

Q3 FY2025 Financial Results Transcript

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February 5, 2026



Q3 FY2025 Overview

On-track revenue and profit. YoY decline narrowed vs H1

■ Q3 FY2025 results

Revenue: JPY 210.8 billion (-5.4% YoY)

Core OP: JPY 34.8 billion (-20.3% YoY)

Net profit attributable to owners of the company: JPY 21.8 billion (-20.6% YoY)

■ Business update

Diquas LX:

Shipment resumed on Dec. 1 with shipment limitations lifted on Jan. 19

Mid-to long term growth:

-Received approval of *Upneeq mini* ophthalmic solution 0.1% for ptosis

-Slowing myopia progression drug added to *Selective Treatment* category by Central Social Insurance Medical Council (Japan)¹

-Verkazia for VKC treatment launched in China

■ FY2025 outlook

Earnings forecast unchanged from May 13

Dividend forecast: Year-end JPY 19/share and annual JPY 38/share(+JPY 2/share increase YoY)

³

¹ Advisory body to the Minister of Health, Labour and Welfare

Koshiji: I'm Koshiji. Please see page three.

In Q3 FY2025, both revenue and profit declined compared to the same period last year, but compared to Q1 and Q2, the extent of the decline in revenue and profit narrowed and the recovery trend from Q2 continued.

Revenues declined 5.4% YoY to JPY210.8 billion, and core operating profit fell 20.3% to JPY34.8 billion, largely in line with our full-year forecast.

Next, we discuss business-related topics.

First, shipments of *Diquas LX*, which had been suspended since last fiscal year, resumed on December 1. Although we resumed limited shipments in terms of supply due to demand, we were able to lift the shipment limitations and return to normal shipments on January 19. Revenues of *Diquas LX* for the current fiscal year are the guidance we mentioned on Consolidated Performance Report and Data book. In FY2026, the volume base is expected to recover to the level before the suspension of shipments, contributing to the Company's business performance.

Next, regarding new products that will drive mid- to long-term growth and the pipeline, which will be explained later by Sallstig, *Upneeq* was approved in Japan in December for the treatment of acquired ptosis, which until now has been treated mainly by surgical procedures in Japan. In addition, Regarding *Ryjusea*, a myopia progression control drug launched in Japan in April of last year, addition of myopia progression control drugs to the Selective Treatment category was accepted at a meeting of the Central Social Insurance Medical Council held on January 9. Together with *Upneeq*, we expect *Ryjusea* to be one of the growth drivers in our mid-term management plan, and we believe that the addition of *Ryjusea* to the Selective Treatment category will help *Ryjusea's* market penetration in the next fiscal year and beyond.

Q3 FY2025 Consolidated results

	Q3 FY2024	Q3 FY2025
	ACT	ACT
USD (JPY)	152.63	148.91
EUR (JPY)	164.96	171.67
CNY (JPY)	21.33	20.88

(JPY billions)	Q3 FY2024		Q3 FY2025					YoY
	Actual	vs Revenue	Q1 QTD	Q2 QTD	Q3 QTD	Actual	vs Revenue	
Revenue	222.8	-	68.7	69.1	72.9	210.8	-	-5.4%
Cost of sales	97.6	44%	31.6	29.1	32.1	92.8	44%	-4.9%
Gross profit	125.1	56%	37.1	40.1	40.7	117.9	56%	-5.7%
SG&A expenses	64.7	29%	21.2	21.3	22.3	64.8	31%	+0.1%
R&D expenses	16.8	8%	6.2	6.2	6.0	18.4	9%	+9.5%
Core operating profit	43.7	20%	9.7	12.6	12.5	34.8	17%	-20.3%
Amortization on intangible assets associated with products	6.6	3%	2.2	2.3	2.2	6.7	3%	+0.2%
Other income	0.4	0%	0.2	0.2	-0.1	0.3	0%	-18.8%
Other expenses	2.2	1%	0.1	0.2	-0.1	0.2	0%	-89.3%
Operating profit	35.2	16%	7.6	10.3	10.3	28.2	13%	-19.8%
Finance income	1.4	1%	0.6	0.3	0.6	1.3	1%	-6.4%
Finance expenses	1.3	1%	0.7	0.4	0.4	1.5	1%	+12.6%
Profit before tax	35.3	16%	7.5	10.2	10.4	28.1	13%	-20.5%
Income tax expenses	8.0	4%	1.6	2.2	2.3	6.1	3%	-23.7%
<i>Actual tax ratio</i>	23%	-				22%	-	-0.9pt
Net profit	27.3	12%	5.9	8.0	8.1	22.0	10%	-19.6%
Net profit attributable to owners of the company	27.5	12%	5.9	8.1	7.9	21.8	10%	-20.6%
Core net profit	33.8	15%				27.1	13%	-19.8%
EBITDA	50.6	-				42.0	-	-17.0%

vs. FY2025 forecasts

- Revenue and profit progressed as planned

vs. Q3 FY2024 (YoY)

- Revenue factors
 - Inventory adjustments in Q1: Japan/China
 - Market expansion re-pricing of key products in Q2: Japan
- SG&A
 - Nearly flat.
 - Prioritization in expenditures
- R&D expenses:
 - Increase due to pipeline advancement

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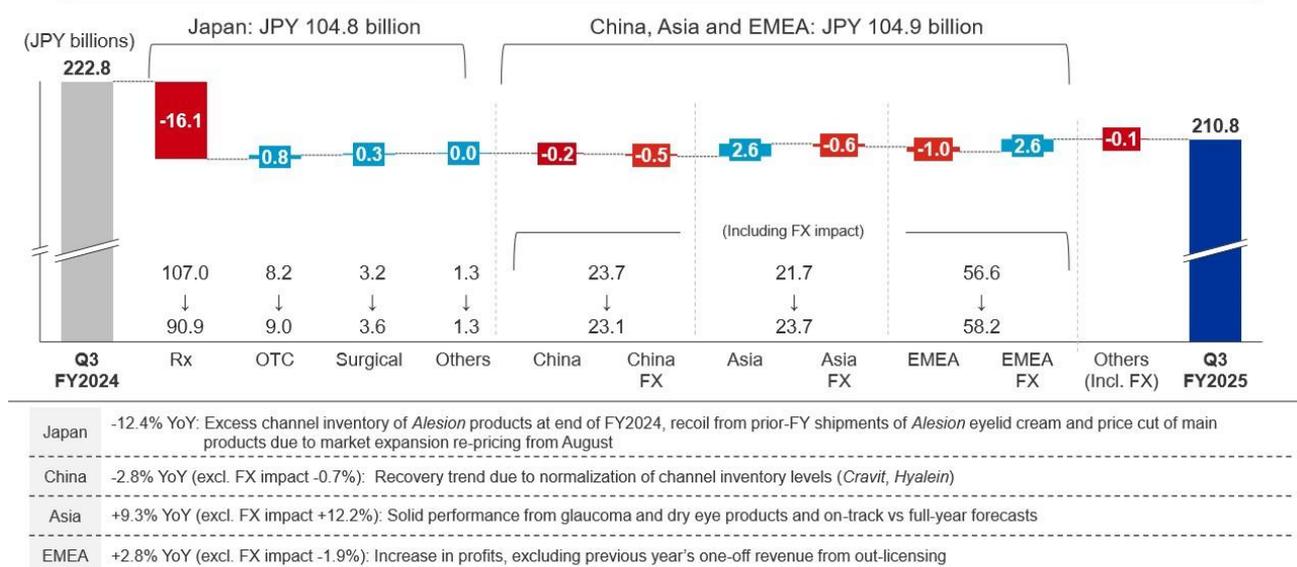
Next, please see page four. Profit and loss status in Q3.

