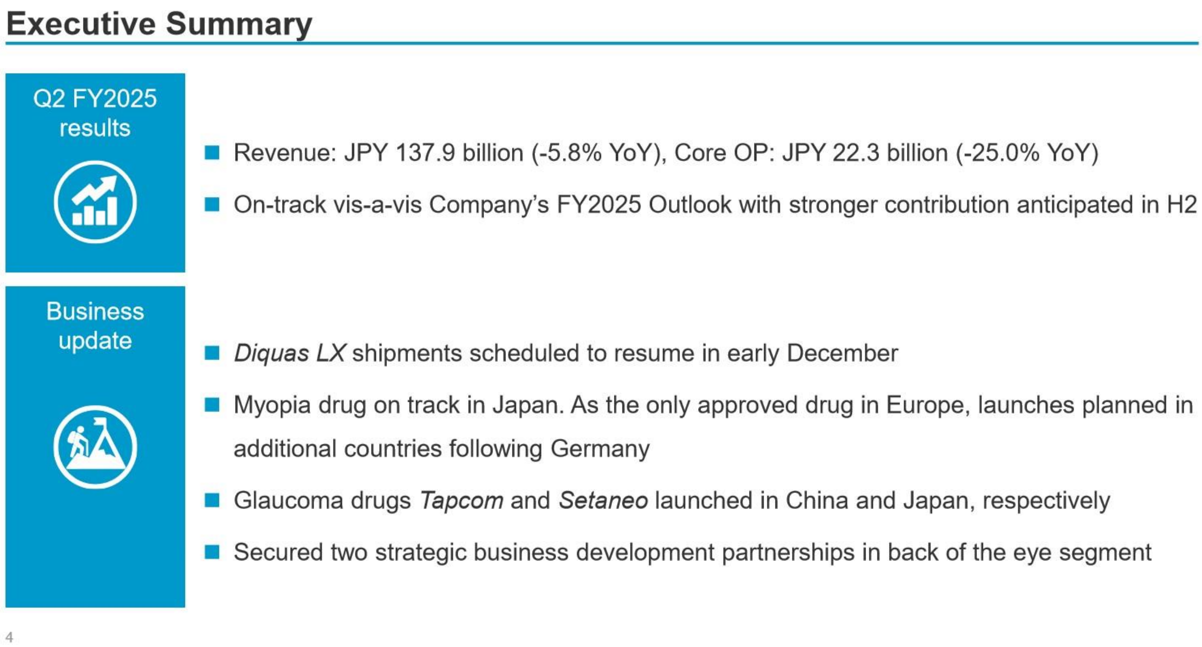
Q2 FY2025 Financial Results Transcript



Ito: My name is Ito, CEO of Santen Pharmaceutical. Thank you very much for taking time out of your busy schedule today to attend our financial results briefing for Q2 of FY2025.

I will begin with the summary of the financial results. Please see page four.

Revenue declined 5.8% YoY to JPY137.9 billion, while core operating profit fell by 25% to JPY22.3 billion. As in Q1, the decline in revenue and profit appears larger than the full-year forecast. However, the rate of decline has slowed compared to Q1, and progress toward the full-year core operating profit forecast of JPY54.0 billion announced at the start of the period remains on track.

Revenue and profit drivers, such as the reshipment of *Diquas LX,* the normalization of distribution inventory levels for certain products in China, and the further penetration of *Alesion* cream during the pollen season, are unevenly concentrated on H2. Consequently, progress toward the full-year forecast is proceeding as planned.

Regarding *Diquas LX*, which has been suspended from shipment since last fiscal year, production has resumed. As announced on October 16, shipments are scheduled to begin in early December. One factor in determining December as the restart date for *Diquas* shipments was the perspective of minimizing market disruption after resumption—including the extent and duration of shipment restrictions from the viewpoint of supply relative to demand. This does not affect the shipment volume assumptions at the beginning of the period. Expectations for *Diquas LX* in the medical field remain high, and we will do our utmost to ensure a stable supply once again.

The medium- to long-term growth policies of the medium-term management plan announced in May are also off to a good start.

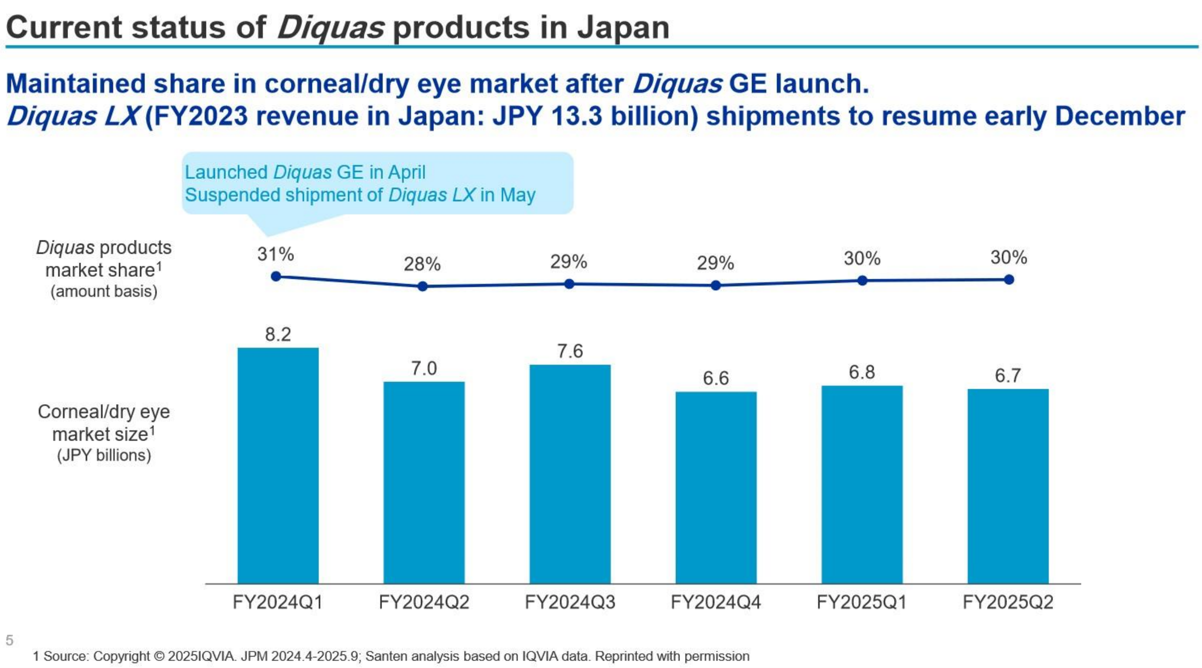
First of all, with regard to myopia, which are expected to make a significant contribution in the next fiscal year and beyond, following its launch in Japan in April, the product was launched in Germany in July, and market penetration is progressing as expected. In Europe, we are the only company to have received approval for a treatment to slow the progression of myopia, and considering the competitive environment, this situation is expected to continue in the foreseeable future. The product was also approved in the UK last week and is scheduled to be launched sequentially throughout Europe.

With regard to glaucoma drugs, *Tapcom* was launched in China in August and *Setaneo* in Japan in October, expanding our glaucoma portfolio. As we have already mentioned, business development is essential for future growth, and we are actively engaged in this area as well.

