore)	S\$24,177 (thousands)	(100.0%)	Management and control of the Asia region, manufacture and sale of prescription pharmaceuticals

(10) Major Lenders

Borrower Company	Lender	Outstanding Borrowings (JPY millions)
Santen Pharmaceutical Co., Ltd.	MUFG Bank, Ltd.	20,000
Santen SA	Syndicated loan	6,530

(Note) The syndicated loan is co-financed by multiple lenders arranged by Credit Suisse (Switzerland) Ltd. and BNP Paribas S.A. Niederlassung Deutschland.

(11) Other Material Items Regarding the Current Status of the Corporate Group

Situation of Major Business Alliances

◆ Technical Alliances (License-In)

Alliancing Company	Particulars
DAIICHI SANKYO COMPANY, LIMITED (Japan)	Manufacture and sale of ophthalmic pharmaceuticals containing Ofloxacin
DAIICHI SANKYO COMPANY, LIMITED (Japan)	Manufacture and sale of ophthalmic pharmaceuticals containing Levofloxacin
Eisai Co., Ltd. (Japan)	Manufacture and sale of ophthalmic pharmaceuticals containing Bunazosin Hydrochloride
AGC Inc. (Japan)	Manufacture and sale of ophthalmic pharmaceuticals containing Tafluprost
Boehringer Ingelheim Japan, Inc. (Japan) *1	Development, manufacture and sale of ophthalmic pharmaceuticals containing Epinastine Hydrochloride
UBE Corporation (Japan)	Development, manufacture and sale of ophthalmic pharmaceuticals containing Omidenepeg Isopropyl
Teleon Surgical B.V. (the Netherlands)	Manufacture and sale of “LENTIS Comfort” intraocular lens
jCyte, Inc. (U.S.)	Right to develop and sell jCell in Japan, Europe and Asia, being developed as a first-in-class treatment for retinitis pigmentosa.
Osmotica Pharmaceuticals plc (U.S.)	Right to develop, apply for approval and commercialize in Japan, China and other Asian countries, North Americas and EMEA countries RVL-1201, oxymetazoline hydrochloride ophthalmic solution 0.1%, which is the first and only treatment for adult’s acquired blepharoptosis approved in the U.S.
Alcon Inc. (Switzerland)	Right pertaining to exclusive development and sale of Rhopressa® and Rocklatan® in Japan, Europe, China, Asian countries and others.
Sydnexis Inc. (U.S.)	Exclusive sale of low-dosage Atropine preparation (SYD-101), a novel investigational treatment under development for progressive childhood myopia, in Europe, Middle East and Africa regions (EMEA).

* 1 The agreement terminated in November 2023.

◆ Technical Alliances (License-Out)

Alliancing Company	Particulars
Bausch & Lomb Incorporated (U.S.)	Manufacture and sale of “Eternity” intraocular lens in areas other than Japan
Thea Pharma Inc. (U.S.)	Manufacture and sale of tafluprost, a treatment for glaucoma and ocular hypertension, in the U.S.
Glaukos Corporation (U.S.)	Collaboration in the development and commercialization of STN2000100 (DE-128, PRESERFLO MicroShunt) in the Americas (North, Central, and South America), Australia, and New Zealand
Visiox Pharmaceuticals, Inc. (U.S.)	Manufacture and sale of OMLONTI®, a treatment for glaucoma and ocular hypertension, in the U.S.
Harrow Health, Inc. (U.S.)	Manufacture and sale of Verkazia®, a treatment for vernal keratoconjunctivitis, in the U.S. and Canada, and manufacture and sale of Cationorm® Plus, an artificial tear, in Canada

♦ Sales Alliance

Alliancing Company	Particulars
Janssen Pharmaceutical K.K. (Japan) *2	Sale of ophthalmic pharmaceuticals containing Levocabastine Hydrochloride in Japan
Bayer Yakuhin, Ltd. (Japan)	Exclusive sale of Aflibercept solution for IVT inj. in Japan
Mitsubishi Tanabe Pharma Corporation (Japan)	Joint sales promotion of anti-allergy ophthalmic, “ALESION ophthalmic solution” and “ALESION LX ophthalmic solution”*4, and long-acting, trans-eyelid formulation for treating allergic conjunctivitis, “ALESION® eyelid cream 0.5%”*3

*2 The agreement terminated in April 2023.

*3 The agreement was executed in April 2024.

*4 The agreement is scheduled to terminate in May 2024.

♦ Contingent consideration pursuant to business combination

The Company acquired InnFocus, Inc. on August 19, 2016 (Eastern Time, U.S.). Under a contingent consideration agreement, which provides for milestone payments upon progress in the development of STN2000100 (DE-128, PRESERFLO MicroShunt) and sales achievements thereof.

♦ Joint-venture Agreement

Partner	Particulars
Chongqing Kerui Pharmaceutical Co., Ltd. (P.R.C.)	Established a joint venture (Chongqing Santen Kerui Pharmaceutical Co., Ltd.) in August 2016 for the purpose of providing high-quality prescription pharmaceuticals to patients in China at an appropriate price.
Verily Life Sciences LLC (U.S.)	Established a joint venture (Twenty Twenty Therapeutics LLC) in August 2020 to develop and commercialize unique ophthalmic devices.

♦ Others

Alliancing Company	Particulars
International Telecommunication Union (Switzerland)*5	The Company supports “Be He@lthy, Be Mobile” in ophthalmology, an initiative of digital health put in place by the International Telecommunication Union and World Health Organization.
Orbis International (U.S.)*6	An alliance for the purpose of developing a digital training tool to continuously support the strengthening of skills for ophthalmologists.
	The ten-year partnership to alleviate the burden of eye diseases that is expected to further increase in the future in low and middle-income countries (especially in Asia)
Plano Pte. Ltd. (Singapore)	A strategic alliance to tackle the burden of myopia patients worldwide.
Shanghai Airdoc Medical Technology Co., Ltd. (China)	Partner to improve diagnostic rate of fundus ocular diseases with AI device in China.
Singapore National Eye Centre (Singapore)	A strategic partnership to develop and deploy internationally an innovative educational programme for development of the eye care ecosystem in Asia.
ActualEyes Inc. (Japan)	A joint development on Phase II clinical trial (Phase II a/Proof of Concept study) toward global development for sirolimus eye drops for treating Fuchs endothelial corneal dystrophy.

*5 The agreement terminated in December 2023.

*6 The agreement terminated in December 2023.

2. Matters Regarding the Shares

(1) **Total Number of the Authorized Shares:** 1,100,000,000 shares

(2) **Total Number of the Outstanding Shares:** 363,996,254 shares (including 737,469 treasury shares)

(Note) A total increase of 110,400 issued shares was made through the exercise of the right to subscribe for new shares granted as Stock-based Remuneration type stock option to Directors (excluding Outside Directors) and Corporate Officers of the Company. Also, a decrease by 12,000,000 shares was made through retirement of treasury shares pursuant to the resolution of the Board of Directors.

(3) **Number of Shareholders:** 25,140 shareholders (decreased by 5,367 as a year-to-year change)

(4) Major Shareholders

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	61,125	16.8
Custody Bank of Japan, Ltd. (Trust account)	19,598	5.4
BNYM AS AGT/CLTS NON TREATY JASDEC (Standing agent: MUFG Bank, Ltd.)	13,546	3.7
Nippon Life Insurance Company (Standing agent: The Master Trust Bank of Japan, Ltd.)	10,662	2.9
STATE STREET BANK AND TRUST COMPANY 505223 (Standing agent: Settlement & Clearing services Department, Mizuho Bank, Ltd.)	9,560	2.6
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing agent: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Services Department)	7,851	2.2
GOVERNMENT OF NORWAY (Standing agent: Citibank, N.A., Tokyo Branch)	7,155	2.0
MUFG Bank, Ltd.	6,989	1.9
JPMorgan Securities Japan Co., Ltd	6,292	1.7
Ono Pharmaceutical Co., Ltd.	6,204	1.7

(Notes)

- The holding ratio is computed excluding the number of treasury shares (737,469 shares).
- Among the numbers of shares owned as described in the above, respective numbers of shares related to trust services are as follows (unit: 1,000 shares):

The Master Trust Bank of Japan, Ltd. (Trust account)	61,125
Custody Bank of Japan, Ltd. (Trust account)	19,598

- While the large shareholding report made available for public inspection as of October 20, 2021 states that Black Creek Investment Management, Inc. holds the following shares as of October 15, 2021, the number of shares substantially owned thereby as of March 31, 2024 have not been confirmed, and thus it is not included in the Major Shareholders described in the above.

The holding ratio is computed excluding the number of treasury shares (737,469 shares).

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
Black Creek Investment Management, Inc.	20,839	5.7

4. While the large shareholding report (change report) made available for public inspection as of September 6, 2023 states that Sumitomo Mitsui Trust Bank, Limited and its two (2) joint holders, respectively hold the following shares as of August 31, 2023, the respective numbers of shares substantially owned thereby as of March 31, 2024 have not been confirmed, and thus they are not included in the Major Shareholders described in the above.

The holding ratio is computed excluding the number of treasury shares (737,469 shares).

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	11,339	3.1
Nikko Asset Management Co., Ltd	8,203	2.3

5. While the large shareholding report (change report) made available for public inspection as of September 22, 2023 states that Nomura Securities Co., Ltd. and its two (2) joint holders respectively hold the following shares as of September 15, 2023, the respective numbers of shares substantially owned thereby as of March 31, 2024 have not been confirmed, and thus Nomura Asset Management Co., Ltd. is not included in the Major Shareholders described in the above.

The holding ratio is computed excluding the number of treasury shares (737,469 shares).

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
Nomura Asset Management Co., Ltd.	22,912	6.3
Nomura Securities Co., Ltd.	796	0.2
Nomura International plc	59	0.0

6. While the large shareholding report (change report) made available for public inspection as of November 7, 2023 states that MFS Investment Management K.K and Massachusetts Financial Services Company, its joint holder, hold the following shares as of October 31, 2023, the respective numbers of shares substantially owned thereby as of March 31, 2024 have not been confirmed, and thus Massachusetts Financial Services Company is not included in the Major Shareholders described in the above.

The holding ratio is computed excluding the number of treasury shares (737,469 shares).

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
Massachusetts Financial Services Company	13,791	3.8
MFS Investment Management K.K.	848	0.2

7. While the large shareholding report (change report) made available for public inspection as of March 18, 2024 states that Mitsubishi UFJ Financial Group, Inc. and its three (3) joint holders respectively hold the following shares as of March 11, 2024, the numbers of shares substantially owned by Mitsubishi UFJ Trust and Banking Corporation and Mitsubishi UFJ Asset Management Co., Ltd. as of March 31, 2024 have not been confirmed, and thus Mitsubishi UFJ Trust and Banking Corporation is not included in the Major Shareholders described in the above.

The holding ratio is computed excluding the number of treasury shares (737,469 shares).

Name / Company Name	Number of Shares Owned (1,000 shares)	Holding Ratio (%)
MUFG Bank, Ltd.	6,989	1.9
Mitsubishi UFJ Trust and Banking Corporation	10,134	2.8
Mitsubishi UFJ Asset Management Co., Ltd.	2,264	0.6

(5) Situation of Shares Issued to the Company's Officers During the Business Term as Compensation for the Execution of Their Duties

	Kind and Number of shares	Number of Recipients of the Issuance
Directors (excluding Outside Directors)	The Company's Common Shares: 35,336 shares	Two (2)

(Note) The aforementioned shares were granted as compensation under the Restricted Stock-Based Remuneration System.

3. Matters Regarding Rights to Subscribe for New Shares and the Like

(1) Outline of Rights to Subscribe for New Shares and the Like Issued as Compensation for the Performance of Duties and Held by Officers as of the End of this Fiscal Year

The 4th rights to subscribe for new shares as Stock-Based Remuneration	
Date of the resolution of the issuance	August 2, 2016
Date of the issuance	August 31, 2016
Number of the rights to be issued	313 rights
Class and number of shares that are the subject of the rights	31,300 shares (<i>i.e.</i> , 100 shares per right to subscribe for new shares) of common stock of the Company
Amount to be paid for rights to subscribe for new shares	¥1 per share
Value of the property to be contributed upon the exercise of each right	¥114,821 (per right to subscribe for new shares)
Period during which rights may be exercised	From September 1, 2019 to September 1, 2026
Conditions for exercising the rights to subscribe for new shares	<ul style="list-style-type: none"> • The grantee may exercise the right even in the event that the grantee retires for legitimate reasons. • A partial exercise of one right can only be exercised as long as the number of shares to be issued is an integral multiple of the number of shares for one stock trade unit. • A successor may exercise the right.
Status of the right held by officers of the Company	54 rights (1 grantee)
Directors (excluding Outside Directors)	54 rights (1 grantee)

The 5th rights to subscribe for new shares as Stock-Based Remuneration	
Date of the resolution of the issuance	August 1, 2017
Date of the issuance	August 31, 2017
Number of the rights to be issued	328 rights
Class and number of shares that are the subject of the rights	32,800 shares (<i>i.e.</i> , 100 shares per right to subscribe for new shares) of common stock of the Company
Amount to be paid for rights to subscribe for new shares	¥1 per share
Value of the property to be contributed upon the exercise of each right	¥154,409 (per right to subscribe for new shares)
Period during which rights may be exercised	From September 1, 2020 to September 1, 2027
Conditions for exercising the rights to subscribe for new shares	<ul style="list-style-type: none"> • The grantee may exercise the right even in the event that the grantee retires for legitimate reasons. • A partial exercise of one right can only be exercised as long as the number of shares to be issued is an integral multiple of the number of shares for one stock trade unit. • A successor may exercise the right.
Status of the right held by officers of the Company	119 rights (1 grantee)
Directors (excluding Outside Directors)	119 rights (1 grantee)

(2) Situation of Rights to Subscribe for New Shares and the Like Issued as Compensation for the Performance of Duties to Company's Employees, the Company's Subsidiaries' Officers and its employees During the Period

Not applicable.

