

FY2023-2025 New Medium-Term Management Plan Transcript



FY2023-2025 New Medium-Term Management Plan

April 13, 2023
Santen Pharmaceutical Co., Ltd.



FY2023-2025 New Medium-Term Management Plan

■ Agenda

1. Medium- to Long-term growth policy and Medium -term objectives
2. Growth Strategy
 - Until FY2025: Improve profitability and maximize sales across regions
 - FY2026 onward: Value contribution through large -scale pipelines
 - Framework to support growth strategies
3. Capital Allocation
4. ESG Initiatives

Ito: Hello. Thank you for taking time out of your busy schedule today to attend this briefing on our new medium-term management plan.

Today, I would like to present the new medium-term management plan, which covers the period up to FY2025. The main points are shown in the agenda here.

Fundamental strategy & organization revision to maximize people & patient-value contribution related to “Prescription Pharmaceuticals Business” (Rx business)



First, the medium- to long-term growth policy and company-wide mid-term numerical targets.

Please turn to page four.




First, let me explain the concept behind this new medium-term management plan. Basically, we would like to refocus our efforts to the maximum extent possible on the prescription pharmaceuticals business, which has long been one of our strengths.

Over the past several years, we have invested resources in various areas, including digital and ecosystem development, but we have not been able to achieve sufficient results, including in terms of profitability. We are already aware that some of this has diverged a bit from what Santen can and should do.

In this new medium-term management plan, we will work to improve profitability and maximize our contribution to patients by concentrating our resources on the prescription pharmaceuticals business and initiatives directly related to this business. By also strengthening the operational structure and framework of the organization that supports this, we will focus on maintaining profit momentum and solidifying a firm foothold in the market.

Looking to the period from FY2026 and beyond, we are currently developing pipelines with very significant potential. With this kind of pipeline, we hope to achieve marked growth.

Business conditions are different from FY2021, MTP2025 kickoff

MTP2025's main strategies/measures		Current situation
		⊕: Positive ⊖: Negative
A  Profit ratio improvement in core businesses	1 Profit maximization in each region	⊕ Sales growth in each region ⊕ Increase in productivity, especially in Japan and Asia ⊖ Decline in profit growth rate (Impact of COVID-19, pressure on drug prices/LoE)
B  Expansion of new areas	1 Establishment of revenue structure in Americas	⊖ Recurring losses in Americas Decision to maximize streamlining
	2 New diseases / other upsides	⊖ Development of new areas slower than initial expectations
C  Strengthening of foundation as a global company	1 Strengthening of product development capabilities	⊖ Cases of longer-than-expected development periods
	2 Strengthening of product supply infrastructure	⊖ Stock-out inventory risk. CMO dependency
	3 Reflect strategies in company-wide financial KPIs and business KPIs	⊖ Issues in budgeting, KPI-setting and monitoring
	4 Establishing global platform	⊖ Postponed rollout of next generation ERP

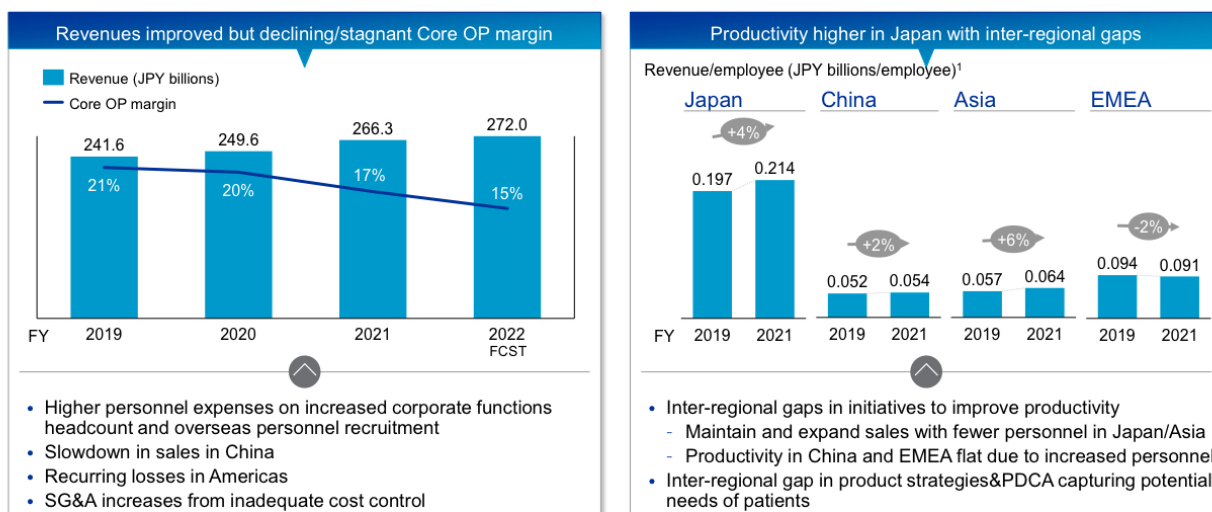
On page five, I would like to touch on a little on the current conditions surrounding our company.

There are gaps between the assumptions made when the plan was formulated and the current situation concerning all three major strategies in the MTP2025 which we had kicked off.

In terms of revenue and profits, the US impairment of Eyevance, especially in Q2 of FY2022, had a significant impact. The previous MTP2025 also included a substantial portion of targets while certainty of execution was not sufficiently evaluated. In light of these circumstances, we have been putting together a new medium-term management plan with a high degree of certainty of execution.

Status quo

Declining profitability from corporate function expansion and investments Inter-regional productivity gaps



1. Number of employees with commercial, strategy and other direct functions, excludes overhead departments. Excludes FX impact (based on FY2021 FX rate)

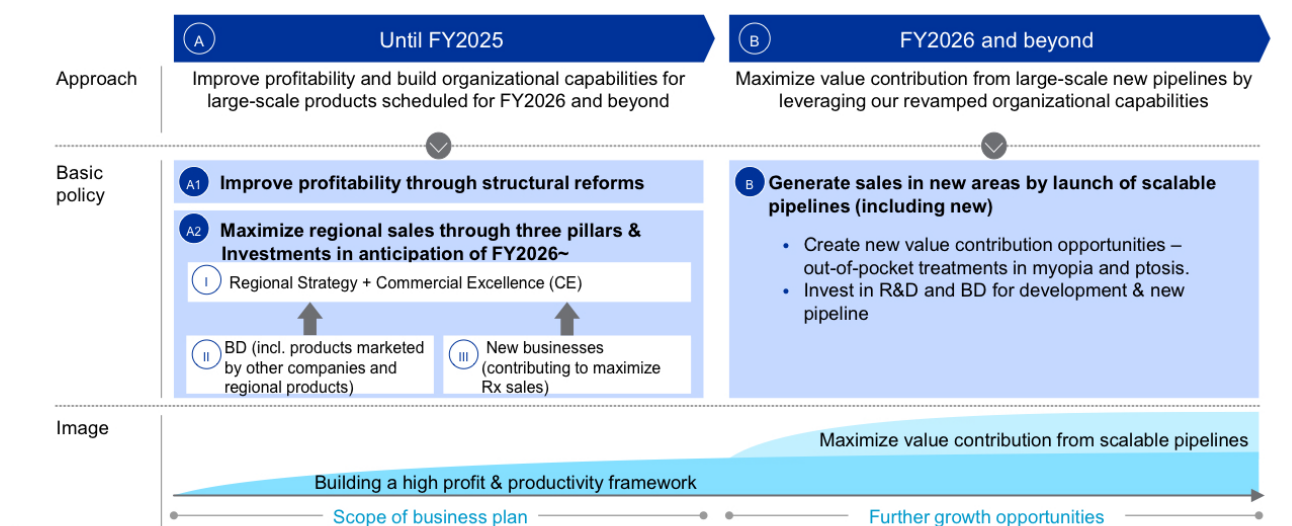
See page six.

The profit margin has been declining, partly because sales in China and Americas did not reach the expected level. Another factor was an increase in expenses due to the rapid expansion of corporate functions in line with globalization and the active appointment of overseas personnel.

In terms of productivity, there is still room for improvement and growth in overseas operations. We are very clear on where to improve and what to strengthen in order to increase profitability and organizational strength.

Basic policy to achieve growth

Profit maximization through structural reforms and sales maximization of each region ~FY2025 to lay the groundwork of a new framework for FY2026~



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On page seven, I would like to explain our basic policy for growth.

As we have discussed at previous financial results briefings and other occasions, we aim to maximize profit through FY2025 on two axes: improving profitability through structural reforms and maximizing sales in our regional businesses.

While clarifying the strategy for each region, we will strengthen commercial excellence, business development that have synergies with the current Rx business, and work on new businesses as well.

From FY2026 onward, we will leverage our strengthened organizational capabilities to return to growth by maximizing the value contribution from our large pipeline, which includes treatment candidates for myopia and ptosis.

Pipeline snapshot

~FY2025 Existing therapeutic areas with LCM and new products
 FY2026~ New areas with scalability- myopia and ptosis

		~FY2025				FY2026 onward			
Existing area ¹	Glaucoma	Eybelis PFUD ⁵ Asia	Rhopressa JP, Asia	Catioprost Asia, EMEA	STN1012600 JP	Eybelis PFUD CN	Roclanda PFMD ⁶ EMEA	STN1012600 CN, EMEA	MicroShunt CN
		Taptiqom CN	Rocklatan Asia			Catioprost PFMD EMEA	Rocklatan JP		
	Dry eye	Diquas LX Asia	Cationorm CN			Diquas LX CN	STN1014100 World wide (WW)		
	Allergy	Alesion LX Asia	Alesion Cream JP	Verkazia CN	Alesion is a registered trademark of Boehringer Ingelheim KG				
	Infectious diseases	Ducressa Asia							
New area ²	Myopia	STN1012700 JP	STN1012701 EMEA			STN1012700 CN, Asia	STN1013400 WW		
	Ptosis					STN1013800 JP, CN, Asia, EMEA			
	Presbyopia					STN1013600 WW			
	FECD ³					STN1010904 ⁷ (FECD)			
	MGD ⁴					STN1010905 (MGD) WW			
	Retinitis pigmentosa					jCell JP, CN, Asia, EMEA			

The pipelines listed here are only those for which disclosure has been agreed upon with each partner company. Not all planned pipelines or development regions are specified. The schedule is based on the best-case scenario assumed as of March 31, 2023, and does not guarantee launch. 1. Disease areas where our existing products already obtained indications. 2. Disease areas where there are no existing Santen products on the market with indications. 3. Fuchs Endothelial Corneal Dystrophy 4. Meibomian Gland Dysfunction 5. Preservative Free Unit Dose 6. Preservative Free Multi Dose 7. Santen holds the exercise option for exclusive implementation rights for this program. This project code is a planned code number that will be assigned after Santen obtains exclusive implementation rights upon completion of Phase II clinical trials.