Through the license agreement with RemeGen for RC28-E intravitreal injection signed in August and the sales promotion agreement for VEGF inhibitors *Beovu* and *Lucentis* in S. Korea signed in October, we will enter the eye disease in the posterior segment in China and some other Asian countries.

As we stated during our May earnings announcement, we anticipate a decrease in revenue and profit for the current fiscal year. However, the factors necessary to restore our growth trajectory from next fiscal year onward are steadily falling into place.

While I have provided you a summary, I would also like to add a couple of complementary points.



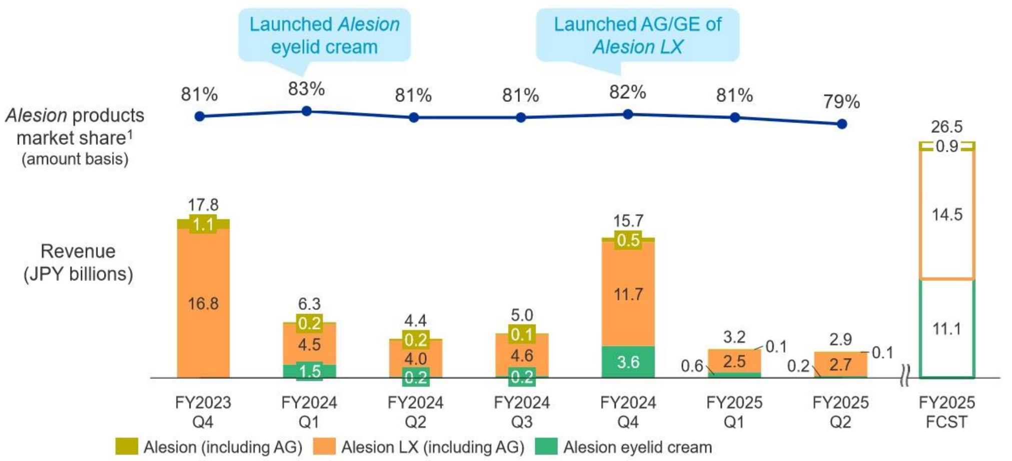
Please see page five. First, I would like to discuss the current status of *Diquas* products.

Although a generic version of *Diquas* has been on the market since last fiscal year, the market share of our *Diquas* in the corneal disease treatment market has remained stable at 30%, and we have not seen any significant impact from generic. We have also received many inquiries from medical professionals regarding when shipments of *Diquas LX* will resume.

Given these factors, we expect a smooth switch to *Diquas LX* from December onward, and we anticipate that the volume base will recover in FY2026 to the level before the suspension of shipments, which will contribute to our business performance.

Current status of *Alesion* products in Japan

Maintained share of *Alesion* products. Drive further penetration of *Alesion* eyelid cream in Q4



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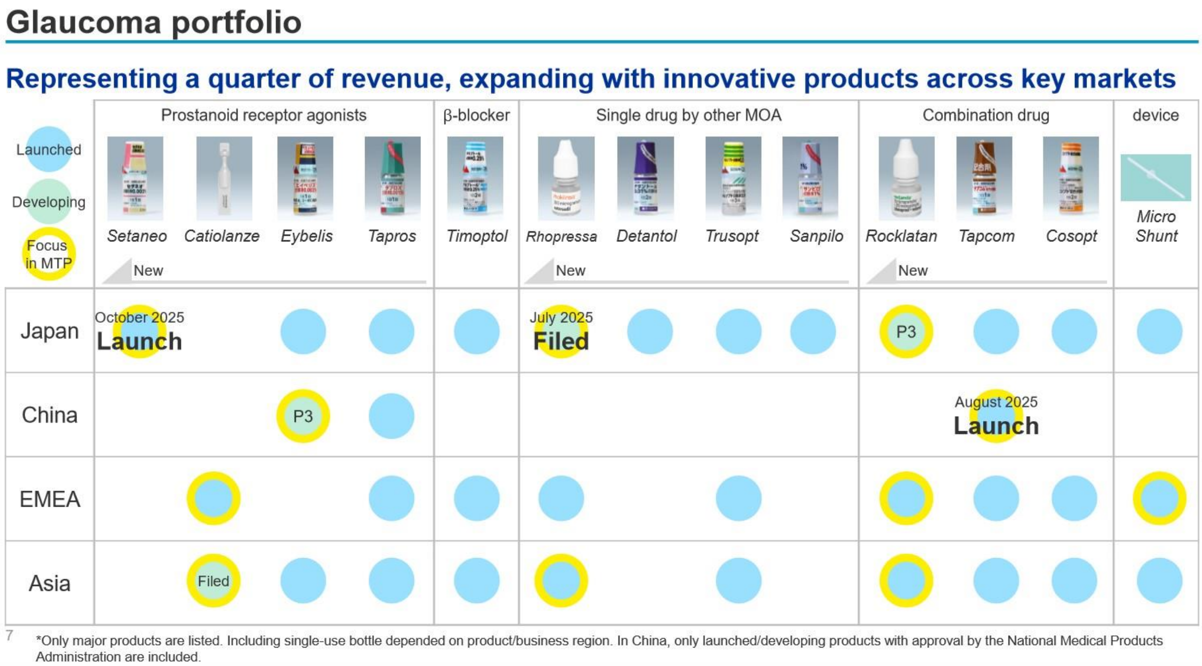
1 *Alesion* is a registered trademark of Boehringer Ingelheim KG. Source: Copyright © 2025IQVIA. JPM 2024.1-2025.9; Santen analysis based on IQVIA data. Reprinted with permission

Please see page six. Next, I would like to discuss the current status of *Alesion* products.

As we are not in pollen season, the proportion of *Alesion* cream decreased in Q2, similar to last year.

However, since our *Alesion* products continue to maintain a high market share, we expect a smooth shift from *Alesion LX* to *Alesion* cream in Q4, the pollen season, that shouold continue to progress this fiscal year and beyond, just as it did last year.



Please see page seven.