4. Matters Regarding Corporate Officers

(1) Status of Directors and Corporate Auditors

(As of March 31, 2024)

Position in the Company	Name	Responsibilities in the Company and material posts concurrently held
Representative Director Chairman	Akira KUROKAWA	–
Representative Director President and Chief Executive Officer	Takeshi ITO	–
Director	Kanoko OISHI	Material posts concurrently held: Representative Director of Mediva Inc. Representative Director of C's one Co., Ltd. External Board Member of Ezaki Glico Co., Ltd. External Director of Shiseido Company, Limited
Director	Yutaro SHINTAKU	Material posts concurrently held: Outside Director of Kubota Corporation Project Professor, Business Administration, Hitotsubashi University Business School Outside Director of KOZO KEIKAKU ENGINEERING Inc.
Director	Kunihito MINAKAWA	Material posts concurrently held: Financial Services Agency, Certified Public Accountants and Auditing Oversight Board, Commissioner External Director of Nippon Sheet Glass Co., Ltd.
Director	Noboru KOTANI	Material posts concurrently held: Representative Director of Vehicle Inc. Outside Director of JINS HOLDINGS Inc. External Director of SanBio Company Limited External Director of Medley, Inc.
Director	Tamie MINAMI	Material post concurrently held: Independent Outside Director of TEIJIN LIMITED
Standing Corporate Auditor	Hiroshi ISAKA	–
Corporate Auditor	Masahiko IKAGA	Material posts concurrently held: Representative of Masahiko Ikaga Certified Public Accountant Office Representative Director of PrajnaLink Co., Ltd. External Audit & Supervisory Board Member of Morinaga Milk Industry, Co., Ltd. Outside Director of RYOBI LIMITED
Corporate Auditor	Junichi ASATANI	–
Corporate Auditor	Yaeko HODAKA	Material posts concurrently held: Partner of Isshiki & Partners Outside Director of YASUKAWA Electric Corporation External Director of Sumitomo Heavy Industries, Ltd.

(Notes)

- Hirofumi Yasuhara and Yumiko Ito resigned from their offices as Corporate Auditor effective on June 27, 2023.
- Junichi Asatani and Yaeko Hodaka took their offices as Corporate Auditor effective on June 27, 2023.
- Masahiko Ikaga, Corporate Auditor, is qualified as a certified public accountant and has extensive knowledge and experience in finance and accounting.
- Junichi Asatani, Corporate Auditor, has extensive knowledge and experience in finance and accounting amassed through involvement in overseas business including that related to financial and accounting affairs and as CFO of subsidiaries.
- Among the Directors, Kanoko Oishi, Yutaro Shintaku, Kunihito Minakawa, Noboru Kotani and Tamie Minami are Outside Directors.
- Among the Corporate Auditors, Masahiko Ikaga, Junichi Asatani and Yaeko Hodaka are Outside Corporate Auditors.

7. The Company has registered the names of Kanoko Oishi, Yutaro Shintaku, Kunihito Minakawa, Noboru Kotani and Tamie Minami, Directors, and names of Masahiko Ikaga, Junichi Asatani and Yaeko Hodaka, Corporate Auditors, as Independent Officers pursuant to Article 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc.
8. There was a change in the status in the Company on April 1, 2024 as described below:

Position in the Company	Name	Responsibilities in the Company and material posts concurrently held
Director of the Board, Chairman	Akira Kurokawa	–

9. The Company has introduced a corporate officer system to further strengthen management while improving the quality and speed of strategic decision-making processes. The Company has dissolved its previous Executive Management Team (EMT) and established a new executive structure in line with the implementation of the medium-term management plan on July 1, 2023. Selected executives among the Corporate Officers will be appointed as Corporate Management Members (CMM) to review and discuss key issues that are of particular importance from a company-wide management perspective, with the aim of enabling quick and effective decision-making.

(2) Outline of the Contents of the Directors and Officers Liability Insurance Policy

The Company has entered into a D&O liability insurance policy as provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, whereby the loss to be incurred by the insured due to claims for damages made (including legal damages, litigation expenses, expenses to cooperate to secure reimbursement) will be indemnified. Provided, however, there are certain exclusions, *e.g.*, any loss arising out of an act committed knowing that it is an illegal act shall not be indemnified.

- Companies covered: The Company and all of its subsidiaries under the Companies Act, as well as judicial persons which existed in the past and have been liquidated or absorbed in association with the Company's business activities and do not currently exist as an entity holding legal status.
- Insureds: Directors, Auditors, employees (*e.g.*, those sued as a joint co-defendant with an officer in the position of a manager/supervisor), and spouses of the insured, including retired officers, of the companies covered.

The Company bears all of the premium costs for all of the insureds described above.

(3) Aggregate Amount of Remunerations for Directors and Corporate Auditors
(Amount of Remuneration)

Classification		Number of Recipients	Amount	
Director	Basic compensation (Outside Directors)	7 (5)	¥268 million (¥97 million)	Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 26, 2018: Annual ¥400 million for four (4) Directors excluding Outside Directors. Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 24, 2022: Annual ¥100 million for five (5) Outside Directors
	Annual bonus (Outside Directors)	2 (-)	¥78 million (-)	Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 26, 2018: Annual ¥200 million for four (4) Directors excluding Outside Directors.
	Performance Share Unit (PSU) system (Outside Directors)	2 (-)	¥83 million (-)	Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 24, 2022: ¥100 million per year for three (3) Directors excluding Outside Directors.
	Restricted Stock (RS) system (Outside Directors)	2 (-)	¥35 million (-)	Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 24, 2022: Annual ¥100 million for three (3) Directors excluding Outside Directors.
Sub Total (Outside Directors)			¥463 million (¥97 million)	
Corporate Auditor	Basic compensation (Outside Corporate Auditors)	6 (5)	¥71 million (¥41 million)	Limit of the amount and number of recipients as resolved at the General Meeting of Shareholders held on June 27, 2006: Annual ¥80 million for four (4) Corporate Auditors.
Total (Outside Directors and Outside Corporate Auditors)			¥534 million (¥138 million)	

(Notes)

1. The number of recipients is the total number of officers holding office during this business year, which includes two (2) Corporate Auditors who retired upon the expiration of the term of office thereof at the close of the General Meeting of Shareholders held on June 27, 2023.
2. The amount and number of the recipients of “basic compensation” for Directors includes Outside Directors.
3. The amount and number of the recipients of “basic compensation” for Corporate Auditors includes Outside Corporate Auditors.

(The System of Remuneration for Directors and Corporate Auditors)

	Basic compensation	Annual bonus	PSU	RS
Directors excluding Outside Directors	Eligible	Eligible	Eligible	Eligible
Outside Directors	Eligible	-	-	-
Corporate Auditors	Eligible	-	-	-

(4) Matters Regarding the Decision of the Amount of Remunerations and the Like for Directors and Corporate Auditors and the Calculation Method of Such Amount

(Remuneration Philosophy)

The Company has determined the following basic policies regarding decisions on the amount of remuneration and the like for Directors, Corporate Auditors and Corporate Officers.

<Inside Directors and Corporate Officers>

- Ensure effectiveness that contributes to Santen's suitable growth and enhancement of medium-long term corporate value to enable them to be engaged in the achievement of Santen's VISION "Santen 2030" and medium-term strategic objectives, as well as in strengthening ESG management with high motivation.
- Deepen the sharing of values with broad-ranging stakeholders.
- Objectiveness is secured through a highly transparent process for making decisions on remunerations to ensure high accountability to stakeholders.
- Provide a competitive level of compensation capable of recruiting global and other outstanding human resources in various countries and regions.
- Under the globally unified system of evaluation and compensation, further foster a performance culture equipped with a strict discipline, and the CEO and respective executive personnel encourage efforts towards the achievement of objectives.

<Outside Directors and Corporate Auditors>

- To support Santen's sustainable growth from their independent positions which are distinct from internal executive personnel, set a level of remuneration appropriate to their prominent roles, and through a system which is not indicative of an achievement target in common with internal executive personnel, encourage fulfillment of their functions efficiently in supervising the management.

(Determination Policy on particulars of individual remuneration and the like for Directors)

- (i) The method to decide the Determination Policy on particulars of individual remunerations and the like for Directors

In accordance with the philosophy described above, the determination policy on particulars of individual remuneration and the like for Directors ("Determination Policy") was adopted at the meeting of the Board of Directors based on the Executive Compensation Committee's report.

- (ii) The outline of the Determination Policy

Please refer to "Particulars of the individual remunerations and the like for Directors (excluding Outside Directors)," "Particulars of the individual remunerations and the like for Outside Directors," and "Matters regarding the decision of the particulars of individual remunerations and the like for Directors" described below.

- (iii) The reason why the Board of Directors considers the particulars of individual remunerations and the like for Directors for this business year to be in line with the Determination Policy

Upon deciding the particulars of individual remunerations and the like for Directors, the Executive Compensation Committee conducted a multifaceted review on the original proposal, including consistency with the Determination Policy, and the Board of Directors validated the contents of its report and considered it to be in line with the Determination Policy.

(Particulars of the individual remunerations and the like for Directors (excluding Outside Directors))

The remunerations for the Company’s Directors (excluding Outside Directors) are comprised of, in principle, basic compensation, annual bonus and stock-based remuneration. The component ratio in the base aggregate amount shall be: 1/0.25/0.5 respectively for basic compensation/annual bonus/stock-based remuneration, and the level of the aggregate remuneration is decided in reference to the results of pharmaceutical company benchmarks and the like. The outline of the above are as described below (Schedules 1 and 2). Provided, however, that there may be cases where individual adjustment is made in accordance with an individual’s role, responsibility and the like.

Schedule 1: Purpose and outline of the system

Category of remuneration		Purpose and outline
Fixed	Basic compensation	<ul style="list-style-type: none"> Monthly fixed compensation which is graded based on job evaluation
Variable	Annual bonus (Annual Incentive)	<ul style="list-style-type: none"> Performance-based remuneration encouraging the steady accumulation of results towards an achievement of targets for every fiscal year, whereby the base amount is set in the ratio of 0.25 against basic compensation. The annual bonus is comprised of 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 CEO and Chairman consist of only two evaluation factors: Financial and Non-Financial. The consolidated “Financial” performance metrics is linked to, and the payout ratio thereof is determined pursuant to, the level of the achievement of the target indices for revenue, operating profit ratio, and ROE. The assessment of each metrics is weighed at 25:50:25 (revenue: operation profit ratio: ROE). The payout ratio of the “Non-Financial” metrics will be determined after the establishment of the ESG-related targets and the evaluation thereof at the end of the fiscal year by the Executive Compensation Committee. For the portion based on divisional performance and individual targets performance (“Individual”) for Directors (excluding Outside Directors) other than the Chairman and CEO, the payout ratio will be determined after the establishment of the initial targets at the beginning of the fiscal year and the evaluation thereof at the end of the fiscal year in the interview of each Director with the CEO. The final payout is calculated by multiplying the target amount for each position by the payout ratio for each evaluation factor. The maximum payment ratio against the base amount will be 275% for the CEO, 220% for the Chairman and 248% for the other Directors (excluding Outside Directors). The payment amount will be determined within the range of the payment ratio of 0% up to these figures, and paid after the end of every fiscal year.
	Stock-based remuneration (Medium- and long-term)	<ul style="list-style-type: none"> For the purposes of encouraging the target Directors to proactively engage in achieving the Company’s vision and strategy and further sharing value with the shareholders, it

	incentive)	<p>is comprised of the following two systems, and each base amount, as the base number of shares to be issued under the respective systems, shall be decided at the ratio of 0.25 against basic compensation.</p> <p>(The Performance Share Unit System)</p> <ul style="list-style-type: none"> • A performance-linked stock remuneration system in which the number of stocks to be issued fluctuates in accordance with the level of achievement of the target achievement indexes for a certain period (“Performance Evaluation Period”) to be determined from time to time such as the period of the medium-term plan. • The ratio of the grant of stocks shall be determined in the range of 0% to 200% in accordance with the level of achievement of the relative TSR (weighted on 80%), which was established by referring to global life-science companies as a peer group, and indices in relation to ESG (weighted on 20%). • To be paid in a lump sum after the end of the Performance Evaluation Period, subject to conditions including that the grantee remains in the position of the eligible Director (“Target Director”) at the time of the expiry of the Performance Evaluation Period. <p>(The Restricted Stock-based Remuneration System)</p> <ul style="list-style-type: none"> • A stock-based remuneration system in which restricted shares shall be granted every fiscal year. • The restriction shall be released subject to fulfillment of conditions such as that the grantee remains in the position of the Target Director.
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(Notes)

1. The results of single-year “Financial” performance metrics of this fiscal year pertaining to the annual bonus described above are: revenue of ¥301,965 million; operating profit ratio (full base) of 12.8%; and ROE (full base) of 8.9% (the targeted values of which were, ¥273,000 million; 11.7%; and 7.5%, respectively). Also, “Non-Financial” performance metrics (ESG-related targets) include promoting DE&I through promoting the activities of women, conducting initiatives to enhance employee engagement, and reinforcing global risk management, for which an evaluation was implemented at the Executive Compensation Committee held in April 2024, whereby it was evaluated that the achievement exceeded the target (with a payment ratio of 107%).
2. The companies to be referred to as the comparison for the relative TSR pertaining to the Performance Share Unit System are the following 21 companies:

Companies and other entities the head office of which is located in Japan	Companies and other entities the head office of which is located in Europe	Companies and other entities the head office of which is located in the Americas
Astellas Pharma Inc.	Alcon AG	Abbott
Chugai Pharmaceutical Co., Ltd.	Bayer AG	AbbVie Allergan
Daiichi Sankyo Co., Ltd.	GlaxoSmithKline plc.	Bausch Health Companies Inc.
Eisai Co., Ltd.	Novartis International AG	Glaukos Corporation
Kyowa Kirin Co., Ltd.	Novo Nordisk Pharma Ltd.	Johnson & Johnson
Takeda Pharmaceutical Company Limited	F. Hoffman-La Roche Ltd	Merck & Co., Inc.
Terumo Corporation	Sanofi S.A.	Pfizer Inc.