Page eight shows our future pipeline.

The table is a little difficult to read, but until FY2025, the focus will be on LCM products that have reached LoE or the launch of new drugs to supplement the decline in sales of such products. In FY2026 and beyond, products in the areas of myopia, ptosis and presbyopia will be added to the top line of existing area where we have already established sales.

In order to maximize value, we will first focus on improving profitability and strengthening organizational capabilities in the period to FY2025.

Goals and KPIs

Improving profitability including growth in overseas revenue per employee and delivering stable dividends

KPI	~FY2022 FY2022 FCST (as of February 7, 2023)	New MTP (~FY2025) FY2025 Targets
		<ul style="list-style-type: none"> Global expansion of core businesses
Revenue	JPY 272.0 bil.	JPY 280.0 bil.
Core operating profit/margin	JPY 41.0 bil./ 15%	JPY 56.0 bil./ 20%
Revenue growth ratio per overseas employee ¹	-1% (CAGR for FY19-22 FCST)	Over 7% growth (CAGR for FY22FCST-25)
Core ROE	10%	13%
Growth rate of core EPS	-4.1% (CAGR for FY19-22FCST) (FY22FCST: JPY 79.5)	Over 10% (CAGR for FY22FCST-25)
Shareholder returns	Annual dividend per share JPY 32 +Share buyback JPY 25.7 bil. (FY22)	Goal to increase annual dividend with current JPY 32 as the floor + Opportunistic share buybacks as capital adjust.

1. China, Asia and EMEA. Excluding FX impact. Calculated based on FY2022 FX rate for up to FY2022, on New MTP rate for FY2023-2025

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Page nine shows numerical targets for FY2025.

First, we aim to achieve revenue of JPY280.0 billion, core operating profit of JPY56.0 billion, and core operating profit margin of 20% in FY2025. Our first priority is to quickly restore profitability, which has declined over the past several years, to its previous level. We aim to do this through structural reforms.

Although we expect some one-time gains and losses to emerge as we proceed with structural reforms, we will aim to maintain the targeted level of core operating profit, which represents the actual value of our earning capacity.

The key to sustainable growth will be to increase revenue and productivity in our overseas operations. Until now, we have taken the approach of increasing our workforce to expand our sales, so the improvement in profitability has been moderate compared to the growth in revenue. However, we have also set revenue growth ratio per employee as a KPI and are aiming for 7% growth, which will accelerate the growth of both revenue and profit.

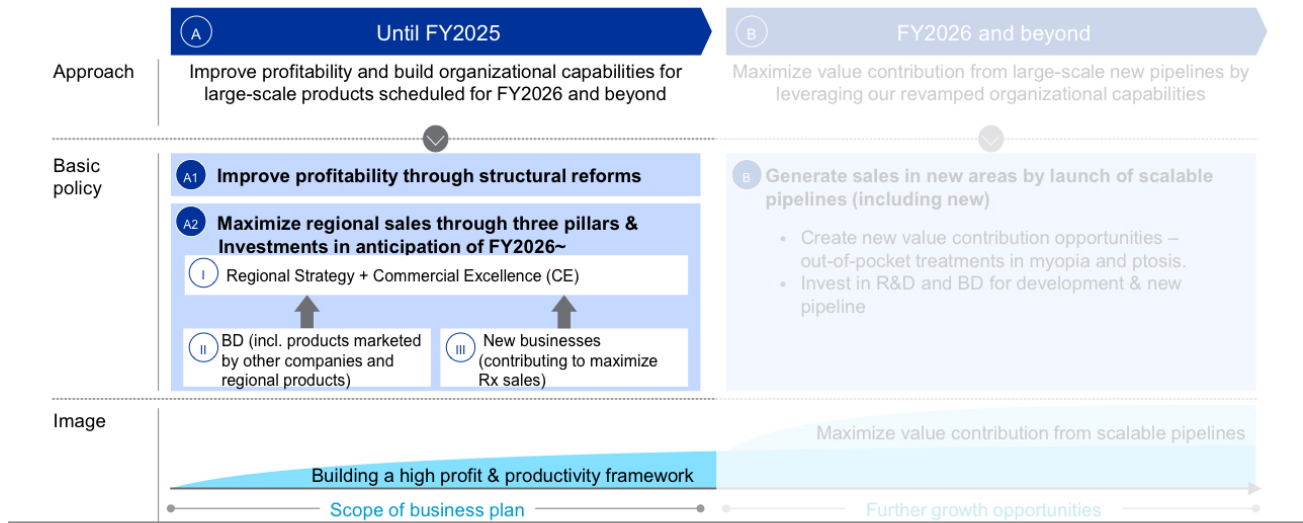
We will also improve capital efficiency by optimizing the balance sheet based on the profitability improvement I mentioned earlier, aiming for core ROE of 13%.

For EPS, we aim for double-digit growth on a core basis. We will also consider increasing dividends in line with EPS growth. This is based on the previous progressive dividend policy, with the current minimum annual dividend of JPY32, from which an increase will be considered.

Although it will be a combination of funding needs for business development and other areas, we will strive for further growth of EPS and improvement of ROE through return profits to shareholders by means of share buybacks.

Basic policy to achieve growth

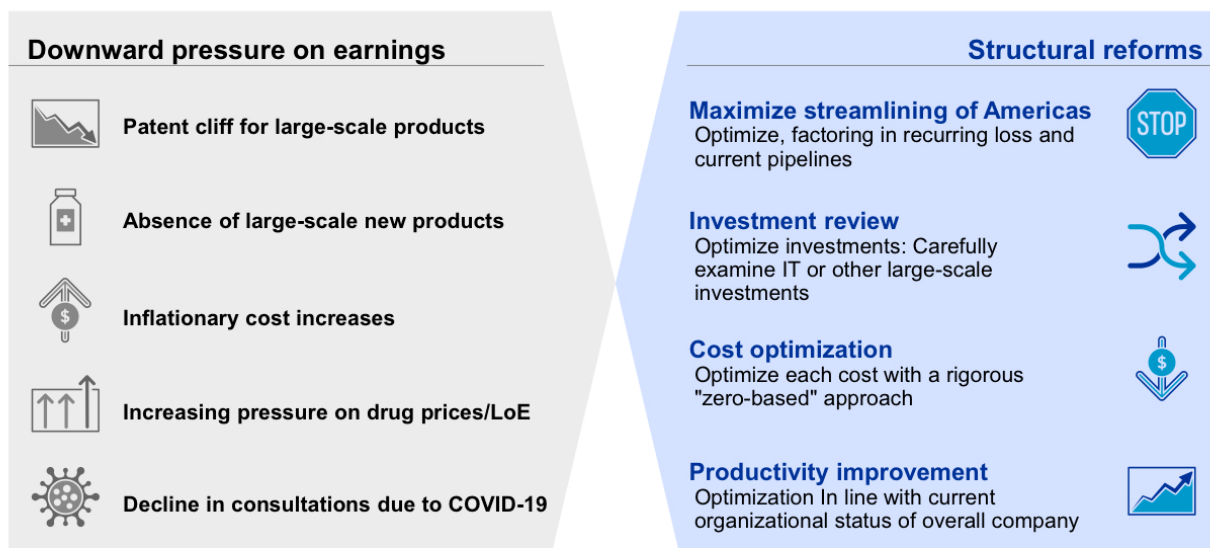
Profit maximization through structural reforms and sales maximization of each region ~FY2025 to lay the groundwork of a new framework for FY2026~



Next, I will discuss specific growth strategies. See page 11.

To reiterate, we have two major strategies for the period through FY2025. One is to improve profitability through structural reforms. The second is to maximize sales in regional businesses. This will consist of business development and new business initiatives in conjunction and synergy with each region's strategy and the strengthening of commercial excellence. Furthermore, we are moving forward with investments with a view to FY2026 and beyond. I will discuss each of these in turn.

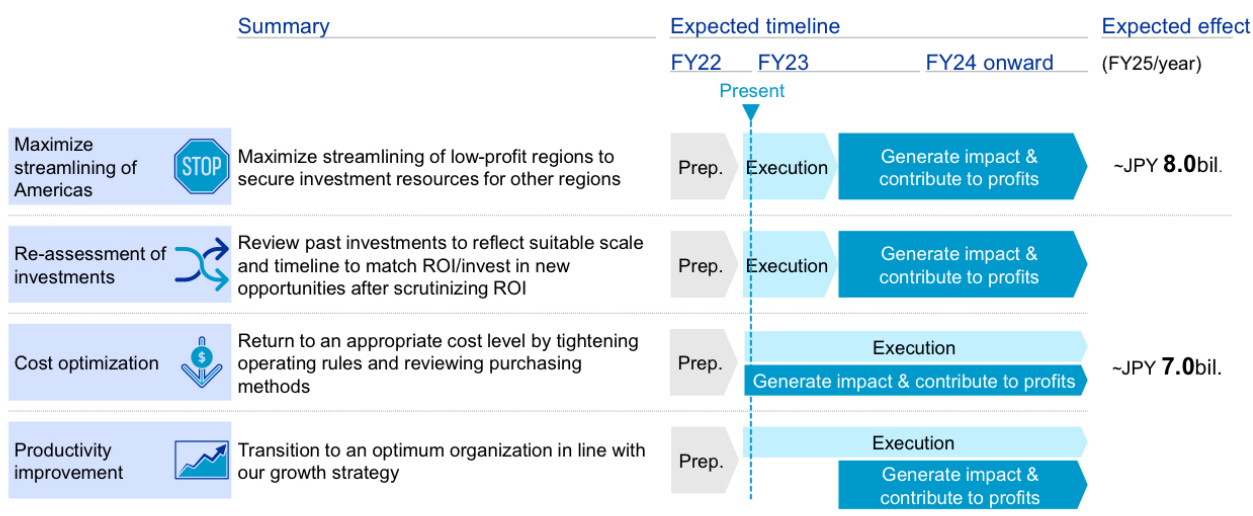
Promoting four structural reforms in a downward pressure environment on earnings



Page 12. First, improving profitability through structural reforms.