Versus FY2025 forecasts, everything progressed as planned. Due to a decrease in revenue and an increase in R&D expenses, core operating profit and other profits decreased from the previous year. The decline in sales was mainly due to the NHI price revision in the main Japanese market and the impact of the Selective Treatment System related to long-listed drugs, which was not in place in H1 of the previous fiscal year, as well as inventory adjustments, drug price re-calculations with market expansion, and a reactionary decline in one-time revenues associated with the licensing-out in Q3 of the previous fiscal year.

Cost of sales was 44% in the Q3 cumulative period, the same level as the previous year. SG&A expenses were controlled at the same level as the previous year in total, as planned. The 9.5% increase in R&D expenses over the previous year was due to pipeline progress. As a result, core operating profit fell by 20.3% YoY to JPY34.8

billion, and both operating profit and net profit on IFRS basis declined, but as mentioned earlier, both revenue and profit are in line with expectations relative to internal plans.

Q3 FY2025 Sales bridge



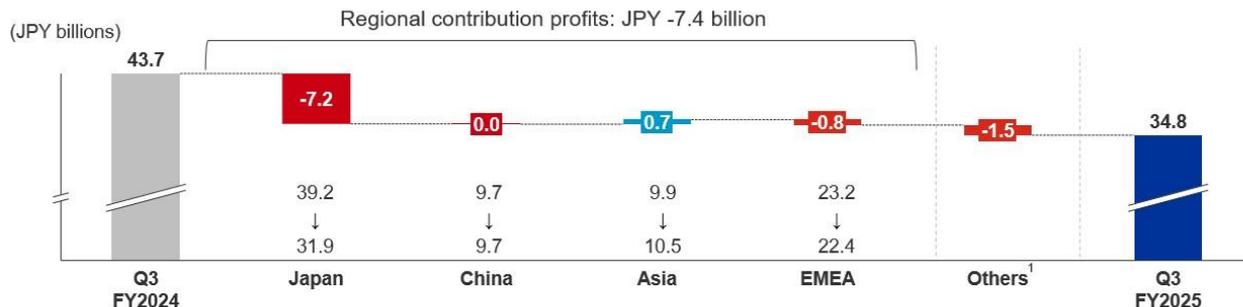
⁵ *Sales classified into countries or regions based on customer's location. EMEA: Europe, Middle East and Africa. Hong Kong is included in China.

Please see page five. Sales bridge.

Revenue of JPY210.8 billion is composed of 50% in Japan and 50% overseas. Revenue in Japan declined 12.4% YoY. The main factors are the same as those that occurred in H1 and were explained at the time of the announcement of the Q2 financial results. Regarding new products, sales of *Ryjusea Mini*, an ophthalmic drug to control myopia progression, which was launched in Japan in April, saw a temporary slowed down in demand from school health screenings during October and November, but in December sales were back on an upward trend. We believe that we are generally on track to meet our full-year plan. In addition, the glaucoma drug *Setaneo* was launched in October.

Overseas, sales in Asia and EMEA are on an increasing trend, excluding the one-time revenue from the out-licensing in the previous fiscal year. In China, the rate of progress is slightly below the full-year forecast. The impact of inventory adjustments on *Hyalein* and *Cravit*, which occurred between H2 of last year and Q1 of this fiscal year, has largely been eliminated.

Q3 FY2025 Core operating profit bridge



Regional contribution profits	<u>Japan</u>	On track with plan. Profit declined YoY
	<u>Overseas (incl. FX)</u>	China: Maintained profit through cost optimization. Progressing as planned Asia: Progress slightly ahead of plan. Increase from steady sales growth and cost optimization EMEA: Progress slightly ahead of plan. Profit increased if exclude previous year's one-off revenue from out-licensing
	Others	Increase in R&D and other expenses

⁶ 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.

Next, on page six, are the factors behind the change in core operating profit.

Contribution profits of the regional business saw a decrease of JPY7.4 billion. Profit in Japan decreased due to lower sales resulting from events that occurred in H1, while profit in China remained on par with the previous year due to cost control, and profits in Asia/EMEA increased due to solid sales growth. As for EMEA, excluding the one-time factor of out-licensing in the last fiscal year, profit increased. As a result, on a contribution profit, the overseas ratio is 57%.

FY2025 Outlook (maintain May 13 guidance)

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

(JPY billions)	FY2024		FY2025			
	Actual	vs Revenue	Forecast	vs Revenue	YoY	Q3 Progress
Revenue	300.0	-	294.0	-	-2.0%	71.7%
Cost of sales	129.0	43%	123.0	42%	-4.6%	75.5%
Gross profit	171.0	57%	171.0	58%	-0.0%	69.0%
SG&A expenses	87.5	29%	92.0	31%	+5.1%	70.4%
R&D expenses	24.1	8%	25.0	9%	+3.7%	73.5%
Core operating profit	59.4	20%	54.0	18%	-9.1%	64.4%
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%	64.1%
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%	64.0%
Income tax expenses	11.6	4%	10.4	4%	-10.6%	
<i>Actual tax ratio</i>	25%	-	24%	-	-	
Net profit	35.9	12%	33.5	11%	-6.6%	65.7%
Net profit attributable to owners of the company	36.3	12%	34.0	12%	-6.2%	64.2%
ROE	12%		12%			
EPS (IFRS) JPY	104	-	103	-	-1.3%	64.4%

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■ Factors affecting revenue

Japan

- *Alesion* products sales during pollen season
- Market growth of retina market

Overseas

- Recovery pace of China business

■ Factors affecting core OP

- Continued prioritization of R&D investments
- Improved COGS ratio from product mix
- Resilient SG&A expense management to secure profit with revenue or gross profit fluctuations

Next, on page seven, we discuss the earnings outlook.

Although the progress rate of core operating profit for Q3 appears low at 64%, we recognize that this is in line with our expectations for the current fiscal year, and there is no change from the full-year earnings forecast announced in May. Revenue is expected to be JPY294.0 billion and core operating profit JPY54.0 billion, a 9% decrease on a core basis, but EPS is expected to be JPY103, on par with the previous year.