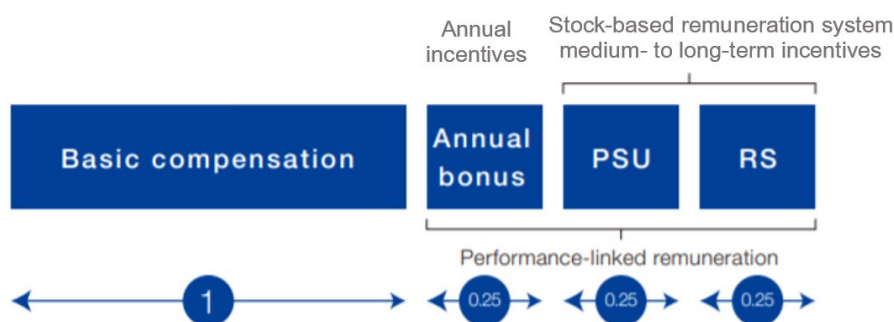
To promote the fulfillment of the aims of our Medium-term Management Plan, the rate of the provision is stipulated as 100% for cases where the rank is in the top one half (50th percentile) amongst the companies

used for comparison; the rate of the provision is stipulated as 200% for cases where the rank is in the top one quarter (75th percentile). The threshold is the bottom one quarter (25th percentile), above which the rate of the provision will be 50%. In cases where the performance is lower than that threshold, the rate of the provision will be 0%.

Index for the target in relation to ESG shall be the degree of improvement of the score on the Dow Jones Sustainability Indices (DJSI), whereby the evaluation is made using five grades comprising the rates of provision of: 200% by the inclusion in “World Index” or equivalent score; 150% by the inclusion in “Asia Pacific Index” or equivalent score; 100% by the increase in score of 10 points or more; 50% by the increase in score of 5-9 points; and 0% by the increase in score of 4 points or less.

3. The actual number of the Company’s shares for the Performance Share Unit granted in FY 2021 and the achieved value of the evaluation metrics to be used in the calculation of the amount of money pertaining thereto (the relative TSR and the target in relation to ESG) increased to the 42.1 percentile and a score of 16 points respectively (which is deemed equivalent to the level of being elected to the “Asia Pacific Index”).
4. The status of the grant of shares under the Stock-Based Remuneration System is as described in “(5) Situation of Shares Issued to the Company’s Officers during the Business Term as Compensation for the Execution of Their Duties” of “2. Matters regarding the Shares.”

Schedule 2: Comparison of base amounts of respective remunerations (composition ratio is the same for each classification)



With the aim of preventing any incentive remuneration from causing excessive risk taking and to ensure the soundness of the executive compensation system, the Company has provided a clause that requires an officer to return, or claw back, all or part of the incentive remuneration pursuant to a decision of the Board of Directors after deliberations of the Executive Compensation Committee, regardless of whether it is applied before or after the payment or release of such remuneration (the so-called malus and clawback clause), upon the occurrence of certain events, such as misconduct or a retroactive adjustment of the financial statements due to accounting fraud.

(Particulars of the individual remunerations and the like for Outside Directors)

Remuneration for Outside Directors, who are independent from business execution, consists only of fixed monthly compensation, and are decided in reference to the results of pharmaceutical company benchmarks and the like. Also, an allowance is paid to the Outside Director who serves as the chair of a voluntary committee, including the Executive Compensation Committee.

Performance-linked remuneration is not paid stemming from the perspective of encouraging proper demonstration of Outside Directors’ supervisory functions.

(Particulars of the individual remunerations and the like for Corporate Auditors)

Remuneration for Corporate Auditors consists only of fixed monthly compensation, and are decided through consultations with the Corporate Auditors within the limitation of remuneration for the

Corporate Auditors resolved at the General Meeting of Shareholders, in reference to the results of pharmaceutical company benchmarks and the like and in accordance with recommendations from the Executive Compensation Committee.

Performance-linked remuneration is not paid stemming from the perspective of encouraging proper demonstration of Corporate Auditors' auditing functions.

(Matters regarding the decision of the particulars of individual remunerations and the like for Directors)

The Company has established the Executive Compensation Committee as an advisory body for the Board of Directors to ensure independence and objectivity upon deliberations and determinations by the Board of Directors on basic policy regarding remunerations, the remuneration system, level of remunerations and other items, as well as to strengthen the Board of Directors' supervisory function and its ability to fulfill accountability.

The Executive Compensation Committee is to be composed by members, the majority of which is Outside Directors, and the chairperson of the Executive Compensation Committee is appointed from the members who are Independent Outside Directors to ensure effective operation of the committee from the viewpoint of strengthening its independence, objectivity and ability to fulfill accountability.

The Company's Executive Compensation Committee appointed Willis Towers Watson ("WTW"), an independent compensation consulting company, as an advisor. In accordance with the "Management Compensation Database" run by WTW, the Executive Compensation Committee sets a benchmark every year concerning companies or other entities of a business size and business category / business field analogous to those of the Company, verifies the appropriateness of the level of remuneration and the ratio of the performance-linked remunerations for Directors of the Company, and concurrently therewith, engages in appropriate deliberations based on necessary and sufficient information provided by WTW.

As to determination of remuneration for Directors, individual payment amounts are determined within the scope of each remuneration limitation as per resolutions of the General Meeting of Shareholders by the Board of Directors, and upon deliberation by the Executive Compensation Committee. In the event an unforeseeable event such as a change in business environment or some misconduct has occurred in the course of the determination of individual amounts for respective Directors, the Board of Directors may make adjustments on a discretionary basis regarding the same after deliberations, as needed, by the Executive Compensation Committee.

(The constitution of the Executive Compensation Committee, attribution of the Chairperson, and particulars of its activities and the like)

The Executive Compensation Committee, the majority of which is composed of Outside Directors, consists of six (6) Directors including four (4) Outside Directors.

The chairperson of the Executive Compensation Committee is appointed from the members who are Independent Outside Directors to ensure effective operation of the committee from the viewpoint of strengthening its independence, objectivity and ability to fulfill accountability.

The constituents of the Executive Compensation Committee as of the date of preparation of this Business Report are as follows:

Name of the Committee	Names of the members	Title and name of the chairperson
Executive Compensation Committee	Inside: Akira KUROKAWA, Takeshi ITO Outside: Kanoko OISHI, Yutaro SHINTAKU, Kunihito MINAKAWA, Tamie MINAMI	Kanoko OISHI, Outside Director

The major matters to be deliberated at the Executive Compensation Committee are as follows:

<p>Major matters to be deliberated and approved by the Executive Compensation Committee</p>	<ul style="list-style-type: none"> • Compensation systems for Directors including CEO and the amount to be paid to each individual Director • Outline of the compensation system and performance management for the executive personnel • Particulars of the advice concerning the compensation systems for Corporate Auditors • Outline of the disclosure of compensation • Matters concerning stock-based compensation plans for the Group as a whole
<p>Major matters to be reported to the Executive Compensation Committee</p>	<ul style="list-style-type: none"> • Outline of the status of operation of the performance management for the respective executive personnel and the amount of the payment for each individual member • Outline of the human resources system throughout the world

In the course of deciding the amount of remuneration for this business year, ten (10) meetings in total of the Executive Compensation Committee were held (on April 5, April 27, May 15, June 8, June 27, October 3 and November 30 of 2023, and February 28, March 25 and April 30 of 2024), whereat recommendations to the Board of Directors or advice to the Board of Auditors were provided. Also, responding to such recommendations, the meetings of the Board of Directors conducted deliberations and made decisions on the matters relevant thereto.

Major matters of the deliberations conducted at the meetings of the Executive Compensation Committee are as described in Schedule 3.

Schedule 3: Major particulars of the deliberations

<p>Major matters of the deliberations</p>
<ul style="list-style-type: none"> • Policy on determination of remuneration for Directors • Amendment of the rules of the Stock-Based Remuneration System • Whether or not an amendment of the remuneration system is necessary based on the Medium-Term Management Plan • Treatment of remuneration for newly appointed executives and retired executives • Remuneration level and composition for Directors • Amendment of remuneration in accordance with the change of the role of the Chairman • Detailed design of the annual bonus in FY 2023 • Establishment of targets for “Non-Financial” metrics (i.e., ESG targets) for the annual bonus in FY 2023 • Number of grants of stock-based compensation in FY 2023 • Particulars of advice by the Executive Compensation Committee concerning the remuneration for Corporate Auditors (including Outside Corporate Auditors) • Draft disclosure of remuneration for officers in the Business Report

(5) Matters Regarding Outside Officers

(i) Status of material position concurrently held

Classification	Name	Name of the other juridical persons or other entity in which the position is concurrently held	Position concurrently held in the other juridical persons or other entity	Relationship between the Company and the other juridical persons or other entity in which the position is concurrently held
Outside Director	Kanoko OISHI	Mediva Inc.	Representative Director	-
		C's one Co., Ltd.	Representative Director	-
		Ezaki Glico Co., Ltd.	Outside Director	-
		Shiseido Company, Limited	External Director	-
	Yutaro SHINTAKU	Kubota Corporation	Outside Director	-
		Business Administration, Hitotsubashi University Business School	Project Professor	-
		KOZO KEIKAKU ENGINEERING Inc.	Outside Director	-
	Kunihito MINAKAWA	Financial Services Agency, Certified Public Accountants and Auditing Oversight Board,	Commissioner	-
		Nippon Sheet Glass Co., Ltd.	External Director	-
	Noboru KOTANI	Vehicle Inc.	Representative Director	-
		JINS HOLDINGS Inc.	Outside Director	-
		SanBio Company Limited	External Director	-
		Medley, Inc.	External Director	-
	Tamie MINAMI	TEIJIN LIMITED	Outside Director	-
Outside Corporate Auditor	Masahiko IKAGA	Masahiko Ikaga Certified Public Accountant Office	Representative	-
		PrajnaLink Co., Ltd.	Representative Director	-
		Morinaga Milk Industry, Co., Ltd.	External Audit & Supervisory Board Member	-
		RYOBI LIMITED	Outside Director	-
	Yaeko HODAKA	Isshiki & Partners	Partner	-
		YASUKAWA Electric Corporation	Outside Director	-
		Sumitomo Heavy Industries, Ltd.	External Director	-

(ii) Status of major activities

Classification	Name	Status of major activities
Outside Director	Kanoko OISHI	We expect that she will fulfil her function of assistance and supervision based on extensive knowledge and experience amassed through long years of involvement in management in the country and overseas. In addition to attendance at 2 of 13 meetings of the Board of Directors held during this fiscal year, she has served as a member of the “Corporate Strategy Committee” and the “Nominating Committee,” and as a chair of the “Executive Compensation Committee” which are voluntary committees established by the Company, and attended all of the meetings of these committees. She expressed her opinions appropriately as required in deliberation of the proposed items from the viewpoint described above.
	Yutaro SHINTAKU	We expect that he will fulfil his function of assistance and supervision based on extensive knowledge and global experience amassed through long years of involvement in management in the country and overseas including as a management executive of a major company manufacturing and distributing medical equipment and pharmaceutical products. In addition to attendance at all 13 meetings of the Board of Directors held during this fiscal year, he has served as a member of the “Corporate Strategy Committee” and the “Executive Compensation Committee,” and as a chair of the “Nominating Committee” which are voluntary committees established by the Company, and attended all of the meetings of these committees. He expressed his opinions appropriately as required in deliberation of the proposed items from the viewpoint described above.
	Kunihito MINAKAWA	We expect that he will fulfil his function of assistance and supervision based on extensive knowledge and global experience amassed through long years of involvement in management in the country and overseas, as well as extensive insight and business experience in finance and auditing. In addition to attendance at all 13 meetings of the Board of Directors held during this fiscal year, he has served as a member of the “Corporate Strategy Committee,” “Nominating Committee,” and “Executive Compensation Committee” which are voluntary committees established by the Company, and attended all of the meetings of these committees. He expressed his opinions appropriately as required in deliberation of the proposed items from the viewpoint described above.
	Noboru KOTANI	We expect that he will express appropriate opinions from the company-wide viewpoint based on his in-depth understanding of the Company’s ophthalmic business, its strategy, governance, decision making and the like amassed through his office as Outside Director of the Company for ten years from 2005 to 2015 as well as his extensive knowledge and experience concerning company management as management consultant. In addition to attendance at all 13 meetings of the Board of Directors held in this fiscal year, he has served as a member of the “Corporate Strategy Committee” and “Nominating Committee” which are voluntary committees established by the Company, and attended all of the meetings of these committees. He expressed his opinions appropriately as required in deliberation of the proposed items from the viewpoint described above.
	Tamie MINAMI	We expect that she will express appropriate opinions from a global point of view based on her abundant business experience overseas such as experiencing being a head of business divisions in multiple regions in a globally expanding company. In addition to attendance at all 13 meetings of the Board of Directors held in this fiscal year, she has served as a member of the “Corporate Strategy Committee” and “Executive Compensation Committee” which are voluntary committees established by the Company, and attended all of the meetings of these committees. She expressed his opinions appropriately as required in deliberation of the proposed items from the viewpoint described above.
Outside Corporate Auditor	Masahiko IKAGA	He attended all 13 meetings of the Board of Directors held during this fiscal year and all 10 meetings of the Board of Corporate Auditors held during this fiscal year, and expressed appropriate opinions required to ensure the fairness and appropriateness of the decision-making by the Board of Directors based on his knowledge concerning finance and accounting as a certified public accountant and his extensive international experience and insight amassed through involvement in the promotion of globalization as a business entrepreneur. Also, he exchanged opinions with Representative Directors, Corporate Officers and other officers and engaged in other activities pursuant to audit policies and plans determined by the Board of Corporate Auditors.
	Junichi ASATANI	He attended all 10 meetings of the Board of Directors held after the assumption of office of Corporate Officer on June 27, 2023 and all 7 meetings of the Board of Corporate Auditors held after the said assumption of office, and expressed appropriate opinions required to ensure the fairness and appropriateness of the decision-making by the Board of Directors based on abundant experience and expertise from his involvement in the business of a pharmaceutical company, including that relating to sales and marketing in Japan, financial

		and accounting affairs, risk and compliance management, as well as internal auditing practices, furthermore, his extensive international experience and knowledge, including from overseas postings and involvement in local business in areas such as business planning, accounting, and financial affairs. Also, he exchanged opinions with Representative Directors, Corporate Officers and other officers and engaged in other activities pursuant to audit policies and plans determined by the Board of Corporate Auditors.
	Yaeko HODAKA	She attended 9 of 10 meetings of the Board of Directors held after the assumption of office as Corporate Auditor on June 27, 2023 and all 7 meetings of the Board of Corporate Auditors held after the said assumption of office, and expressed appropriate opinions required to ensure the fairness and appropriateness of the decision-making by the Board of Directors based on her abundant experience and expertise as an attorney-at law, especially in relation to corporate legal practices, and her extensive international legal experience and knowledge gleaned from her responsibilities as a long-time partner in a U.S.-affiliated law firm. Also, she exchanged opinions with Representative Directors, Corporate Officers and other officers and engaged in other activities pursuant to audit policies and plans determined by the Board of Corporate Auditors.

