Kyowa Kirin Co., Ltd.
Q1 Financial Results Briefing for the Fiscal Year Ending December 2022

May 10, 2022
# Event Summary

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Moderator: We will now hold a conference call to present the first quarter financial results for the fiscal year ending December 31, 2022 for Kyowa Kirin Company, Limited, as announced at 15:30 today.

Today’s speakers are Dr. Takeyoshi Yamashita, Managing Executive Officer and Head of Strategy; Motohiko Kawaguchi, Managing Executive Officer and Head of Finance; Dr. Yoshifumi Torii, Executive Officer and Head of R&D; and Tomohiro Sudo, Executive Officer and Head of Global Product Strategy.

First, Mr. Kawaguchi will give an overview of the financial results.

Kawaguchi: Thank you. I will present the first quarter financial figures.

Please see page five.

First, looking at YoY comparisons, sales revenue increased by 8%, or JPY6.6 billion. Core operating profit was up 12%, or JPY1.8 billion. Quarterly net income increased by 24%, or JPY3.1 billion. There was an increase in both sales and profit.

In terms of progress against the full-year forecast, revenue progress is at 23%, core operating profit at 26%, and quarterly net income at 30%. In the first quarter of each year, there is usually a reactionary drop following the year-end purchasing by wholesalers, as well as the impact of subdued purchasing before the NHl price revision in Japan. As a result, the figures for sales revenue and gross profit may look a little low, but please understand that the progress is in line with the plan.
Please continue to page six.

Here is a breakdown of sales revenue by region.

In Japan, sales decreased by JPY3.8 billion due to the impact of the NHI price revision in April of the previous year. Another factor was the significant decrease in sales of Patanol, for which generic version drugs were launched in December last year.

In North America and EMEA, sales increased by a combined total of JPY7.3 billion due to solid growth in global strategic products and a boost from foreign exchange rates.

In Asia, sales of Regpara fell due to the national tender system implemented in China last October. However, this was offset by higher sales of other products, and revenue in the region increased by JPY400 million.

As for other revenue, in addition to the continued increase in royalties from Fasenra, we began to recognize the revenue regarding the USD400 million upfront payment for KHK4083 from July of last year. These are the reasons for the increase in revenue totaling JPY2.7 billion.
Please turn to page seven. These are the results by product in Japan.

First, with regard to Nesp-AG, we are making good progress as compared with the forecast, although the shipment adjustment of a competing biosimilar has been lifted and we are once again gradually losing market share.

Sales of Duvroq have been growing steadily since the long-term dosage restriction was lifted last September. Thanks to this, it has maintained the top market share in its class.

As I mentioned earlier, sales of Patanol declined significantly by JPY4.7 billion, or 72%, due to generics. Due to seasonal factors, the progress rate of 47% looks good, but since the progress rate for the same period last year was 60%, we can see that the penetration of generics is progressing at a faster pace than expected.

In addition, we are slightly behind with Haruropi, as we were last year. Now that COVID-19 restrictions have been lifted, we hope to make up for this.

Sales of Crysvita continue to grow steadily, with a 31% increase over the same period last year.
Now please see page eight. Here is the status of major products overseas.

Sales of Crysvita increased YoY by JPY6 billion, or 37%. The current year’s annual plan aims for a 34% increase in total overseas sales over the previous year. We are exceeding that target in North America and EMEA, respectively.

As for Poteligeo, sales in North America are proceeding according to plan. However, difficulties in negotiating reimbursement due to the impact of COVID-19 and other factors are affecting Poteligeo sales in EMEA.

As for Nourianz, the progress to the full-year forecast is 17%, slightly below the plan in the first quarter. This is partly in reaction to the load-up by pharmacies at the end of last year.

I am sure Mr. Sudo will explain a little more about these global strategic products in the commercial part later on.

As I mentioned earlier, the increase in technology revenue is due mostly to the absence of deferred revenue from KHK4083 in the previous year’s results.

Royalties for Fasenra, or benralizumab, are progressing well, with an increase of JPY900 million, or 24%.
Now, please turn to page nine. This is an analysis of core operating income.

First, gross profit increased JPY6.9 billion due to a JPY6.6 billion increase in revenue. Gross margin improved by 2.4% to 74.7%. Last year, there was a large negative impact from the foreign exchange effect on the elimination of unrealized gains on inventories. However, this year, that impact has disappeared, and the profit margin has improved.