As we have discussed in the past, the patent expiration of our mainstay products and other factors, such as inflationary increases in costs and pressure to reduce drug prices, are putting tremendous downward pressure on earnings. In light of this environment, we are pursuing four structural reforms to improve profitability.

Structural reforms in progress - In fine JPY 15bil. scale improvement expected in profit contribution by thorough FY2023 implementation

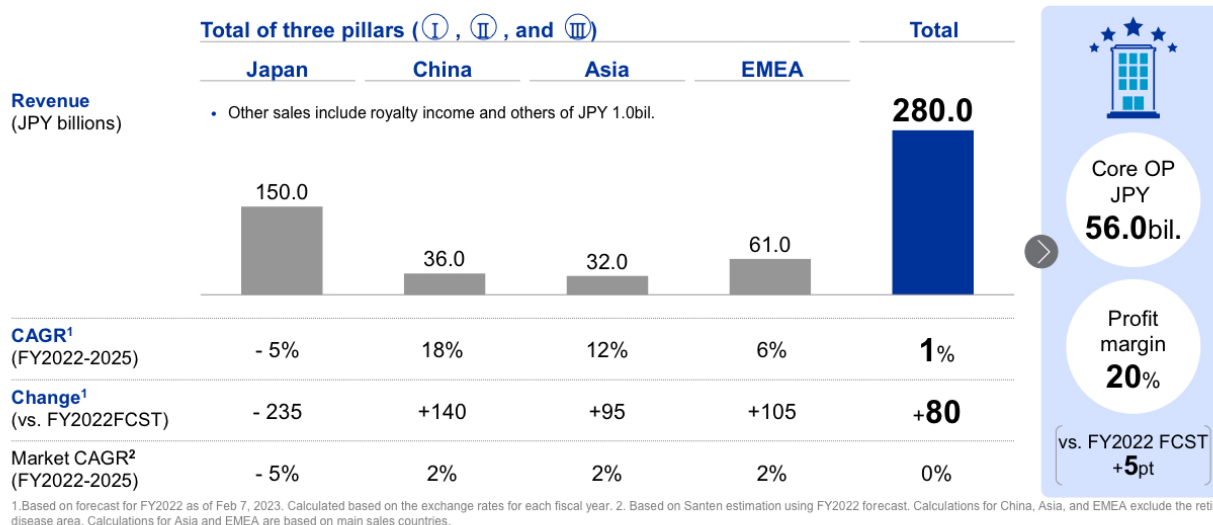


On page 13, we present the progress of structural reforms.

The Company is proceeding with streamlining of Americas, re-assessment of investments, cost optimization and productivity improvement. This will contribute to profit in due course.

As for Americas, although the final form is somewhat uncertain depending on the status of out-licensing and other negotiations, we expect to complete the streamlining in H1 of FY2023. Through the thorough implementation of these structural reforms, we expect to see an improvement in the order of JPY15.0 billion in FY2025.

Revenues of JPY 280.0bil. and core OP of JPY 56.0bil. targeted in FY2025 through structural reforms and maximizing regional sales with three pillars



Next is page 14.

From here, I would like to talk about strategies for each regional business, commercial excellence, business development, and new businesses. First, I would like to touch on some of the differences between these approaches and those of the past.

We will be strongly involved in regional strategies wherein each region has enjoyed certain degrees of freedom on regional business activities and commercial excellence.

In addition, we will integrate our business development efforts, which have often been left to headquarters, with our regional businesses. We will strengthen new business initiatives, which have been dispersed among various divisions, while integrating and prioritizing what to keep and what to discard, and aiming for business growth.

Next, I would like to present a summary of sales targets. By maximizing sales in regional businesses, we aim to achieve revenue of JPY280.0 billion in FY2025. The breakdown is JPY150.0 billion for Japan, JPY36.0 billion for China, JPY32.0 billion for Asia, JPY61.0 billion for EMEA, and about JPY1.0 billion in other income including royalty.

The CAGR of 1% compared to the forecast for FY2022 is largely due to patent cliffs on major Japanese products. In Japan, we intend to maintain our current market share of just over 50%. We will do this by contributing to patients with LCM and other products.

With regards to overseas business, we aim to achieve growth that exceeds the growth of the market in each region. With these sales revenues, we project core operating profit of JPY56.0 billion and core operating profit margin of 20%, an improvement of 5 percentage points from the FY2022 forecast.

As I mentioned earlier, the main reasons for the lower margin compared to MTP2025 are that we did not factor in revenues from Americas. We carefully examined the feasibility of the plan and developed a numerical plan with a high degree of accuracy.

Abundant growth opportunities for Santen's value contribution

Basic policy		Key growth opportunities		Potential patient pool
		Target disease ¹	Summary	(mm ppl) ²
Japan	Maintain and further strengthen as a base market >>	GL DE AL O	Address unmet needs related to QOL ³ (instillation burden, etc.)	Approx. 20
		GL DE AL O	Market development by improving rate of continued consultations	Approx. 0.6
		GL DE AL O	Improve treatment continuation rate by improving patient satisfaction	Approx. 5
China	Focus with long-term perspective on market expansion >>	GL DE AL O	Channel expansion into out-of-pocket medical treatment	Approx. 200 ⁴
		GL DE AL O	Channel expansion beyond large hospitals	Approx. 10 ⁵
		GL DE AL O	Early detection of undiagnosed patients and guidance for appropriate medical care	Approx. 200 ⁶
Asia	Build on further the strong South Korean market, and nurture the 2 nd largest market in the region >>	GL DE AL O	Market development through a higher rate of continued consultations	Approx. 0.2
		GL DE AL O	Market development for potential patients who have yet to undergo treatment	Approx. 30 ⁶
		GL DE AL O	Expand prescription of cyclosporine for patients with inflammation	Approx. 3
		GL DE AL O	Capture the self-medication market	Approx. 40 ⁷
EMEA	Build on market presence by strategic prioritizations and productivity improvements >>	GL DE AL O	Maintain and expand prescription opportunities in Rx area	Approx. 3
		GL DE AL O	Capture untreated patients in the surgical field	Approx. 0.2
		GL DE AL O	Maximizing prescription opportunities of cyclosporin	Approx. 2
		GL DE AL O	Expansion in eye care segment utilizing digital tools	Approx. 60 ⁷

We are not expecting profits from business activities in the Americas by FY2025

1. GL: Glaucoma; DE: Dry eye; AL: Allergy; O (Others): retinal diseases/infectious diseases, etc. 2. Estimated by Santen. Round to one significant digit using rounding off. 3. Quality of life. 4. Includes OTC users in optometry/pharmacy. OTC users numbers are calculated by the sum of potential patients (population * total prevalence excluding patients treated with Rx drugs) and patients who gave up treatment. 5. Includes patients who attend hospitals other than tier 3 in the relevant area. 6. Includes potential patients. 7. Target OTC users

Next is page 15.

This is about regional strategies.

This is a summary of which countries, market segments, and disease areas have the greatest potential for growth and expansion of patient contribution in each region.

I will explain more specifically in the slides that follow for each of these regions.

Maintain and strengthen Santen's presence by launching new products to address unmet needs and market expansion

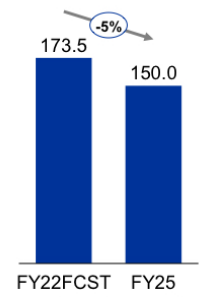
Basic policy based on the current situation ➔ **Maintain and further strengthen as a base market**

- Largest market size among the countries and regions where we operate (JPY 371.9bil.¹), but the market is gradually contracting
- Temporary sales decline expected due to LoE/generic erosion
- That said, positioned to lead the industry with No. 1 market share (52.2%)¹,

Growth opportunities and measures

Growth opportunities ²	Potential pool ³	Examples of measures
GL Address unmet needs related to QOL (instillation burden, etc.) DE AL • Treatment discontinuation due to high instillation burden, etc. O	Approx. 20mm ppl	Develop and market new formulation based on patient needs
GL Market development by improving rate of continued consultations DE • High self-drop out rate because of absence of subjective symptoms for glaucoma ⁴ AL O	Approx. 0.6mm ppl	Increase number of facilities which adopt the glaucoma treatment continuation tool (ACT Pack)
GL Improve treatment continuation rate by improving patient satisfaction DE • Issues with continuation rates with DE. Low rate possibly comes from low satisfaction ⁵ AL O	Approx. 5mm ppl	Increase number of facilities which install dry eye examination support system

Revenue (JPY billions)



FY25 contribution profit ratio: 43%

1. Copyright © 2023 IQVIA. Santen analysis based on JPM 2021.4-2022.3 Reprinted with permission 2. Santen survey 3. Santen estimate 4. Kashiwagi, Kenji, Furuya, Toshie : Japanese journal of ophthalmology 58(1):68-74(2014) 5. Overview of Santen web research targeted to dry eye patients

Page 16 covers Japan.

While Japan is a large market and our market share is very solid at over 50%, we anticipate a difficult business environment for years to come due to LoE and the resulting erosion of sales due to generic products.