(Note) In addition to the number of meetings of the Board of Directors held as described above, one (1) resolution in writing was made during this fiscal year, which deemed that a resolution of the Board of Directors was passed under Article 370 of the Companies Act and Article 24 of the Company's Articles of Incorporation.

(iii) Matters regarding Agreement with Outside Directors and Outside Corporate Auditors to limit liability

To further ensure the Company's objective and transparent management through the invitation and appointment of capable and competent persons for the post of Outside Director and Outside Corporate Auditor as well as to further strengthen the audit system, it is provided under the Company's current Articles of Incorporation that the Company may enter into an agreement with Outside Director and Outside Corporate Auditor to limit his or her liability for damages suffered by the Company within a certain scope. Pursuant to such provision, the Company has entered into such agreements with Outside Directors and Outside Corporate Auditors to limit their liability for damages.

The outline of such agreement is as follows:

- In case an Outside Director and/or Outside Corporate Auditor become(s) liable for damages suffered by the Company due to his or her negligence in the performance of his or her duty, he or she shall be liable for such damages only up to the maximum amount set forth in Article 425, Paragraph 1 of the Companies Act.
- The aforementioned limitation on liability of an Outside Director and Outside Corporate Auditor shall be allowed only if he or she performed his or her duty, which caused the damages, in good faith and without gross negligence.

(iv) Aggregate amount of remunerations and other payments

Classification	Number of the recipients	Amount of remunerations, etc.
Outside Director	Five (5) recipients	¥97 million
Outside Corporate Auditor	Five (5) recipients	¥41 million
Total	Ten (10) recipients	¥138 million

(Note) The number of recipients is the total number of officers holding office during this business year, which includes two (2) Outside Corporate Auditors who retired upon the expiration of the term of office thereof at the close of the General Meeting of Shareholders held on June 27, 2023

5. Situation Regarding Accounting Auditor

(1) Name of Accounting Auditor

KPMG AZSA LLC

(2) Amount of Remuneration and the Like of the Accounting Auditor in this Fiscal Year

	Paid Amount
(i) Amount of remuneration and the like for the services of auditing under the Companies Act and the Financial Instruments and Exchange Act among auditing services under Article 2, Paragraph 1 of the Certified Public Accountants Act	¥111 million
(ii) Amount of remuneration and the like paid other than those described in (i)	¥3 million
(iii) Total amount payable to the Accounting Auditor by the Company and its subsidiaries	¥114 million

(Notes)

- As to (i) above, the Company’s Board of Corporate Auditors conducted necessary review on the appropriateness of the content of the Accounting Auditor’s audit plan, the status of execution of its accounting audit duties and the grounds for calculation of the estimated remuneration, and deemed that this amount of remuneration for audit is at a reasonable level for the Accounting Auditor to perform a proper audit, and it consented to the amount of remuneration and the like for the Accounting Auditor under Article 399, Paragraph 1 of the Companies Act.
- The audit agreement executed between the Company and the Accounting Auditor does not distinguish between remuneration for audit under the Companies Act and under the Financial Instruments and Exchange Act, nor is it practical to make such distinction, so the amount of remuneration and the like described in (i) above includes the amount of remuneration and the like for audit under the Financial Instruments and Exchange Act.
- The remuneration described in (ii) above represents remuneration for the advisory service which is not specified as auditing services under Article 2, Paragraph 1 of the Certified Public Accountants Act.

(3) The Company’s Policy of Dismissal/Non-reappointment of an Accounting Auditor

In cases where the Company’s Board of Corporate Auditors deems that the Accounting Auditor falls under any event enumerated in items of Article 340, Paragraph 1 of the Companies Act, the Accounting Auditor shall be dismissed by unanimous consent of all Corporate Auditors. In such case, the Corporate Auditor appointed by the Board of Corporate Auditors shall report the dismissal of the said Accounting Auditor with the reason therefor at the earliest General Meeting of the Shareholders to be convened after the dismissal.

Also, in addition to cases where the Accounting Auditor falls under any situation enumerated in items of Article 340, Paragraph 1 of the Companies Act, in cases where the Company’s Board of Corporate Auditors deem that it would be difficult for the Accounting Auditor to properly perform its auditing duties, or, upon its evaluation during every business term of the Accounting Auditor’s legal compliance system, quality control system, the independence and expertness, global auditing system, attention to risk of fraud, appropriateness of remuneration for the audit services and the like, if it determines that it is necessary to appoint another prospective accounting auditor who is expected to better perform a proper audit, it shall determine the details of the proposal for dismissal or non-appointment of such Accounting Auditor to be submitted to the Shareholders’ Meeting.

6. Corporate Governance

(1) Basic Approach to Corporate Governance

The Company believes that it is vital to upgrade and strengthen corporate governance systems in order to achieve and enhance corporate value, and thus returns to shareholders.

The Company has adopted a “Company with Board of Company Auditors” system as defined in the Companies Act. The Company will continuously be working to upgrade and strengthen corporate governance by making the most of the current system.

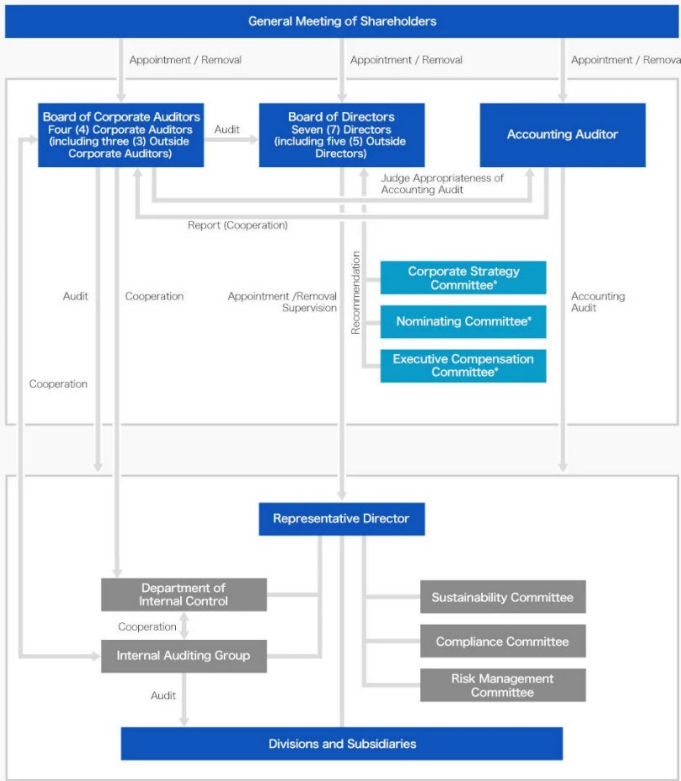
First, the functions of the Board of Directors are to make decisions concerning the vital execution of the business as well as to monitor the execution of the business by the management and Directors. The Company will operate in a manner to maximize both of the above functions.

The Company expects its Outside Directors to be actively involved in the Board of Directors in decision making on individual managerial issues, taking advantage of their wide range of experience and knowledge. Concurrently therewith, the Company shall also ask for their opinions and recommendations from the view of strengthening the function of monitoring its management.

Furthermore, the Company established the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, which are all voluntary committees made up of Inside and Outside Directors, with the aim of improving management transparency and objectivity. Moreover, the Company will, in a compatible manner, realize strong management and speedy business execution under the corporate officer system.

Corporate Auditors audit the Board of Directors and executive sections by utilizing the Office of Corporate Auditors or collaborating with the Internal Auditing Group, bringing into view not only the legality but also the appropriateness and effectiveness of the performance of their duties, and shall endeavor to strengthen the function of the Board of Directors and executive sections.

(As of April 1, 2024)



(2) The Board of Directors

The Company's Board of Directors multilaterally deliberates and makes decisions mainly on material execution of business such as corporate strategies aiming to promote enhancement of the Company's sustained growth and its medium- and long-term corporate value, and concurrently therewith, supervises whether execution of business by the management and directors is properly performed from an independent and objective standpoint. It features a well-balanced mix of knowledge and experience, and the ability to effectively fulfill its roles and responsibilities with a structure that satisfies both diversity and an appropriate number of members. Outside Directors are provided with opportunities necessary to fulfill their roles, in various ways including the provision of the necessary information and knowledge.

(3) The Board of Corporate Auditors

The Company has appointed as its Corporate Auditors persons with the expertise and capability necessary to properly perform audits, especially including one or more person with sufficient knowledge in financial matters and accounting. Outside Corporate Auditors are provided with opportunities necessary to fulfill their roles, in various ways including the provision of the necessary information and knowledge.

(4) Voluntarily Established Committees

The Company has established the "Corporate Strategy Committee", the "Nominating Committee" and the "Executive Compensation Committee", which are all voluntary committees, composed of Inside and Outside Directors.

The Corporate Strategy Committee aims to deliberate in a concentrated manner on key strategic issues such as business strategies, and is composed of seven (7) Directors, including five (5) Outside Directors.

The Nominating Committee aims to deliberate on the selection of candidates for Directors and Corporate Officers and submit recommendations therefor, as well as to provide advice in response to consultations concerning the selection of candidates for Corporate Officers. This committee is composed of six (6) Directors, including four (4) Outside Directors.

The Executive Compensation Committee aims to deliberate on the compensation of Directors and Corporate Officers and submit recommendations therefor to the Board of Directors, as well as to provide advice to the Board of Corporate Auditors with respect to the compensation of Corporate Auditors with reference to market levels. This committee is composed of six (6) Directors, including four (4) Outside Directors.

The majority of the Nominating Committee and the Executive Compensation Committee are composed of Outside Directors, and their respective chairpersons are elected from constituent members thereof who are Independent Outside Directors, to ensure effective operation of each committee from the viewpoint of independence, objectivity and strengthening the ability to fulfill accountability.

The names of constituent members of respective committees and the names/titles of their chairpersons are as follows:

Committee	Name of the Constituent Members		Name/Title of the Chairpersons
Corporate Strategy Committee	Inside:	Akira KUROKAWA; Takeshi ITO	Takeshi ITO Representative Director President and CEO
	Outside:	Kanoko OISHI; Yutaro SHINTAKU; Kunihito MINAKAWA; Noboru KOTANI; Tamie MINAMI	
Nominating Committee	Inside:	Akira KUROKAWA; Takeshi ITO	Yutaro SHINTAKU Outside Director
	Outside:	Kanoko OISHI; Yutaro SHINTAKU; Kunihito MINAKAWA; Noboru KOTANI	
Executive Compensation Committee	Inside:	Akira KUROKAWA; Takeshi ITO	Kanoko OISHI Outside Director
	Outside:	Kanoko OISHI; Yutaro SHINTAKU; Kunihito MINAKAWA; Tamie MINAMI	

(5) Meetings Solely Comprised of Independent Outside Directors

The Company regularly holds meetings solely comprised of Independent Outside Directors as a place where information can be exchanged and awareness shared.

(6) Collaboration between Independent Outside Directors and Corporate Auditors

The Company regularly holds meetings comprised of Independent Outside Directors and Corporate Auditors to exchange information for the purpose of providing information necessary for the Board of Directors to further improve the quality of discussion and deepen mutual cooperation.

7. System to Ensure Appropriateness of the Business and Status of the Operation of the Same

In accordance with the Companies Act and the Ordinance for Enforcement of the Companies Act, Santen Pharmaceutical Co., Ltd. (hereinafter, “Santen”) has passed the resolution to maintain the basic policy on a system to ensure the appropriateness of business (internal control) of its corporate group consisting of Santen and its subsidiaries (in this section, the “Santen Group”), and Santen endeavors according to the details contained therein. In the meeting of the Board of Directors held on April 30, 2024, Santen passed the resolution to revise the same as described below.

(1) The Santen Group’s CORE PRINCIPLE and WORLD VISION

- (i) The Santen Group’s core principle and WORLD VISION are formulated as described below:

Santen’s CORE PRINCIPLE

“*Tenki ni sanyo suru*”

- ♦ Exploring the secrets and mechanisms of nature in order to contribute to people’s health

WORLD VISION

- ♦ Based on the Santen Group’s core principle, we set up “Happiness with Vision” as a WORLD VISION which is the world Santen ultimately aspires to achieve, and aims to realize the happiest life for every individual, through the Best Vision Experience.
- (ii) The Santen Group always put “people” at the center of every action to help people in the world achieve happy lives through improved “vision”, in accordance with the Santen Group’s core principle and WORLD VISION.

[Status of operation of the system]

- The Company endeavors to increase exposure of the core principle and WORLD VISION through various ways, including always referring to them in officers’ messages, and also to confirm that every activity is performed in accordance with the core principle and WORLD VISION through various ways, including confirmation thereof at material internal meetings.

(2) System to Ensure that the Execution of Duties of the Directors and Employees of Santen Group Complies with Laws, Regulations and the Articles of Incorporation

- (i) The Santen Group’s Directors and Employees shall consider as norms Santen’s core principle and the Santen Code of Practice, which provides the behavioral guidelines for all of the corporate activities to be conducted by all of the constituents.
- (ii) To promote Santen’s core principle and the Santen Code of Practice by the Santen Group as a whole, Santen shall endeavor to ensure the proper recognition thereof and thorough compliance therewith under the direction of officers dedicated thereto.
- (iii) The Santen Group shall stipulate in the Santen Code of Practice that it will never respond to any demand by an anti-social force; and concurrently, cooperate with the relevant authorities, as necessary, to eliminate any relationship with such anti-social forces.
- (iv) As regards any suspected compliance violation within the Santen Group entities, the Santen Group shall endeavor to ensure the presence of measures that would allow the seeking of direct advice and reporting through the maintenance of an internal and external help desk; and concurrently, Santen Group entities shall handle the said advice and reporting in collaboration with the relevant departments of Santen.
- (v) To strengthen and enhance the function of monitoring management, Santen shall appoint multiple highly independent Outside Directors; and concurrently, it shall endeavor to enhance the audit by Corporate Auditors as well as the internal audit system by the Internal Auditing Group under the direct control of the President.

