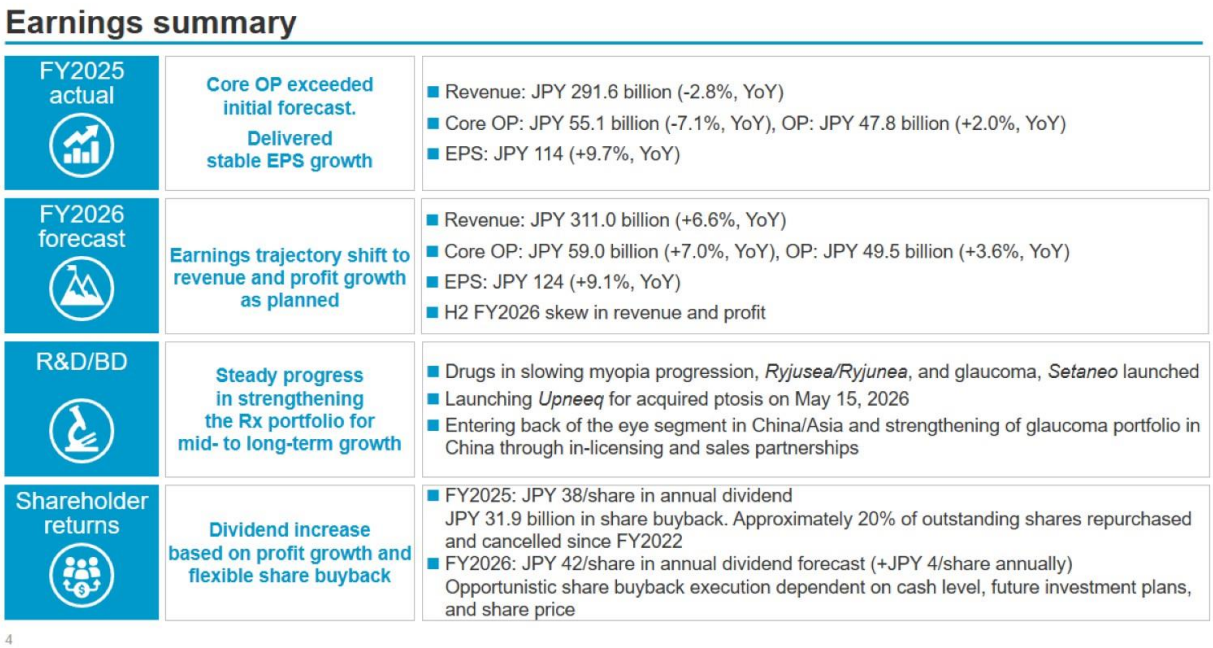
FY2025 Financial Results Transcript



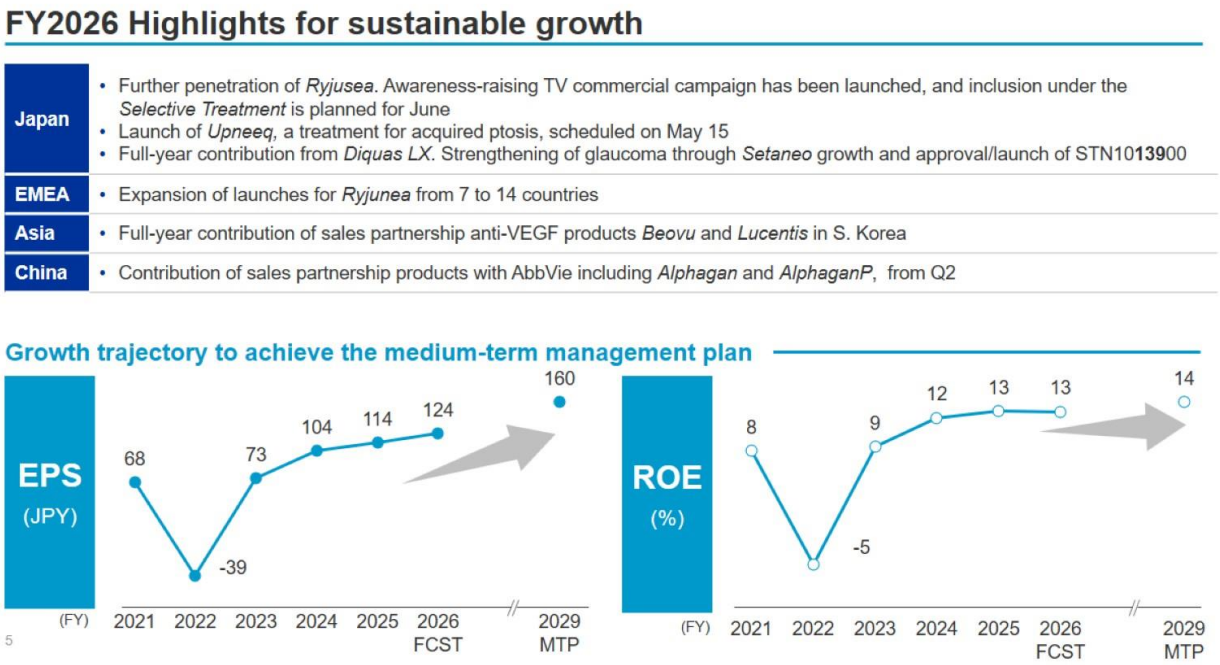
Ito: I am Takeshi Ito, CEO of Santen Pharmaceutical. Thank you for joining us today for our FY2025 financial results presentation. I would like to begin with an overview of our financial results. Please turn to page 4.

Although FY2025 was by no means an easy year from a business environment standpoint, core

operating profit exceeded our initial forecast, supported by contributions from new products such as *Ryjusea* and *Setaneo*, the resumption of shipments of *Diquas LX*, solid performance of the *Alesion* products in Japan, and contributions from Asia and EMEA. EPS was JPY 114.

Under our Medium-Term Management Plan, we position FY2026 as the year in which we return to a growth trajectory in both revenue and profit. We forecast revenue of JPY 311.0 billion and core operating profit of JPY 59.0 billion, representing a return to top-line and profit growth, and we remain firmly focused on recovering to a level close to FY2024. We also forecast EPS of JPY 124, up 9.1% year on year.

As our return to a trend of revenue and profit growth has become increasingly clear, we also intend to further enhance shareholder returns, which remain a key management priority. In line with our progressive dividend policy, we forecast an annual dividend of JPY 42 per share for FY2026, representing an increase of JPY 4 per share. With respect to share buybacks, we will continue to review them on an ongoing basis and execute them flexibly, taking into account investment opportunities and other considerations.



Please turn to page 5.

I will now explain the assumptions underlying our forecast for the current fiscal year.

In Japan, we launched *Ryjusea*, a slowing myopia progression, in April of last year, and have since prioritized the establishment of appropriate myopia progression treatment in clinical practice and the promotion of adoption. In the current fiscal year, we are shifting our emphasis toward broader disease awareness activities. As of yesterday, we have commenced disease awareness campaigns on childhood myopia across television and web channels. In June, slowing myopia progression drugs are expected to be included in the selective treatment (*Sentei-ryoyo*) system, with consultation and

examination costs becoming eligible for public insurance coverage. We believe this will also provide momentum toward achieving the Medium-Term Management Plan target of JPY 30.0 billion in global sales by FY2029.