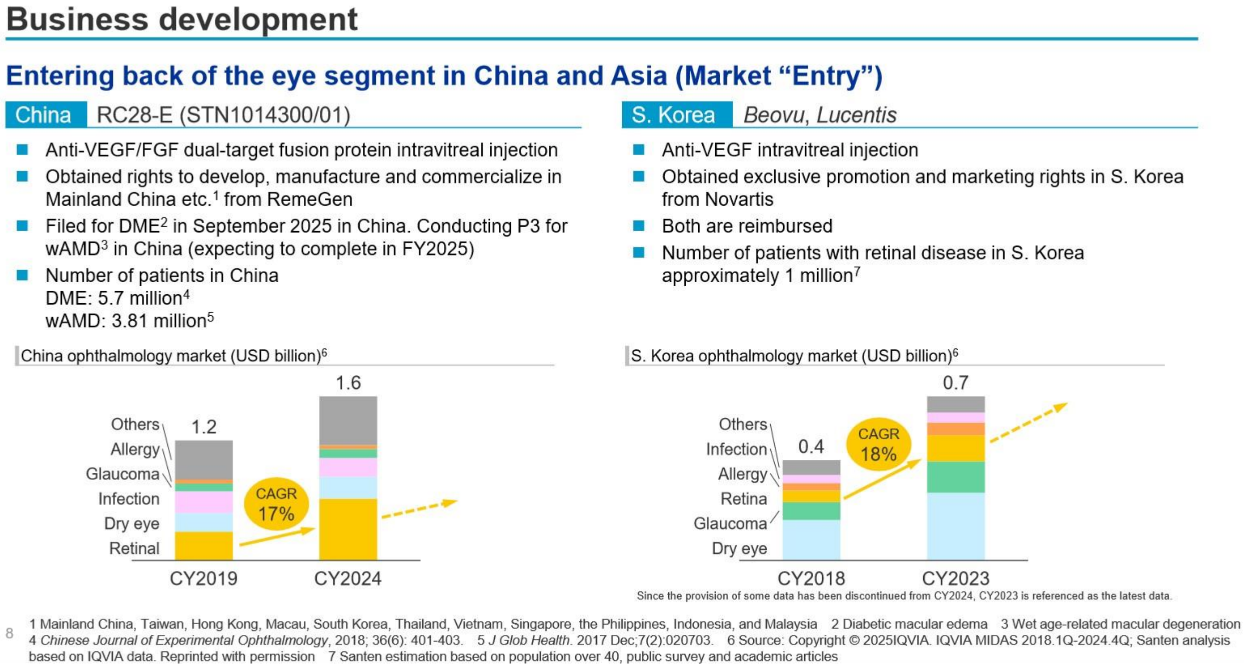
In the glaucoma field, we are expanding our portfolio by launching new products in each region. Lowering and maintaining intraocular pressure is important in controlling the progression of glaucoma, and treatment is usually lifelong. This is why new drugs with new mechanisms of action and strong medicinal effects are always expected in the clinical settings.

In Japan, sepetaprost, which acts on FP and EP3 receptors, was launched under the brand name *Setaneo* in October. NHI prices were calculated based on the similar efficacy comparison method (I) rather than the similar efficacy comparison method (II) used for new drugs lacking novelty.

In July, the Company also filed for manufacturing and marketing approval for STN1013900, a single-agent ROCK inhibitor sold overseas under the brand name *Rhopressa.* The ROCK inhibitor is scheduled to be launched in FY2026, and the combination drug of the ROCK inhibitor and latanoprost, which is currently in Phase III, is scheduled to be launched in FY2028.

In China, we launched *Tapcom*, a preservative-free formulation containing prostaglandin derivatives as a first-line treatment, in August.

In EMEA and Asia, we continue to provide new treatment options for glaucoma patients who require long-term treatment, such as *Catiolanze* and ROCK inhibitors.



Please see page eight.

In H1, we executed two business development projects related to entry into the back of the eye segment in China and Asia. Here is an overview of the projects.

We believe that both cases were realized as a result of the recognition of Santen's business model, as one of the few pharmaceutical companies globally committed to ophthalmology, as explained in our medium-term management plan, and our presence in China and Asia.

We also believe that the target markets have significant growth potential, and by leveraging Santen's strengths, we can further enhance the products' value. We will also contribute to the back of the eye segment overseas, which we have not been able to enter until now.

Details regarding the Q2 results will be explained shortly by Koshiji.

While certain variables remain in H2, we will work as one company to achieve our full-year forecast as an absolute target.

That is all I have to say.

	Q2 FY2024 ACT	Q2 FY2025 ACT
USD (JPY)	153.20	146.23
EUR (JPY)	166.19	167.79
CNY (JPY)	21.40	20.39

Q2 FY2025 Consolidated results

(JPY billions)	Q2 FY2024		Q2 FY2025				
	Actual	vs Revenue	Q1 QTD	Q2 QTD	Actual	vs Revenue	YoY
Revenue	146.4	-	68.7	69.1	**137.9**	**-**	**-5.8%**
Cost of sales	63.5	43%	31.6	29.1	60.7	44%	-4.5%
Gross profit	82.9	57%	37.1	40.1	**77.2**	**56%**	**-6.9%**
SG&A expenses	42.2	29%	21.2	21.3	42.5	31%	+0.7%
R&D expenses	10.9	7%	6.2	6.2	12.4	9%	+13.0%
Core operating profit	29.7	20%	9.7	12.6	**22.3**	**16%**	**-25.0%**
Amortization on intangible assets associated with products	4.5	3%	2.2	2.3	4.4	3%	-1.3%
Other income	0.2	0%	0.2	0.2	0.4	0%	+101.4%
Other expenses	1.6	1%	0.1	0.2	0.4	0%	-76.4%
Operating profit	23.9	16%	7.6	10.3	**17.9**	**13%**	**-25.0%**
Finance income	1.0	1%	0.6	0.3	0.9	1%	-12.4%
Finance expenses	1.0	1%	0.7	0.4	1.2	1%	+11.6%
Profit before tax	23.8	16%	7.5	10.2	17.6	13%	-26.0%
Income tax expenses	5.1	4%	1.6	2.2	3.8	3%	-26.4%
Actual tax ratio	*22%*	-			*21%*	-	*-0.1pt*
Net profit	18.7	13%	5.9	8.0	**13.9**	**10%**	**-25.9%**
Net profit attributable to owners of the company	18.8	13%	5.9	8.1	13.9	10%	-25.7%
Core net profit	23.2	16%			17.5	13%	-24.6%
EBITDA	34.3	-			27.1	-	-21.0%

- vs. FY2025 forecasts
  On-track revenue and profits
- vs. Q2 FY2024 (YoY)
  - Factors behind revenue decline:
    Inventory adjustments: Japan/China
    Market expansion re-pricing of key product in Japan
  - SG&A:
    Nearly flat. Disciplined expenditures
  - R&D expenses:
    Increase driven by pipeline advancement

Koshiji: My name is Koshiji.

Please see page nine. Profit and loss for Q2.

Although both revenue and profit have been on a recovery trend from Q1, revenue decreased by 5.8% from the same period last year to JPY137.9 billion.

The primary factors contributing to the decline in revenue include inventory adjustments in Japan and China, which had a significant impact particularly in Q1, and a decrease in drug prices in Japan during the July to September period due to the market expansion re-pricing for key products.

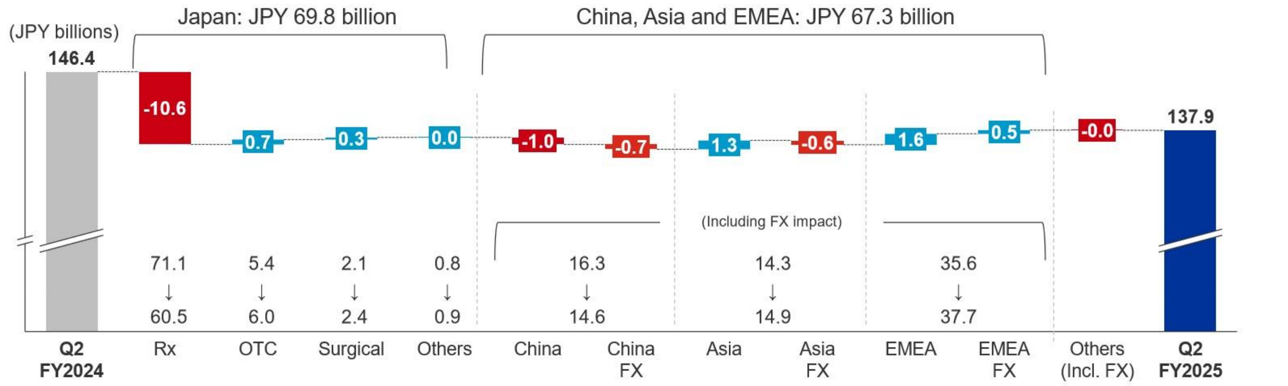
In addition, SG&A expenses were kept almost flat through thorough cost control.