Selling, general, and administrative expenses increased by JPY4.4 billion. This is due mainly to an increase of JPY2.6 billion in personnel expenses and JPY1.4 billion in profit-sharing expenses in North America resulting from the increase in Crystiva’s sales. The progress rate against the plan is 22%, which is almost the same as the one in the same period of the previous year. We are progressing as planned.

R&D expenses increased by JPY1.4 billion due to increased development costs for ME-401 and KHK4083. The progress rate is 19%, but since the Phase III trials for KHK4083 and KW-6356 are scheduled to begin in earnest in the second half of the year, this is also as planned.

Equity in earnings of affiliates was positive JPY800 million. Business for Hulio, the Humira biosimilar, continues to do well, but the main factor in this positive result is tax accounting.

A large deferred tax asset was recorded at the end of last year, and after further scrutiny, an additional deferred tax asset was recorded in the current quarter. As a result, core operating income increased by JPY1.8 billion.
Finally, please turn to page 10.

I always introduce the financial and other income/loss below core operating income in this slide, but there were no particularly large gain or losses during the quarter.

Since the yen has rapidly weakened, foreign exchange gains have been generated.

This concludes the financial presentation.
Sudo: Thank you. I will now give the commercial presentation.

I would like to talk about three global strategic products. See page 12.

First, Crysvita. The graph on the left side shows the revenue trend of sales over the four years, since its launch in 2018. As you can see, sales growth has been solid.

In North America, sales in the current quarter were lower than those in the previous quarter. This was because a price revision was being implemented from the beginning of this year, and there were load-ups by wholesalers in December in anticipation of the price revision.

On an YoY comparison, you can see that there is continued, steady growth. We will continue our activities to promote the use of this therapy.

In addition, as we have announced, preparations for the transfer of commercialization from Ultragenyx, which is scheduled for the spring of 2023, are steadily moving forward. We will continue to cooperate to ensure that we have a solid system in place.

In the EMEA, the product was launched for pediatric indications in Portugal during the quarter. In France and Israel, the indication was expanded to adults. As you can see, sales here are also growing steadily.

Lastly, in Japan, we are making progress as we forecast at the beginning of the year. We will work hard to further expand the market.
Next, please turn to page 13.

As for Poteligeo, on a comparison YOY, sales in the US for the quarter were up 27%. Performance is in line with our forecast. We will continue promotional activities to encourage greater use of this therapy.

In Europe, as Mr. Kawaguchi mentioned earlier, negotiations for reimbursement have been a sticking point. This has been partly due to the deteriorating financial situation of health insurance caused by the COVID-19 in many countries. In addition, face-to-face promotional activities are progressing less well than expected. Such restrictions are still in place. These factors have resulted in a slightly lower rate of achievement than the target.

On the other hand, we have agreed the insurance reimbursement in France and expect to launch in the second quarter. We would like to firmly proceed with geographic expansion here.

Although the overall situation in Europe is somewhat difficult, we would like to continue our promotional activities including launching promotions focused on patients with hematological tumors, as we have done in the US.
Please turn to page 14, The last is Nourianz.

One of the main reasons for the lower sales revenue in the current quarter compared to the previous quarter is the seasonal factor of the increase in the co-payment ratio at the beginning of the year, as a feature of the Medicare insurance system in the US.

Also, as was the case with Crysvita, we raised their prices at the beginning of the year. This resulted partly a rebound of the year-end pharmacy purchases.

In terms of promotional activities, we are actively developing educational sessions for physicians and patients, and the number of face-to-face visits is steadily increasing. In addition, we are also conducting advertising and promotion through paid digital media to make people aware of the drug's characteristic ease-of-use, and to promote its mechanism of action.

That's all from me, thank you.
Torii: Next, I will present an update on R&D.

On page 16, we show events expected in the near future for next-generation strategic products.

First of all, as has been explained previously, the Phase III study for KHK4083, with the generic name rocatinlimab, is scheduled for FPI in the middle of this year.

Next, for zandelisib, the Phase II CORAL study for CLL is scheduled to reach FPI in the first half of this year as planned. We are also planning to present data from the Phase II TIDAL study, which is for follicular lymphoma, at ASCO in June.
Next, page 17.

Here is an update on the status of zandelisib.

First, regarding the external environment, several PI3K inhibitors had received accelerated approvals from the FDA based on data from single-arm studies in blood cancers. However, late last year and early this year, these companies made a decision to withdraw applications and indications for PI3K inhibitors that had already been launched via accelerated approval or whose applications are under review.