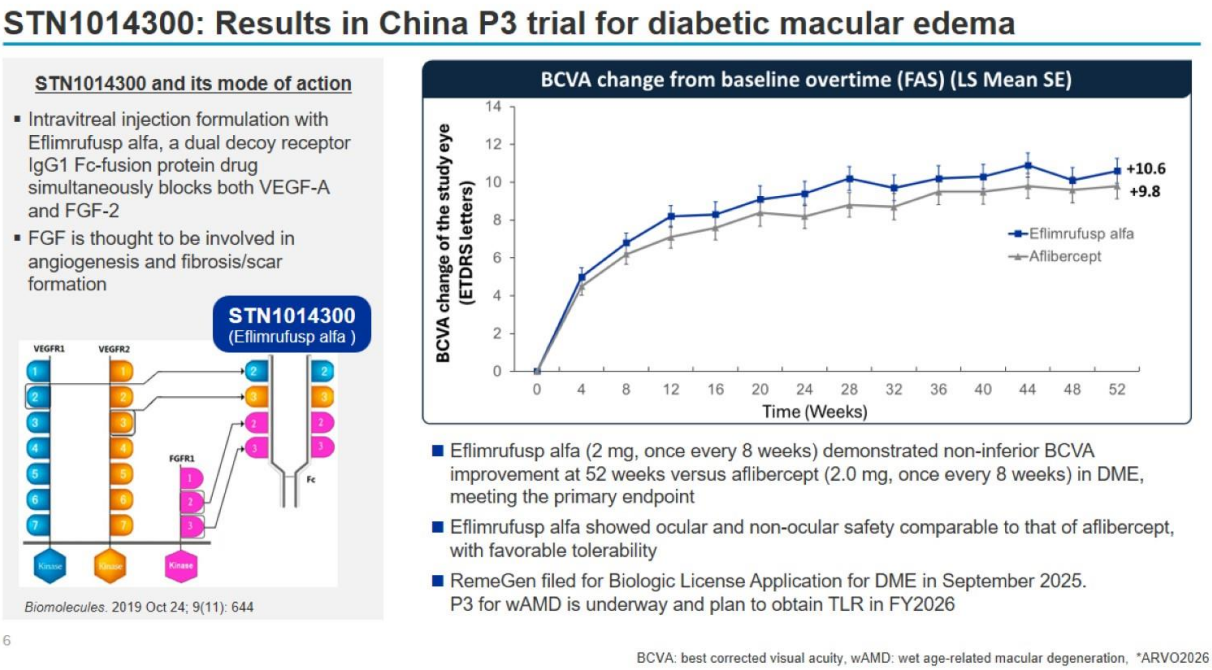
In addition, on Friday the 15th, we will launch *Upneeq* for ptosis in Japan. Ptosis is associated not only with visible changes caused by drooping upper eyelids; as it progresses, it may also lead to narrowing of the visual field and various difficulties in daily life, including eye strain, headaches, and shoulder stiffness. By promoting greater understanding of the condition and awareness of pharmacological treatment, we aim to provide a new treatment option for patients with ptosis, for whom surgery had previously been the only option. As with *Ryjusea*, it is important to establish the treatment infrastructure while broadening awareness that this is a treatable condition. Accordingly, our sales forecast for the current fiscal year is a modest JPY 1.4 billion rather than a sharp ramp-up. Even so, we believe this may encourage patients who have not traditionally visited ophthalmology clinics to seek care prompted by ptosis, which may also contribute to earlier detection and treatment of other eye diseases.

In EMEA, we plan to expand the number of countries in which we launch our slowing myopia progression drug, marketed under the brand name *Ryjunea*, which was first launched in Germany last year. As in Germany, reimbursement coverage is expected in many European countries, and the region already has an established foundation for the use of atropine eye drops through in-hospital compounding. Accordingly, we have high expectations for future growth.

In Asia, we commenced a sales alliance for anti-VEGF products in South Korea last year, thereby entering the back of the eye market. South Korea accounts for more than half of our sales in Asia, where we currently hold the number one market share, and through this expansion into the back of the eye market, we intend to maintain our market presence.

In China, following last year’s in-licensing of a back of the eye pipeline from RemeGen, we further strengthened our portfolio in April through a sales partnership with AbbVie for glaucoma treatments.

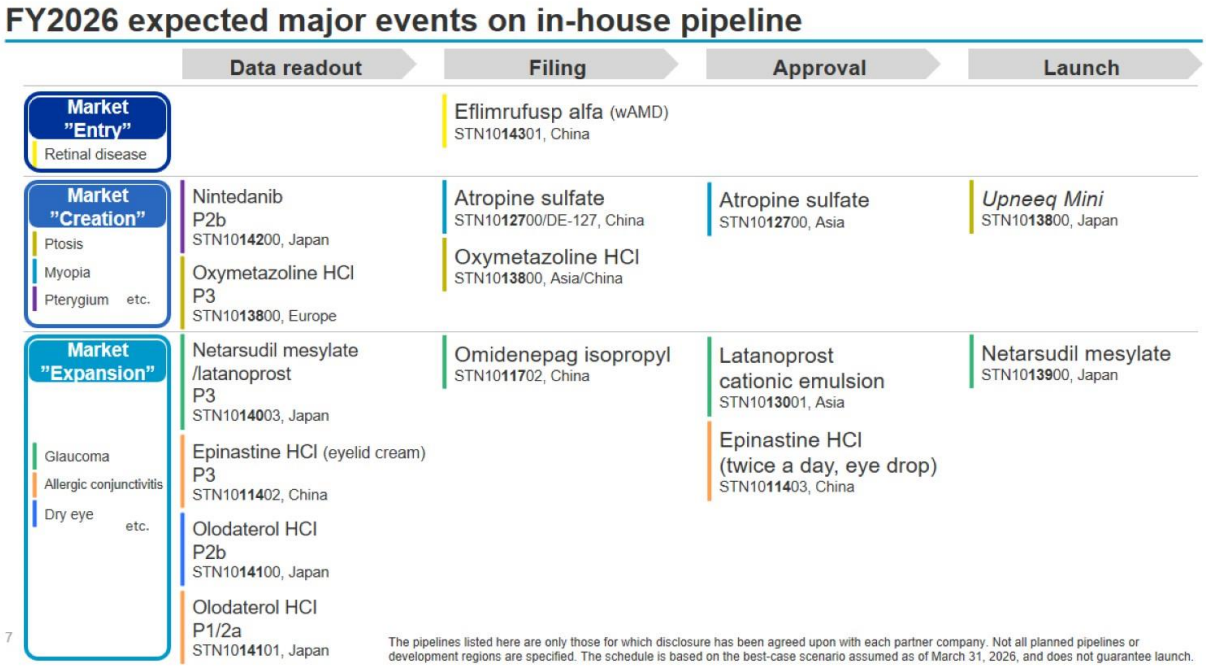
Supported by these initiatives, together with steady contributions from existing products, we forecast EPS of JPY 124 for the current fiscal year, and from the following fiscal year onward, we intend to build on a base in the JPY 120 range and continue expanding. As a result, while maintaining financial soundness, we aim to achieve ROE of 14% or higher, as set out in our Medium-Term Management Plan.



Page 6. I would now like to address key pipeline topics.