However, there are already LCM products under development that focus on unmet needs that the current mainstay products have not been able to resolve. These products have either been approved or are in the process of being submitted for approval. For example, we have improved the formulation of *Diquas*, a drug for dry eyes that used to be applied six times a day, to apply three times a day. This was launched in November last year.

For *Alesion*, an allergy treatment, we have also developed a cream formulation to be applied once a day, and submitted an application to the regulatory authorities at the end of March of this year. By communicating the value of these product lines in the market, we will cover the decline in sales associated with patent cliffs.

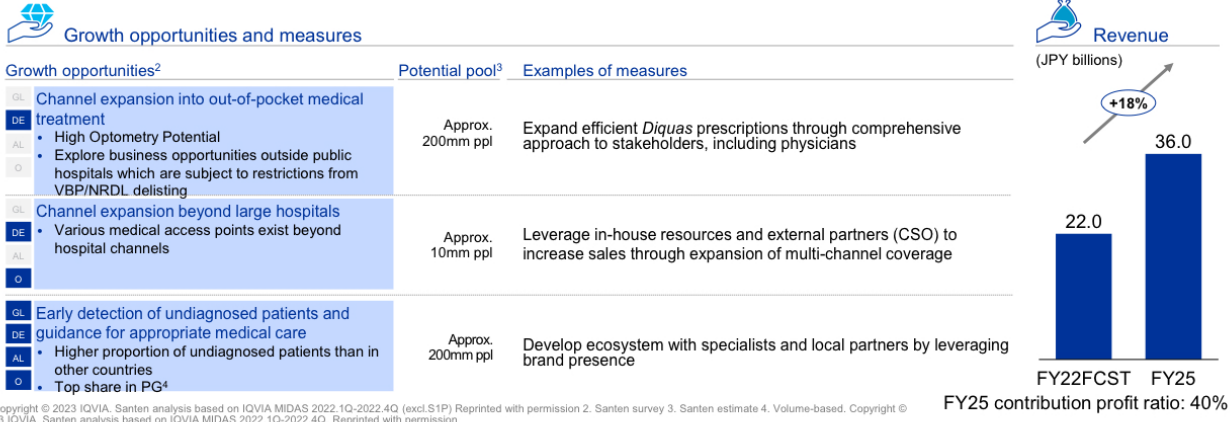
In terms of treatment continuity, Japan is ahead of other countries in promoting ACT Pack, a glaucoma treatment adherence program, but there is still room for further expansion. At the end of last year, we also began introducing our dry eye treatment support system to a portion of medical institutions. We are monetizing this system by charging medical institutions a fee for using the system itself.

We hope to penetrate and create a market for these systems while achieving better treatment for patients and expanding the scope of patient contribution of our products through increased market penetration.

Expand sales coverage and promote development of potential markets to increase market share in anticipation of market growth

Basic policy based on the current situation ➔ **Focus with long-term perspective on market expansion**

- Room to expand in all existing disease areas
- Potential to become the largest market in myopia and ptosis FY2025 onward
- Strong presence as a major player with a market share of 13%¹ in the total ophthalmology market



Next, on page 17, we have China.

For the time being, we expect market growth in China to be in the single digits. As new markets emerge, such as myopia therapy, we believe the country will return to a significant growth trajectory.

In the meantime, we need to increase our strength in China, and we believe there is plenty of scope to do so. Since 2020, through changes in the environment due to VBP and other factors, we have been expanding sales of some products while also using outside resources. By further expanding this approach, we will maximize sales even in segments where we are not able to devote sufficient in-house sales resources.

In the dry eye area, we aim to expand the current focus on non-covered perioperative use and to broaden the market beyond the perioperative period. We also believe that there is ample room to expand the market itself by accelerating the formation of the glaucoma and dry eye ecosystems. We will continue to work on this initiative.

By taking advantage of our already-strong presence in the Chinese market, we will steadily pursue these methods to achieve growth that significantly outpaces the market and strengthens the foundation for medium- to long-term market expansion.

Accelerate business expansion in glaucoma and dry eye with focus on South Korea, Thailand and Vietnam as key markets



Basic policy based on the current situation



Build on further the strong South Korean market, and nurture the 2nd largest market in the region

- South Korea accounts for the majority of sales in Asia region¹
- High market share in Thailand and Vietnam with significant room for market growth
 - Thailand: approx. 30%² for glaucoma, Vietnam: approx. 40%² for infections, approx. 20%² for dry eye
 - Shift to OTC channels in dry eye area in Asia overall

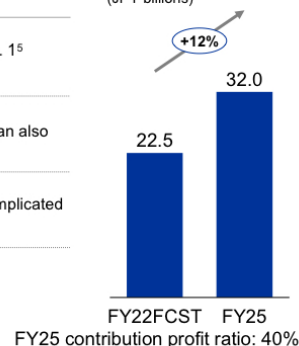


Growth opportunities and measures

Growth opportunities ³	Potential pool ⁴	Examples of measures
GL Market development through a higher rate of continued consultations DE • Low patient satisfaction with treatment AL • Issue with continuation rates O	Approx. 0.2mm ppl	Expand new products and digital tools by leveraging the No. 1 ⁵ presence in glaucoma
GL Market development for potential patients who have yet to undergo treatment DE • Ratio of potential patient per population is more than twice that of Japan AL O	Approx. 30mm ppl	Expand <i>Diquas</i> prescription to patients with diseases that can also cause dry eye
GL Expand prescription of cyclosporine for patients with inflammation DE • Effective treatment for patients with inflammation is not yet established AL O	Approx. 3mm ppl	Establish an appropriate treatment flow for patients with complicated inflammatory conditions
GL Capture the self-medication market DE • Use of OTC is also common in Southeast Asia AL O	Approx. 40mm ppl	Develop pharmacy channels by leveraging Rx presence



Revenue (JPY billions)



1. FY2022 forecast 2. Copyright © 2023 IQVIA. Santen analysis based on IQVIA MIDAS 2022.1Q-2022.4Q. Reprinted with permission 3. Santen survey 4. Santen estimate. Calculated based on South Korea, Thailand, and Vietnam as target countries. 5. Copyright © 2023 IQVIA. Santen analysis based on IQVIA MIDAS 2022.1Q-2022.4Q(excl. India). Reprinted with permission

Page 18 covers Asia.

South Korea accounts for the majority of sales in Asia region. In addition to growth in South Korea, there are several countries where we have a large market share and where market growth is expected, such as Thailand and Vietnam.

By focusing on these countries and working to develop the market by identifying potential patients and improving treatment retention rates, we aim to achieve double-digit growth that exceeds market growth.

Specifically, there is the introduction of the ACT Pack, a treatment adherence program for glaucoma that is being pioneered in Japan. We believe this will be a powerful tool in countries such as South Korea and Thailand, where the population is aging and where we have a market-leading position in glaucoma.

In addition to these efforts, we will also promote the concept of dry eye treatment and work to achieve market penetration for products such as *Diquas* and *Ikervis*. We will also address the high-potential self-medication market in Southeast Asia.

Sales and share expansion by new and strategic product penetration mainly in EU5/Nordic with large growth opportunities

Basic policy based on the current situation

➤ **Build on market presence by strategic prioritizations and productivity improvements**

- Santen's share of overall EMEA is approx. 10%¹. Further increases in presence expected in each country.
 - Santen's share in the Nordic region is high (39%¹) with room to maintain and improve No.1 position
 - EU5 accounts for majority of EMEA (63%²) with room for improvement in Santen products penetration
- New business opportunities in the Middle East³, as a promising market following EU5

Growth opportunities and measures

Growth opportunities ⁴	Potential pool ⁵	Examples of measures
<p>GL Maintain and expand prescription opportunities in Rx area</p> <ul style="list-style-type: none"> Significant room for expansion through opportunities to provide new treatment options 	Approx. 3mm ppl	Offer products covering all treatment stages Maintain No.1 ⁶ position in glaucoma area
<p>GL Capture untreated patients in the surgical field</p> <ul style="list-style-type: none"> Complete deployment in major countries with room for further penetration 	Approx. 0.2mm ppl	Promote minimally-invasive device in moderate and severe stages
<p>GL Maximizing prescription opportunities of cyclosporin</p> <ul style="list-style-type: none"> Appropriate treatment flow for patients with inflammation not established 	Approx. 2mm ppl	Improve adherence by enhancing awareness of early/long-term treatments
<p>DE Expansion in eye care segment utilizing digital tools</p> <ul style="list-style-type: none"> High self-medication ratio for the early treatment for dry eye 	Approx. 60mm ppl	Develop new Go-to-Market models, build <i>Ocutears</i> brand

Revenue
(JPY billions)

FY22FCST: 50.5
FY25: 61.0
FY25 contribution profit ratio: 33%

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Finally, EMEA on page 19.

We will seek growth through product penetration, focusing on the five Western countries with the greatest growth opportunities, as well as the Nordic region, where we have been present for a long time and have a very strong presence.

In EMEA, glaucoma and dry eye sales account for 80% of total sales. We will continue to focus on these two areas.

In the glaucoma area, in addition to the existing products *Tapcom* and *Tapros*, we have also launched ROCK inhibitors, which have been launched sequentially since January of this year. *Catioprost*, a PG formulation utilizing cationic technology, is currently under application. And through the penetration of the *PRESERFLO MicroShunt*, which is already on the market, we hope to cover a wide range of glaucoma patients and increase our contribution to the field.

In addition, by establishing a treatment flow for inflammation in the dry eye field, the Company will seek to expand prescription opportunities for *Ikervis*. We will also approach the area of self-medication.