In addition, the FDA’s Oncologic Drugs Advisory Committee, which met last month, issued a recommendation that randomized controlled trials should be conducted to evaluate the risk-benefit ratio of this class of drugs in blood cancers.

Regarding zandelisib, which our company has developed in co-operation with MEI Pharma, in March of this year, the FDA indicated that it would not recommend approval based solely on data from the single-arm TIDAL study.

In light of this development, our company and MEI Pharma will focus on the ongoing randomized controlled trial, the Phase III COASTAL study, and will continue discussions with the FDA in parallel.

This concludes my R&D update.
Yamashita: Finally, I would like to share some news from this quarter.

Please turn to page 19.

On February 25, we received approval in Japan for G-Lasta for the mobilization of hematopoietic stem cells into the peripheral blood for allogeneic peripheral blood stem cell transplantation.

On April 4, we reported on the results of a safety study of an automated dosing device for G-Lasta in the journal Cancer Science. An application for approval of this product in Japan was submitted on August 30 and is currently under review.

In addition, on March 9, the Ministry of Economy, Trade, and Industry designated the Company as the "Health & Productivity Stock" for the first time. Furthermore, we have been also designated as the "Certified Health and Productivity Management Organization" for six consecutive years.

We will continue to promote our business and contribute to society by continuing various initiatives to reduce health risks, while encouraging our employees to lead fulfilling lives.

This concludes my explanation.
Question & Answer

Moderator [M]: Okay, I would now like to move on to the question-and-answer session.

Yamaguchi [M]: My name is Yamaguchi from Citigroup Global Markets Japan. I have two questions.

First, I understood your explanation about the elimination of unrealized gains, and I think that is indeed the case in the comparison between the previous period and the current period. Just to be clear, the exchange rate moved considerably between December and March in the current period as well. Did you see the similar negative impact in the Q1 results?

In other words, I wonder if that is part of the reason why the gross profit margin is lower than your forecast for this fiscal year. It seems to me that the previous period was very tough therefore it wouldn’t appear when compared YoY. Could you comment on that?

Kawaguchi [A]: I will take this question. Thank you for your question, Mr. Yamaguchi.

The impact from fluctuations in exchange rates regarding the elimination of unrealized gains is of great importance in monetary terms. We discussed this with our audit firm for the purpose of calculating unrealized gains more precisely and changed the rates to be applied when realizing unrealized gains.

Specifically, we used to apply the rate which was applied to eliminate unrealized gains at the end of the previous quarter, when realizing unrealized gains on inventories denominated in foreign currencies. However, from this quarter, we have changed the method to apply the average rate for the current quarter, as we do for sales.

As a result, since unrealized gains are realized at the same rate as sales, there will be no significant foreign exchange impact.

Thank you.

Yamaguchi [Q]: Just to confirm, there was a change in accounting policy, which may be disclosed somewhere, and since that change, there will be no more such fluctuations in the future, there will naturally be no effect of the current depreciation of the yen, and of course no effect in comparison with the previous year. So, is it my understanding that such an effect will no longer occur in the future?

Kawaguchi [A]: Indeed. It is not at the level of a change in accounting policy, but rather, by refining the applicable rate and continue to use this accounting practice in the future, there will not be a significant foreign exchange impact.

Yamaguchi [Q]: I see. Good to hear. Thank you very much.

Second question. As for the future of ME-401, the COASTAL trial is scheduled to continue until 2026. Of course, it may go into interim analysis, but I was wondering, if I understand as it says, do we need to be prepared for a much longer time to application? With this COASTAL trial, would you have to wait until the end of the trial? Or would it be possible to apply with the interim results, for example? I suppose the answer to this question would be quite speculative, but I’d be grateful if you could have a go.

Torii [A]: Thank you for your question.
We are currently in the process of discussing with MEI Pharma the possibility of setting up an interim analysis and obtain data that would be acceptable to the FDA. If we actually decide reach an agreement with the FDA to do so, that is the direction we will take.

We have not yet made a decision on that, so I hope you understand that we are still considering it.

Yamaguchi [M]: I understand. That's all from me. Thank you very much.

Wakao [Q]: My name is Wakao from JPMorgan Securities Japan. Thank you very much.