The bi-specific fusion protein drug targeting VEGF/FGF in-licensed from RemeGen was filed in China in September for diabetic macular edema. Phase 3 data were recently presented at ARVO, the world's largest ophthalmology conference, and I would like to highlight those results. The graph on the right shows the time course of change from baseline in best corrected visual acuity when this drug and aflibercept 2 mg, marketed as *Eylea*, were each administered intravitreally once monthly for five consecutive doses and once every two months thereafter. Higher values on the vertical axis indicate greater improvement in best corrected visual acuity. For the primary endpoint, best corrected visual acuity at week 52, this drug demonstrated non-inferiority versus aflibercept. In addition, although the difference was not statistically significant, the magnitude of change for this drug was numerically greater than that for aflibercept.

A Phase 3 study in wet age-related macular degeneration is also currently underway, and we expect to obtain results and file within the current fiscal year. We expect approval and launch for diabetic macular edema in FY2027, followed by an additional indication for age-related macular degeneration in the subsequent fiscal year.



Next, I would like to discuss the major pipeline-related events expected in the current fiscal year. Please turn to page 7.

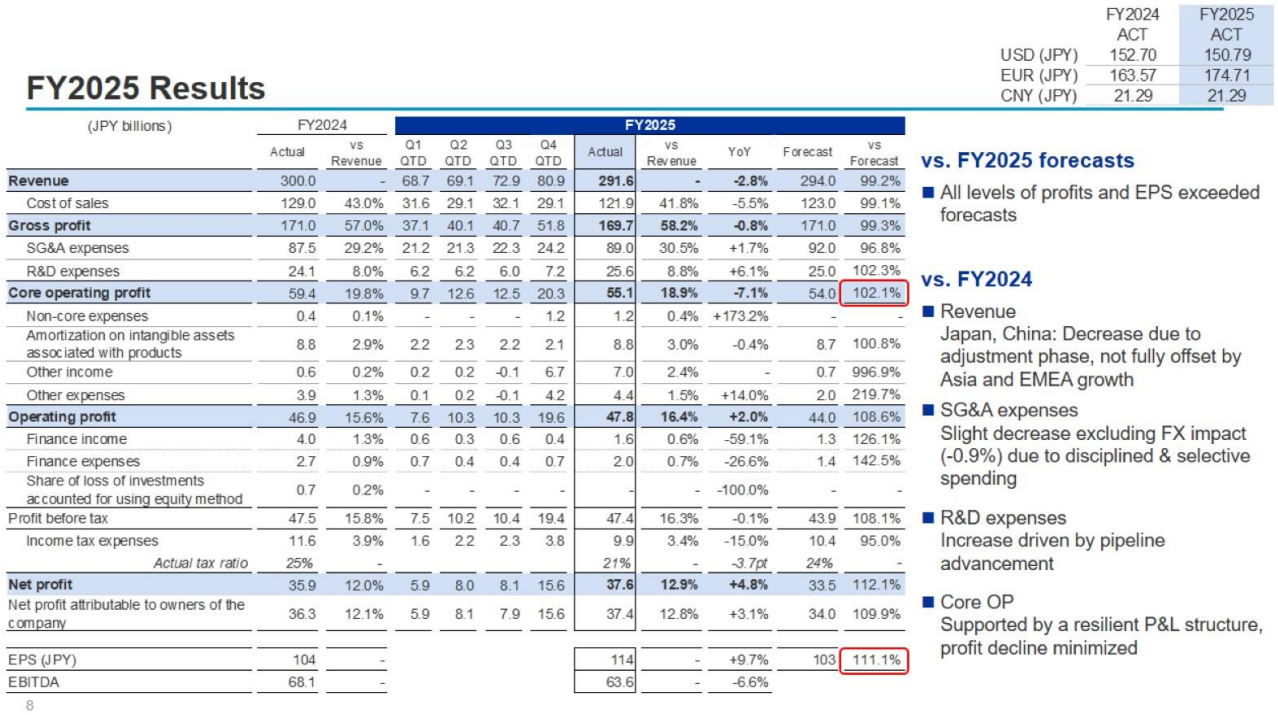
In addition to the launch of *Upneeq* in Japan, which I mentioned earlier, overseas development programs for myopia and ptosis are also entering their final stages.

We also have important milestones ahead for pipelines that drive our medium- to long-term growth, including data readouts in pterygium, dry eye with a new mechanism of action, and allergic conjunctivitis, as well as the launch in Japan, Santen's mother market, of a ROCK inhibitor.

With respect to the sirolimus ophthalmic solution for which we had been conducting proof-of-concept studies in Fuchs endothelial corneal dystrophy and meibomian gland dysfunction, unfortunately, we did not obtain the results we had anticipated. In general, the success rate of clinical trials through proof of concept is very low; however, this is a necessary step in creating new solutions and an important gate before entering costly and time-consuming late-stage development. As we explained at our Product Development Meeting in March, Santen will continue to pursue early-phase programs prior to proof of concept, in addition to in-licensing late-stage assets.

Although a certain degree of uncertainty remains in the macro environment in the current fiscal year, we will respond flexibly and appropriately, supported by the agile business operating structure we have built since our structural reforms. We believe our forecast for the current fiscal year is achievable and aligned with delivery against the Medium-Term Management Plan, and from the following fiscal year onward, we believe the foundations will be in place to generate core operating profit of JPY 60.0 billion or more on a stable basis.

This concludes my presentation.



	FY2024 ACT	FY2025 ACT
USD (JPY)	152.70	150.79
EUR (JPY)	163.57	174.71
CNY (JPY)	21.29	21.29

FY2025 Results

(JPY billions)	FY2024		FY2025								
	Actual	vs Revenue	Q1 QTD	Q2 QTD	Q3 QTD	Q4 QTD	Actual	vs Revenue	YoY	Forecast	vs Forecast
Revenue	300.0	-	68.7	69.1	72.9	80.9	**291.6**	**-**	**-2.8%**	294.0	99.2%
Cost of sales	129.0	43.0%	31.6	29.1	32.1	29.1	121.9	41.8%	-5.5%	123.0	99.1%
Gross profit	171.0	57.0%	37.1	40.1	40.7	51.8	**169.7**	**58.2%**	**-0.8%**	171.0	99.3%
SG&A expenses	87.5	29.2%	21.2	21.3	22.3	24.2	89.0	30.5%	+1.7%	92.0	96.8%
R&D expenses	24.1	8.0%	6.2	6.2	6.0	7.2	25.6	8.8%	+6.1%	25.0	102.3%
Core operating profit	59.4	19.8%	9.7	12.6	12.5	20.3	**55.1**	**18.9%**	**-7.1%**	54.0	102.1%
Non-core expenses	0.4	0.1%	-	-	-	1.2	1.2	0.4%	+173.2%	-	-
Amortization on intangible assets associated with products	8.8	2.9%	2.2	2.3	2.2	2.1	8.8	3.0%	-0.4%	8.7	100.8%
Other income	0.6	0.2%	0.2	0.2	-0.1	6.7	7.0	2.4%	-	0.7	996.9%
Other expenses	3.9	1.3%	0.1	0.2	-0.1	4.2	4.4	1.5%	+14.0%	2.0	219.7%
Operating profit	46.9	15.6%	7.6	10.3	10.3	19.6	**47.8**	**16.4%**	**+2.0%**	44.0	108.6%
Finance income	4.0	1.3%	0.6	0.3	0.6	0.4	1.6	0.6%	-59.1%	1.3	126.1%
Finance expenses	2.7	0.9%	0.7	0.4	0.4	0.7	2.0	0.7%	-26.6%	1.4	142.5%
Share of loss of investments accounted for using equity method	0.7	0.2%	-	-	-	-	-	-	-100.0%	-	-
Profit before tax	47.5	15.8%	7.5	10.2	10.4	19.4	47.4	16.3%	-0.1%	43.9	108.1%
Income tax expenses	11.6	3.9%	1.6	2.2	2.3	3.8	9.9	3.4%	-15.0%	10.4	95.0%
Actual tax ratio	*25%*	-					*21%*	-	*-3.7pt*	*24%*	-
Net profit	35.9	12.0%	5.9	8.0	8.1	15.6	**37.6**	**12.9%**	**+4.8%**	33.5	112.1%
Net profit attributable to owners of the company	36.3	12.1%	5.9	8.1	7.9	15.6	37.4	12.8%	+3.1%	34.0	109.9%
EPS (JPY)	104	-					114	-	+9.7%	103	111.1%
EBITDA	68.1	-					63.6	-	-6.6%		