Opportunities to improve commercial excellence (“CE”) across regions

CE Process	Current status and improvement opportunities in overseas regions		
	Current situation	Improvement opportunities	
Planning areas	1 Development of brand plan by product 	Each region develops brand plan for marketed product	» Develop brand plan based on what the treatment flow should be without being biased by existing treatment concept
	2 Formulation of sales plan 	Formulate key messages and prioritize targets based on market environment	» Create detailed key messages for each target segment and perception. Prioritize targets based on the decision-making structure
Execution and monitoring areas	3 Promotion and monitoring of sales activities 	Monitor and confirm quantitative indicators using digital tools	» Establish correct quantitative and qualitative indicators which directly link to improvement actions; track and confirm in a timely manner (e.g., daily activities of MRs)
	4 Promotion of improvement actions 	Implement improvement actions developed through framework of discussions	» Leverage framework to rapidly develop improvement actions for swift promotion and implementation

Fully leverage learnings from Japan that implemented CE since FY2012

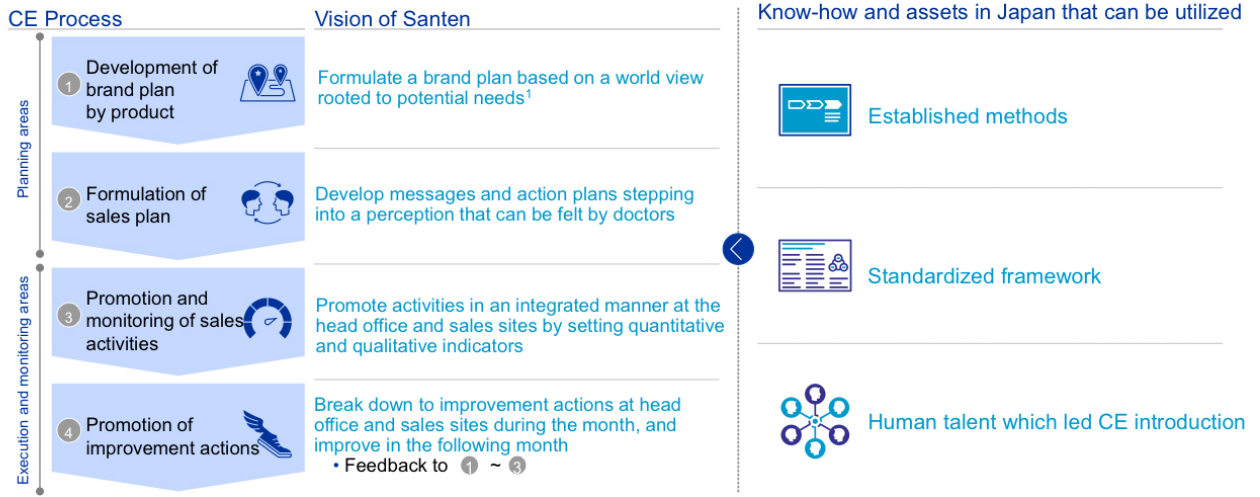
From here, I would like to explain how we will nurture commercial excellence while improving productivity in our overseas regions. This is covered on page 20.

Let me share a few of my thoughts on commercial excellence here. I believe that it is basically important to consider how high we should aim when thinking about the brand plan for a product.

We should never be bound by existing treatment concepts, but think carefully about what kind of world we would like to live in, and what kind of treatment flow will be used in order to fully contribute to patients with this product. We should create a solid strategy based on that.

To achieve this, we formulate strategies for each segment of the market, segmenting the market by physician perception. We firmly formulate the appropriate promotional messages for each segment, and thoroughly implement them through the organization as a whole. I believe that these activities are fundamentally advanced within the organization at a high level, and that the activities are monitored closely and promptly improved and modified as necessary.

Establish region-specific "Optimized Commercial Excellence" by fully utilizing know-how acquired in Japan



¹ Potential need refers to the gap between the ideal treatment and the status-quo based on Santen drugs.

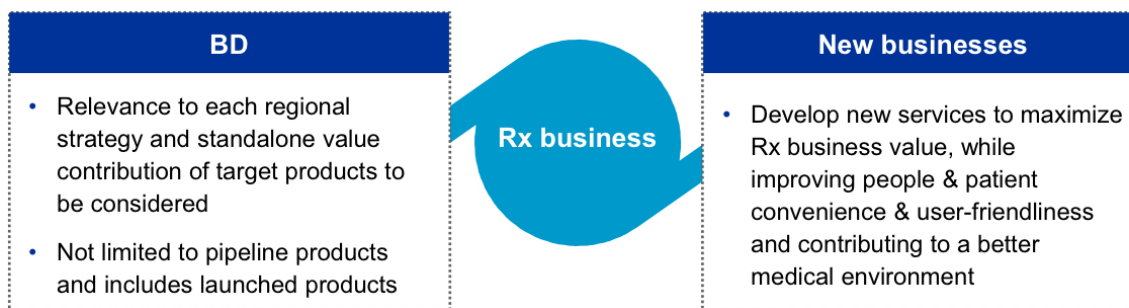
There are already established methodologies and standardized frameworks in Japan for such initiatives. We also have human resources who have firmly established this kind of thing in the organization.

We would like to customize each of these initiatives to suit overseas markets, and we intend to strengthen these initiatives by implanting them in the future.

Promoting BD/New businesses towards maximizing regional sales

Guidelines for BD and new business considerations

- Promote products and services development tailored to patients' and medical professionals' needs, placing a focus on relevance to regional business strategies. As a result, expanding the value contribution Santen makes to treatment flows in each relevant area
- Decisions to be made upon thorough assessment on profit contribution from invested capital



This is page 22.

Let me briefly explain our approach to business development and new business.

The basic policy in considering business development and new businesses is to emphasize relevance to future regional business strategies. At the same time, these must address the needs of patients and healthcare professionals and expand value contribution. To put it another way, we target those that will lead to better treatment for patients and the associated market development.

In light of past investments, we will make investment decisions after careful scrutiny of the contribution to profits of invested capital. In terms of business development, rather than taking large risks to acquire large investment opportunities, our first priority will be to consider projects that can be expected to increase productivity and sales in each region and contribute value to patients as a means of maximizing local sales.

Assess and promote new service development based on unmet people & patient needs with two approaches to maximize new products sales

Unmet needs¹ of consumers/patients in the ophthalmology area

Convenience

- High burden of initial consultation and continuation
- Long waiting times for medical consultations etc.

Status of diagnosis/treatment

- Low patient consultation/treatment continuation rate
- Unestablished diagnosis and treatment based on guidelines

Approaches

Provide services to enhance convenience of medical care using digital technology



Develop and deploy solutions to promote treatment reform



Benefits to Santen

Establish appropriate medical care flow towards expanding Rx sales

- Solution development and deployment
- Develop treatment infrastructure for out-of-pocket

Generate standalone sales from provided service



1. Santen survey

I will touch on a little more on new businesses on page 23.

We intend to consider initiatives that can meet the unmet needs of medical institutions and patients, for example, initiatives that can improve the efficiency of medical treatment, and those that can contribute to the consultation/treatment and continuation of treatment. Santen is a specialist in ophthalmology, so we think it is essential for us to move ahead with this type of project. We will do so with the aim of delivering growth in FY2026 and beyond.

Launch of promising scalable pipelines across regions FY2026~ to maximize value contribution to patients globally

Major pipelines	Expected value contribution to patients	Total pipeline peak sales ³
	<ul style="list-style-type: none"> For patients with ophthalmology diseases with no existing drug, provide new drugs (FIC¹) or new drugs that are more effective and user-friendly than existing drugs (BIC²) Once or twice a day eye drop application is the most user-friendly The effect of stabilizing tears is the greatest Potential for FIC¹ to mitigate disease progression Addressing root cause to treat disease 	Approx. JPY 250.0 bil ~ ⁴
	<ul style="list-style-type: none"> Provide new treatment in the form of eye drops to patients and consumers (including esthetic medical purposes) (FIC¹) Compared with difficult surgeries, eye drops are highly convenient 	Approx. JPY 45.0 bil ⁵
	<ul style="list-style-type: none"> FIC¹ (Japan/Asia) to mitigate disease progression Expect reduced risk of future ophthalmic disease due to inhibition of eye axis elongation 	Approx. JPY 60.0 bil ⁵

For emerging areas including out-of-pocket treatment, will lay groundwork by FY2025 to swiftly establish standard treatment flow. Aim to further increase peak sales through the following actions to leverage points

1. First-in-class 2. Best-in-class 3. Shows annual peak sales by regions. Americas included for presbyopia, dry eye and New. These figures are not official prediction or target number for each product or area, based on a scenario including technical success Santen currently considers without taking into account the success rate of development. 4. Base Case forecast. Does not include Asia given examination upon obtaining POC. The total value for "New" are sums of STN1010904, STN1013400 and others. 5. Upside forecast

Next, I would like to explain the value contribution from the pipeline in FY2026 and beyond. See page 26.

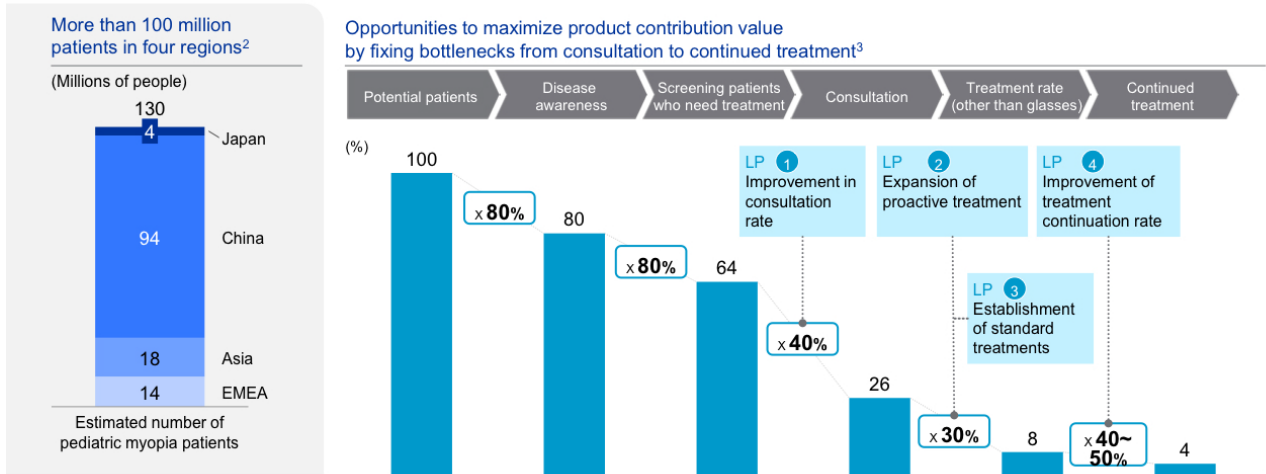
This is a summary of peak sales for the pipeline as currently estimated.