R&D expenses increased by 13% YoY due to the advancement of the pipeline.

As a result, core operating profit declined by 25% YoY to JPY22.3 billion. Both operating profit and net profit on a IFRS basis decreased but are in line with the plan.

We are slightly over our internal budget.

Q2 FY2025 Sales bridge



Japan	-12.1% YoY: Excess channel inventory of *Alesion* products at end of FY2024, prior-FY Q1 front-loaded shipments of *Alesion* eyelid cream and price cut of main products due to market expansion re-pricing from August
China	-10.5% YoY (excl. FX impact -6.1%): Recovery trend despite adjustments in channel inventory levels (*Cravit*, *Hyalein*) since H2 FY2024 and *Diquas* sales
Asia	+4.6% YoY (excl. FX impact +9.1%): Solid performance from glaucoma and dry eye products
EMEA	+6.0% YoY (excl. FX impact +4.5%): Solid performance from new glaucoma products

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*Sales classified into countries or regions based on customer's location. EMEA: Europe, Middle East and Africa. Hong Kong is included in China.

Page 10. Factors contributing to increase or decrease in revenue.

The revenue of JPY137.9 billion consists of 51% Japan and 49% overseas.

First, in Japan, revenue declined by 12% YoY due to three factors.

First, as we mentioned in the Q1 results, market inventories of *Alesion* temporarily built up at the end of last fiscal year due to the large amount of pollen dispersal, and this was followed by a reactionary decline in April. The second is the gap compared to the initial shipment of *Alesion* cream in Q1 of last fiscal year. The third and final factor is the reduction in the NHI price of our mainstay product *Eylea* due to the market expansion re-pricing that came into effect in August.

We had already assumed these factors when we announced our earnings forecast on May 13, and they have now materialized.

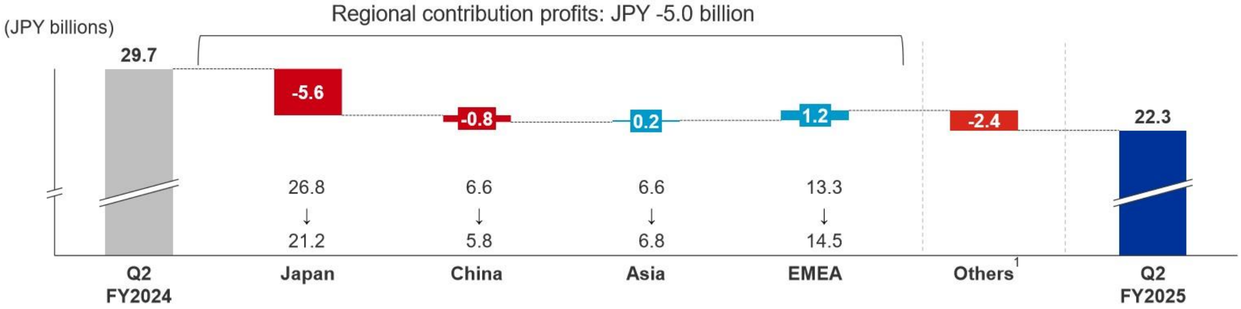
Sales of *Ryjusea Mini*, an ophthalmic solution to slow myopia progression launched in Japan in April this year, increased about 1.9 times from Q1 to JPY0.28 billion during the period from July to September. For the cumulative total of Q2, it contributed JPY0.43 billion in sales. The amount is modest given it's the first year but in line with the plan for the full year of JPY1.4 billion.

For overseas, revenues in Asia and EMEA were both on an upward trend YoY. China showed signs of recovery in the July to September quarter compared to Q1, but revenue declined due to ongoing adjustments in distribution inventory levels since the latter half of last fiscal year, decreased sales of *Diquas*, and foreign exchange impacts.

As a result, revenue in yen terms in the three overseas regions increased by 1.6% YoY.

Detailed sales results for each region are shown here.

Q2 FY2025 Core operation profit bridge



Regional contribution profits	Japan On track with plan. YoY decrease Overseas (incl. FX) China: YoY decrease. On-track with plan Asia: Increase from steady sales growth. Progress slightly ahead of plan EMEA: Increase from steady sales growth. Progress as planned
Others	R&D and other expenses increase

1 R&D and back-office expenses in region and global functions, and contribution profit not related to the regions above * Hong Kong is included in China.

Page 11, core operation profit bridge.

On a regional business contribution profit basis, there was a decrease of JPY5.0 billion.

In Japan, profit decreased mainly due to a decline in sales of *Alesion* products, and in China, profit decreased due to a decline in revenue. On the other hand, Asia and EMEA secured profit growth with solid sales growth.

As a result, the overseas ratio on the contribution profit basis was 56%.

	FY2024 ACT	FY2025 FCST
USD (JPY)	152.70	145.00
EUR (JPY)	163.57	160.00
CNY (JPY)	21.29	20.50

FY2025 Outlook (maintain May 13 guidance)

(JPY billions)	FY2024		FY2025			
	Actual	vs Revenue	Forecast	vs Revenue	YoY	Q2 Progress
Revenue	300.0	-	**294.0**	**-**	**-2.0%**	**46.9%**
Cost of sales	129.0	43%	123.0	42%	-4.6%	49.3%
Gross profit	171.0	57%	**171.0**	**58%**	**-0.0%**	**45.1%**
SG&A expenses	87.5	29%	92.0	31%	+5.1%	46.2%
R&D expenses	24.1	8%	25.0	9%	+3.7%	49.5%
Core operating profit	59.4	20%	**54.0**	**18%**	**-9.1%**	**41.3%**
Non-core expenses	0.4	0%	-	-	-100.0%	
Amortization on intangible assets associated with products	8.8	3%	8.7	3%	-1.3%	
Other income	0.6	0%	0.7	0%	+18.8%	
Other expenses	3.9	1%	2.0	1%	-48.1%	
Operating profit	46.9	16%	**44.0**	**15%**	**-6.1%**	**40.7%**
Finance income	4.0	1%	1.3	0%	-67.5%	
Finance expenses	2.7	1%	1.4	0%	-48.5%	
Share of loss of investments accounted for using equity method	0.7	0%	-	-	-100.0%	
Profit before tax	47.5	16%	43.9	15%	-7.5%	40.2%
Income tax expenses	11.6	4%	10.4	4%	-10.6%	
Actual tax ratio	*25%*	-	*24%*	-	-	
Net profit	35.9	12%	**33.5**	**11%**	**-6.6%**	**41.4%**
Net profit attributable to owners of the company	36.3	12%	34.0	12%	-6.2%	41.0%
ROE	12%		12%			
EPS (IFRS) JPY	104	-	103	-	-1.3%	40.7%

■ Factors affecting revenue

Japan

- Solid market uptake of *Alesion* eyelid cream during pollen season

Overseas

- Normalization of channel inventory levels and other factors in China

■ Factors affecting core OP

- R&D expenses prioritized as planned
- Improvement in COGS ratio vs H1 driven by product mix based on above revenue
- Ensure profits by resilient management of SG&A, even with revenue and gross profit fluctuations

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Next, on page 12, the full-year earnings outlook.