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vs. FY2025 forecasts

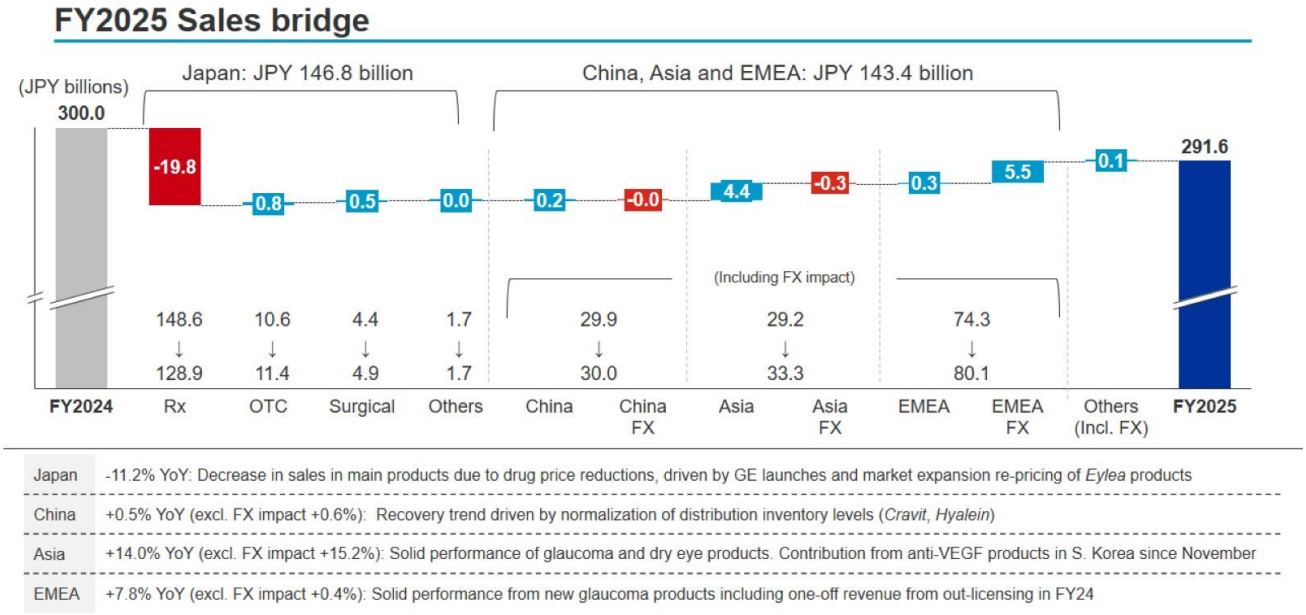
- All levels of profits and EPS exceeded forecasts

vs. FY2024

- Revenue
  Japan, China: Decrease due to adjustment phase, not fully offset by Asia and EMEA growth
- SG&A expenses
  Slight decrease excluding FX impact (-0.9%) due to disciplined & selective spending
- R&D expenses
  Increase driven by pipeline advancement
- Core OP
  Supported by a resilient P&L structure, profit decline minimized

Koshiji: I am Koshiji. Please refer to page 8.

This is the results for FY2025. As the CEO explained earlier, we exceeded our full-year forecast at all kinds of profits, including core operating profit. Although core operating profit, which represents the earnings capacity of our core business, declined year-on-year, both operating profit and net profit increased on an IFRS basis, as balance sheet adjustments related to intangible assets and other items are now substantially complete. EPS increased from JPY 104 in the previous fiscal year to JPY 114, representing roughly double-digit growth.



Japan	-11.2% YoY: Decrease in sales in main products due to drug price reductions, driven by GE launches and market expansion re-pricing of *Eylea* products
China	+0.5% YoY (excl. FX impact +0.6%): Recovery trend driven by normalization of distribution inventory levels (*Cravit*, *Hyalein*)
Asia	+14.0% YoY (excl. FX impact +15.2%): Solid performance of glaucoma and dry eye products. Contribution from anti-VEGF products in S. Korea since November
EMEA	+7.8% YoY (excl. FX impact +0.4%): Solid performance from new glaucoma products including one-off revenue from out-licensing in FY24

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

Page 9 sets out the principal factors underlying the change in revenue. Consolidated revenue reached 99.2% of our full-year forecast, slightly below plan. On a year-on-year basis, revenue decreased 3% to JPY 291.6 billion.

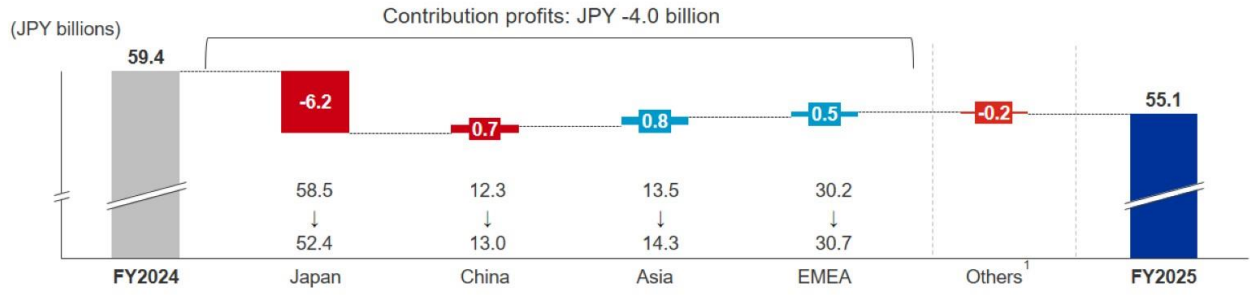
By region, revenue in Japan was JPY 146.8 billion, down 11% year-on-year, while combined revenue in China, Asia and EMEA was JPY 143.4 billion, up 8% year-on-year. As a result, the overseas sales ratio for these three regions increased from 44% in the previous fiscal year to 49%.

In Japan, the principal factors behind the revenue decline were price down resulting from the market expansion repricing of *Eylea* and the switch to *Alesion LX AG*, and the full-year impact of the selective treatment (*Sentei-ryoyo*) system for long-listed products. Excluding *Eylea*, however, performance was broadly in line with our assumptions despite product-specific upside and downside. We regard FY2025 as a period of structural adjustment and steadily advanced the transformation of our portfolio, including the expansion of new products' sales.

In China, sales were flat year-on-year because inventory adjustments took longer than expected. Although fourth-quarter sales were soft due to fewer operating days, channel inventory returned to an appropriate level in the second half, enabling us to establish a fundamental for growth in FY2026.