We have several promising pipelines in the pipeline for FY2026 and beyond. We hope to contribute to patients globally by maximizing the value of these pipelines.

In the pipeline for myopia and ptosis, for which the POC has already been completed, we expect peak sales to be in the range of JPY45.0 billion to JPY60.0 billion. Although this is an area with large opportunities, mainly in China and other countries, we believe that JPY60.0 billion for an ophthalmology product would, if you exclude anti-VEGF treatments, be of a very substantial scale.

In addition, our pre-POC pipeline has high potential. If development progresses steadily, we believe the product has the value to be deployed in the US in the future.

Maximize product value contribution by reforming treatment flow addressing four leverage points

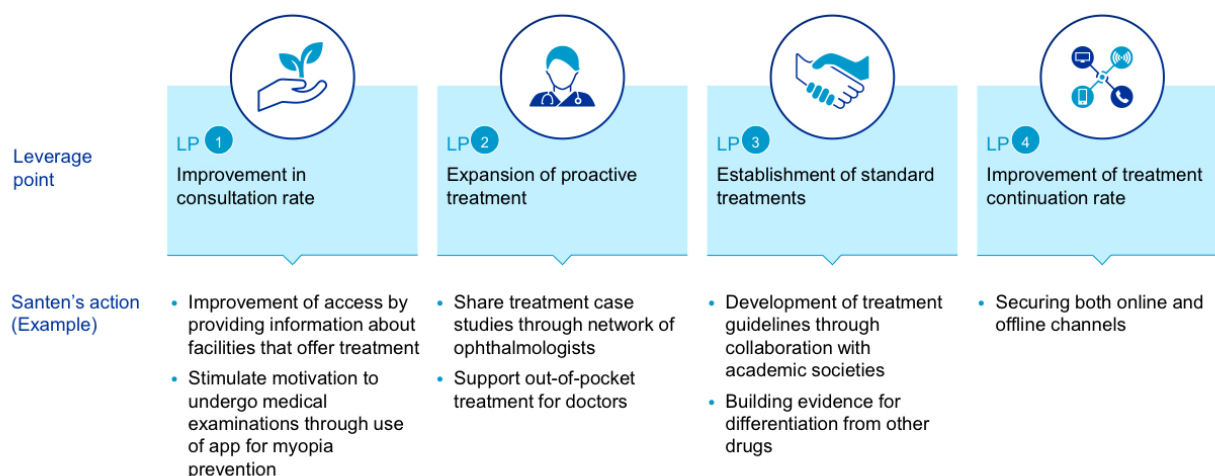


1.Leverage point refers to the elements to be considered in order to maximize the product value in relation to the gap between the ideal form of medical care and the current situation. 2.Santen estimate. Asia: South Korea, Taiwan, Singapore, Thailand, Philippines, Hong Kong, Indonesia, Vietnam, Malaysia. EMEA: the UK, France, Germany, Spain, Italy, Switzerland, Austria, Netherlands, Denmark, Norway, Sweden, Finland, Ireland, Portugal. 3.Figures are based on survey results from Japan and China.

I will cover myopia items with a completed POC in a bit more detail. This is on page 27.

Although there are a large number of potential patients, there are many bottlenecks in diagnosis and treatment. By implementing measures to these leverage points, we will deliver value to patients that has not been provided in the past.

Eliminate burdens to consultation and treatment continuation by improving the physicians' incentives and consolidating access to medical care for patients



See page 28.

We will pursue the maximization of product contribution value by implementing the measures to leverage points described here. This will follow enhancement of commercial excellence as discussed in the previous section.

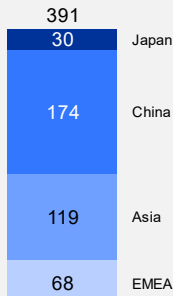
We have not included enough in our sales forecast to actively change these leverage points. Therefore, we believe that if we can achieve results in these areas, we can realize even greater sales results, and we will work hard to prepare for this.

The same applies to ptosis from the next page, but I will not go into detail in today's explanation.

Create market for ptosis treatment by new product launch and addressing three leverage points

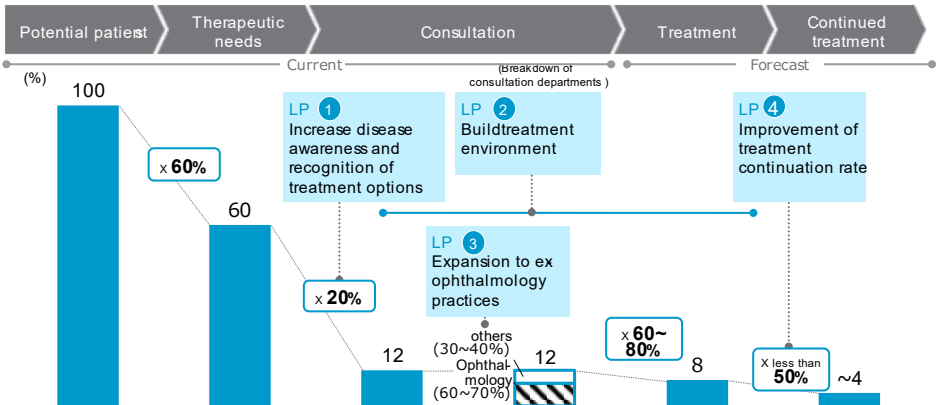
Approximately 400 million people in four regions

(Millions of people)



Estimated number of potential acquired ptosis patients

Underdeveloped market due to lack of promising products. Opportunity to create a market with new product launch



¹ Leverage point refers to the elements to be considered in order to maximize the product value in relation to the gap between the ideal medical care and the current situation. ² Santen estimate: Asia: South Korea, Taiwan, Singapore, Thailand, Philippines, Hong Kong, Indonesia, Vietnam, Malaysia. EMEA: the UK, France, Germany, Spain, Italy, Switzerland, Austria, Denmark, Norway, Sweden, Finland, Ireland, Portugal. ³ Figures are based on Japan, China, South Korea, Taiwan, Singapore and EU5 survey results.

Directions of actions for ptosis (LP1 ~ 4)

Promote consultation and treatment continuation by tapping ex - ophthalmology practice and digital tools based on appropriate medical infrastructure

Leverage point	LP 1	LP 2	LP 3	LP 4
	<p>LP 1 Increase disease awareness and recognition of treatment options</p>	<p>LP 2 Build treatment environment</p>	<p>LP 3 Expansion to ex ophthalmology practices</p>	<p>LP 4 Improvement of treatment continuation rate</p>
Santen's action (Example)	<ul style="list-style-type: none"> Awareness building activities for patients and medical institutions Introduction of self-check tools for ptosis 	<ul style="list-style-type: none"> Development and dissemination of treatment guidelines with academic societies In-hospital trial of drugs Provide expertise for medical care not covered by health insurance and reduce burden of introduction 	<ul style="list-style-type: none"> Collaboration with external partners 	<ul style="list-style-type: none"> Compliance management using medication app Online prescriptions and subscriptions

Steadily develop highly competitive pipelines that are expected to become First/Best-in-Class

Development code	Therapeutic area	# of patients WW ¹	Competitiveness ²	Current status	Next milestone	Target launch timing
STN1013600	Presbyopia	Approx. 2.0 billion	First-in-Class Fundamental treatment	P2a/POC study Ongoing	POC results (FY2023)	~FY30 FY31~
STN1014100	Dry eye	Approx. 1.0 billion	Best-in-Class Higher efficacy and quicker effect vs existing products	P1/POC study Ongoing	POC results (FY2023)	~FY30 FY31~
STN1010904 ³	Fuchs endothelial corneal dystrophy	Approx. 0.1 billion	First-in-Class Mitigate or suspend progression	P2a/POC study Ongoing	POC results (FY2025)	~FY30 FY31~
STN1013400	Myopia	Approx. 2.0 billion	Best-in-Class Compared to existing products, higher efficacy and lower side effects	P2a/POC study Under preparation	POC results (FY2025)	~FY30 FY31~

1. Number of patients worldwide based on currently available data and estimates

2. First-in-Class: Refers to innovative medicines and is the first drug in the market among drugs of the same class. Best-in-Class: Among drugs of the same class, the best drugs from the viewpoint of clinical importance such as efficacy and safety

3. Santen holds the exclusive implementation rights exercise option for this program. This project code is a planned code number that will be assigned after Santen obtains exclusive implementation rights upon completion of Phase II clinical trials.

Please proceed to page 31.

This slide covers pipeline potential for which we are working to achieve POC.

Although these are quite early in the pipeline in terms of scope of contribution timing-wise, we would like to take on the challenge of developing these pipelines, which are highly competitive and expected to be first-in-class or best-in-class. By steadily advancing them, we would like to link them to our future growth.

Thorough MTP execution by strengthened leadership team and revamped operation model



This is page 33.





I would like to talk about the last part of the growth strategy, the framework for thorough implementation of the new medium-term management plan.

In order to steadily implement the new medium-term management plan and achieve results, it is first important to strengthen the leadership team.

We aim to strengthen the strategic function of the Company as a whole, as well as the ability to execute in regional businesses. Since March 1, Nakajima COO has been onboarded for this. We will strengthen the leadership structure and clarify the roles and responsibilities of each of them in order to achieve our company-wide goals.