The factors that may affect the full-year results, which we can currently think of, are as shown on the right side of this slide and have not changed since the announcement of the Q2 results. In Japan, penetration of *Alesion* products, especially *Alesion* cream, is a key, and for overseas, continued recovery in China will be important. Even if the progress rate in China falls short of the forecast, it can be recovered with the results in other regions, Asia and EMEA. That is how we see it.

In terms of cost of sales, we expect an improvement in Q4 due to a change in the product mix. SG&A expenses have been lower than planned, and even if there is a downturn in the top line, we will ensure that the bottom line is secured by controlling SG&A expenses.

Shareholder returns

- Year-end dividend forecast at JPY 19/share and annual dividend of JPY 38/share (+JPY 2/share YoY increase).
- Reduced outstanding shares by 20% from FY2022.

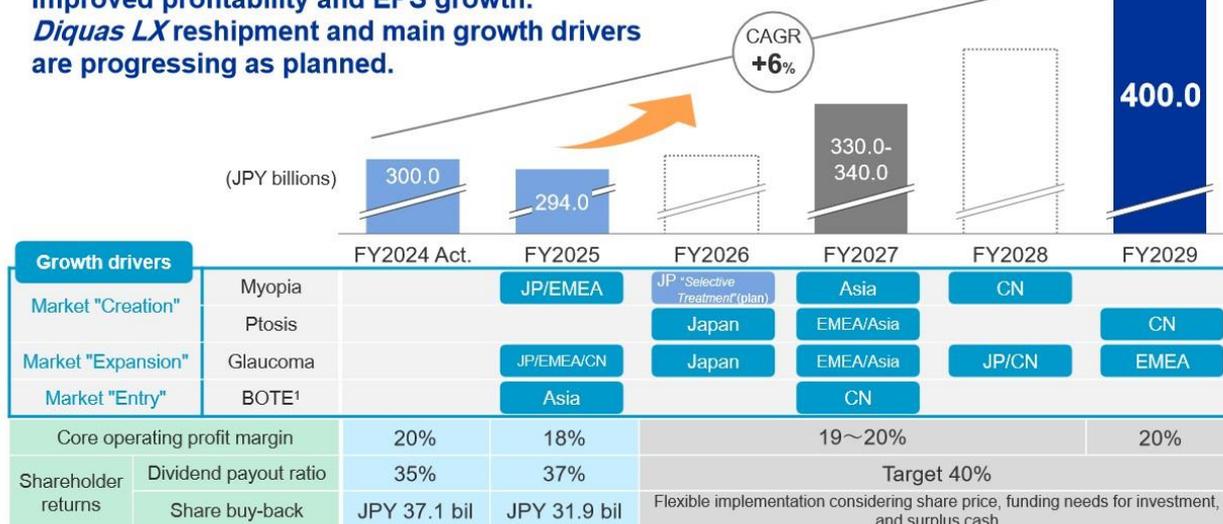


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Next, page eight, shareholder returns. Dividends aren't changed from forecast announced in May, at the beginning of the fiscal year, because the profit-and-loss situation is on schedule at this stage.

Revenue growth assumptions toward FY2029

Increased revenue and profit from FY2026 onwards.
Improved profitability and EPS growth.
Diquas LX reshipment and main growth drivers are progressing as planned.



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¹ Back of the eye

Next, on page nine, I would like to discuss some of the prospects for the next fiscal year and beyond.

During the five-year mid-term management plan announced in May, I mentioned that the current fiscal year would be the most difficult in terms of both revenue and profit, and that it would be the bottom in terms of business performance, but the mid- to long-term growth drivers are definitely in place. Therefore, from the

next fiscal year onward, the Company will be able to return to the track of increased revenue and profit. That is how we see it.

First, a new area, myopia and ptosis, is scheduled to be launched in each region, as you can see on the slide. In addition to this, we are expanding existing markets in the glaucoma area. New products such as *Setaneo* in Japan and *Rocklatan/Roclanda* overseas will be launched sequentially in each region.

In addition, multiple growth drivers are emerging in Asia and China in the back of the eye area. In this fiscal year, we in-licensed a pipeline from RemeGen of China, and in the previous fiscal year, we announced a partnership with Arctic Vision, and we anticipate launching all in-licensing and partnered products in FY2027.

In addition, as I explained in Q2, we have begun sales of *Beovu* and *Lucentis* through our partnership with Novartis in South Korea, and we believe that profit-earning opportunities in the back of the eye field in Asia and China, and here will steadily expand.

As the progress of these existing products and pipelines begins to contribute together, sales growth and product mix improvement will progress, and we expect revenue to reach JPY300.0 billion and core operating profit margin to recover to the 19% to 20% range next fiscal year, leading to increasing revenue and profit. This is how we see the current situation now.

In terms of EPS, we can aim for double-digit growth. That is how we see it.

Regarding capital allocation, the Company will continue to focus on maximizing operating cash flow, which will be used to finance R&D and investments for growth. That is how we see it. At the same time, in terms of shareholder returns, our policy remains the same, with a dividend payout ratio of around 40% in line with profit growth, and flexible use of funds for share buybacks based on balance sheet and stock price conditions.

By managing not only the P&L but also the balance sheet and cash flow, we aim to improve ROE and capital efficiency and maximize EPS growth.

That's all from me.

Sakuma: Next, Sallstig will explain about research and development.

Q3 FY2025 R&D update

Market "Entry"	Eflimrufusp alfa STN1014301/RC28-E	Wet age-related macular degeneration	Achieved LPO ¹ in P3 trial in China
Market "Creation"	Oxymetazoline hydrochloride STN1013800/RVL-1201 <i>Upneeq Mini</i>	Ptosis	Received approval in Japan
	Nintedanib STN1014200/CBT-001	Pterygium	Achieved FPI ² in P2b trial in Japan
Market "Expansion"	Cyclosporin STN1007603/DE-076C <i>Verkazia</i>	Vernal keratoconjunctivitis	Launched in China
	Epinastine hydrochloride (eyelid cream) STN1011402	Allergic conjunctivitis	Filed in Asia Achieved FPI in P3 trial in China
	Netarsudil mesylate and latanoprost (combination) STN1014003 <i>Rocklatan®/Roclanda®</i>	Glaucoma	Achieved LPI ³ in P3 trial in Japan
	Olodaterol hydrochloride STN1014101	Allergic conjunctivitis	Started preparations for P1/2a trial in Japan

¹ LPO: Last Patient Out. ² FPI: First Patient In. ³ LPI: Last Patient In.

Sallstig*: Good afternoon, I'm Peter Sallstig, Chief Medical Officer. Please allow me to provide you with an update with regard to status of the pipeline. Let's go to page 11.