Meanwhile, Asia delivered double-digit growth, and EMEA also recorded steady growth even excluding the contribution from one-off revenue recognized in FY2024.

FY2025 Core operation profit bridge



Regional contribution profits	Japan YoY decrease minimized through improvement in gross profit margin from products mix change and cost optimization Overseas (incl. FX) Increased through maximization of existing products' sales with addressing steady demand. Improvement in contribution margin through cost optimization.[2] (FY26: Accelerating profit growth through early maximization of new products' sales)
Others	Impact from increases in expenses such as R&D costs

10 1 R&D and indirect expenses in region and global functions, and contribution profit not related to the regions above
2 Excluded one-off revenue from out-licensing in FY24 in EMEA * Hong Kong is included in China.

Page 10 sets out the principal factors underlying the change in core operating profit.

Overall, core operating profit declined by JPY 4.2 billion, or 7% year-on-year, to JPY 55.1 billion, mainly reflecting a JPY 4.0 billion decrease in contribution profit from regional businesses and higher R&D expenses. However, when we look at each of the factors behind the profit decline, we understand that the profitability of our core business, on a core basis, will improve from FY2026 onward.

In Japan, contribution profit declined by JPY 6.2 billion, mainly due to the impact of price down discussed earlier, but remained in line with our initial forecast.

Overseas businesses, meanwhile, delivered year-on-year profit growth even excluding the impact of foreign exchange.

	FY2025 ACT	FY2026 FCST
USD (JPY)	150.79	155.00
EUR (JPY)	174.71	180.00
CNY (JPY)	21.29	23.00

FY2026 Outlook

(JPY billions)	FY2025		FY2026		
	Actual	vs Revenue	Forecast	vs Revenue	YoY
Revenue	291.6	-	**311.0**	-	**+6.6%**
Cost of sales	121.9	41.8%	125.0	40.2%	+2.6%
Gross profit	169.7	58.2%	**186.0**	**59.8%**	**+9.6%**
SG&A expenses	89.0	30.5%	99.5	32.0%	+11.8%
R&D expenses	25.6	8.8%	27.5	8.8%	+7.6%
Core operating profit	55.1	18.9%	**59.0**	**19.0%**	**+7.0%**
Non-core expenses	1.2	0.4%	1.0	0.3%	-13.5%
Amortization on intangible assets associated with products	8.8	3.0%	7.7	2.5%	-12.2%
Other income	7.0	2.4%	0.2	0.1%	-97.1%
Other expenses	4.4	1.5%	1.0	0.3%	-77.2%
Operating profit	47.8	16.4%	**49.5**	**15.9%**	**+3.6%**
Finance income	1.6	0.6%	1.8	0.6%	+9.8%
Finance expenses	2.0	0.7%	1.5	0.5%	-24.8%
Profit before tax	47.4	16.3%	49.8	16.0%	+5.0%
Income tax expenses	9.9	3.4%	10.3	3.3%	+4.2%
Actual tax ratio	*21%*	-	*21%*	-	-
Net profit	37.6	12.9%	**39.5**	**12.7%**	**+5.2%**
Net profit attributable to owners of the company	37.4	12.8%	40.0	12.9%	+7.0%
ROE	13%	-	13%	-	
EPS (JPY)	114	-	124	-	+9.1%

- **Revenue and core OP bottomed in FY25; return to growth trajectory.**
- **H2 weighted progress in revenue and profit, driven by early maximization of new products' sales and overseas expansion of existing products, in line with FY25.**

Major factors in YoY differences

- Revenue
  Overseas business: +16.4% YoY
  (YoY excluding FX: China +14.5%, Asia +19.2%, EMEA +9.0%)
  Japan: Priority on sustainable adoption over rapid expansion for new products, creating mid-term growth drivers.
- Cost of sales
  Decrease by 2%-point due to product mix changes
- SG&A expenses
  Temporary slight increase in the revenue ratio due to new product promotion, despite disciplined cost control (to be kept below 30% in the mid-term)
- R&D expenses
  Balance of proactive investment and efficiency improvements to strengthen capability of product development
- Core OP
  Resilient P&L structure absorbed cost increases, maintaining FY25-level margins and profit growth
- EPS
  Increase to JPY 124

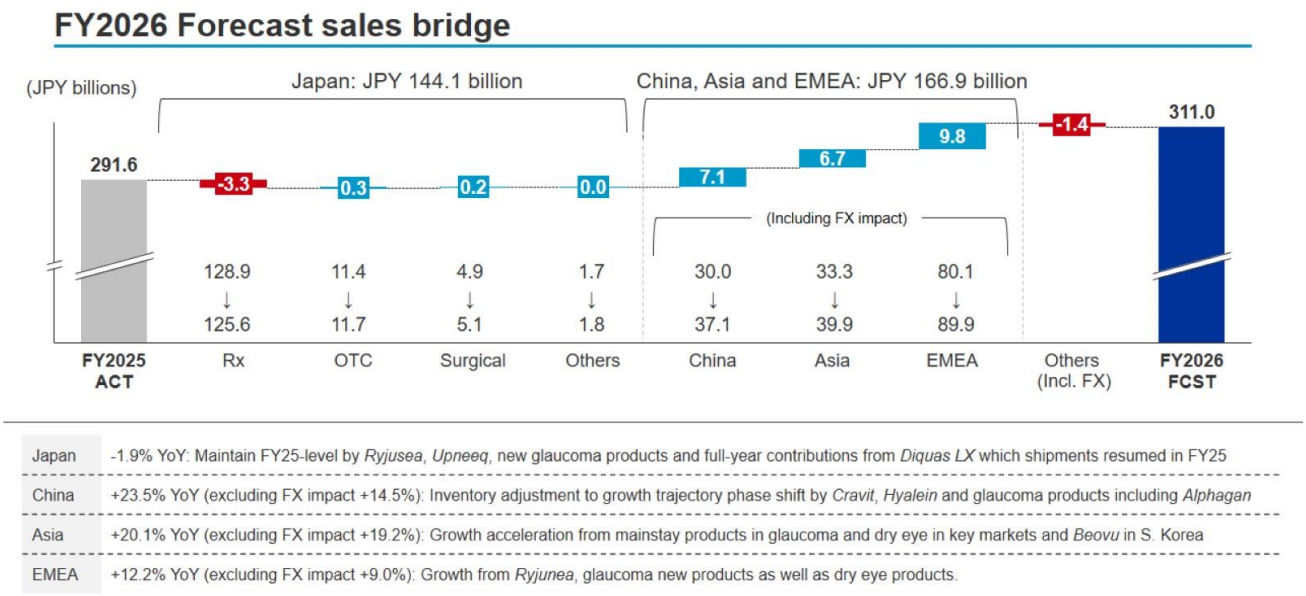
11

Please refer next to page 11 for our full-year forecast for FY2026.

We forecast revenue of JPY 311.0 billion. This forecast assumes that, on a consolidated basis, yen weakness will have an approximately 2% positive impact versus the previous fiscal year, while overseas operations will continue on a growth trajectory on a local-currency basis. We forecast core operating profit of JPY 59.0 billion, with foreign exchange expected to have an approximately 1% positive impact on a consolidated basis. On these assumptions, both revenue and profit are expected to increase 7% on a core basis. SG&A expenses are expected to rise due to higher promotional spending related to new products, and we therefore expect the core operating profit margin to remain broadly in line with the previous fiscal year. Going forward, however, we aim to restore the margin to the 20% range by enhancing the resilience of our P&L against moderate cost-push factors.