[Status of operation of the system]

- As for the “Santen Code of Practice”, stipulated as behavioral guidelines for all of the corporate activities to be conducted from a common viewpoint under the core principle which is “*Tenki ni sanyo suru,*” the Company implements measures to ensure proper recognition thereof, and thorough compliance therewith, through transmission of information to and trainings of all constituents including foreign subsidiaries.
- The Company established the position of Chief Compliance Officer (CCO) and thereby has propelled the further improvement of the Group’s compliance system and activities.
- The Company is continually aware of anti-social forces’ actions, cooperates with relevant authorities opposed thereto, and blocks any relationship with, anti-social forces which threaten social order and security.
- As to advice by and reporting to an internal and external help desk, the Company has performed necessary investigations including interviews in collaboration with independent specialists in Japan and abroad and takes appropriate action.
- The Company endeavors to strengthen its managerial supervisory function through appointment of five (5) highly independent Outside Directors, and the audit performed by four (4) people consisting of three (3) highly independent Outside Corporate Auditors and a standing Corporate Auditor. Also, the Company established the Internal Auditing Group under the direct control of the CEO, which reports the result of internal audits based on an annual plan to Directors and Corporate Auditors.

(3) System on Retention and Management of Information on the Execution of Duties of the Directors

- (i) As to the treatment of information concerning the execution of the duties of Directors of Santen, Santen shall appropriately maintain and administer such information based on internal rules such as for information security, internal approvals and document control.

[Status of operation of the system]

- As to the information including records and document concerning the execution of duties of Directors, the Company has been performing appropriate maintenance and administration thereof based on internal rules such as for information security, internal approvals and document control.
- The Company has established a code of conduct for officers, and has been engaged in strengthening its governance functions as well as maintaining and enhancing the corporate value of the Group.

(4) Rules on the Management of Risk of Loss of the Santen Group and Other Systems

- (i) For Santen Group to respond appropriately to assumable major risks of loss related to its business activities, in accordance with the rules on risk management, each of its business corporations and organizations shall endeavor to comprehend and manage risk of loss from normal times, construct systems that will formulate policies / countermeasures and gather information, and endeavor to avoid or minimize risk of loss. Specifically, Santen’s risk management division shall, collaborating with its subsidiaries, comprehend and evaluate the Santen Group’s risks, and formulate and implement necessary countermeasures.
- (ii) Upon the occurrence of any event that may evolve into a material risk or if such an event is reported, the Crisis Management Committee chaired by Santen’s Representative Director, President & CEO shall be established within Santen, which will endeavor to address the matter and settle the situation, and concurrently therewith, institute measures to prevent a recurrence.
- (iii) Santen’s Internal Auditing Group shall conduct internal audit of the status of management of the risk of loss within the Santen Group from an independent viewpoint.

[Status of operation of the system]

- The Company, even in ordinary times, endeavors to perceive and control risks of loss. It has established a system to plan policies and measures to address the same, as well as to perform collection of information in an expeditious manner.
- The Company has clarified the responsible person as a leader of risk management, and promotes further improvement of the Group's risk management system and promotes its activities.
- The Company has formulated the Rules on Reporting Critical Incidents as a global set of rules to maintain a framework that facilitates prompt reporting upon the occurrence of a crisis.
- The Company has built an administrative structure where the occurrence or reporting of an incident that is potentially capable of developing into a major crisis will trigger an assessment by the Risk Evaluation Committee of the degree of such incident. If the Committee determines that the event is a major crisis that needs to be addressed, the matter is then escalated to the Crisis Response Committee Representative for the convocation of the meeting of the Crisis Response Committee. The Crisis Response Committee will provide centralized management of information upon the occurrence of the crisis and shall take the necessary measures as well as resolve the crisis.
- Upon the occurrence of the Noto Peninsula Earthquake, the Company established the Crisis Management Committee (the "Risk Evaluation Committee" and the "Crisis Response Committee" are collectively referred to as the "Crisis Management Committee"), under which the framework was laid out for investigating the extent of the disaster and for stable supply of drugs, while giving utmost priority to the safety of employees.
- The Company's Internal Auditing Group performs validation of the status of risk management through the business operations audit, from its independent standpoint.

(5) System to Ensure the Efficient Execution of Duties of the Directors of the Santen Group

- (i) Santen shall establish a global management system centering on the Corporate Management Members (CMM), appointed by the Board of Directors. The CMM shall implement optimum decision-making speedily and on a company-wide basis, and thereby strengthen the Company's governance system for the conduct of its business.
- (ii) Santen shall hold meetings of the Board of Directors at least once a month in principle, and shall hold special meetings of the Board of Directors as necessary.
- (iii) Santen shall establish the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, which are all voluntary committees made up of Inside and Outside Directors, to deliberate on prescribed matters and submit recommendations to Santen's Board of Directors.
- (iv) Santen shall establish various meeting bodies in order to swiftly and efficiently decide on important matters concerning the Santen Group's management policies and conduct of the business.
- (v) Santen shall establish the Rules of the Board of Directors and the rules for Corporate Officers clarifying their duties and powers. Furthermore, Santen shall maintain rules and standards concerning internal approvals and clarify procedures for decision-making.
- (vi) For each of the Santen Group entities to promote its global business operation, a personnel and organizational system shall be maintained to clarify its role and implement strategies with more certainty and to enable further contribution to customers. Furthermore, rules and standards concerning the organization shall be established to clarify the authority and responsibilities of each organization and subsidiary.

[Status of operation of the system]

- With an aim to implement the new medium-term management plan, the Company renewed its executive structure, in July 2023, centering on the CMM replacing the former Executive

Management Team. Under the said new structure, the Company is committed to further prompt decision-making and powerful business operation with a sense of coherence.

- The Company's Board of Directors held thirteen (13) ordinary meetings. Also, the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, which are all voluntary committees made up of Inside and Outside Directors, held meetings and engaged in deliberations three (3) times, nine (9) times and nine (9) times respectively.
- The Company established the Rules of the Board of Directors and the Rules for Corporate Officers clarifying their duties and powers, and performs appropriate operations thereof. Also, the Company established the Rules for Decision Making ("Kessai"), whereby the procedures for decision making are clarified and appropriately operated.
- The Company defined the management framework to enable it to perform its business effectively and efficiently, clarifying the role of the global organization and performs optimization and standardization as a whole.

(6) System to Ensure Proper Operating Controls Within the Santen Group

- (i) Santen shall, centering on it's the department of internal control, establish a managerial system to make recommendations and instructions to enhance the appropriateness of corporate activities within the Santen Group.
- (ii) Santen shall maintain rules on control of subsidiaries to clarify matters necessary to ensure proper operation of its subsidiaries and shall apply the same to all entities within the Santen Group and strengthen the auditing function of its key subsidiaries. Concurrently, Santen shall establish a system whereby developments and applications of its subsidiaries' internal control systems are ascertained.
- (iii) To ensure the credibility of financial reports, a system shall be established whereby each of Santen's relevant divisions and subsidiaries will perform a self-check concerning the appropriateness of its business, and then Santen's Internal Auditing Group will verify the adequacy thereof.

[Status of operation of the system]

- The Company has operated the rules on control of subsidiaries and the "Regional Person in Charge", "Corporate CFO" and "Region Finance Head" take, in principle, respective offices as directors of major subsidiaries. Also, to strengthen its function to supervise subsidiaries, Corporate Auditors of subsidiaries attend the Santen Group Corporate Auditors' meeting, to share the auditing plan of the Board of Corporate Auditors as well as exchange opinions on issues or the like.
- To enhance appropriateness of business activities within the Santen Group, the Company has established and been operating a managerial system whereby advice and guidance are given centrally by the department of internal control of the Company.
- To ensure the proper operation of its subsidiaries, the Company prepared a management book (a support tool for internal control) and disseminated to the management personnel.
- As to the consolidation and operation of the internal control systems in its subsidiaries, the Company has identified major risk factors and selected a department to be responsible for addressing such factors. It has also established a system to periodically implement and verify risk assessments in the respective regions.
- As to ensuring the credibility of financial reports, at relevant divisions of the Company and its subsidiaries, self-checks have been performed concerning the status of improvement and operation, and internal audits have been conducted.

(7) Matters Regarding an Employee, when the Board of Corporate Auditors Seeks to Adopt Him or Her as an Assistant, Matters Regarding the Independence of such Employee from Directors, and Matters Regarding Ensuring the Effectiveness of Directions to such Employee

- (i) A dedicated staff, who will provide assistance to Santen's Corporate Auditors as well as discharge other duties as necessary, and who does not belong under the line of supervision and direction of the management, shall be employed.
- (ii) Personnel transfers of the staff of the Corporate Auditors shall be made by Santen's Representative Director in accordance with the internal rules and with the consent of the Corporate Auditors. As to the evaluation thereof, the contents thereof examined and determined by the Corporate Auditors in accordance with the internal rules shall be duly respected.

[Status of operation of the system]

- The Company established the office of Corporate Auditors, comprised of three (3) dedicated members including the head of the office, which provides assistance to its Corporate Auditors as well as other duties as necessary, and which does not belong under the line of supervision and direction of the management.
- As to personnel transfers and the evaluation of the staff of the Corporate Auditors, they have been made in accordance with the internal rules and in consideration of the evaluation by the Corporate Auditors.

(8) System for Directors and Employees of the Santen Group to Report to Corporate Auditors, System Regarding Other Reports to Corporate Auditors, and System to Ensure that the Person who Reported to Corporate Auditors Will Not Receive Any Adverse Treatment by Reason of Such Reporting

- (i) In the event the Directors and employees of the Santen Group come to know of any specific matter that may cause any tremendous damage to the company, they shall report the same to Santen's Corporate Auditors and Board of Corporate Auditors without delay.
- (ii) Santen's Corporate Auditors may seek reports from the Santen Group's Directors and employees as needed and as necessary even for matters other than those described in item (i) above.
- (iii) Santen's Internal Auditing Group and the auditing divisions in key subsidiaries shall regularly report to Santen's Board of Corporate Auditors their audit policies and plans, and the results of their internal audits as well as exchange information therewith.
- (iv) No disadvantageous treatment shall be suffered by any Director or employee of the Santen Group on the ground that such Director or employee blew the whistle to the Corporate Auditors concerning any internal suspicious compliance violation and the like within the Santen Group entities, regardless of whether or not it was made through an internal or external help desk.

[Status of operation of the system]

- The Company is well equipped with and operated under the system of reporting to the Corporate Auditors and the Board of Corporate Auditors with respect to important matters.
- The Company's Corporate Auditors obtain monthly operating reports as well as minutes of meetings and other various materials as necessary from respective divisions of the Company and key subsidiaries, and also seek, from time to time, Directors and employees of the Group to submit reports as necessary.
- The Company's Internal Auditing Group holds monthly regular meetings with standing Corporate Auditors and reports its audit results.
- The Company has stipulated the protection of whistle blowers under its internal rules concerning any internal suspicious compliance violation and the like and extended efforts to avoid any possible disadvantageous treatment due to whistle-blowing.

(9) Other Systems to Ensure the Effective Conduct of the Audit by the Corporate Auditors

- (i) Santen's Corporate Auditors and Board of Corporate Auditors shall hold meetings regularly or as needed with not only Santen's Representative Director, but also with the Santen Group's Directors and employees as deemed necessary, to exchange opinions on issues such as issues that the companies must address and substantial issues relating to audit, and enhance mutual awareness and the fiduciary relationship.
- (ii) Santen's Corporate Auditors may attend meetings that they wish to attend upon consultation with Santen's Representative Director, and state their opinion on procedures regarding substantial decision-making and the state of the conduct of the business.
- (iii) Santen shall bear the expenses necessary for Santen's Corporate Auditors to perform their duties.

[Status of operation of the system]

- The Company's Corporate Auditors and the Board of Corporate Auditors hold meetings regularly or as needed with Directors, Corporate Officers and other officers, whereat opinions on substantial issues and the like are exchanged.
- The Company's Corporate Auditors attend internal substantial meetings as needed, whereat they state their opinions on procedures of substantial decision-making and the state of the conduct of business.
- The Company bears the expenses necessary for its Corporate Auditors to perform their duties.

(Note) The amount and number of shares stated in this Business Report the amount of which is less than the presented unit are, unless otherwise notified, rounded to the nearest integral number.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Significant Matters as Bases for Preparation of the Consolidated Financial Statements)

1. Basis for preparing the Consolidated Financial Statements

The Consolidated Financial Statements of the Santen Group have been prepared under the International Financial Reporting Standards (“IFRS”) in accordance with the first paragraph of Article 120 of the Ordinance on Company Accounting of Japan. Pursuant to the second sentence of the paragraph, certain disclosures required by IFRS have been omitted in this Consolidated Financial Statements.

2. Scope of consolidation

The consolidated subsidiaries are 34 companies where all of the subsidiaries were consolidated. The trusts pertaining to the stock-based remuneration system were included in the scope of the consolidation.

Name of the major companies:	Santen Holdings U.S. Inc., Santen Inc., Santen Holdings EU B.V., Santen SA, Santen China Investment Co., Ltd., Santen Pharmaceutical (China) Co., Ltd., Santen Pharmaceutical Asia Pte. Ltd.
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3. Application of the equity method

Companies to which the equity method is applied: Two (2) companies

Name of the companies:	Twenty Twenty Therapeutics LLC, Plano Pte. Ltd.
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4. Matters regarding the business year and other matters concerning the consolidated subsidiaries

The consolidated subsidiaries, Santen China Investment Co., Ltd., Santen Pharmaceutical (China) Co., Ltd., Santen Pharmaceutical Sales & Marketing (Suzhou) Co., Ltd., Chongqing Santen Kerui Pharmaceutical Co., Ltd., Eyevance Pharmaceuticals Holdings Inc., and Eyevance Pharmaceuticals LLC, with the closing date of December 31, have been consolidated based on provisional settlement accounts as of the consolidated closing date of March 31.