Once again, the progress rate for Q2, this is 41% on a core operating profit basis.

Unlike the trend over the past two years, it may appear low at first glance. However, as stated during the Q1 earnings briefing, we plan for the ratio of core operating profit basis between H1 and H2 of this fiscal year to be approximately 40:60. We recognize this as progressing as anticipated.

Therefore, there is no change from the full-year earnings forecasts announced in May, which are revenue of JPY294.0 billion and a core operating profit of JPY54.0 billion. We skip the other kinds of profits, and EPS is JPY103. Although revenue and profit declined, EPS remained almost flat YoY.

The factors that could affect full-year performance at this time are as shown on the right side of the slide.

First of all, in Japan, the solid market uptake of *Alesion* cream among *Alesion* products. As CEO Ito explained earlier at the beginning of this presentation, we plan to further penetrate *Alesion* cream into the market during the pollen dispersal season this fiscal year, as we did last year.

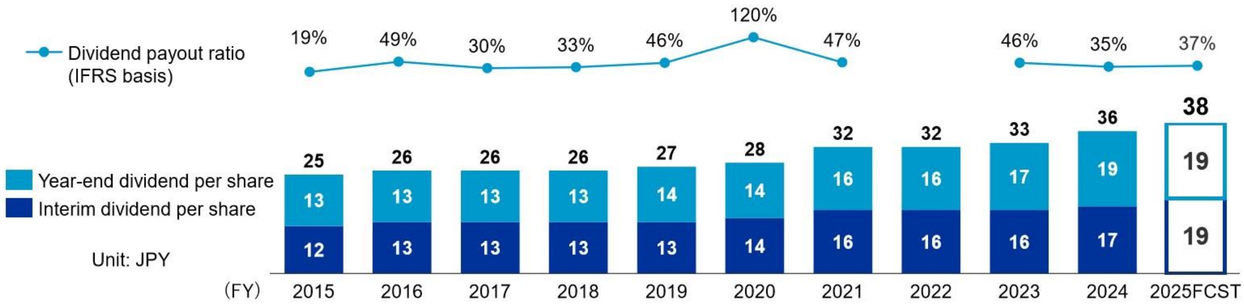
Regarding overseas markets, China's continued recovery remains a key. However, the channel inventory adjustments for *Cravit* and *Hyalein* that became apparent in the latter half of last fiscal year have now been resolved.

Regarding cost efficiency, the cost of sales ratio remained higher than anticipated in Q1 due to changes in product mix. However, it improved in Q2, and we expect further improvement from Q3 onward. For the full year, we are targeting a cost of sales ratio of 41.8%.

SG&A expenses are currently being maintained at a level below the planned amount. Considering our revenue structure, which is weighted toward H2, and these various variable factors, even if top-line figures including sales, gross profit or other, experience a downward deviation, we will continue to secure the bottom line by utilizing measures such as SG&A reductions as a buffer.

Shareholder returns

- Interim dividend: JPY 19/share. Year-end dividend expected to be JPY 19/share (+JPY 2/share annually).
- Completed share buy-back of JPY 31.9 billion, 19,800,000 shares from May 22, 2025 to November 5, 2025. Reduced outstanding shares by 20% from FY2022.



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025FCST
Total return ratio (IFRS basis)	19%	106%	30%	76%	46%	120%	47%	-	106%	137%	131%
Share buy-back (JPY billions)	-	12.3	-	13.9	-	-	-	25.7	16.2	37.1	31.9

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Page 13, shareholder returns.

Since our business performance is currently progressing as planned, we have decided to pay an annual dividend of JPY38, an increase of JPY2 from the previous fiscal year, as announced in May.

Additionally, the share buyback program with a maximum limit of JPY35.0 billion that has been implemented since May 22, this was completed as of yesterday, and we have acquired the full limit in terms of quantity.

As a result, from FY2022 to the present, the Company has reduced the number of shares outstanding by 20%, including share buybacks.

That is all I have to say.

Question & Answer

Sakuma [M]: Now, Mr. Yamaguchi of Citigroup Global Markets, please begin.

Yamaguchi [Q]: This is Yamaguchi from Citi.

The first question is about Q2 that you just explained, and I would like to ask you again for a moment. In comparing Q1, we can see that margins have significantly improved, particularly in gross profit. Is it correct to understand that this is largely attributable to the mix of *Eylea* you mentioned, and this has already been factored in?

Koshiji [A]: I am Koshiji.

Yes, as you understand, it is as expected. The change in product mix, especially the decrease in the ratio of *Eylea*, has been a major factor.

Yamaguchi [Q]: Thank you.

Secondly, I would like to ask you about *Ryjusea* in Japan and Germany.

In Japan, it is true that the sales are slowly improving QoQ, but I had the impression that you were putting in a lot of effort at the beginning, partly because it was the summer season, so I thought it might go a little further. It's a hypothetical scenario, though.

I'm wondering if there was some discussion about the penetration and also, in part, whether insurance would cover the testing/consultation. I mean, mixed billing using both insured and uninsured medical treatments. And also, it seems this has begun in Germany as well. In comparing Germany and Europe with Japan, could you please explain any differences in reimbursement environments or drug pricing, if there is any? Sorry, I'm asking a lot. Related to *Ryjusea*.

Koshiji [A]: Regarding the progress of the revenue, they are completely in line with our expectations. The amount is very small.

That is all.

Ito [A]: First of all, I think you meant the penetration of *Ryjusea* in Japan. As far as I have been able to ascertain, I believe the number of medical institutions that have adopted the drug by the end of September is about 2,800 and probably 3,000 by October. There are approximately 9,000 ophthalmology institutions in Japan, which means that about 1/3 of ophthalmology institutions have already adopted and started using this drug.

There is an atropine preparation that was originally imported from overseas and used before *Ryjusea* was launched. I think the number of institutions using it was about 1,100, which means nearly three times of that number of medical institutions have already started to use *Ryjusea*.

Also, if I may add, naturally, when it comes to prescriptions out-of-pocket, I imagine there's quite a different handling by medical institutions. Some medical institutions are quite aggressive in recommending it to their patients, while others go in slowly and wait and see.

The question is at what pace we can develop such facilities. Actually, we've already surpassed the number we aimed to achieve by March of this fiscal year (Santen post amendment: end of September), the number of medical institutions that are actively referred to patients, as early as September. It appears that a significantly larger number of medical institutions are actively using this drug than we initially anticipated.

On the other hand, I believe there are still quite a few medical institutions that are, well, watching the situation for a while and wondering what to do.

Regarding the *Sentei-ryoyo* system using both insured and uninsured medical treatments, among the requests submitted to the Central Social Insurance Medical Council across various fields, several organizations, including our company, had specifically requested the inclusion of myopia treatment in the *Sentei-ryoyo* system.

I understand that the medical division is currently reviewing the contents of this request, and that at the next stage, the medical division will probably make a proposal to take up this and that as the *Sentei-ryoyo* system. We are still in the middle of discussions, but naturally, I believe that the field of myopia is one of the most promising candidates.