I would like to ask about the impact of the exchange rate for the full year. I would like to know about sensitivity in the foreign exchange rates on page 21. Your company assumed an exchange rate of JPY110 to the US dollar in FY2022. Given the current rate of JPY130, I guess there is a resulting positive of JPY6 billion. Can I recognize simply that revenue will increase JPY6 billion?

Looking at the progress up to the first quarter, I think it is almost in line with the plan, so I don’t think there will be anything to offset this, especially after the second quarter. Could you comment on this?

Kawaguchi [A]: Thank you for your question. I will take it.

That is the basic idea. However, the average rate for the first quarter is JPY114. The in-house exchange rate for April and May is already fixed, so in that sense, assuming that the current rate of JPY130 will continue for the rest of the year, the average rate for the year will probably be about JPY125.

If we calculate the sensitivity of the dollar to a change of JPY15 to be JPY300 million, we will additionally get about JPY4.5 billion on the dollar. Adding the exchange impact of the pound, I estimate the total positive
impact is about JPY5 billion. Though there is some variability in progress between individual products, we are on plan as a whole excluding the impact of the foreign exchange, so there will be a positive effect.

Wakao [Q]: Thank you very much. Understood.

Secondly, regarding Crysvita, I think you explained that sales in North America and EMEA exceeded the plan. Assuming this is not due to foreign exchange, are both North America and EMEA exceeding the plan at present? Can you give us some more detail on the first quarter results and a view of the second quarter and beyond?

Kawaguchi [A]: Regarding Crysvita, there are some areas that are slightly above the planned line. Since it is almost at the forecast level, I don't think there are any other major factors either way.

Sudo [A]: Thank you for your question. As Mr. Kawaguchi just mentioned, the exchange rate has of course had an impact, but I think the situation is mostly in line with the schedule for the first quarter. I have a feeling that Europe is coming out a little stronger. We effort to continue to expand our sales in both regions.

Wakao [Q]: Understood.

Also, on the subject of North America, Ultragenyx explained that results are in line with their plan, though investors questioned if the market was a little weak. I believe that your company is also thinking in this way. Even if the results in North America look a little weak in the first quarter, I should assume sales would increase quite a bit from the second quarter onward, right?

Sudo [A]: Yes, we see it in the same way. As mentioned earlier, the first quarter had negative impact by large-scale buying in December. So, the sales were a little lower than market expectation, but it was on our plan. We would like to grow the business from the second quarter onward, in a manner that is consistent with the growth curve that you have just seen on page 12.

Wakao [M]: Understood. Thank you very much. That is all.

Muraoka [Q]: Hello, this is Muraoka from Morgan Stanley MUFG Securities. Thank you very much.

I know that the Phase III trial of KHK4083 will be starting soon, as you mentioned, but is there anything you can comment on regarding the dosage setting for Phase III or the overall trial design? If it's not possible today, will you be able to say anything more on this at the second quarter briefing in three months? Thank you.

Torii [A]: Thank you for your question. We are planning to make a press release at the same time as FPI, but we will be able to provide an overview at the next financial results briefing.

As Amgen has already explained a little more about the outline, we will be taking a very broad range of data, for example, patients who are biologic-naïve, or patients who have already had biologics. We are also aiming to obtain data for both adults and adolescents. Regarding dosage and administration, we are aiming for single-agent and combination, with various dosing schedules. This is based on the concept of obtaining as much data as possible to support actual clinical practice after the drug is approved. That is all.

Muraoka [Q]: Right, so that means you will conduct not one or two, but multiple trials?

Torii [A]: Yes, multiple trials are planned.

Muraoka [Q]: Is that included in the R&D budget for this fiscal year?

Torii [A]: Yes, it would not be wrong to say that.
Muraoka [Q]: Understood. Thank you very much. Also, regarding ME-401, is there a risk of impairment or something like that?

Kawaguchi [A]: Regarding ME-401, there is an upfront or milestone payments that were paid, but I don’t think this is a significant impact on the NPV due to this delay in testing and so on. In this sense, there would be a risk of impairment if, for example, the development is discontinued. At present, we do not think the delay this time would have a significant impact on NPV.

Muraoka [Q]: In other words, as you pointed out earlier, if an interim analysis is included, for example, the delay will not be so great.

Kawaguchi [A]: Yes, even if there is a delay, at this time we do not expect a change in NPV that would result in an impairment.

Muraoka [M]: Understood. Thank you very much. That is all.