In parallel, we will rebuild our operating model and optimize business and human resource management to create a solid organizational foundation, and the entire company will work together to implement this medium-term management plan.

Maximize shareholder value by delivering profits, securing growth investments, maintaining/increasing dividends, and opportunistic share buybacks

-  1 Build a highly profitable structure and increase cash generation
-  2 Allocate generated cash to investments for future growth, prioritizing R&D and business development
-  3 Simultaneously, lock in downside resilience to volatility in the business environment by setting the current JPY 32 as the floor for annual dividend per share
-  4 In the absence of promising opportunities for growth investments, flexibly return profits through opportunistic share buybacks, subject to share price levels

See page 35.



I will now discuss capital allocation and shareholder returns.

First, let me explain the basic concept. We will enhance our ability to generate cash by strengthening profitability, as explained earlier. We will then invest the generated cash in R&D and business development, prioritizing future growth.

Although there is a certain degree of volatility in the structural reforms and business environment, we will consider increasing dividends in line with profit growth based on the current JPY32 annual dividend, the lower limit of the current dividend, in accordance with the progressive dividend policy we have followed. In addition, the Company will return profits to shareholders through opportunistic share buybacks, taking into account investment opportunities and capital needs.

Capital allocation

Actively invest in growth opportunities by profitability improvement & cash generation. Continue progressive dividend policy coupled with opportunistic share buybacks

Inflow ¹	Outflow ¹	Use	Amount	Policy	
Debt					
Operating cash flow (Excluding R&D expenses) Approx. JPY 190.0bil.		 Growth investments	Capital Expenditures	JPY 26.0bil.	<ul style="list-style-type: none"> Investments for stable supply and necessary systems Approx. 60% decrease vs. FY20-22 given completion of investment cycle and improved turnover rate at existing facilities
			Research and development expenses	Over JPY100.0bil. Including development milestones	<ul style="list-style-type: none"> Prioritize increased allocation to R&D. Strengthen investment in seed discovery and large pipeline/LCM product development (5~10% increase vs. FY20-22)
			Business development investment	JPY 40.0bil. No additional financing	<ul style="list-style-type: none"> Set higher investment hurdle rate, strengthen investment discipline Actively invest in promising opportunities with the resources obtained from improved profitability. Secure funds for future growth
			Share buybacks	JPY 90.0bil. With financing	<ul style="list-style-type: none"> In the absence of promising business development opportunities, implement opportunistic share buybacks, factoring in share price conditions Aim to increase EPS and ROE
			Dividend	JPY 37.5bil.	<ul style="list-style-type: none"> Continue progressive dividend policy in line with mid-to-long term profit growth, maintaining the current minimum annual dividend of JPY32 per share, notwithstanding volatility from business environment
Surplus Approx. JPY 20.0bil.		 Shareholder returns			

¹ Accumulation in FY2023 ~ 2025

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See page 36.

This slide covers capital allocation based on the concept I just mentioned.

Currently, we expect to have about JPY20.0 billion in surplus funds and about JPY190.0 billion in operating cash flow, excluding R&D expenses, for the next three years, but we will also consider taking on borrowings, if necessary.

These inflows will be allocated to growth investment and shareholder returns. First, capital investment has been at a very high level for the past several years, but we expect a 60% reduction to JPY26.0 billion compared to the actual investment in the past three years, from FY2020 to FY2022. This is due to the completion of the investment cycle, a partial review of the timing of future investments, and maximum utilization of existing facilities.

We will prioritize R&D, increasing expenditure by a level of 5% to 10%. We hope to invest at least JPY100.0 billion over the next three years.

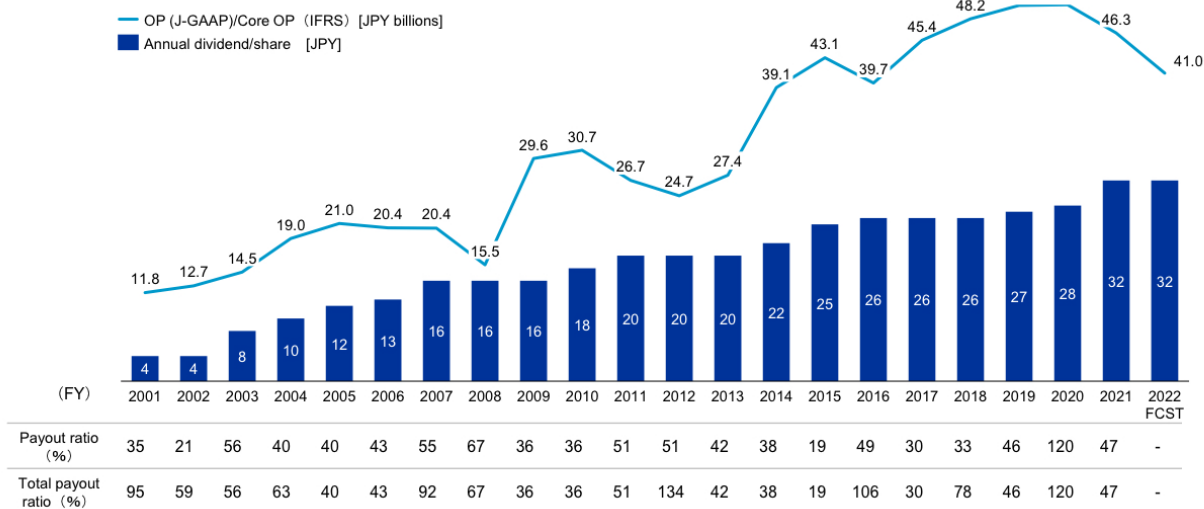
Although the 5% to 10% level may not seem like a significant increase, there were a large number of projects in Phase III, or late clinical phase, during the last three years, and as a result, costs in this area have been quite high. As these will settle down in the future, we intend to strengthen the foundation to support future growth by increasing overall R&D expenditure in a balanced manner over the next few years.

As mentioned earlier, we will consider increasing dividends based on our progressive dividend policy, with the current minimum dividend of JPY32.

Also, I would like to talk about business development and share buybacks. Our first priority is business development, and we will invest in promising opportunities that will lead to future growth while maintaining financial discipline. In FY2022, the Company also conducted share buybacks to the tune of JPY25.7 billion. During the period of the new medium-term management plan, the Company will continue to return profits to shareholders by flexibly conducting opportunistic share buybacks when we do not intend to use the funds elsewhere.

Dividend track record

Maintained progressive dividends for more than 20 years



* Stock split was implemented at a ratio of 5 shares for each share of common stock, with the effective date April 1, 2015. The dividend amount prior to FY 2014 was calculated based on the number of shares after the stock split.
 ** Based on J-GAAP until FY2013, IFRS for FY2014 onward

Page 37 shows changes in shareholder returns.

In order to reward shareholders who hold our shares over the long term, we followed our progressive dividend policy and have not reduced dividends. We have increased dividends in line with profit growth. There will be no change to this policy in the future.

Continue contributing to society through our business activities as a company specialized in ophthalmology



Finally, I would like to explain our ESG initiatives. See page 39.

The business strategies we have discussed will be implemented in accordance with Santen's sustainability policy and are compatible with ESG initiatives. As a specialist in ophthalmology, we will continue to pursue contributions to patients and society through our business.

ESG materiality

Sustainable growth by 13 materialities



Taking into consideration Santen's growth strategy and societal demand, will address ① and ⑦ as utmost priority

See page 40.

We have presented our ESG materialities here. We will continue to implement those we identified in FY2020.

After discussing and reorganizing the items of particular focus during the plan period, the two most important that have been focused on are, we have identified market penetration of products with social significance and human resource development and promotion as core focus items to achieve new medium-term management plan and drive growth forward. These are the two most important issues in the selection process.

We plan to set specific KPIs and disclose them through the integrated report and other means.

That concludes my presentation for today. By steadily achieving the goals of the new medium-term management plan, we will contribute to patients and healthcare professionals, as well as meet the expectations of our shareholders and investors by quickly restoring profit levels and achieving growth over the medium to long term.

On behalf of Santen, I would like to ask for your continued support. Thank you very much.

Question & Answer

Q1-1

The first is about the view of cost structure reform. You mentioned figures of JPY8.0 billion for streamlining in Americas and JPY7.0 billion for cost optimization. In the past, we have seen similar figures, especially for the US, but I think you mentioned the possibility that the timing of the JPY15.0 billion figure may shift somewhat during this medium-term management plan, although it depends on the timing. Is it correct to say that the JPY15.0 billion figure is in the medium-term management plan with all the operational and content aspects in place to ensure that it will generate profits even at this stage, and that it is feasible to reform the cost structure?

A1-1

Ito: Thank you. In past financial results briefings, we have given a range, but based on subsequent discussions, we have finally decided on a plan to implement a JPY15.0 billion improvement in profit [Santen post-script: by FY25] compared to the situation in the previous fiscal year.

Of course, as I have mentioned before, there will be cost increases due to inflation and other factors on different fronts, but we hope to absorb these factors and reach the JPY56.0 billion level of core operating profit contribution, as I indicated earlier.

Q1-2

Thank you very much. Secondly, I'd like to ask about specific products, I suppose in case you might not be able to answer.

Among the blockbuster candidates for FY2026 and beyond, there is, of course, a drug for ptosis. Although you have given us a sales forecast of JPY45.0 billion this time, it seems the schedule is a bit behind. The reason I ask is that I think there was a possibility of commercialization around FY2023 or FY2024, but I am wondering if this is off.

Also, I understand this figure of JPY45.0 billion is based on various assumptions. These might include the expected level of penetration or targeted patients. Do your projections include figures like these factors into a single formula? The other thing is about NHI price. Do you factor in NHI price into this sales figure? Thank you.

A1-2

Ito: You pointed out that it was originally forecast for 2023 or 2024. There were some areas, especially in some Asian countries, where we were planning to apply as is, using US approval data and so on. Currently, there are some quality issues with the American company that the manufactured product is outsourced to, and Asian countries are lagging behind.