5. Accounting policies

(1) Basis and method for valuation of properties, plants and equipment and intangible assets, and method of depreciation or amortization therefor

(i) Property, plant and equipment

Property, plant and equipment is recognized at cost, which includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs eligible for capitalization.

After the recognition, property, plant, and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and impairment losses.

Property, plant and equipment other than land are depreciated using the straight-line method over the estimated useful lives of each item from the date the assets are available for use. The estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures:	3 to 50 years
Machinery, equipment, and vehicles:	3 to 10 years
Tools, furniture and fixtures:	4 to 10 years

The depreciation methods, residual values and estimated useful lives are reviewed annually, and adjusted as necessary.

(ii) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance and have been acquired individually or through business combinations. The major intangible assets are

goodwill, intangible assets associated with products, and software.

<1> Goodwill

For the measurement of goodwill on initial recognition, the Santen Group measures the consideration for an acquisition as the sum of (1) consideration transferred in a business combination, (2) the amount of the non-controlling interest and (3) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree. The Santen Group recognizes goodwill as any excess of this consideration for acquisition over the net amount of the identifiable assets acquired and the liabilities assumed at the acquisition date.

After initial recognition, goodwill is not amortized and is measured at cost less the accumulated impairment losses. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination.

<2> Intangible assets other than goodwill

Intangible assets other than goodwill that are acquired individually are recognized at cost, specifically any cost directly attributed to the acquisition of the asset. Intangible assets other than goodwill that are acquired through business combinations are recognized based on the fair value at the business combination date.

After recognition, intangible assets are measured using the cost model and are stated at cost less accumulated amortization and impairment loss.

These intangible assets are amortized using the straight-line method over the estimated useful lives (within approximately 20 years) from the date the assets are available for use. The estimated useful lives are calculated based on the term of legal protection or the economical life, and are regularly reviewed.

(iii) Impairment of property, plant, equipment, and intangible assets

At the end of each reporting period, the Santen Group assesses whether there is any indication of impairment that property, plant and equipment and intangible assets available for use may be impaired for each asset, cash-generating unit, or group of cash-generating unit. If there is an indication of impairment, the Santen Group performs impairment test and assesses the recoverability of each asset, cash-generating unit or group of cash-generating unit.

Goodwill and intangible assets that are not yet available for use are tested for impairment and assessed for recoverability annually regardless of whether there is an indication of impairment of the asset, cash-generating unit, or group of cash-generating units.

The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets.

The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less cost of disposal or its value in use. The value in use is the present value of the future cash flow that is expected to be generated by an asset, a cash-generating unit or group of cash-generating units. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment losses are recognized in profit or loss and the carrying amount is reduced to the recoverable amount.

An asset or a cash-generating unit other than goodwill for which impairment losses were recognized in prior years is assessed at the end of the reporting period to determine whether there is any indication that the impairment losses recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases in which the recoverable amount exceeds the

carrying amount of the asset or cash-generating unit, the impairment losses is reversed up to the lower of the estimated recoverable amount or the carrying amount that would have been determined if no impairment losses had been recognized in prior years.

(iv) Leases

At the time of signing a contract, the Santen Group determines whether the contract is a lease or includes a lease. The contract is considered to be a lease or include a lease when the right to control the use of the identified assets is conveyed for a period of time in exchange for consideration.

If the contract is determined to be a lease or include a lease, the right-of-use asset and the lease liability are recognized at the inception date of the lease. Right-of-use assets are initially measured at acquisition cost adjusted for initial direct costs and lease incentives, etc. to the initial measurement of lease liabilities.

When ownership of the underlying assets is transferred to the lessee by the end of the lease term, or when the acquisition cost of the right-of-use asset reflects the use of the purchase option, the right-of-use asset is depreciated from the inception date to the end of the useful life of the underlying asset, otherwise it is depreciated regularly over the shorter of the economic life or the lease term from the inception date. In addition, right-of-use assets are impaired (where applicable) by impairment losses and adjusted for remeasurement of the lease liabilities.

Lease liabilities are initially measured at the present value of outstanding lease payments discounted at the lessee's incremental borrowing rate at the inception date of the lease. After the commencement date of the lease, the carrying amount of the lease liability is increased or decreased to reflect the lease interest on the lease liability and the lease payments. If the lease liability is revised or the lease terms are revised, the lease liability is remeasured and the right-of-use asset is modified. In the measurement of lease liabilities, the lease component and the related non-lease component are not separated but recognized as a single lease component.

The commencement date is the date when the right-of-use asset is acquired, and the lease term is calculated from the lease commencement date. The lease term is estimated to be the period in which it is reasonably certain that the lessee will exercise (or not exercise) the option to extend the lease during the non-cancellable period of the lease, including the free rent period.

In the consolidated statement of financial position, the right-of-use assets are included in "Property, plant and equipment" and lease liabilities are included in "Financial liabilities" or "Other financial liabilities."

The Company has selected to apply the exemption of IFRS 16 for short-term leases with lease terms of 12 months or less and immaterial leases, not to recognize right-of-use assets and lease liabilities. The Santen Group recognizes lease payments associated with those assets as expenses over the lease term using the straight-line method.

(2) Basis and method for valuation of financial instruments

(i) Financial assets

<1> Initial recognition and measurement

Financial assets are classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss. The classification of financial assets is determined upon initial recognition.

Financial assets are initially recognized on the transaction date upon which the Company becomes a party to the contractual terms of the financial assets.

(Financial assets measured at amortized cost)

Financial assets are classified as financial assets measured at amortized cost if they meet the following conditions:

- The financial asset is held within a business model whose object is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on a specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Financial assets measured at fair value through other comprehensive income)

(a) Debt financial assets that are measured at fair value through other comprehensive income

Financial assets are classified as debt instruments that are measured at fair value through other comprehensive income if they meet the following conditions:

- The financial asset is held based within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Equity financial assets measured at fair value through other comprehensive income

For all investments in equity instruments other than those held for trading among financial assets measured at amortized cost and debt financial assets measured at fair value through other comprehensive income that are equity instruments, the Santen Group has irrevocably elected to represent changes in fair value after initial recognition under other comprehensive income.

(Financial assets measured at fair value through profit or loss)

Financial assets not classified as financial assets measured at amortized cost or as financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss. No investments in debt financial assets are designated for measurement at fair value through profit or loss so as to eliminate or significantly reduce mismatches in accounting.

All financial assets except trade receivables that contain a significant financing component, are initially measured by the sum of the fair value and the transaction cost, except when they are classified as financial assets measured at fair value through profit and loss.

<2> Subsequent measurement

Measurement of financial assets after initial recognition is conducted in accordance with their classification as follows:

(Financial assets measured at amortized cost)

Financial assets measured at amortized cost are measured by the effective interest rate method.

(Financial assets measured at fair value through other comprehensive income)

(a) Debt financial assets that are measured at fair value through other comprehensive income

Changes in the fair value of debt financial assets measured at fair value through other comprehensive income are recognized as other comprehensive income until the financial asset is derecognized, except for impairment gain or impairment losses and foreign exchange gains and loss. If the financial asset is derecognized, other comprehensive income recognized in the past is transferred to profit and loss.

- (b) Equity financial assets that are measured at fair value through other comprehensive income
Changes in the fair value of equity financial assets measured at fair value through other comprehensive income are recognized as other comprehensive income. If the financial asset is derecognized, or if the fair value has decreased markedly, other comprehensive income recognized in the past is transferred directly to retained earnings.

(Financial assets measured at fair value through profit or loss)

Financial assets measured at fair value through profit and loss are measured at fair value after initial recognition and changes in fair value are recognized as profit and loss.

<3> Impairment losses

Allowance for doubtful accounts is recognized for expected credit losses related to financial assets measured at amortized cost.

(Determination of significant increase in credit risk)

At the end of each fiscal year, the non-performance risk for financial assets at the end of the fiscal year is compared with the risk on the initial recognition date to evaluate whether there has been a significant increase in credit risk for the financial asset since initial recognition. In performing this evaluation, the Santen Group considers the financial status of the transaction counterparty, the overdue information, etc.

If all or part of a financial asset is deemed unrecoverable, or extremely difficult to recover, for example when the debtor is in serious financial difficulty, or has been delinquent for a long period after the due date, then the asset is deemed to be in default.

If a financial asset is in default, or if there is evidence for impairment, such as notable financial difficulty of the issuer or debtor, then the asset is deemed to be credit impaired.

(Measurement of expected credit loss)

Expected credit loss is the present value of the difference between the contractual cash flow that is supposed to be received based on the contract and the cash flow that is expected to be received. If the credit risk of a financial asset has increased significantly since initial recognition, the allowance for doubtful accounts related to that financial asset is measured using an amount equal to the expected credit loss over the entire period. If it has not increased significantly, then it is measured using an amount equivalent to the expected credit loss over a 12-month period.

For trade receivables that do not include a significant financial element, allowance for doubtful accounts is measured using an amount equal to the expected credit loss over the entire period.

If all or part of a financial asset is reasonably deemed unrecoverable, the carrying amount of the financial asset is fully written-off. The provision for allowance for doubtful accounts related to financial assets is recognized in profit and loss.

The provision for allowance for doubtful accounts related to financial assets is recognized in profit and loss. If an event occurs that reduces the allowance for doubtful accounts, a reversal of the allowance is recognized in profit and loss.

<4> Derecognition

The Santen Group derecognizes a financial asset only when the contractual right to receive the cash flows from the asset expires or when the Companies transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(ii) Financial liabilities

<1> Initial recognition and measurement

Financial liabilities are classified as financial liabilities measured through amortized cost and financial liabilities measured at fair value through profit and loss. The classification is determined when the financial liability is initially recognized.

Financial liabilities are initially recognized on the transaction date upon which the Santen Group becomes a party to the contractual terms of the financial instrument.

All financial liabilities are initially measured at fair value; however, financial liabilities measured at amortized cost are measured using the amount net of directly incurred transaction expenses.

<2> Subsequent measurement

Measurement of financial liabilities after initial recognition is dependent on their classification, as follows:

(a) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost by the effective interest rate method after initial recognition. Interest expense through the effective interest rate method and gain and loss upon derecognition are recognized in profit and loss.

(b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit and loss are measured at fair value after initial recognition and changes in fair value are recognized as profit and loss.

<3> Derecognition

The Santen Group derecognizes financial liabilities when the obligation specified in the contract is exempted, cancelled, or expired.

(iii) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Santen Group:

(a) Currently has a legally enforceable right to set off the recognized amounts;

(b) Intends either to settle on a net basis, or realize the asset and settle the liability simultaneously.

(iv) Derivatives and hedge accounting

The Company utilizes derivative transactions, including foreign exchange forwards and commodity derivatives, for hedging the risk arising from fluctuation in foreign currency exchange rates, interest rates and share price, as well as the fuel price risk. Derivatives are initially measured at fair value on the date when the derivative contracts are entered into and are subsequently remeasured to fair value at each reporting date. Subsequent to initial recognition, derivatives are measured at fair value and the related transaction costs are recognized as expenses as incurred. However, for derivative transactions that are hedging instruments, hedge accounting is applied if the hedging criteria are met. The Santen Group does not enter into derivatives for trading or speculative purposes.

(3) Basis and method of valuation of inventories

Inventories are measured at the lower of cost and net realizable value.

The cost of inventories is calculated based on the weighted-average cost method, including raw materials, direct labor and other direct costs as well as relevant overhead expenses. The net

realizable value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(4) Employee benefits

(i) Post-employment benefits

The Santen Group has adopted defined benefit plans and defined contribution plans as post-employment benefit plans for employees.

<1> Defined benefit plans

The present value of defined benefit obligation and the related current service costs and past service costs are calculated based on the projected unit credit method.

The discount rates are determined with reference to the market yields of high-quality corporate bonds at the end of each reporting period.

Service cost and net interest on the net defined benefit liabilities are recognized in profit or loss.

Actuarial gains and losses, return on plan assets excluding amounts included in net interest on the net defined benefit liabilities, and changes in the effect of the asset ceiling are recognized in other comprehensive income and reclassified to retained earnings in the period in which they are recognized.

Prior service cost is recognized in profit or loss when incurred.

<2> Defined contribution plan

Costs for defined contribution plans are recognized as expenses when they are paid.

(ii) Short-term employee benefit

The undiscounted amount of short-term employee benefits expected to be paid in exchange for that service are recognized as expenses when employees have rendered services to the Santen Group.

(5) Basis for recording significant provisions

A provision is recognized when the Santen Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligations can be estimated reliably. When the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

Major items are as described below:

Provision for business structural reform	.....	An estimated amount of relevant expenses to prepare for expenditures to be incurred in accordance with the implementation of the structural reform measures
Provision for paid leave	.....	Unused paid leave granted to employees under the paid-leave system are recognized as liabilities.

(6) Basis for foreign currency translation

Foreign currency transactions are translated into the functional currency using exchange rates at the dates of transactions or rates that approximate the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at year-end exchange rates, and nonmonetary assets and liabilities denominated in foreign currencies measured at fair value are translated at the exchange rates in effect at the date when the fair value was determined. Nonmonetary assets and liabilities denominated in foreign currencies measured at historical cost are translated into the functional currency at the spot exchange rate on the

date of the initial transaction. Differences arising from the translation and settlement are recognized as profit or loss.

Assets and liabilities of foreign operations are translated into the presentation currency using the exchange rate at the fiscal year-end. Income and expenses of foreign operations are translated into the presentation currency using the average exchange rate during the fiscal year, except for cases of significant exchange rate movements. Exchange differences are recognized in other comprehensive income. If a foreign operation is discontinued, the cumulative exchange differences of the relevant foreign operation are reclassified to profit or loss when it is discontinued.

(7) Recognition of revenue

Revenue is recognized based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

For sales of goods, the customer usually acquires control over the goods when they are transferred. Therefore, the performance obligation is deemed to be satisfied, and the revenue is recognized at the time when the goods are transferred. Depending on the terms of the agreements, the Company is also obligated to accept returns, rebates and discounts, which are then measured on a net basis. The transaction price in this case is calculated as the consideration committed to the contract with the customer less these estimates, and the consideration expected to be refunded to the customer is recorded as a refund liability. The estimated liability for such refunds is calculated based on the terms of the agreements and historical experience.

The Company uses the practical expedient and does not adjust for any significant financial factors as the consideration for the transaction is generally received within 120 days of satisfaction of performance obligations.