The last question is about Germany. Almost all countries in Europe are covered by insurance reimbursement, and Germany is, of course, included in the situation. I don't have the information on drug prices in Germany at hand right now, so I'd like to respond to that later. However, Germany itself is currently progressing smoothly with adoption and other matters.

In the latter half of November, we will have more data on the exact number of adoptions, so I would like to introduce this information when we have a chance.

That is all.

Yamaguchi [M]: Yes, thank you very much.

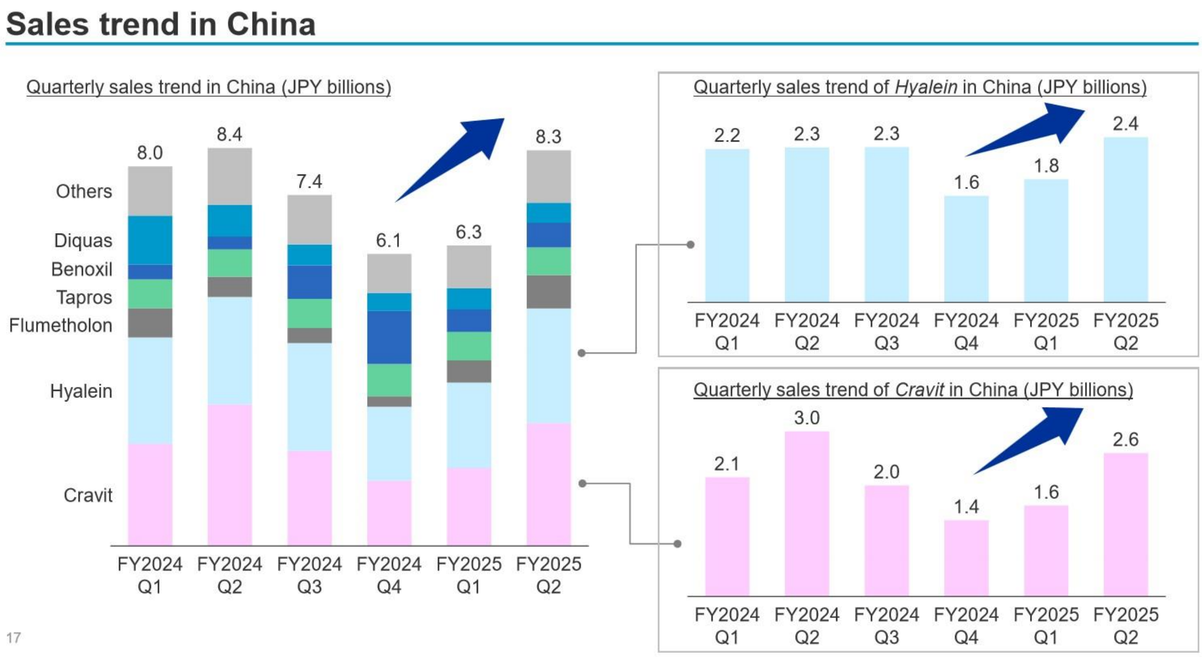
Sakuma [M]: Thank you, Mr. Yamaguchi.

I will then move on to the next questioner. Mr. Wakao of JPMorgan Securities, please go ahead.

Wakao [Q]: I'm Wakao from JPMorgan. Thank you very much.

First, as you just explained, regarding the inventory issues with *Alesion* and China that occurred in Q1, I'd like to confirm once more whether the situation hasn't worsened in Q2.

My impression from your explanation is that there is no particular problem. As for *Alesion*, as long as it sells well during the pollen season, there should be no problem.



Regarding China, I believe Q1 also proceeded according to your company's plan. Looking at the sales level data for China on slide 17, I thought there didn't seem to be any particular issues, but could you please clarify this point for me again?

Koshiji [A]: You are absolutely right about *Alesion*. Especially considering that the high season is Q3 and Q4, which is the pollen season, there is almost no inventory problem for the full year.

China's poor sales performance had persisted, but as indicated on slide 17 of the materials, as you mentioned earlier, signs of increase began to appear in Q2, particularly for *Hyalein* and *Cravit*, where market inventory had been rising. In fact, since last year, we have restricted shipments in Q4 of last year and Q1 of this fiscal year, so in that regard, we are proceeding on the premise that momentum will build in the latter half of the year.

Wakao [Q]: Thank you very much.

On slide six, about *Alesion*, sales levels for Q1 and Q2 were lower compared to the previous quarter, but I understand this is simply because the AG price is lower. Is that correct? So, I understand that this is not a particular problem, right?

Koshiji [A]: Yes, that is correct. There are a few compounding factors, but in the big picture, the biggest factor is the decrease in prices due to AG.

Wakao [Q]: I understand.

The second question is that forecasted profits this fiscal year is expected to decrease YoY, but you have made progress as planned so far, and you will continue to achieve the plan in H2 of the fiscal year. I think the premise of the medium-term management plan was that you would return to the profit growth stage from the next fiscal year and that you would grow. I understand that there are various external factors that may affect the current situation, but is it my understanding that the outlook for the next fiscal year and beyond is as presented in the medium-term management plan?

Koshiji [A]: In terms of the next fiscal year and beyond, as announced in our medium-term management plan, we indicated that our revenue for FY2027 would be JPY330.0 billion to JPY340.0 billion in the near term. In contrast, the outlook in the next fiscal year are currently under review as part of the trajectory toward that figures.

If there is a little supplemental information from our CEO…

Ito [A]: We understand that the development of new drugs expected to contribute to sales during this medium-term management plan period along with their regulatory submissions and other related matters are progressing smoothly without any particular issues. Therefore, we anticipate a steady recovery starting from the next fiscal year.

As mentioned earlier, our myopia business is progressing smoothly in both Japan and Europe. In Japan, the new glaucoma drug *Setaneo*, launched in October, is also performing well. Although it has only been on the market for seven or eight business days, I understand it is beginning to penetrate the market extremely smoothly.

In addition, we are planning to launch a treatment for ptosis in Japan in FY2026, so I believe that we have all the elements in place.

Wakao [Q]: I understand. We haven't been shown any specific figures for next period's targets in the medium-term management plan, but I'm assuming it's about increasing both revenue and profit. Is that understanding correct?

Koshiji [A]: This is for the next fiscal year, what we will announce in May, but that is basically that level. As I mentioned earlier, FY2027 sales will be between JPY330.0 billion and JPY340.0 billion. Core operating profit ratio will be 19% to 20%, so we recognize FY2026 as the bridge to the target.

As the CEO explained in his opening remarks, we currently do not recognize any changes to the assumptions underlying our medium-term management plan, as several key drivers for mid-term growth are now aligning.

That is all.

Wakao [Q]: Also, sorry for the long question, there has been some discussion about OTC-like drugs, and I wonder if there is any concern about the impact of these drugs on your company's performance. Can you tell us a little bit about this?

Sakuma [M]: Yes. Ito will answer that question then.

Ito [A]: In terms of OTC-like drugs, one of our cases is *Hyalein*. I understand that the same ingredients as *Hyalein* are available OTC and that a product will soon be available on the OTC market for lower concentrations of *Alesion*.

In the case of ophthalmology, the indications may differ between prescription and OTC products. Therefore, I personally believe that such products are not likely to be drawn into the current debate.