On an IFRS basis, we forecast operating profit to increase 4% year-on-year and net profit attributable to owners of the company to increase 7% year-on-year. EPS is projected to increase from JPY 114 to JPY 124, representing growth of 9%.

With balance sheet adjustments, including structural reforms, now largely complete, our P&L structure has reached a level at which, as the CEO mentioned earlier, we are able to generate EPS of around JPY 120 on a stable basis.



Japan	-1.9% YoY: Maintain FY25-level by *Ryjusea*, *Upneeq*, new glaucoma products and full-year contributions from *Diquas LX* which shipments resumed in FY25
China	+23.5% YoY (excluding FX impact +14.5%): Inventory adjustment to growth trajectory phase shift by *Cravit*, *Hyalein* and glaucoma products including *Alphagan*
Asia	+20.1% YoY (excluding FX impact +19.2%): Growth acceleration from mainstay products in glaucoma and dry eye in key markets and *Beovu* in S. Korea
EMEA	+12.2% YoY (excluding FX impact +9.0%): Growth from *Ryjunea*, glaucoma new products as well as dry eye products.

12 *Sales classified into countries or regions based on customer's location. EMEA: Europe, Middle East and Africa.

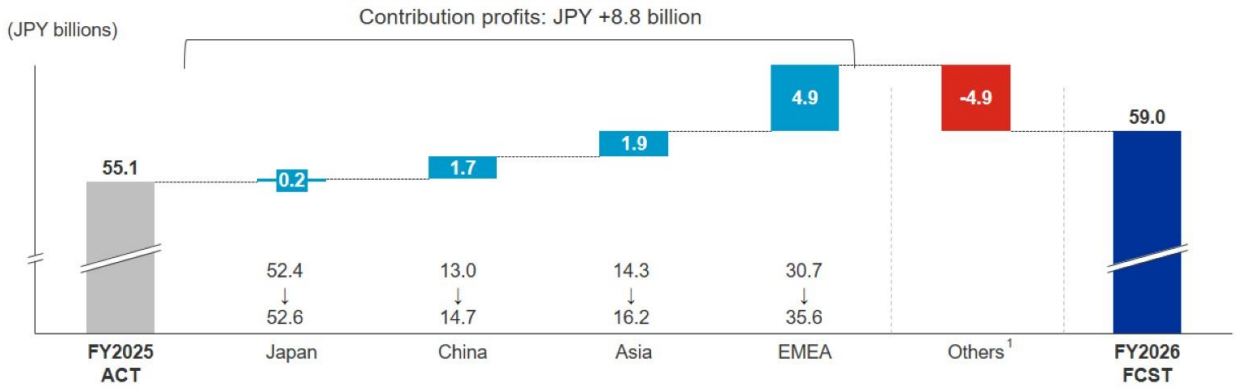
Page 12 sets out the principal factors underlying the change in our revenue forecast.

Of forecast revenue of JPY 311.0 billion, Japan is expected to contribute JPY 144.1 billion, while Overseas businesses is expected to contribute JPY 166.9 billion. The overseas sales ratio for these three regions is therefore expected to reach 54%.

In Japan, from a medium-term perspective, FY2025 was the fiscal year most heavily affected by generic competition for key products. For FY2026, with respect to *Eylea*, which has a large revenue base, we have factored in the market expansion repricing implemented last year, further penetration of generics from other companies, and the return of the premium for promotion of new drug creation. Even so, with the full-year contribution from new products and other factors, the overall Japan business is expected to maintain revenue in the JPY 140.0 billion range, broadly in line with the prior year. We will continue to cultivate medium-term growth drivers to drive revenue growth from the following fiscal year onward.

Overseas businesses are expected to grow 16% year-on-year. On a local-currency basis, overall overseas revenue is still projected to increase 12%. All three regions are expected to contribute to this double-digit growth: China, where inventory adjustments were completed in the previous fiscal year; Asia, including South Korea, where we entered the back of the eye market for the first time outside Japan; and EMEA, where the phased launch of new products continues. Together with the early value maximization of myopia and ptosis products in Japan, these businesses are expected to serve as major drivers of our medium-term growth.

FY2026 Forecast Core OP bridge



Regional contribution profits	Japan: Increase due to gross margin improvement driven by increased ratio of new products mix and *Diquas LX* in product sales (YoY +0.5%) Overseas: Increase due to sales growth despite lower gross margin with products under sales partnerships in Asia/EMEA (YoY (excluding FX impact): China +13.0% (+4.6%), Asia +13.2% (+13.1%), EMEA +16.1% (+12.4%))
Others	Increase in R&D and other costs

13

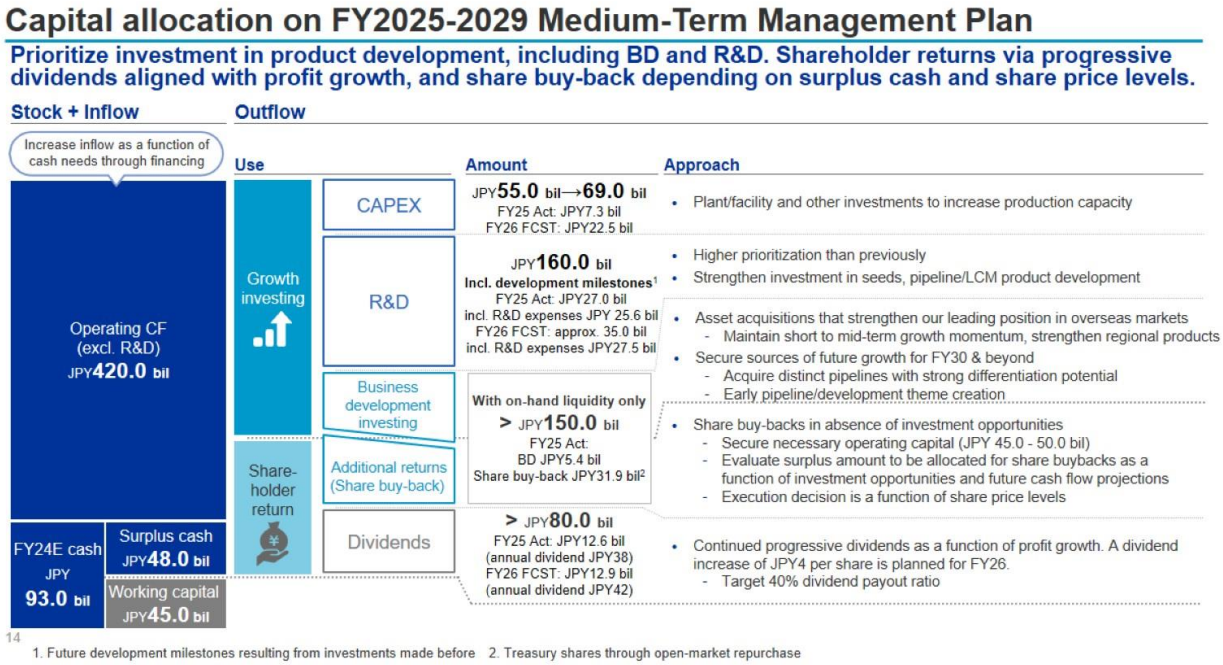
1 R&D and indirect functional expenses in region and global functions, and contribution profit not related to the regions above

Page 13 sets out the principal factors underlying the change in our core operating profit forecast.