(8) Other basic material matters in preparing the Consolidated Financial Statements

(i) Description of the amount contained

Figures less than one million yen have been rounded to the nearest million.

(ii) Accounting of consumption tax and the like

The accounting treatment of consumption and local consumption tax is net of tax, and the non-deductible consumption tax and local consumption tax are treated as expenses of this fiscal year.

6. Notes regarding accounting estimates

The figures of items that were recorded in the Consolidated Financial Statements of this consolidated fiscal year based on accounting estimates, which may have a significant impact on the consolidated financial statements for the next consolidated fiscal year, are as described below:

Intangible assets associated with products of JPY60,967 million

Intangible assets associated with products are assessed for indicators of possible impairment of an asset or cash-generating unit as of the end of each reporting period, and if indicators of impairment exist, they are tested for impairment to assess recoverability. Intangible assets associated with products that are not yet available for use are tested for impairment and assessed for recoverability annually regardless of whether there is an indication of impairment of an asset or cash-generating unit.

In the assessment of recoverability, the higher of fair value less costs of disposal or value in use is regarded

as the recoverable amount. If the recoverable amount is less than the carrying amount, the carrying amount is written down to the recoverable amount, and the amount to be written down is recognized in profit or loss as impairment losses.

In cases where the recoverable amount is calculated as fair value less costs of disposal, the said fair value is determined using a discounted cash flow method. Future cash flows, which are the basis for the calculation, are estimated based on the development success rate and future business plans. However, there is a high degree of uncertainty mainly with respect to the prospects for the development success rate, drug prices and market share expansion. In addition, the discount rate used to calculate fair value is based on the weighted average cost of capital, which requires a high degree of expertise in selecting calculation methods and input data.

Unforeseeable changes in assumptions and other factors could materially affect the calculation of fair value less costs of disposal and consequently materially affect the amount of intangible assets associated with products.

7. Notes regarding changes in accounting estimates

The Company measures revenues on a net basis, excluding returns, rebates and discounts. With regard to revenue amounts which include a variable consideration, when the uncertainty related to the variable consideration is eliminated, only in instances where there is an extremely high possibility that there will not be a significant reversal of the recognized cumulative amount does the Company reflect this in the transaction price. As the variable consideration is based on an estimate, the Company may make changes upon new, meaningful information becoming available. During the fiscal year under review, as a part of discussions related to the *Ikervis* reimbursement claim settlement, the Company changed its estimate of the claim settlement amount. As a result, revenue in the fiscal year ended March 31, 2024 increased 2,315 million yen.

Notes

(Notes to Consolidated Statements of Income)

1. Other Expenses

(Impairment of non-financial assets)

An impairment loss of JPY7,779 million recognized in the consolidated fiscal year ended March 31, 2024 was recorded as other expenses.

This is mainly due to an impairment loss on intangible assets associated with cell therapy products mainly composed of retinal progenitor cells.

As a result of the review of the business plan related to the item above, the Company determined the book value fell short of the estimated recoverable amount, and recorded an impairment loss of JPY6,994 million as a result of reducing the book value of the intangible asset related to the product to the recoverable amount. This recoverable amount is measured at value in use, and the entire carrying amount was impaired as a result of the impairment test.

Impairment losses recorded in this consolidated fiscal year other than those described above were constructions in progress. Considering that no future prospects concerning the constructions in progress have been determined, these were recorded as impairment losses.

(Business structural reform expenses)

Business structural reform expenses of JPY5,829 million were recorded as other expenses in the consolidated fiscal year ended March 31, 2024.

This is mainly due to special severance payments associated with the Early Retirement Program in Japan, as well as the maximized streamlining of the pharmaceutical commercial business in the Americas related to structural reforms.

(Loss on disaster)

Loss on disaster of JPY755 million was recorded as other expenses in the consolidated fiscal year ended March 31, 2024.

This is an operating loss from non-operation and restoration expenses for building and equipment in Noto Plant (located in Houdatsushimizu-cho, Hakui-gun, Ishikawa Prefecture) due to Noto Peninsula Earthquake on January 1, 2024.

2. Loss of investments accounted for using equity method

An impairment loss of JPY3,729 million recognized in the consolidated fiscal year ended March 31, 2024 was recorded as share of loss of investments accounted for using equity method.

The reason for this is that the Company determined that there is an indication of impairment loss for investments accounted for using equity method associated with Twenty Twenty Therapeutics LLC (U.S.) and Plano Pte. Ltd. (Singapore), and as a result of the impairment test, the Company reduced the carrying amount of investments accounted for using equity method to the recoverable amount. This recoverable amount is measured by the fair value less the cost of disposal.

(Notes to Consolidated Statement of Financial Position)

1. Allowance for doubtful receivables directly deducted from assets

Financial assets	JPY 357 million
Trade and other receivables	JPY 796 million
Other financial assets	JPY 448 million

2. Accumulated depreciation of property, plant and equipment (including accumulated impairment)

JPY 66,309 million

3. The Santen Group has entered into commitment line agreements with its banks for the purpose of obtaining effective funding to maximize investment opportunities in capital investments and business development activities. The balance of unused loans as of the end of the period was as follows:

Aggregate amount of commitment lines (specified credit facilities)	JPY 21,197 million
Amount of used loans	JPY – million
Balance	JPY 21,197 million

4. Contingent liabilities

Arbitration

On November 17, 2022, the Company was served with a Demand for Arbitration filed by representative of the former shareholders of InnFocus, Inc. with JAMS seeking over \$400 million in damages for breach of contract and other claims in connection with the Merger Agreement regarding the acquisition of InnFocus, Inc. (USA) in 2016. The Company believes it has complied with the terms of the Merger Agreement and vigorously defends the allegations based on the relevant facts through the arbitration procedures.

(Notes to Consolidated Statement of Changes in Equity)

1. Class and number of outstanding shares at the end of this consolidated fiscal year

Class of shares	Beginning of this consolidated fiscal year	Increased by	Decreased by	End of this consolidated fiscal year
Common stock	375,885,854 shares	110,400 shares	12,000,000 shares	363,996,254 shares

(Note 1) The increase in the number of outstanding shares is caused by the exercise of rights to subscribe for new shares.

(Note 2) The decrease in the number of outstanding shares is caused by the retirement of treasury shares pursuant to a resolution passed at the meeting of the Board of Directors.

2. Matters regarding dividends

(1) Amount of dividend payment

Resolution	Class of shares	Aggregate dividends (Unit: million yen)	Dividend per share (Unit: yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 27, 2023	Common stock	6,009	16.00	March 31, 2023	June 28, 2023
Meeting of the Board of Directors held on November 7, 2023	Common stock	5,872	16.00	September 30, 2023	November 30, 2023
Total		11,881			

(2) Dividends with a record date within this consolidated fiscal year and an effective date in the next fiscal year

The matters concerning the dividends of the common stock are scheduled to be proposed for resolution in the Annual General Meeting of Shareholders that is expected to be held on June 25, 2024:

	Aggregate dividends (Unit: million yen)	Dividend per share (Unit: yen)	Record date	Effective date
Common stock	6,175	17.00	March 31, 2024	June 26, 2024

The retained earnings are intended to be used as the source of the funds for the dividends.

3. Matters regarding rights to subscribe for new shares at the end of this consolidated fiscal year

Date of the issuance	Class of shares that are the subject of the rights	Number of shares that are subject of the rights
August 31, 2014	Common stock	26,000 shares
August 31, 2015	Common stock	21,200 shares
August 31, 2016	Common stock	35,900 shares
August 31, 2017	Common stock	48,100 shares
Total		131,200 shares

(Note 1) All rights to subscribe for new shares can be exercised.

(Note 2) The number of shares subject of the rights issued in 2014 was adjusted due to the share split as of April 1, 2015 at the ratio of five (5) shares per share of common stock pursuant to the resolution passed at the meeting of the Board of Directors held on February 24, 2015.

(Notes to Financial Instruments)

1. Matters regarding the status of financial instruments

As to fund management, the Santen Group manages funds by focusing on short-term financial assets that are highly secured and liquid, and as to fund procurement, for the purpose of financial soundness, reduction of the capital cost and enhancement of capital efficiency, the Company procures funds through debt financing by bank loans and asset financing by liquidation of claims. Derivatives are used to avoid the risk of foreign exchange currency rate fluctuations related to assets and liabilities denominated in foreign currencies, and the fuel price risk, and no speculative transactions are engaged in at all.

Trade and other receivables are exposed to customers' credit risk. To address such risk, a system has been established to control the due dates and balances for every counterparty pursuant to credit management regulations, and concurrently therewith, the credit status of main counterparties is verified every business term. Also, while the debt securities included in other financial assets are exposed to issuing entities' credit risk, only those issued by highly rated issuing entities have been selected.

While stocks included in other financial assets are exposed to the risk of fluctuations in market prices, such stocks are held in companies with which the Santen Group has built business relationships, and a system has been established to verify the fair value thereof on a regular basis and properly report the same to the Board of Directors.

While trade and other payables as well as loans are exposed to liquidity risk, each entity controls it by preparing a monthly cash flow management plan.

The Santen Group has established commitment lines (specified credit facilities) with its banks to secure liquidity.

Derivative transactions are executed and administered in accordance with internal rules and regulations that prescribe transaction authorization. Derivatives are also used by transactions only with highly rated financial institutions to reduce credit risks.

2. Matters regarding fair value of financial instruments

The amount recorded in the Consolidated Statement of Financial Position, the fair value, and the difference between them as of March 31, 2024 (consolidation closing date of this financial year) are as described below. The statements of trade and other receivables, other financial assets (except derivatives), cash and cash equivalents, trade and other payables as well as other financial liabilities (except derivatives) were omitted because they will be settled within a short period of time, and hence, the fair value thereof approximates the book value.

(Unit: million yen)

	Amount recorded in the Consolidated Statement of Financial Position	Fair value	Difference
(1) Financial assets	21,832	21,832	—
(2) Financial liabilities	(27,545)	(27,033)	513
(3) Other financial liabilities	(338)	(338)	—

(Note 1) The amounts recorded as a loss are enclosed in parentheses.

(Note 2) Lease liabilities are not included in the financial liabilities shown above or other financial liabilities because the fair value thereof is not required to be disclosed under IFRS 7.

(Note 3) Financial liabilities include loans to be repaid within one year.

3. Matters regarding the breakdown for each level for the fair value of financial instruments

The following table is an analysis of financial instruments carried at fair value by valuation method.

Each level is defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than market prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as a price) or indirectly (i.e., derived from price)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The measurement of fair value is undertaken in accordance with the Santen Group's valuation policies and procedures. Fair value is measured using the valuation model that most appropriately reflects the individual characteristics, features and risks of the financial instruments.

(1) Financial assets and liabilities whose fair value amounts have been recorded in the Consolidated Statement of Financial Position

(Unit: million yen)

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets measured at fair value through other comprehensive income				
Stocks	13,598	—	4,003	17,601
Trade and other receivables	—	15,279	—	15,279
Financial assets measured at fair value through profit or loss				
Convertible bonds	—	—	1,225	1,225
Investment in limited partnerships	—	—	1,659	1,659
Golf membership rights, etc.	—	52	80	132
Liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivatives	—	367	—	367
Contingent consideration	—	—	548	548

(2) Financial liabilities with no fair value amount recorded in the Consolidated Statement of Financial Position

(Unit: million yen)

	Level 1	Level 2	Level 3	Total
Loans payable	—	26,456	—	26,456

(Note) Includes outstanding balances to be repaid within one year.

(Note) Description of the valuation method and inputs used in the calculation of the fair value.

(1) Financial assets

Among financial assets measured at fair value through other comprehensive income, the fair value of listed shares is classified as a Level 1 fair value because it is measured by the market value or current price information obtained from the counterparty financial institutions.

Among financial assets measured at fair value through other comprehensive income, the fair value of unlisted shares is valued using the net asset method, comparable company method, or the like, and is classified as a Level 3 fair value. Under the comparable company method, the company select comparable publicly traded companies of the target company and use stock indicators of the comparable company to determine fair value.

Among financial assets measured at fair value through other comprehensive income, trade and other receivables are classified as a Level 2 fair value because it is measured by the billing amount.

For Investment in limited partnerships, Equity investments in limited partnerships are shares of the fair value of limited partnerships which are measured at the fair value of partnership assets. It is classified as a Level 3 fair value because unobservable inputs are used.

(2) Financial liabilities

Loans with a variable interest rate reflect the market rate of interest for a short period of time, and the fair value thereof approximates the book value. Also, those with a fixed interest rate are measured by discounting the expected interest rate in cases where the total amount of the principal and interest are newly borrowed, and thus, are classified as a Level 2 fair value.

For contingent consideration in a business combination that consists mainly of milestone payments based on the progress of the development and sales performance of STN2000100 (DE-128, *PRESERFLO MicroShunt*), the amount of all future payments that may be required under the contract specifying the contingent consideration is calculated by its present value, taking into account the probability of the occurrence of such payments. Because of this, it is classified as a Level 3 fair value.

For the fair value of derivative liabilities, significant inputs based on observable market information, and measured by current price information obtained from the trading financial institutions based on the valuation method, including discounting future cash flow to present value. Because of this, it is classified as a Level 2 fair value.