We have made significant progress across our pipeline, which we expect to drive mid- to long-term growth.

First on the list is 14301, RC-28E, which we in-licensed last summer, which will help us to enter the back of the eye market in China which is expected to continue growing at a high rate. The 1st indication, diabetic macular edema, was filed by RemeGen in September. The 2nd indication, the Phase 3 study for wet age-related macular degeneration, achieved Last Patient Out in November. We expect to disclose the results in fiscal year 2026.

Next, regarding ptosis, for which we aim to create a new market, oxymetazoline, 138, obtained approval in Japan in December as *Upneeq Mini*. I will explain the Phase 3 study in Japan in more detail later. For pterygium, which as we know mainly has had surgery as a treatment option so far, we have started our Phase 2b study of nintedanib ophthalmic solution, 142, here in Japan. Completion of the phase 2b study is planned in fiscal year 2026.

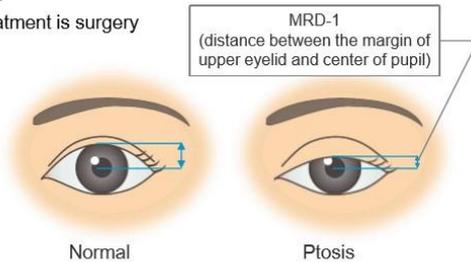
Cyclosporine, 076, which is marketed in Europe and Asia as a treatment for vernal keratoconjunctivitis, a serious rare allergic disease that mainly affects children and adolescents, also was launched in China. As you can see, we have also made progress in the allergic conjunctivitis and glaucoma area.

Upneeq Mini 0.1% obtains Japan's first approval as treatment for acquired blepharoptosis

Scheduled to launch in spring 2026 as a drug not listed in the National Health Insurance Drug Price list. Sales price for patients will be set by each medical institution due to out-of-pocket treatment. Estimated number of potential patients with acquired blepharoptosis is approx. 30 million people in Japan¹.

Ptosis

- A condition where the upper eyelid droops due to some cause
 - ▶ **Looks sleepy, difficulty seeing, shoulder stiffness, headache, easily fatigued, etc.**
- Aging and long-term use of contact lenses are risk factors for ptosis symptoms^{2,3}
- Existing treatment is surgery



¹² 1. Santen estimate. 2. *Orbit*. 2013 May 10;32(4):231-234. 3. *J Craniofac Surg* 2015 Jul;26(5):e373-4.

Upneeq Mini 0.1% (STN1013800)

- Generic Name : Oxymetazoline hydrochloride
- Efficacy and Effect : Acquired blepharoptosis
- Dosage : In general, for adults, one drop at a time, once a day



Let's move to page 12 please.

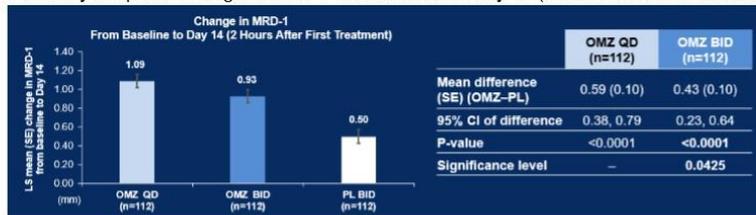
From here, I will talk about oxymetazoline, 138, which obtained approval in Japan in December under the product name *Upneeq Mini*, as mentioned earlier.

We aim to launch in Spring of 2026 as a drug not listed in the NHI drug price standard. Ptosis is a condition where the upper eyelid droops due to some causes, resulting in a shortened MRD-1, the distance between the center of the pupil and the margin of the upper eyelid. You may be under the impression that this is merely an aesthetic issue because of its effect on appearance, such as looking sleepy. However, drooping eyelids can affect vision by making it difficult to see in front of you and can also cause stiff shoulders, headaches, fatigue, and other symptoms. It is one of the most common eyelid diseases in people over 50.

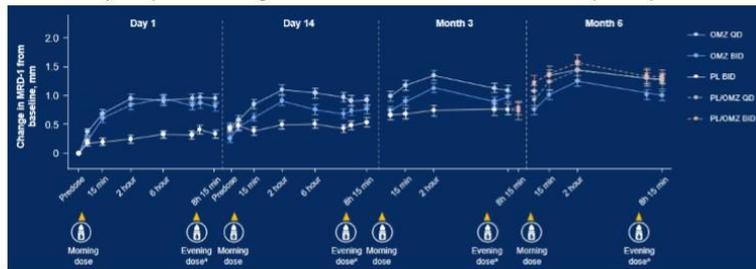
Until now, the only treatment option available in Japan has been surgery to lift the eyelid. *Upneeq Mini* is the first approved drug in Japan that can non-invasively treat symptoms. By offering a new treatment option through eye drops, we believe this product will address previously unmet needs among patients with acquired ptosis in Japan.

STN1013800 (OMZ¹) demonstrated to improve MRD-1 compared to placebo at P3 in Japan. Confirmed safety and tolerability

■ Primary endpoint: Change in MRD-1 from baseline to day 14 (2 hours after first treatment)



■ Secondary endpoints: Change in MRD-1 from baseline to each timepoint up to month 6



¹ 1.OMZ: oxymetazoline hydrochloride 0.1% 2.QD: once daily 3.BID: twice daily 4.PL: placebo
*Presented at the 129th Annual Meeting of the Japanese Ophthalmological Society (JOS) 2025

- QD² and BID³ groups demonstrated statistically significant improvements in the change in MRD-1 from baseline to Day 14 (2 hours after first treatment), as primary endpoint, compared with PL⁴ group.
- Effect was sustained for 6 months
- In QD group, improvements in MRD-1 were observed 15 min after administration and continued up to 8 hours 15 min after treatment
- No decrease in responsiveness (desensitization) or rebound phenomenon known with α -agonists was observed
- Confirmed safety and tolerability of the QD and BID group up to 6 months

Let's move to page 13 please. Let me now take you through the P3 trial data of 138 which was conducted here in Japan.

In this trial, both once-daily and twice-daily dosing regimens were evaluated. All of the graphs show the change in MRD-1 from baseline. As shown in the first graph, regarding the primary endpoint—change in MRD-1 from baseline at 2 hours after the first dose on Day 14—both dosing groups demonstrated a statistically significant improvement compared with the placebo group. The second graph shows that these effects were maintained for up to six months. In addition, with a single administration, the onset of action was observed 15 minutes after dosing, and the effect was sustained for up to 8 hours and 15 minutes. We expect that this non-invasive treatment, with these profiles, can contribute as a new option for patients with acquired ptosis.

This concludes my part. Looking forward to hosting you at the Product Development meeting in middle of March of this year. Thank you.

Sakuma: That's all from us.

Question & Answer

Sakuma: Mr. Yamaguchi of Citigroup Global Markets, could you please go ahead? Thank you very much.