Sales of the products I just mentioned have already been significant small impacted by generics and other factors, so even if this situation were to progress, we currently understand the impact to be minimal.

Wakao [M]: Yes, I understand very well. Thank you. That's all.

Sakuma [M]: Thank you very much.

Then, next, Mr. Hashiguchi from Daiwa Securities, please go ahead.

Hashiguchi [Q]: I am Hashiguchi. Thank you.

The first question is about the situation for *Ryjusea*. You commented earlier about the spread of adoption by medical institutions. Based on the number of patients, how does the situation compare to your assumptions? Please tell me about the number of patients receiving treatment, the proportion of patients choosing *Ryjusea* among other myopia progression control treatments, and the types of patients who choose it. Can you also comment on whether there are any differences from your assumptions in such points or not?

Sakuma [M]: Thank you very much, Mr. Hashiguchi. The other treatments you mentioned are referring to OK lenses or something similar to that?

Hashiguchi [Q]: Yes. I'm talking about orthokeratology, treatment like using glasses, and so on.

Ito [A]: Actually, given this is not subject to insurance reimbursement and that we probably cannot obtain objective so-called receipt data, we do not have the data on hand to objectively show the number of patients you just asked about. Please understand the situation.

Regarding the relation to other treatments, as ophthalmology-related academic societies have also stated, it's not a matter of prioritizing one over the other. Eye drops are considered a base medication, a foundational treatment method for myopia treatment. I believe the market and practitioners are currently understanding the situation based on such idea.

Sorry, I don't have enough information now.

Hashiguchi [Q]: Thank you very much.

The second point is about share buybacks. For some time now, you have been conducting share buybacks every six months or so, and I think there have been announcements of another one when that one is over. Following the completion of the share buyback this time, there was no announcement regarding the next implementation. Could you comment on the discussions that led to the decision to postpone this time?

In the past, I believe you spoke as if the stock price level was a very important factor in your decision. I don't really feel that your stock price has changed significantly compared to before, but I'd appreciate your comments on whether there have been any developments regarding more concrete, substantial matters, including funding needs or investment projects on the horizon.

Koshiji [A]: In that respect, the share buyback in H1 was JPY31.9 billion compared to the planned JPY35.0 billion, so the acquisition price was about JPY3.1 billion lower, and the stock price did not rise.

Based on these and other investment projects, the level of cash and deposits at the end of Q2 was JPY63.6 billion. We estimate the minimum required capital to be approximately JPY45.0 billion, so the scale of surplus funds is roughly JPY18.6 billion.

Given that, we did consider share buybacks, including in light of our weak performance. However, when considering the scale required, specifically whether an JPY18.0 billion buyback would actually be meaningful or effective, we concluded that a certain level of scale was necessary. Therefore, after weighing whether to proceed or not, we ultimately decided against it. It is based on the current cash position.

Additionally, regarding future funding needs, while the upfront payment from RemeGen in Q2 amounted to only about JPY5.1 billion, considering the investment projects currently under consideration, we recognize that funding requirements will still be primarily investment-related. Therefore, as a second factor, future funding needs, we have decided to postpone it this time.

However, when we consider if the share price is appropriate now or not, we recognize that it is still low.

That is all.

Hashiguchi [M]: Very well, thank you very much. That's all.

Sakuma [M]: Thank you very much.

Then, next, Mr. Ueda of Goldman Sachs, could you please go ahead?

Ueda [Q]: I'm Ueda from Goldman Sachs.

My first question is if you could tell me a little bit more about the progress compared to the plan. I think, Mr. Koshiji explained that there was a slight increase compared to the internal plan, but where exactly is the deviation from expectations? Can you give us any additional information on whether the recovery is better than expected in areas of higher profitability, such as the China business, or whether it is due to cost progress, such as SG&A expenses?

Koshiji [A]: It was the controlled SG&A expenses. In the profit basis, we recognized a slight increase, although it was a decrease YoY. Other than that, the results were largely in line with the plan.

Ueda [Q]: Is it correct to say that the control of SG&A expenses will continue to some extent during H2 of this fiscal year?

Koshiji [A]: Yes, I think that is correct. Yes.

Ueda [Q]: Okay, thank you.

Second question, I would appreciate if you give us your views on the changes in the business environment. Earlier, you commented on the OTC-like drugs. For example, going forward in Japan, regarding the *Sentei-ryoyo* system of co-pay hikes on certain long-listed products, the patient's out-of-pocket cost percentage may increase. Given that the scope of these target products has already significantly narrowed, is it acceptable to view this as a low risk?

Also, in China, your company has been affected by volume-based procurement (VBP), etc., and you are changing sales channels, etc., but are there any additional risks that we should be aware of? Can you tell us your current view of the risks in the business environment in these areas?

Ito [A]: We don't envision anything particularly significant for China in the future. We have a rough idea of when and which of our products will be the target of VBP, and we do not believe that there is anything that will exceed that at this point in time.

Regarding Japan, we are certainly aware that increasing patient out-of-pocket payments for long-listed drugs and similar items is now a trend that will inevitably continue to rise. We have been replacing such products with subsequent drugs through LCM to minimize such an impact, and we intend to continue doing the same going forward.

That is all.

Ueda [M]: Yes, thank you. That's all from me.

Sakuma [M]: Thank you very much.

Next, Mr. Sakai from UBS Securities, please go ahead.

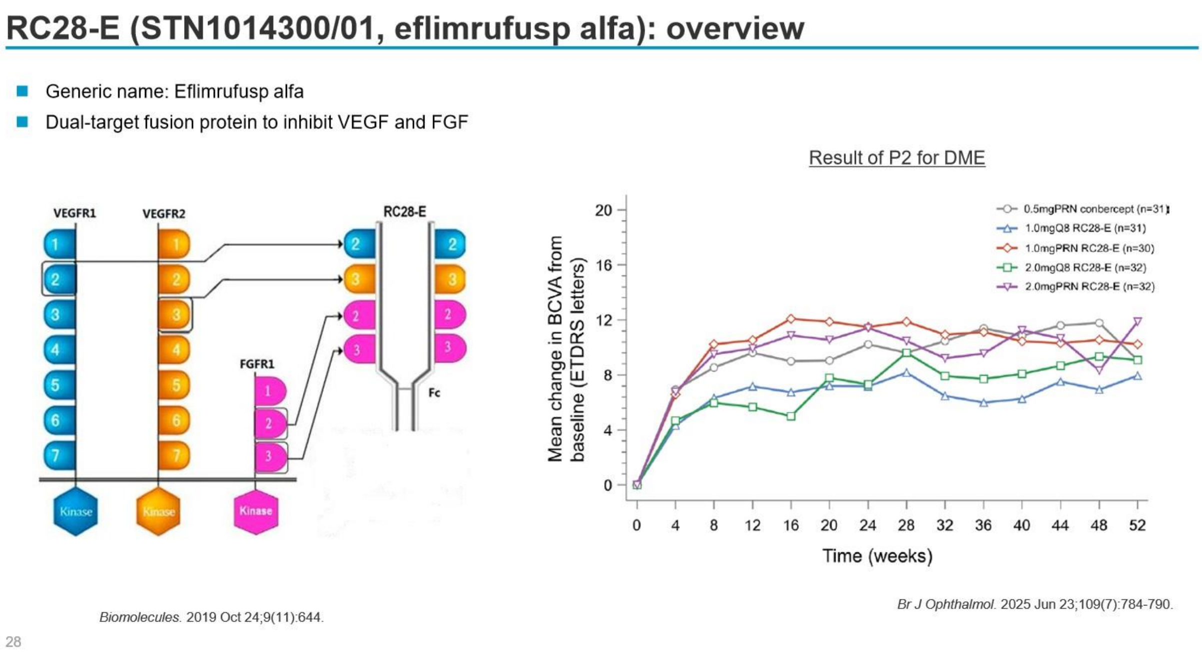
Sakai [Q]: Yes, I am Sakai from UBS.