We expect a net increase in profit of JPY 3.9 billion, or 7% year-on-year, to JPY 59.0 billion, driven by a JPY 8.8 billion increase in contribution profit from regional businesses, partly offset by a JPY 4.9 billion increase in R&D expenses and indirect costs.

In Japan, we expect a gradual increase in profit. From a medium-term perspective, compared with FY2024 core operating profit of JPY 58.5 billion, we aim to achieve approximately JPY 60.0 billion, representing performance ranging from broadly flat to a slight increase in medium-term.

Overseas contribution profit is expected to increase by approximately 15%. While the margin is expected to remain broadly flat at around 40%, this reflects changes in product mix, including alliance products, and we believe underlying profitability and earnings resilience are improving.

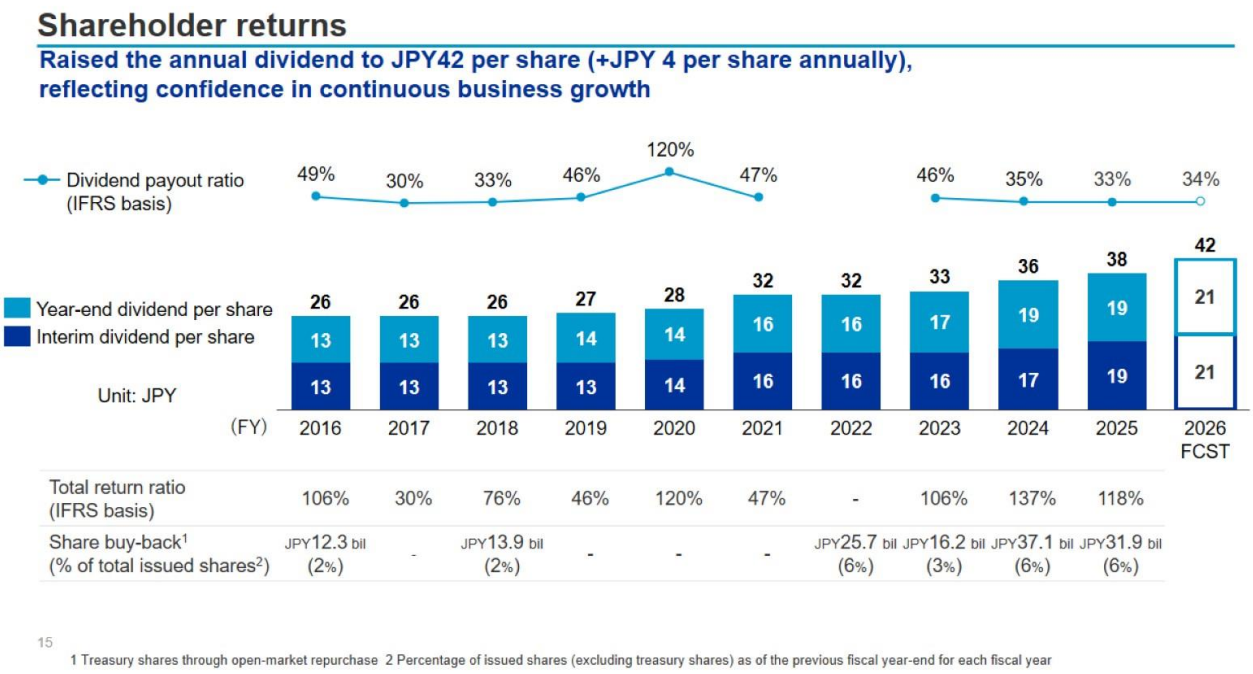


Please refer next to page 14 for our capital allocation policy.

In addition to cash on hand of JPY 80.9 billion at the end of FY2025, we expect operating cash flow of approximately JPY 60.0 billion in FY2026. Based on these resources, we intend to balance growth investment with shareholder returns. After securing JPY 45.0 billion as working capital, we will prioritize investments that drive medium- to long-term growth. Capital expenditure is expected to total JPY 22.5 billion, centered on expanding production capacity for new products such as *Ryjusea* and *Upneeq*. R&D expenses are planned at JPY 27.5 billion and, including development milestone payments of projects already under contract as of the end of FY2024, total investment is expected to amount to approximately JPY 35.0 billion for product developments.

In business development, consistent with our existing policy, we will pursue opportunities that strengthen our presence in overseas markets and enable us to acquire pipelines that drive long-term growth. We will allocate resources with discipline, including through careful management of side effects such as potential ROIC dilution.

With respect to shareholder returns, in line with our progressive dividend policy, we plan to increase the annual dividend by JPY 4 to JPY 42 for FY2026. With respect to share buy-backs, we will consider them during the fiscal year, taking into account the level of surplus capital, future funding needs and share price levels.



Finally, please refer to page 15 regarding shareholder returns.

This overlaps with the explanation of capital allocation on the previous page, but I hope this slide also gives you a sense that we have returned profits to our shareholders through stable dividends and share buy-backs over the past 10 years.

This concludes my presentation.

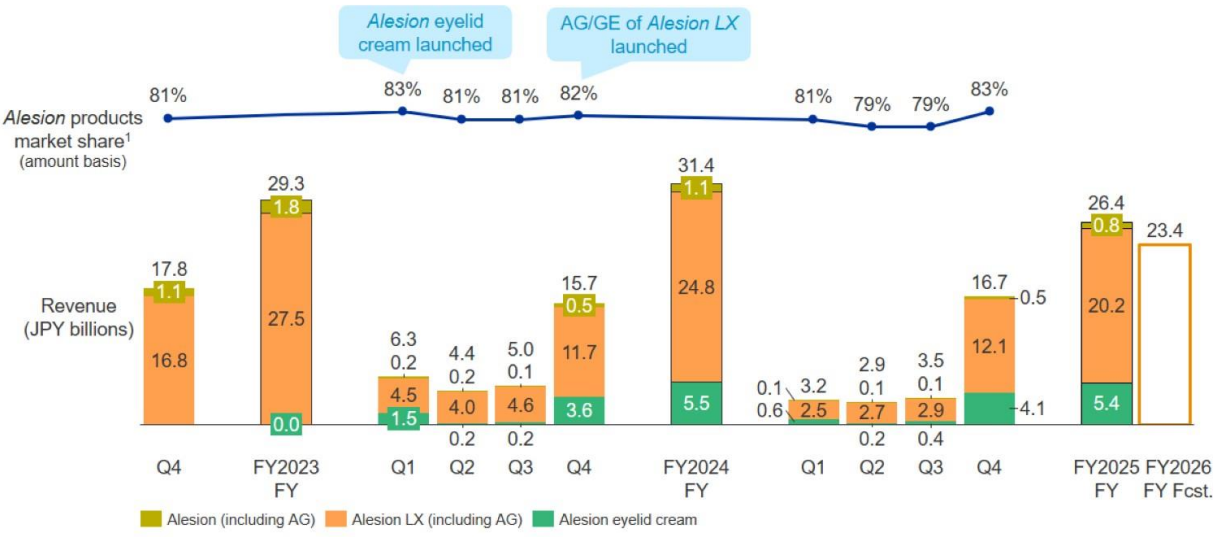
Question & Answer (Summary Version)

Citi Group Securities (Mr. Yamaguchi)

Q1:

Q4 sales were somewhat weak, but the company managed to exceed targets. Regarding *Alesion Cream*, while overall performance was on track, the cream struggled compared to forecast (over JPY 10.0 billion). What are your thoughts on last year's results and your outlook for this product going forward?