(Notes to Revenue Recognition)

1. The disaggregation of revenue

(Unit: million yen)

Division of Business		Japan	China	Asia	EMEA	Americas	Total
Prescription Pharmaceuticals	Cosopt combination ophthalmic solution	3,955	—	6,882	14,772	—	25,609
	Tapros ophthalmic solution	5,937	1,774	2,386	8,424	—	18,521
	Tapcom combination ophthalmic solution	2,192	—	1,332	5,710	—	9,234
	Trusopt ophthalmic solution	872	—	449	3,606	—	4,927
	Eybelis ophthalmic solution	4,345	—	430	—	71	4,846
	Diquas ophthalmic solution (including Diquas LX)	20,084	3,315	2,463	—	—	25,862
	Hyalein ophthalmic solution	5,184	8,808	3,142	—	—	17,134
	Ikervis	—	—	1,933	10,172	—	12,105
	Cationorm	—	73	623	2,923	907	4,526
	Alesion ophthalmic solution (including Alesion LX)	29,305	—	184	—	—	29,489
	Verkazia	—	—	—	1,181	310	1,491
	EYLEA aflibercept solution for intravitreal injection	72,716	—	—	—	—	72,716
	Cravit ophthalmic solution	1,126	8,837	3,240	1,499	—	14,703
	Others	14,445	6,623	4,602	13,124	1,069	39,862
Sub total	160,161	29,431	27,666	61,411	2,357	281,025	
OTC Pharmaceuticals	Sante FX series	3,607	112	229	—	—	3,948
	Sante Medical series	2,138	—	201	—	—	2,340
	Sante Beauteye series	593	162	36	—	—	791
	Soft Santear series	2,340	10	114	—	—	2,464
	Others	1,418	26	256	—	—	1,700
	Sub total	10,096	310	836	—	—	11,242
Medical devices	Lentis comfort	1,262	—	—	—	—	1,262
	PRESERFLO MicroShunt	758	—	65	3,320	—	4,144
	Others	1,565	50	—	24	721	2,360
	Sub total	3,585	50	65	3,345	721	7,767
Others	1,766	67	99	—	—	1,931	
Total	175,608	29,858	28,666	64,756	3,078	301,965	

2. Information to understand the revenue amounts in this fiscal year and the subsequent fiscal year

(1) Contract balance

The balances of receivables and contractual liabilities arising from contracts with customers were as follows:

(Unit: million yen)

	Beginning of this consolidated fiscal year (April 1, 2023)	End of this consolidated fiscal year (March 31, 2024)
Receivables arising from contracts with customers	107,635	91,335
Contract liabilities	—	—

Receivables arising from contracts with customers are included in trade and other receivables on the Consolidated Statement of Financial Position. Contract liabilities are included in trade and other payables. In addition, there were no amounts of revenue recognized from performance obligations that were satisfied (or partially satisfied) in prior periods during this consolidated fiscal year.

(2) Transaction price allocated to remaining performance obligations

The Santen Group has no important transactions with individual contract periods in excess of one year.

Moreover, there are no important amounts not included in the transaction price in connection with consideration arising from contracts with customers. In addition, the Santen Group has applied the practical expedient measure of IFRS 15 Paragraph 121, and doesn't disclose information regarding remaining performance obligations whose initial expected remaining period is within one year.

(Notes Regarding Per Share Information)

- | | |
|---|------------|
| 1. Total equity per share attributable to owners of the Company | 843.24 yen |
| 2. Basic profit per share in this fiscal year | 72.59 yen |

(Note) As company shares held in trust for the stock remuneration system are included in treasury shares, the calculation of earnings per share is performed after deducting these shares from the number of shares outstanding as of the end of fiscal year and the weighted average number of shares outstanding during the period.

(Notes regarding Significant Subsequent Events)

Not applicable.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(Matters Regarding Significant Accounting Policies)

1. Basis and method for valuation of assets

(1) Securities

(i)	Securities to be held to maturity	.....	Amortized cost method
(ii)	Shares in subsidiaries and associates	.....	Moving average cost method
(iii)	Other securities		
	Securities other than shares that do not have a market value	.....	Fair value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of sales calculated using the moving average method)
	Shares that do not have a market value	.....	Moving average cost method

For contribution in investment limited partnerships and other partnerships analogous thereto (those deemed to be the securities under paragraph (2), Article 2 of the Japan's Financial Instruments and Exchange Act), it is based on the latest financial statements available in accordance with the day of the reporting the financial statement prescribed in the partnership agreement, and by the method of embedding the net amount corresponding to equity interest.

(2) Derivatives Fair value method

(3) Finished goods, work in process, raw materials, and supplies

..... Cost method based on the weighted-average method (with amount shown on balance sheet written down as profitability declines)

2. Depreciation method for non-current assets

(1) Property, plant and equipment (excluding leased assets) The straight-line method

Major durations of useful life are as follows:

Building	31 to 50 years
Machinery and equipment	8 years
Others	4 to 10 years

(2) Intangible assets (excluding leased assets) The straight-line method

For software (internal use), the straight-line method based on internal availability period (5 years or 10 years).

(3) Leased assets

Leased assets related to finance lease transactions with the right of ownership not transferred

..... The straight-line method using the lease term as service life and a residual value of zero

(4) Long-term prepared expenses..... Amortized in equal amounts

3. Standard for translation of foreign currency-denominated assets or liabilities into Japanese yen

Foreign-currency-denominated money claims and liabilities are translated into Japanese yen at the spot exchange rates in effect at the balance sheet date, and the foreign exchange differences are scored as gains or losses.

4. Basis to record provisions

- (1) Allowance for doubtful accounts A provision for an allowance for the non-payment of trade receivables. For general receivables, the historical default is used, and receivables that are designated as potentially irrecoverable are determined using the actual default rate on an individual claim basis.
- (2) Reserves for bonuses A provision for an allowance for the payment of bonuses to employees. This is recorded based on the amount of the projected bonus payments based on the subject period of the payments.
- (3) Provision for retirement benefits A provision for an allowance for the payment of retirement benefits to employees. The amount recognized as accrued as of the end of the fiscal year is recorded as provision for retirement benefits and prepaid pension costs based on the amount of projected retirement benefit liabilities and pension assets as of the end of the fiscal year under review.

- (i) The method for attributing expected retirement benefits
When calculating pension benefit liabilities, the method for attributing expected retirement payments for the period of this fiscal year is as per the benefit formula basis.
- (ii) The method actuarial differences and past service costs are recorded as expenses
Past service costs are primarily recorded as expenses using the straight-line method over a fixed number of years that is within the average number of years of remaining service for employees at the time the expense is incurred.

Actuarial differences are recorded as expenses in the fiscal year in which they arise, in an amount proportionally divided using the straight-line method over a fixed number of years that is within the average number of years of remaining service of employees at the time the differences emerge each fiscal year.

5. Basis to record revenues and expenses

The “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the “Implementation Guidance on Accounting Standard for Revenue” (ASGJ Guidance No. 30, March 26, 2021) are applied, and revenues arising from contracts with customers are recognized based on the following five-step approach:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

For sales of goods, the customer usually acquires control over the goods when they are transferred. Therefore, the performance obligation is deemed to be satisfied, and the revenue is recognized at the time when the goods are transferred. Depending on the terms of the agreements, the Company is also obligated to accept returns, rebates and discounts, which are then measured on a net basis. The transaction price in this case is calculated as the consideration committed to the contract with the customer less these estimates, and the consideration expected to be refunded to the customer is recorded as a refund liability. The estimated liability for such refunds is calculated based on the terms of the agreements and historical experience.

The Company uses the practical expedient and does not adjust for any significant financial factors as the consideration for the transaction is generally received within 120 days of satisfaction of performance obligations.

6. Hedge accounting methods

(1) Hedge accounting methods

Deferral hedge accounting has been adopted. As to those eligible for allocation treatment, such as forward-exchange contracts, allocation treatment is applied.

(2) Hedging vehicle

- Hedging instrument: Foreign exchange forwards, commodity derivative transactions
- Hedged item: Foreign currency-denominated financial liabilities, cost of raw materials and fuels

(3) Hedging policy

Derivative transactions are used mainly to avoid risks of fluctuation of exchange rates, changes in interest rates and share prices, as well as the fuel price risk, associated with assets and liabilities. It is our policy not to carry out derivative transactions for speculation purposes.

(4) Method to assess the effectiveness of hedging

The effectiveness of hedging is assessed based on the correlation between the change in the aggregate amount of cash flow of the hedging instrument or aggregate market fluctuation changes and the change in the aggregate amount of cash flow of the hedged item. Assessment of such effectiveness is omitted for those treated by the deferral hedge accounting.

7. Consumption taxes and local consumption taxes are accounted for by the tax-exclusion method. Non-deductible consumption taxes and local consumption taxes are treated as expenses for this fiscal year.

(Notes to Accounting Estimates)

The followings are items for which accounting estimates were included in the Non-Consolidated Financial Statements for this fiscal year and which may have a significant impact on the Non-Consolidated Financial statements for subsequent fiscal years:

Retirement benefit liabilities: JPY15,728 million

In order to prepare for the payment of retirement benefits to employees, the Company has adopted the defined benefit plan. There is a high uncertainty in the discount rate used in the calculation of the retirement benefit liabilities at the end of this fiscal year.

There is a possibility that unpredictable changes in conditions precedent may have a significant impact on the calculation of the retirement benefit liabilities.

The retirement benefit liabilities are offset against the pension assets and recorded on the Balance Sheet as prepaid pension costs of JPY4,302 million.

(Notes)

(Notes to Non-Consolidated Balance Sheet)

1. Accumulated depreciation for property, plant, and equipment (including accumulated impairment) JPY49,041 million

2. Contingent liabilities
 - (1) Debt guarantee liabilities
 - Financial guarantee for subsidiaries' loans from financial institutions JPY 6,530 million

 - (2) Arbitration

On November 17, 2022, the Company was served with a Demand for Arbitration filed by representative of the former shareholders of InnFocus, Inc. with JAMS seeking over \$400 million in damages for breach of contract and other claims in connection with the Merger Agreement regarding the acquisition of InnFocus, Inc. (USA) in 2016. The Company believes it has complied with the terms of the Merger Agreement and vigorously defends the allegations based on the relevant facts through the arbitration procedures.

3. Monetary assets of or monetary liabilities to subsidiaries and associates
 - Short-term monetary assets JPY 6,605 million
 - Long-term monetary assets JPY 1,997 million
 - Short-term monetary liabilities JPY10,275 million

(Notes to Non-Consolidated Statement of Incomes)

1. Amount of transactions with subsidiaries and associates
 - Net sales JPY 18,636 million
 - Purchases JPY 1,636 million
 - Amount of transactions from operating transactions JPY 19,490 million
 - Amount of transactions from transactions other than operating transactions JPY 3,227 million

2. Loss on disaster

This is an operating loss from non-operation and restoration expenses for building and equipment in Noto Plant (located in Houdatsushimizu-cho, Hakui-gun, Ishikawa Prefecture) due to Noto Peninsula Earthquake on January 1, 2024.

3. Provision of allowance for doubtful accounts of subsidiaries and associates

Receivables from the Company's consolidated subsidiary are recorded as provision of allowance for doubtful accounts.

4. Business structural reform expenses

These are special severance payments, associated with the Company's Early Retirement Program, and the like.

(Notes to Non-Consolidated Statement of Changes in Equity)

1. Matters regarding treasury shares

	Number of shares at the beginning of this fiscal year	Number of shares increased in this fiscal year	Number of shares decreased in this fiscal year	Number of shares at the end of this fiscal year
Common shares	345,065 shares	13,143,214 shares	12,701,499 shares	786,780 shares

(Note 1) The number of shares at the end of this fiscal year includes 49,311 treasury shares held by the

trust associated with the stock remuneration plan.

(Note 2) The increase in the number of treasury shares is due to the acquisition of treasury shares pursuant to the resolution of the Board of Directors, the acquisition of treasury shares by the trust associated with the stock remuneration plan, the acquisition without consideration of a part of the common shares allotted as restricted stock-linked remuneration, and purchases of fractional shares.

(Note 3) The decrease in the number of treasury shares is due to the retirement of treasury shares pursuant to the resolution of the Board of Directors, disposal of treasury shares for the restricted stock-linked remuneration and the disposal of the treasury shares by the trust associated with the stock remuneration system.

(Notes regarding Tax Effects)

1. Breakdown of the significant components of deferred tax assets and liabilities

(Unit: million yen)

Deferred tax assets	
Loss on valuation of stocks of subsidiaries and associates	25,783
Accounts payable - other	1,706
Deferred assets for tax purposes	1,683
Provision for retirement benefits	1,630
Allowance for doubtful accounts	894
Provision for bonuses	772
Refund liabilities	252
Accrued enterprise taxes	251
Excess depreciation	228
Impairment loss	221
Contract research expenses, etc.	195
Inventory write-down	162
Other	1,127
Sub total	34,905
Valuation allowance	(26,792)
Total deferred tax assets	8,113
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(2,410)
Total deferred tax liabilities	(2,410)
Net amount of deferred tax assets (liabilities)	5,704

2. Difference between burden ration of statutory tax rate and corporate tax rate after tax effect accounting

Statutory tax rate	30.5%
(reconciliation)	
Tax credit for research and development expenditure	(6.6%)
Items which are not permanently included in deductibles or gross income	2.4%
Per capita inhabitant tax and the like	0.3%
Increase (decrease) in valuation allowance	1.7%
Others	(0.7%)
Corporate tax rates, etc. after the tax effect accounting is used	27.6%

(Notes regarding Transactions with Related Parties)

1. Subsidiary

(Unit: million yen)

Category	Name of the entity	Voting rights ownership (owned) ratio	Relationship with related party	Transaction contents	Transaction amount	Description	Ending balance
Subsidiary	Santen SA	Indirect ownership 100%	Fund transactions Sale of prescription pharmaceuticals	Influx of capital (Note 1)	7,500	Short-term borrowings	7,500
				Sale of products, etc. (Note 2)	3,082	Accounts receivable - trade	154
				Receipt of royalty, and receipt of fees for the use of systems, etc. (Notes 2 and 3)	6,169	Other current asset (Accounts receivable – others)	2,973
				Debt guarantee (Note 4)	6,530	—	—

(Note 1) Interest rates on borrowings are reasonably determined taking into account market interest rates. The Company does not provide any collateral.

(Note 2) The sale of products, etc. and the receipt of royalty are determined taking into account market price and the like.

(Note 3) The receipt of fees for the use of systems, etc. is determined upon consultation between both companies based on the actual amount of expenses accrued for the service.

(Note 4) A debt guarantee was made for a bank loan (40 million euro) by Santen SA.

(Notes regarding per share information)

1. Net assets per share: 515.75 yen
2. Net profit per share in this fiscal year : 50.88 yen

(Note) As company shares held in trust for the stock remuneration system are included in treasury shares, the calculation of earnings per share is performed after deducting these shares from the number of shares outstanding as of the end of fiscal year and the weighted average number of shares outstanding during the period.

(Notes regarding revenue recognition)

Basic information for understanding revenue is included in “Notes regarding significant accounting policies, recognition criteria for revenue and expenses.”

(Notes regarding significant subsequent events)

Not applicable.