Yamaguchi: Thank you very much. I'm Yamaguchi from Citi.

The first question is about your results up to Q3. Your Company has a strong Q4 every year, while you have *Diquas LX* in the latter time this year as well, but still, excluding *Diquas LX*, the hurdle for Q4 seems to be quite high. You mentioned the in-line with your expectation including that point, but are there any fluctuations in the details?

Koshiji: Okay, Koshiji will answer your question.

Yes. The consolidated base is on the expected, but there are some fluctuations. In that respect, as I explained earlier, some of our products are struggling a bit in China, and there is downside risk in those areas. That is how we see it.

Regarding the balance of the quarter, especially Q4 QTD, the progress of core operating profit was 64% at Q3 YTD. In order to achieve our guidance for the remainder of the year, we will have to earn JPY19.2 billion, which is the largest in our history. However, as you have just observed, *Diquas LX*, given the addition of this one, the target can be reached without any problem at all, in theory at least. That is our forecast.

Yamaguchi: Thank you very much. And one more, about *Ryjusea Mini*. It says June is the effective date or month from when consultation visits will become insurable under Selective Treatment, how do you see the impact of that? Also, in terms of actual results, it is true that the sales in October and November seem to have slowed down, and dramatically grew in December, but I heard last time that the penetration into hospitals was quite strong. If there are any updates in that during the past three months, for example, on a number of medical institutions adopting *Ryjusea*, please tell us about it including those numbers, etc.

Koshiji: In that regard, since this is a out-of-pocket sector, an area where we have limited experience, the reality is that we are proceeding through trial and error, encountering both expected and unexpected matters. Overall, however, at least at this point, we have issued guidance for this fiscal year and recognize that the trend it is as anticipated.

And as for the mid-term management plan. We have said that in FY2029, *Ryjusea* will contribute JPY15.0 billion in Japan. At this stage, we are on track for that. We expect that the application of the Selective Treatment will drive up the sales from June and beyond of the next fiscal year, so we recognize that this is an upside to the original mid-term management plan compared with the situation as of last May.

Sakuma: This is Sakuma from IR. As a supplementary note, we mentioned in November that the number of medical institutions which adopted *Ryjusea* was approximately 3,000, but in Q3, we focused on increasing the number of active referrals. As a result, in December, as Mr. Yamaguchi's report the other day gave a figure from IQVIA, the impact of that was positive in December.

As Koshiji explained in his presentation, in October, the inflow from school health checkups from the beginning of spring had slowed down a bit, and so the pace of growth in sales as well, but it returned in December. We are now in the process of increasing the number of medical institutions adopted toward the end of the fiscal year, as well as increasing the number of referrals per clinic.

As for the topic of Selective Treatment, there are many advantages, but one advantage is that it will improve convenience in the clinic by clarifying the distinction between out-of-pocket and insured treatment for doctors.

One thing to keep in mind, however, is that as a variable factor, the patient will be eligible for Selective Treatment starting in June, so there may be a slight possibility that there will be some wait and see approach to buy before that.

In any case, as Koshiji mentioned earlier, we see this as a very positive story and a tailwind for the next fiscal year.

Yamaguchi: Thank you very much. Do you have any numbers for the end of December? You know, the ones like how far 3,000 went.

Sakuma: There was also a focus on the number of active referrals, so the number has not actually increased that much since November.

Yamaguchi: It's not so much that you are increasing the number, but that you are doing your best in that case.

Sakuma: Yes, you are right. Yes. We are following up there as you said.

Yamaguchi: I understand. Thank you very much. That is all.

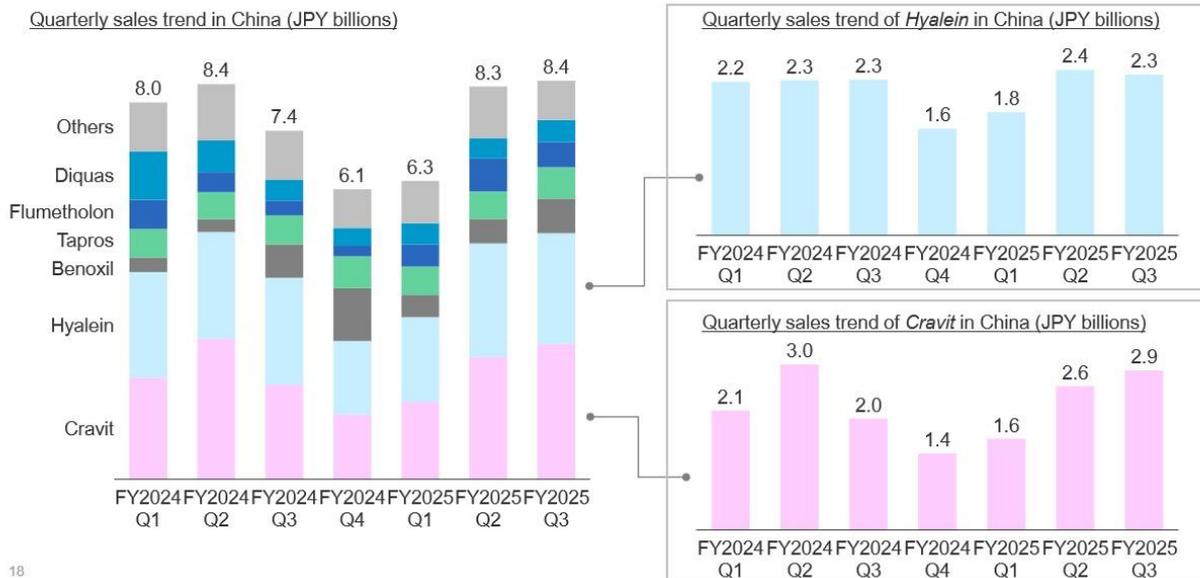
Sakuma: Thank you very much.

Continuing on, Mr. Wakao of JPMorgan, please go ahead.

Wakao: My name is Wakao from JPMorgan. Thank you very much. The first question is about China. Looking at the results of Q3, I don't think overall sales are that low, but you have been talking about the risks and some of the products, and you have been highlighting some rather negative impacting areas. I am wondering if you could tell us about the risks in China, and also about some of your products that you mentioned.

In addition, please also tell us whether there are any areas in which we need to change our view about China in the next fiscal year and beyond.