Current status of *Alesion* products in Japan



1 *Alesion* is a registered trademark of Boehringer Ingelheim KG. Source: Copyright © 2026 IQVIA. JPM 2024.1-2026.3; Santen analysis based on IQVIA data. Reprinted with permission

A1:

For FY2025, *Alesion Cream* underperformed due to two main reasons: (1) The product requires appropriate usage for efficacy, but promotional activities to ensure this were insufficient due to resource allocation to other supply issues; (2) The strong performance of *Alesion LX AG* (authorized generic) limited cream uptake. For FY2026, the company aims to maximize cream sales by promoting its sustained efficacy and appropriate usage year-round including off-season. Confidence in the product remains high, and cream ratio within the *Alesion* products sales is expected to increase.

Q2:

Overseas sales, especially in Europe, Asia, and China, are expected to grow strongly. Are there any market risks, particularly in China, or is the outlook robust?

A2:

Asia: The market is growing at 7-8%, and new product partnerships (e.g., Novartis in South Korea) are positive.

Europe: Market growth is 3-4%, but new glaucoma and myopia products are expected to drive strong growth.

China: Last year's growth was limited due to internal factors (inventory adjustment and underperformance of *Benoxil*). These issues have been resolved, and FY2026 should see strong growth, especially with new AbbVie partnership products.

No major execution risks are foreseen in any region.

Goldman Sachs Securities (Mr. Ueda)

Q1:
Please provide your current assessment and outlook for new products such as *Ryjusea* and *Upneeq*, especially considering *Ryjusea*'s underperformance last year but strong growth plans and investment in production capacity.

A1:
Ryjusea: FY2025 forecast was JPY 1.4 billion, actual JPY 1.1 billion. Adoption at ~3,200 medical institutions, with monthly sales rising (March > JPY 150.0 million). Treatment continuation willingness rate is ~90%. With disease awareness campaigns and addition to the selective treatment (Sentei-ryoyo) system, adoption is expected to exceed 4,000 facilities soon (out of ~8,000 ophthalmology clinics), likely surpassing 50% adoption this year.
Upneeq: Launching soon, expected rapid adoption (>3,000 clinics), as it addresses unmet needs in ptosis treatment and is easy to integrate into routine practice. Efficacy is easily recognized by both doctors and patients.

Q2:
Regarding *Alesion*, given last year's difference from forecast, what are the risk factors for this year's plan, and can profit targets be achieved even if sales underperform?

A2:
Pollen levels are assumed to be average (lower than last year). *Alesion Cream* is the main focus, aiming to exceed last year's 20% share of total *Alesion* sales. If cream underperforms, *Alesion LX AG* can cover the gap. The overall target of JPY 23.4 billion for the *Alesion* products is considered achievable.

Daiwa Securities (Mr. Hashiguchi)

Q1:
What is the status of *Diquas LX* after the shipment restart? Performance was about half of the original plan. What are the reasons, and how confident are you in achieving strong growth this year?

A1:

Shipment resumed at the end of last year with restrictions, leading to cautious uptake. Sales resources were diverted to other products due to supply issues. From March, promotional activities increased, resulting in April sales 20% higher than March. Sales of *Diquas LX* are highly dependent on detailing; with increased promotion, significant sales growth is expected this year.

Q2:
There are significant planned increases in R&D and SG&A expenses. What are the main factors behind the planned increase in expenses, and how likely is actual spending to match the plan?

A2:
R&D expenses are up 7.6% YoY (2% FX impact, 5.6% real), mainly due to pipeline advancement. SG&A up 11.8% (2% FX, 9.8% real), driven by personnel costs (4-4.5% average salary increase) and temporary costs for new product launches. The plan is well-supported, and deviation is unlikely. However, profit progress will be weighted toward Q4, and cost control will be maintained throughout the year.

UBS Securities (Mr. Seki)

Q1:
The Cash Conversion Cycle (CCC) is forecasted to improve only slightly (223 days in FY2025 to 210 days in FY2026). What are the reasons, and are there regional differences?

A1:
Inventory increases are due to preparations for new product launches including *Ryjusea*, *Setaneo*, *Diquas LX*. This is a temporary effect, split evenly between domestic and overseas. CCC is expected to return to ~170 days mid-term, with a target below 150 days.

Q2:
Asia sales are growing, but margins are declining. Is this due to product mix (in-licensed products) or increased costs? How does this affect the mid-term margin target (48%)?

A2:
Asia margin dilution is mainly due to in-licensed products (*Beovu*, *Lucentis* in South Korea). The mid-term plan did not anticipate these partnerships, so the margin rate may differ, but absolute profit is expected to meet targets.

JP Morgan Securities (Mr. Wakao)

Q1:
Ryjusea and *Upneeq*: Current plans (*Ryjusea* JPY 4.0 billion, *Upneeq* JPY 1.4 billion) seem conservative compared to management's positive outlook. Are these numbers based on recent progress or earlier assumptions? Is there potential for *Upneeq* to exceed initial targets?

A1:
Ryjusea: Plans are based on regional business estimates, but management expects long-term growth. *Upneeq*: Rapid adoption (>3,000 clinics) is expected, but whether it will reach 6,000-7,000 clinics is uncertain. Disease awareness campaigns for ptosis will start in FY2027, so FY2026 focuses on building medical infrastructure. The JPY 1.4 billion target may be exceeded.

Q2:
Shareholder returns: No share buyback announced this time, unlike previous years. Is this due to prioritizing investment, and is there any reason to rule out buybacks this year?

A2:
Cash reserves (approximately JPY 80.9 billion) would allow buybacks, but investment needs (including potential business development) are prioritized. No change in capital allocation policy; buybacks may be considered after upcoming investments.

Morgan Stanley Securities (Mr. Li)

Q1:
Alesion Cream: Previous guidance aimed for sales > JPY 30.0 billion, but now focus seems to be on increasing cream's share within the *Alesion* products (from 20% to 30-50%). Is this the new approach?

A1:
The focus is on increasing cream's share within the *Alesion* products, leveraging both cream and *LX AG*. Although five generic competitors have now entered the market for *Alesion LX AG*, we continue to maintain a 95% market share. We have not lost sight of our goal of building *Alesion cream* into a product with meaningful sales scale, and at this point we do not see any reason to take a pessimistic view. Cream sales are expected to grow as market adoption increases.

Q2:

Eylea: FY2026 sales forecast is JPY 56.1 billion. Is this the bottom, and will high-dose *Eylea* drive recovery to FY2029?

A2:

FY2026 is the bottom due to full-year impact of market expansion repricing, loss of new drug premium, and biosimilar competition. The strategy is to expand high-dose *Eylea* (8mg) and use 2mg AG to counter biosimilars, aiming for renewed growth from FY2027. High-dose *Eylea* also obtained the RVO indication in March 2026, and prescriptions appear to be expanding more smoothly than initially expected.

Q3:

Cost of sales: Despite *Eylea* sales decline, COGS ratio only decreased slightly. Is 40% a reasonable figure, and are there any one-off factors?

A3:

No one-off factors. The 40% ratio reflects product mix changes, including new products and in-licensed products in Asia and China.

End