

Notice on the Disposal of Treasury Shares for the Post-delivery Type Performance-Linked Stock Remuneration System

Santen Pharmaceutical Co., Ltd. (Head Office: Osaka; President and CEO: Shigeo Taniuchi; hereinafter, the “Company”) announced that its Board of Directors passed a resolution today to dispose of treasury shares (the “Disposal of treasury shares” or the “Disposal”) related to the Performance Share Unit (PSU) system based on the Post-delivery Type Performance-linked stock remuneration system, as set out below.

Details

1. Outline of the disposal

(1)	Disposal date	September 30, 2021
(2)	Type and number of shares to be disposed of	37,136 shares of the Company's common stock
(3)	Disposal price	1,640 yen per share
(4)	Total amount of share disposal	60,903,040 yen
(5)	Disposal recipients, the number of such recipients and the number of shares to be disposed of	3 Directors (outside directors excluded): 15,584 shares 10 Corporate officers (excluding corporate officers who have left): 18,247 shares 3 Corporate officers who have left: 3,305 shares
(6)	Other	The Company has submitted a Written Notice of Securities for today's Disposal of treasury shares in accordance with the Financial Instruments and Exchange Act.

2. Objectives and reasons for the Disposal

The Company introduced the Restricted Stock-Linked Remuneration Program and PSU system, a form of performance-linked stock remuneration for its directors (excluding outside directors) and corporate officers (all eligible persons to be referred to hereinafter as the “Participants”), for the purposes of providing medium- to long-term incentives and sharing of value with shareholders. In conjunction with the completion of the Performance Assessment Period for the PSU system granted to the Participants for the period of FY2018 to FY2020, shares will be delivered based on performance on a post-delivery basis.

The Disposal of treasury shares will be conducted using the aggregate monetary remuneration claims of 60,903,040 yen paid as share remuneration under the PSU system as contributed assets.

The resolution for introducing the system was passed at a meeting of the Board of Directors held on May 9, 2018 and approved at the 106th Annual General Meeting of Shareholders held on June 26, 2018.

3. Performance during Assessment Period and Payout Ratio

The Performance Metrics and the Payout Ratio were determined respectively at the beginning and end of the Assessment Period by the Board of Directors after reviewed by the Executive Compensation Committee, where external directors account for a majority. The Performance Assessment for the period of FY2018 to FY2020 was determined as shown in the table below.

	Target	Actual	Payout Ratio
Revenue growth rate (CAGR)	6.0%	3.5%	39.3%
Average core operating profit ratio	20.5%	20.5%	
Average ROE (IFRS basis)	10.7%	7.1%	

4. Method of calculating the number of shares to be delivered and the amount of monies to be paid to Participants

The delivery to each Participant is made in accordance with the PSU system both by distributing shares and paying monies. The number of shares to be distributed and the amount of monies to be paid to each Participant is calculated based on the formula below.

1. Number of common shares of the Company to be delivered to each Participant
 $\text{Base number of share units}^{(*1)} \times \text{Payout Ratio}^{(*2)} \times 50\%$
2. Amount of monies to be paid to each Participant
 $(\text{Base number of share units}^{(*1)} \times \text{Payout Ratio}^{(*2)} - \text{Number of common shares as calculated in formula 1}) \times \text{Share price at vesting}^{(*3)}$

*1 Approx. 25% of the aggregate basic remuneration during the Assessment Period divided by the share price at the time of vesting determination.

*2 The degree of achievement of each Performance Metrics during the Assessment Period shall vary from 0% to 200%, to be calculated using a method determined by the Board of Directors. For the Payout Ratio during the period from FY2018 to FY2020, please refer to 3. Performance during Assessment Period and Payout Ratio.

*3 The share price at vesting will be determined by the Board of Directors at a level that will not be particularly favorable to the Participants receiving shares. It will be based on the closing price on the Tokyo Stock Exchange on the business day immediately preceding the day of the Board meeting after the completion of the Assessment Period at which the number of shares to be delivered will be determined.

5. Basis for calculating amount to be paid and details thereof

In order to eliminate arbitrariness in setting the disposal price, the Company will use the closing price for its common shares on the First Section of the Tokyo Stock Exchange on August 31, 2021 (one business day prior to the date of determination by the Board of Directors), 1,640 yen. This is the market price on the business day immediately prior to the Board of Directors' determination date. The Company believes the price is rational and not particularly favorable to the recipients.

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About Santen

As a specialized company dedicated to ophthalmology, Santen carries out research, development, marketing, and sales of pharmaceuticals, over-the-counter products, and medical devices, and its products now reach patients in over 60 countries.

Toward realizing "WORLD VISION" (Happiness with Vision), the world Santen ultimately aspires to achieve, as a "Social Innovator", we aim to reduce the social and economic opportunity loss of people around the

world caused by eye diseases and defects by orchestrating and mobilizing key technologies and players around the world.

With scientific knowledge and organizational capabilities nurtured over a 130-year history, Santen provides products and services to contribute to the well-being of patients, their loved ones and consequently to society.

For more information, please visit Santen's website (www.santen.com).