Sales trend in China



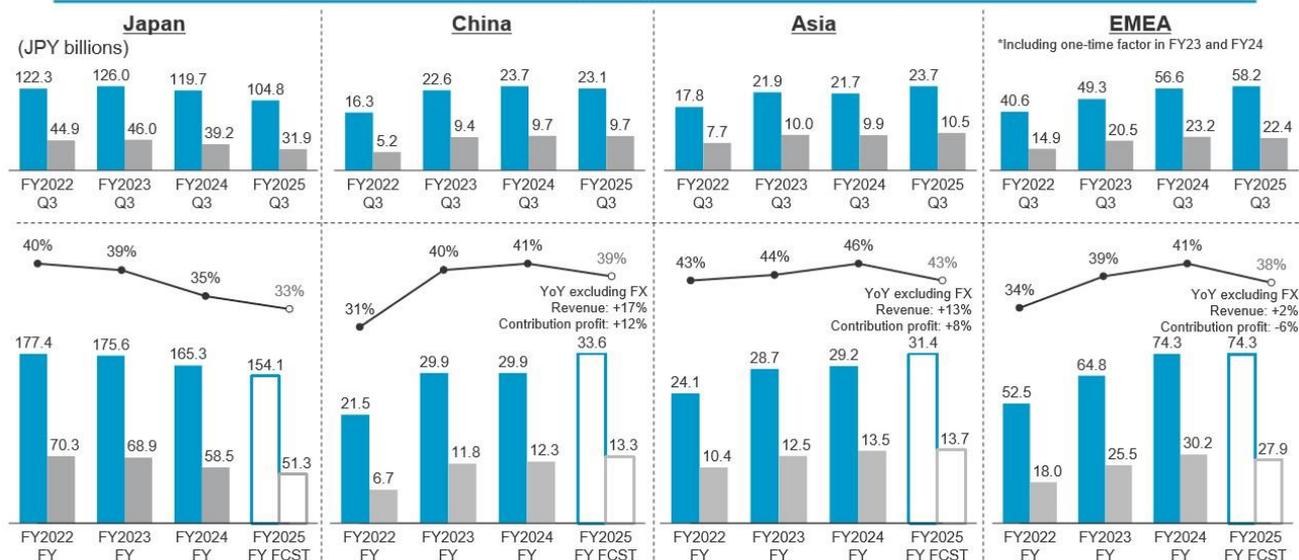
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Koshiji: First of all, the downside of China, where it seems to be different from the prospects, is on page 18 of the slide, here.

The sales composition by product is shown here, and our mainstay products, *Hyalein* and *Cravit*, are performing completely as expected and slightly above expectations. However, as for the product called *Benoxil* that is above them. This is an ophthalmic anesthetic, but this is a bit far off from what we expected. We overestimated the potential of the market, and we are not sure if we will be able to recover from that, so there is a slight downside.

Revenue and contribution profit by region

■ Revenue ■ Contribution profit — Contribution profit ratio



15 Note) Contribution profit: Deducting cost of sales and expenses related to revenue generation from regional revenue. Regional revenue related to regional business are used to calculate contribution profit and regional revenue may differ from revenue (location basis) in the above chart. Reorganization in overseas in FY2023 reflects to contribution profits. Hong Kong is included in Asia until FY2023 and in China from FY2024 onwards.

Therefore, for the current fiscal year, although we mentioned a figure of JPY33.6 billion for the full year in the guidance, on a sales basis, there is a possibility of a downside of JPY2.0 billion to JPY3.0 billion overall, centered on *Benoxil*. If we consider the impact on a contribution profit basis, the impact will be approximately less than JPY1.0 billion, but we believe that we can recover that amount through upside in Asia and EMEA, as described on page 15, where we describe the situation in China, Asia, and EMEA.

This is the situation for the current period, and for the next fiscal year, we will not rely on *Benoxil*, which has been a marketing failure, but will continue to focus on our existing mainstay products *Cravit* and *Hyalein*, as well as the strong sales of *Tapros* and *Diquas*, as growth drivers, and continue to target high single-digit to double-digit growth.

Wakao: I see. I was under the impression that there was a rather high risk of a downside swing, but am I correct in understanding that it is a rather high risk?

Koshiji: This fiscal year, yes. However, since the scale is just like that, it can be absorbed on a consolidated basis.

Wakao: Next fiscal year, it may be lower than in the past, but it will still grow, right? I mean, about China.

Koshiji: Yes, as you are aware. Therefore, we had a plan to grow to 18% in five years, but we don't need to reevaluate that as a market potential for now. That is how we see it.

Wakao: I see. Secondly, on the ninth slide, which shows the assumptions for the next fiscal year and beyond, I thought you mentioned JPY300.0 billion in sales for the next fiscal year, Mr. Koshiji. Did you say JPY300.0 billion? I thought that with JPY300.0 billion, sales would not grow as much as I had expected.

I was thinking that sales would increase a little more due to the positive impact of the re-shipment of *Diquas LX* for the full year, as well as *Ryjusea* and *Upneeq*, which I think will also contribute slightly, to the sales growth. If my understanding is wrong, could you please let me know?

Koshiji: Regarding the composition of the figures for the next fiscal year, as you are aware, we will grow *Ryjusea* and *Upneeq* which will be launched, but their contribution to revenue itself is still limited.

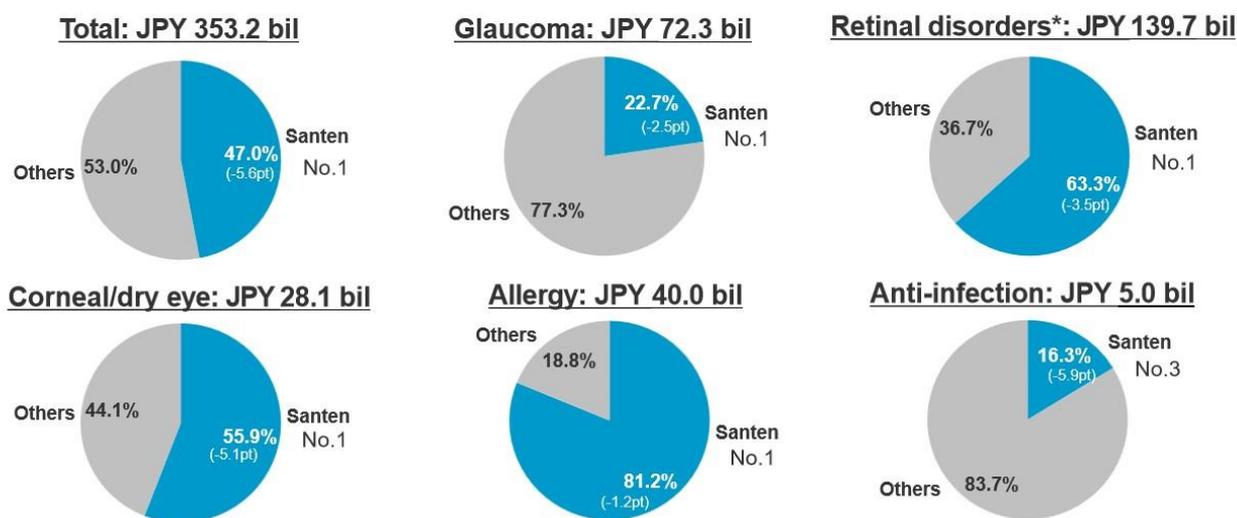
Conversely, the growth rate of revenue will be slightly lower, but on a profit basis, profitability will increase, and I hope you can think of the P&L structure as such.