Regarding *Ryjusea* mentioned earlier in the questions, I understand the number of people and facilities involved, but how much is the wholesale price you set for your distributors? I would like to ask about the pricing you are setting.

Ito [A]: I'm sorry I don't have the specific figures on hand for that either, but we set what you might call a suggested retail price and supply the products to wholesalers at a certain price discounted from that amount.

The suggested retail price is JPY4,380. The wholesalers receive a certain discount from this amount. I'm not saying that the rates there are significantly different than for prescription drugs or anything like that. It means that there is no difference.

Sakai [Q]: JPY4,380, I understand. Then, this is probably a question for Peter. I'd like you to tell me just for reference.



The table on page 28, the graph on the right side of RC28-E, the line graph, is this low dosage, or is it 1.0 mg, and once per week? And for the 1.0 mg, is this going to be three per month?

I think pertaining to the effect- and I think you checked the best visual acuity - I can see that it doesn't seem to depend necessarily on the dosage which varies. After 40 weeks, there is a certain level of dispersal of data points. Regarding this matter, since it's an application in China, I suppose there might be some concerns, but is it correct to assume there's no particular need to worry? You have already applied for DME, in China.

Sallstig [A]: Thank you for your question.

This table shows the results of the PII study. The method of administration differs slightly depending on the arm. So it's difficult to make an accurate comparison, which is why it appears this way.

Based on the PIII trial results, we have already submitted an application for DME. The data clearly demonstrates non-inferiority compared to *Eylea* at 2 mg, and the results are stable. This confirms that the bi-monthly administration is the correct, effective dosage.

Sakai [Q]: So, then, it would be administered once a month initially, correct? After that, you would administer the drug once every two months. Is it correct that that is the kind of regimen that you are looking for? Ah, here it is. Yes.

Sallstig [A]*: When conducting clinical trials, the standard approach is to administer five doses initially, then transition to once every two months. Separately, for AMD, the protocol involves a three-loading phase before transitioning to once-every-two-months dosing.

Sakai [M]: Okay, I understand with this table. Yes, thank you very much.

Sakuma [M]: Thank you very much.

Next, Mr. Lee from Morgan Stanley MUFG Securities, please.

Lee [Q]: I'm Lee from Morgan Stanley. Nice to meet you. Following up on Mr. Sakai's question, could you please share your company's projected peak sales and expectation for RC28-E?

I believe this is a licensing-in deal primarily focused on China, and Asia. Should we expect a level comparable to China's *Cravit* and *Hyalein*, around JPY10.0 billion? I would appreciate it if you could provide us more color.

Thank you.

Ito [A]: Right now, the Chinese market for retinal products, especially concerning VEGF, the VEGF market, rather than the retina market as a whole, has just recently exceeded JPY100.0 billion. The market is also growing at double-digit rates annually. Therefore, within our medium-term management plan period, we anticipate that by around FY2029, the market size for VEGF-related products for retinal diseases in China will likely reach approximately JPY170.0 billion. Therefore, it means that the scale will already reach about JPY200.0 billion in 2030 or 2031.

If we capture a 10% market share, that would equate to 20 billion yen, and with a 15% share, we could expect 30 billion yen. While we won't disclose specific figures, this gives you a sense of the magnitude of our expectations.

Lee [Q]: Thank you very much.

Regarding this RC28-E now, it is not factored into the current medium-term management plan. Therefore, I understood that this could be the upside.

Ito [A]: I'm Ito.

This is not yet factored in. So, for example, in our medium-term plan, we've set a target of 65 billion yen for fiscal year 2029. If we reach that figure without this product, it would naturally represent an upside. On the other hand, if we fall short of that target, this product could serve as a means to fill that gap.

Lee [Q]: Yes. Thank you very much.

The second point is about the data in EMEA for *Ryjunea*. Looking only at the figures your company has announced this time and your guidance, I think you have made a better start than expected. How is this one going against the internal plan? Will the Q2 sales continue to drive growth into H2 and beyond? Can you tell me a little bit about the future of EMEA here?

Thank you.

Koshiji [A]: While the budget comparison shows a slightly positive trend, this is partly due to the impact of the weak yen. However, as this is still the initial phase, you can recognize it as generally progressing according to plan.

Lee [M]: Yes. All right. Thank you.

Ito [A]: I do expect we'll likely exceed the planned figures, but since the European launch, specifically in countries other than Germany, is concentrated around February or so early next year, I believe the additional growth from expanding into those regions will come more in the next fiscal period. I have supplemented the information.

Lee [M]: Thank you. That's all from me.

Sakuma [M]: Thank you very much.

Then, Mr. Barker of Jefferies, please ask your question.

Barker [Q]: Barker from Jefferies, thank you very much.

I would like to ask you about *Eylea*. Looking at sales for the three months of Q2 alone, they were JPY16.3 billion, a considerable decrease from JPY20.1 billion in Q1, and I think this is due to the market expansion re-pricing, which was minus 20% from August. Looking at your company's full-year forecast, I think the sales forecast for H2 is expected to be JPY36.4 billion (Santen post amendment: JPY35.1 billion). How is that? Is that realistic?

Koshiji [A]: First of all, the decrease in Q2 from Q1 is due to the impact of the market expansion re-pricing of about 20%, as you pointed out.

For the full year, we will continue to be affected by the market expansion re-pricing in H2, but at this point, it has not reached the stage of revising this JPY71.5 billion figure. That is how we see it.

That is all.

Barker [Q]: Market expansion re-pricing, I think it was implemented in August, so you are only affected for two months?

Koshiji [A]: Yes, yes.

Barker [M]: Yes, I understand. Thank you very much. That is all.

Sakuma [M]: Thank you very much.

Well, then, we have a little bit of time left. Mr. Yamaguchi seems to have an additional question, so Mr. Yamaguchi of Citigroup, please go ahead.

Yamaguchi [Q]: Excuse me, I would like to ask an additional question. Thank you very much.

Regarding the drugs for which you secured promotional rights in S. Korea, since it is about to be transferred, it might have an impact on sales and profits. Could you please provide the quantitative details on the extent of that impact? About *Beovu* and *Lucentis*.

Koshiji [A]: For the current fiscal period, there is an impact. However, the impact for this period is expected to be less than that JPY1.0 billion. We currently disclose sales projections for individual products exceeding JPY1.0 billion.

Therefore, we recognize that the impact on earnings forecasts is expected to be minimal, meaning it will not significantly affect profit.

Yamaguchi [M]: Yes. Thank you very much. That is all.

Sakuma [M]: Thank you very much.

Then, since there are only two minutes left in the Q&A session for institutional investors and analysts, I would like to conclude the Q&A session here.