In this context, Japan will probably be the first country where it is launched. Clinical development and other activities here are currently progressing extremely well. As far as I understand it, patient registration is progressing faster than originally planned before the start of the project. The delay in some parts of Asia is the reason for the change in the launch date.

Regarding the point about expected market penetration, I am sorry, I have not brought detailed numerical data on this point today, but the idea is that once a product is released, the leverage point, as I explained earlier, will work to some extent without any action. We are making several sales forecasts in terms of upside and likelihood cases by looking at the range of fluctuation in these areas.

As I explained earlier, I believe that such leverage points can be worked to a greater extent depending on our future efforts. I apologize for not being able to present the detailed figures.

Q2-1-1

First of all, you are forecasting a decrease in sales in the Japanese business. I think the figure was about JPY25.0 billion. You mentioned the impact of LoE, and I think this affects the four main products, *Eylea*, *Tapros*, *Alesion*, and *Diquas*, but what is the order by numerical impact? Since your company is taking various measures, I am not sure which product will be most affected. Could you please comment on this?

A2-1-1

Ito: For that question, Mr. Koshiji, CFO will answer.

Koshiji : The forecast is a decrease to JPY23.5 billion. The main reason for this is *Eylea*. We think that this alone will account most of all, or for 80% or 90% of the change. We have several scenarios here, but that is the level we are at.

The forecast for *Diquas* is level of flat or slightly up. This is because of *Diquas LX*, which was launched in the last fiscal year. We are working on life cycle management. A slight decrease is noted for the other product you mentioned, *Tapros*. That is our assumption.

Q2-1-2

How about *Alesion*?

A2-1-2

Koshiji: With regard to *Alesion*, the guidance of FY2022 was JPY28.0 billion, but since *Alesion* cream will be launched through LCM, the response to LoE is currently projected to remain same level or decline slightly. This is included in the JPY150.0 billion.

Q2-1-3

Understood. In other words, the assumption is that the majority is *Eylea*, which means that profitability in Japan is not affected as much as sales appear to be. Rather, we should look at it as a cost improvement, and even a slight improvement is acceptable.

A2-1-3

Koshiji: Indeed. Based on this decrease in sales, profits are pro rata and not directly proportional to the decrease in sales. In terms of contribution profit, we expect it to remain roughly level.

Ito: I would like to say a few words about this.

The patents on *Alesion* and *Diquas* have already expired except for the formulation, so it would have been possible for a new generic version to be approved in February of this year. I don't know about other companies, but there is a possibility that the patents on these formulations are still in effect, so they have not been released yet.

In our current plan, we are assuming that all of this will come out at the next timing of listing. However, we do not know whether it will come out. It is possible that the patents on the formulations of these products will continue to be in effect and generics may not appear, but I would like to add that we are taking a very conservative view of this issue and are constructing various figures based on the assumption that they will appear soon. Thank you.

Q2-1-4

Understood. Thank you very much. So if generics are not approved in August, there will be an upside, albeit a small one?

A2-1-4

Ito: We believe so. In the meantime, the market penetration of new LCM products will continue to increase, and the timing of the launch of the products currently under application will be brought forward, which will be desirable for us.

Q2-2-1:

Okay, thank you. My second question is about atropine for myopia. I may not be reading the material correctly, but I see the term "out-of-pocket treatment" everywhere. Is Japan also within this scope?

I think this is just referring to China, since you previously mentioned you were aiming it to be covered by insurance, but based on that, is this JPY60.0 billion figure weighted toward China or Japan? It would be helpful if you could share the image you have in mind for this area.

A2-2-1

Ito: I would like to respond. Basically, there are many ways to develop a strategy for this. We can bring in insurance treatment, but I think this basically will be out-of-pocket treatment in many countries. In Europe, it may be more likely to be covered by insurance.

However, when it comes to insurance treatment, the scope of use, or rather, the range of coverage must be narrowed down considerably even within the category of myopia. Although there are differences among regions, I think it is more appropriate at this time to deliver these products appropriately through out-of-pocket rather than treating myopia itself as a disease and considering insurance coverage.

Also, as you pointed out, China will account for a significant portion of our sales. China has been very active in reducing myopia as national policy, so sales proportion in China are quite high.

Q2-2-2

In terms of the ratio or size between Japan and China, is Japan about 1/2 the size of China or something like that?

A2-2-2

Ito: I am sorry. I did not bring detailed figures on that topic today, so I am not able to comment.

Koshiji: Regarding peak sales, we are talking about a long time in the future, but for myopia, in the Japan business, the figure for sales of JPY150.0 billion includes a small portion of the sales in Japan. We will be able to achieve a certain scale of sales from FY2025 onward to FY2027. We anticipate sales to be in the high end of the single-digit billions of yen range. That is the scale of the project.

Therefore, if we look at the medium-term time frame of 2025 to 2027, Japan will take the lead first. However, I suspect that a significant portion of the JPY60.0 billion peak sales will depend on China. That is our image. Thank you.

Q3-1

I would like to start by asking you to share your thoughts on the application of Japanese know-how to commercial excellence.

Your company's Japanese operations have naturally had an excellent track record for some time, but until now they have not been able to take advantage of Japanese expertise, and I wonder why this has been the case. I am asking because I hope that we can get some more assurance about achievement in terms of what changes will be made and how they will be carried out.

In addition, I would like to know if there are any regional differences, such as in China or Europe, where the market characteristics are similar to Japan's, making it easier to introduce, or conversely, where it may be more difficult to do so.

A3-1

Ito: I would like to respond.

To some extent, I think the explanation is correct: until now, regional projects, in the extreme, have been done by each on their own, and not much learning has been done from the others.

On the other hand, in the past few years, we have begun to incorporate Japanese methods into our business in China and other Asian countries. We have created some projects and conducted trials of specific products to see how they would fit into our organization. We want to make more use of this style in the future.

Now, there are some that are already working on this, but these efforts are still in the process of being expanded by gradually applying or customizing Japanese methods step by step according to the situation in each region. I think there are still many areas that are still in the process of being developed.

In fact, in the West, people tend to have their own way of doing things, and think highly of those ways. That kind of thing has been left to each region so far.

As I mentioned, some parts of China and other parts of Asia are already making progress in applying Japanese methods. Also, as I mentioned in the main article, one of Ms. Nakajima's important tasks in her work is to join us and thoroughly promote these initiatives from her position overseeing all regions. I hope she will strongly promote these initiatives.

In terms of difficulties in each region, I feel that Europe is the most difficult. The best place to start is with a solid PDCA cycle, rather than with commercial excellence as a whole.

If you have to launch a drug called A, what is the competing product? What is B? Some of us have become quite entrenched in the idea of how to effectively shift prescriptions from B to our product. It's not about what the competition is doing, but about how this product can contribute to patients, how we can encourage doctors to rethink the way they treat patients and create a new world.

We will customize the program according to the current situation and the culture of each region. I hope I have answered your question.

Q3-2:

Thank you very much. The second point I would like to make is regarding the manifestation of the effects of structural reforms. Previously you mentioned JPY6.0-8.0 billion by FY2023, but from when and which items are we able to see? Could you be more specific in terms of timeline?

A3-2

Ito: As I explained earlier about the US business, there are various final forms that we can take, but we have already started to reduce the number of employees with this in mind. We will bring it to the final form for the time being during H1. That is our approach.

The review of other investments is almost complete, and the corresponding depreciation, which might have originally cost a little more, will surely be reduced in the future.

As for the cost optimization part, from the budget formulation for FY2023, we have been working on the budget based on a zero-based approach, which is completely different from the way we have been doing things in the past. This is especially true in the area of demand management. Until now, we would receive bottom-up numbers, and then would come up with a revised proposal. In practice, we have seen situations wherein the gap between the two remains unfilled.

After thorough discussions on whether this project is really necessary or not, and after agreeing with each budget execution department on what to do and what not to do, this FY2023 budget will now be finalized.

These efforts have already been underway since December of FY2022, with the involvement of Mr. Koshiji's department and others. We have been able to implement significant expenditure controls since Q4 of FY2022.

Regarding productivity improvement, for example, over the course of FY2022, the Company as a whole lost about 170 employees. Clearly, we are already in the process of making cost savings.

We have been taking a very strict stance in dealing with hiring, and we are thoroughly reviewing the hiring of new employees after other employees quit, even though the remaining employees are already capable of absorbing the work. We will continue with this approach during FY2023.

Of course, we have already completed our assessment of which functions can be compressed and optimized to what number of people and to what extent. I am not going to explain the amounts of individual elements or how much they will cost in any given year, but I hope you will understand that we are making steady progress.

Koshiji: I know I'm running a little over time, but as for JPY56.0 billion for FY2025, and 20% in terms of core operating profit margin, in order to achieve this, we are assuming that the SG&A-to-sales ratio, which was 33.3% in the Q3 guidance, will decline by less than 3%.

Q4-1

I have a quick question.

First of all, the term "ROI" has been used this time in the context of financial discipline and various other things. If that is the case, I think you should have included ROIC as well as core ROE in the goals of the medium-term management plan.

As you can see on the current slide, it is fine to say that your company should be speedy and steady in its response to the JPY15.0 billion structural reform, but considering the current profit trend, I think that this is an issue that must be confronted with a sense of urgency. I would like to ask you to explain once again what kind of commitment you have for this area and how you came up with these figures.

Thank you. As we're over time, a simple answer is fine.

A4-1

Koshiji: We do not show ROIC here, but we are naturally following this as a KPI for internal management. In particular, we plan to trace and improve ROIC by improving ROE by share buybacks, compressing equity capital, reducing working capital or optimizing the balance sheet including capital investment. We have narrowed it down to this.

Ito: This is Ito. As for the speed of this JPY15.0 billion change, we would like to complete all of these goals by the end of FY2023, basically completing the part that we have said we would do. Naturally, there will be ongoing efforts to optimize costs, and these will continue, but basically by the end of FY2023, we hope to reach a level by which we could confirm JPY15.0 billion.

[END]