Wakao: I see. I understand. On the other hand, I recall your Company seemed quite committed to maintaining *Eylea*'s sales following the launch of 8mg. Has the premise for *Eylea* changed?

Koshiji: No, the premise there remains the same. The shift to 8mg is a top priority.

Segment: Market size
Graph: Market share (change from last year)

Prescription ophthalmic market in Japan (Jan. 2025 - Dec. 2025)



22 *Including co-promoted product (Anti-VEGF EYLEA, EYLEA 8mg) of Bayer Yakuhin, Ltd. (MAH). Based on Santen Pharmaceutical (distributor) records. Source: Copyright © 2026 IQVIA. JPM 2024.1-2025.12; Santen analysis based on IQVIA data. Reprinted with permission.

Also, on page 22, we indicated prescription ophthalmic market in Japan, and the largest market for retinal disorders treatment accounts for JPY139.7 billion. This shows a decrease in YoY, or rather flat, and the growth of the retina market itself is slowing slightly, so we are looking at that market cautiously for now. That is the situation.

Wakao: I see. Was AG, by the way, included in the mid-term management plan?

Koshiji: Naturally, we have factored that in.

Wakao: I see. Thank you very much. That is all.

Sakuma: Thank you very much. I would then like to move on to the next question. Mr. Seki of UBS Securities, please go ahead.

Seki: This is Seki from UBS. Thank you very much for your presentation.

The first point is about the percentage of sales progress. You said earlier that the plan is on track. I think that something is still missing, though, and I think that the growth in Q4 will be contributed to by *Diquas LX* and, of course, by new products.

A little bit like what is the growth of Q4 in that area. Also, maybe you assume pollen influence. Maybe it's not so relevant these days, but what kind of positive and negative impacts are there?

Koshiji: In that respect, the biggest contribution to our revenue and profit is going to be made by *Alesion*, as we mentioned earlier. In this respect, the biggest challenge is whether or not we can generate JPY17.0 billion (Santen post amendment: JPY16.8 billion) in Q4. However, considering the pollen dispersal forecast at this point, we believe that a high probability of realization is possible.

On the other hand, regarding *Eylea*, which I mentioned earlier, Q4 itself represents a significant portion of sales. To achieve the full-year target of JPY71.5 billion (Santen post amendment: 71.6 billion), we need JPY18.5 billion in Q4; however, last year's actual figure was JPY17.7 billion. Considering changes in assumptions, particularly regarding drug price and market growth rates, I believe this target is somewhat challenging.

Other than that, however, the situation is generally as expected. There are some small fluctuations, but that's it for the swing factor in the big picture. Also, if we are talking about 1.0 billion scale I mentioned earlier, I think that would be *Benoxil*, in China, although we do not disclose this information separately.

Seki: Thank you very much. It will be helpful. Thank you very much.

The second point is about *Ryjusea*. I'm sorry, just for confirmation, I thought I heard you say earlier that Selective Treatment was not included in the medium-term management plan. I would like to confirm that point, and I heard the continuation rate is very important, and it may be a little early to say, but if you have any estimates of the continuation rate, or if it is lower than expected or so, I would appreciate it if you could give us an indication. Thank you.

Koshiji: First of all, this Selective Treatment matter, this was just determined last month, so we have not incorporated it into our mid-term management plan at all. I mentioned it as it will be the upside in that respect.

Regarding the continuation rate, Mr. Sakuma.

Sakuma: Yes, let me see. At this point in time, I'm a little sorry, I don't have that data yet. Sorry.

Seki: Yes. Thank you very much. That is all.

Sakuma: We would like to move on to the next question. Next, Mr. Ueda of Goldman Sachs, please go ahead.

Ueda: My name is Ueda from Goldman Sachs. Firstly, I would like to ask you to follow up a little bit on the point that you anticipate a growth in Q4.

As for *Diquas LX*, shipments have fully resumed, and looking at the subsequent demand in the market, etc., the progress rate is low as of the current Q3, but if there is no problem at all in achieving this goal.

As for *Alesion*, I wonder if not only the pollen dispersal but also the switch to cream formulations will be quite important in Q4, because the sales level is low compared to the same period last year, where, inevitably, the trend until Q3 is changing to AG, of course.

Since you seem to have a view that includes risk in this area and with some degree of certainty, can you tell us the thinking behind this?

Koshiji: First of all, regarding *Diquas* (Santen post amendment: *Diquas LX*), it is not about the progress rate is not so low or high, but rather it's the correlation between the Q3 results and the full-year forecast, as we have not supplied the market until now.

Rather, we are thinking positively about the fact that there has been no market, no supply, and the limited shipments have been lifted. Under the limited shipment situation, many medical institutions were reluctant to place orders because they were concerned that the product would not be provided in a stable manner, but the lifting of limited shipments has considerably lowered this hurdle. Furthermore, the market share is not declining, so it is something that will be driven in that regard. In this regard, we have a certain, or rather high, degree of confidence for our full-year forecast.

However, we are not sure how this is really going to work, but that is the assumption we are making at this time.

Next, as for *Alesion*, as you mentioned, the drug price itself is declining as a whole, and switching to *Alesion* cream is the most important driver to maximize sales and especially profits, so we recognize the importance of switching to *Alesion* cream.

However, regarding this point, while the switching appears to be proceeding as planned at present, it does look somewhat weaker compared to the previous year. This is because last year saw initial shipments particularly in Q1, which is reflected in the cumulative figures.

Another more fundamental challenge is the acquiring acceptance by patients and medical institutions who feel eye drops are sufficient. We are facing the challenge of how to proceed with the switching.

However, we recognize that such negative or conservative reactions are within the scope of the plan's assumptions from the beginning. That is all.

Ueda: Thank you very much. Second, I would appreciate an update on your Company's current view of changes in the domestic business environment.

Regarding this system revision, there are aspects like increasing the patient co-payment for long-listed products based on a Selective Treatment and raising patient costs for OTC-like medications; however, as explained previously, is it correct to understand that the fundamental impact on your Company's performance will be minimal?

Regarding AG, I believe changes to the drug price are possible. Could you please explain once again whether this will impact the life-cycle management strategies incorporated into your Company's mid-term management plan and similar initiatives?

Koshiji: In that respect, we believe that OTC-like drugs, which are easy to answer first of all, have little impact because we are not dependent on switch OTC or OTC-like drugs.

At this point, the products that are actually subject to the target are the conventional *Alesion*. Which is 0.05%. This one is theoretically possible, but, since progress is being made for switching to LX from this one, the impact is expected to be very slight, almost negligible. That is how we see it.

Second. Regarding the impact of system reforms, including the Selective Treatment, on our business in Japan, we have conservatively taken into account a certain percentage of the risk of system revisions in our mid-term management plan, but the swing factor is still a little large. So, when creating the figures for the mid-term management plan, we conservatively estimate the growth potential of the market itself, and also conservatively estimate the relationship with competitors.

In this regard, we have made the assumption that the Japanese market will remain roughly flat compared to 2024, growing at about 1% In this regard, we hope you will understand that we are currently making the mid-term forecast plan that is designed to absorb any unforeseen changes in the NHI drug price system.

Ueda: I see. Thank you very much.

Sakuma: Sorry, just one addition. Regarding the question from Mr. Ueda, I believe there was also mention of the drug price for AG. I interpreted this as meaning the impact when AG's price would be the same as for the long-listed product; however, this will fundamentally apply starting with the October listing this year. Therefore, for the AG already on the market now, we see no impact. I would like to add that you don't have to worry about that, either.

Ueda]: Thank you very much. Is it my understanding that we don't have to think too much about what is expected in the mid-term management plan in terms of what you will produce in the future, such as life-cycle management?

Sakuma: Yes, you are right.

Koshiji: Yes.

Ueda: I see. Thank you very much. That's all from me.

Sakuma: Thank you very much. Then, next, thank you for waiting. Mr. Hashiguchi of Daiwa Securities, please go ahead.

Hashiguchi: I am Hashiguchi from Daiwa Securities. Thank you very much for your presentation.

The first is about the trend of the cost of sales ratio. Cutting it out every three months, it appears to improve a bit from Q1 to Q2 and then deteriorate a bit again from Q2 to Q3. You explained that the product mix improved from Q1 to Q2, but what is the reason for the slight deterioration this time and what is your current outlook for the full year?

Koshiji: Let me see. The figure increased from 42% in Q2 to 44% in Q3. As you may have observed, the 42% figure reflects both an improvement in the product mix and, secondly, a partial reversal of inventory valuation losses on raw materials for *Setaneo*, 126. In addition to this, changes in the product mix and the effects of these changes have resulted in Q2 looking slightly better than in the past.

So, as an actual value excluding reversal, Q2 was about 43% to 43.5%, but I think you can reinterpret it that way. In Q3, the figure was 44%, although it has worsened slightly. That's it.

The ratio of *Alesion* and *Diquas*, which will increase through Q4, can be calculated to land at 44% (Santen post amendment: 42%) for the full year. That is how we see it. Does this answer your question?

Hashiguchi: So, would it be correct to understand that there were no particular temporary factors in Q3?

Koshiji: In Q3, yes, there was no point like that. Strictly speaking, it is an inventory valuation decrease, revaluation. There may result in decreases or gains. Such effects are there if we see strictly, but since they are in the range of 0.1 or 0.2 percent in terms of the cost of sales ratio, I believe we can say that there are no transitory factors in general.

Hashiguchi: Thank you very much.

The second point concerns the development of olodaterol. You have been conducting Phase 2b trial for dry eye, and now you have begun preparations for Phase 1/2b trial for allergic conjunctivitis. Is this your goal to develop the two indications in parallel and obtain approval? If the drug has both of these indications, I would like to know what kind of positioning you think can be expected at this stage.

Sallstig: Thank you for your question.

Yes, that is correct, and we are currently promoting the development for two indications: dry eye and allergic conjunctivitis. However, we are still in the early stages of development, and we don't know how things will turn out until we have more data, so I can't tell you anything about positioning at this time, but I hope to be able to talk about that as well when the results come in.

Hashiguchi: Thank you very much. That is all.

Sakuma: Thank you very much.

Continuing on, Mr. Lee of Morgan Stanley Securities, please go ahead.

Lee: Thank you very much. First of all, about *Ryjusea*, I think the plan is to double sales from Q3 to Q4, but can you explain again what is behind this? You commented earlier that you focused on increasing the number of referrals, but I would like to hear about it in more details. Thank you very much.

Koshiji: Yes. We have been working to increase the number of facilities that use it for some time, and at present we have 3,000 facilities that use it, and we are making progress as planned. We expand the number of referrals in facilities that have adopted through Q4. Therefore, we go from expanding the surface to expanding the depth. This will drive the sales. That is how we see it.

Lee: I see. Thank you very much.

The second point is about the next term. It's about *Diquas LX*. You have just lifted the limited shipments in January, but to what extent are you aiming for recovery in the next fiscal year? I believe that sales were around JPY13.0 billion before the suspension of shipments, but I would like to ask you if you can aim for JPY10.0 billion as a goal.

In addition, *Alesion* also saw a decline in sales this fiscal year due to a drop in unit price, but if you can increase sales next fiscal year through the growth of the cream. Let me know about these two points. That is all.

Koshiji: Regarding *Diquas* (Santen post amendment: *Diquas LX*), whether it will reach the previous JPY10.0 billion level mentioned earlier will be addressed in next fiscal year's guidance, but in terms of volume, we anticipate it will reach the level to exceed JPY10.0 billion at this stage.

Especially in the dry eye area, we believe that we can return to the same level as before with our dominant position in this respect, because this concerns another company, but even after a generic product going public, their market share hasn't consistently grown, so.

Also, as for *Alesion*. In that respect, it is difficult to say at this stage whether we will be able to increase the amount from JPY26.5 billion or not next fiscal year. As CEO Ito mentioned in the Q2 results, we are switching to *Alesion* Cream. At this point, we are formulating the budget with a view to increasing the current fiscal year's level by promoting the switching.

Based on this, the actual budget will be finalized and then disclosed in May. Given this perspective, while there are various challenges at this stage, we intend to disclose the information only after thoroughly assessing the evaluation and certainty of those challenges and confirming whether we can increase the results compared to this fiscal year. That is how we see it. That is all.

Lee: Yes. I understand. Thank you very much.

Sakuma: Thank you very much.

Then, as the closing time is approaching, I would like to conclude today's briefing. As for the product development meeting that was just introduced by Sallstig, it was mentioned mid-March, it is actually scheduled on March 19, and we will provide details separately, thank you.

Thank you very much for your participation today.

Koshiji: Excuse me, one more point. Finally, regarding the numerous comments pointing out that we may be overly optimistic about our Q4 outlook for today, we have conducted a thorough and cautious internal review on this matter. The JPY19.2 billion is the largest in our history, but in terms of the progress rate, the progress rate in Q3 of FY2022 was 61%. In Q4, the situation was 39%, and the core operating profit at that time, was JPY17.1 billion. The increase of JPY2.0 billion from that level is feasible considering various factors. At this point, based on that consideration, we are leaving our earnings forecast unchanged. That is the situation.

That concludes with my additional remarks.

Sakuma: Thank you very much. This concludes the session. Thank you very much.

[END]