Ueda [Q]: My name is Ueda from Goldman Sachs. First of all, regarding development process, I would like to ask you about KW-6356. In the previous report, I believe the Phase IIb detailed data and the Phase III FPI were due to come out in the first half of this year, however, in this report both items are presented to come out in the second half of this year. I was wondering if there were any changes in the plan.

Torii [A]: Thank you for your question. Regarding the paper on KW-6356, the preparation process itself is progressing well, but the submission process is taking a bit of time. We are aiming to publish the paper in the second half of this year.

Regarding the Phase III study, we are negotiating with the authorities on the assumption that this is a global development project, so we are aiming to start the trials in the second half of this year, a little later than planned.

Ueda [Q]: Understood. Thank you very much. Secondly, regarding Nesp biosimilars in Japan, I would like to know if there has been any change in the market share of this AG compared to the biosimilars of other companies, or if there has been any reluctance to buy due to the NHI price revision. Can you please explain a little more about temporary factors and the decline in sales due to market share fluctuations?

Kawaguchi [A]: First of all, the description “NHI price-cut” in YoY comparison of Nesp AG means that the impact of the reduction in unit price is more significant.

And then, as I explained earlier, the restriction on shipments of biosimilars has been lifted. Therefore, the penetration of biosimilars is increasing slightly, but not as much as we had expected, so we are on track to meet our plan. We do not foresee any major fluctuations.

However, there is another NHI price revision in April, and we will continue to be affected by the NHI price revisions to a certain extent.

Ueda [Q]: So, if we look at it on a YoY basis, is it correct to say that there has not been any reluctance to buy and the NHI price revision last year caused a large decline in the market?

Kawaguchi [A]: Yes, the buying restraint is incorporated into our plan, and it was also there last year, so I think that in that sense, compared to last year, that has not been a major impact on Nesp-AG.

Ueda [M]: Understood. Thank you. That is all.
Sakai [Q]: This is Sakai from Credit Suisse Securities. This may be a follow-up question, regarding zandelisib. I think your company was proceeding with the expectation that the results of Phase II would be good, but the FDA’s change of policy had negative impact for your company.

I think your company decided to change your development policy, because it is essential to conduct the Phase III COASTAL trial in order to compete in the market for follicular lymphoma (about 15,000 people), is that right?

Torii [A]: Thank you for your question. As you mentioned, initially we were aiming for expedited approval with only a single-agent, single-arm TIDAL study, but the FDA directly told us in our March meeting with them that a randomized controlled trial is necessary for this class of drugs. Based on this, we have decided to abandon the application with TIDAL data and have changed our policy to apply with the results of COASTAL, a randomized controlled trial.

Sakai [Q]: So, there is no indication from the FDA about the performance of the drug, at this point?

Torii [A]: Yes, we have changed our plan just as they told us that a randomized controlled trial is needed,. This does not mean that any particular concerns have been raised regarding the efficacy or safety of the drug.

Sakai [Q]: Yes, thank you. And the other thing is the preparation for the transfer of Crysvita commercialization in the US. As of Q4 last year, the number of MRs in North America was about 100, I think. You said that this was not the number of people for the full-scale in-house commercialization transfer of Crysvita, and that you would add more people. Could you tell us about the status at present? I expect if you can be specific and include some numbers.

Of course, hiring and other expenses are in the budget for this fiscal year, so I do not think that this part of the budget will be a variable factor in performance, but I would like to know how the current situation is including its progress. Also, regarding Ultragenyx, they have less than 100 MRs, and I think they are doing various activities, such as e-promotion. Is it possible to utilize these MRs on a contract basis? Please let us know if such a possibility exists.

Sudo [A]: I would like to answer your question. I am not sure if this will be done jointly with Ultragenyx or not, but I hope to be able to report and share the details with you.

However, as you pointed out, since we will gradually start hiring, the number of our sales staff will be added to their sales staff, and we will gradually transfer the sales staff both ways.

As for the rest, as you pointed out, the budget has already been allocated and we are making good progress as planned, although we have just started. I hope to be able to address this soon in a more detailed manner.

One more point. You mentioned sales, but in addition to sales, there are various other functions such as supply chain, QA, CMC, PV, RA and so on. Basically, we have been cooperating closely in this area, so there will be no major lack of the preparation in the transition. Also, we would like to proceed the transfer of the sales and MSLs with close cooperation with Ultragenyx. That is all.

Sakai [Q]: Yes, thank you. I’ve heard from various sources that hiring is particularly difficult in the US right now. How do you think about it?

Sudo [A]: This is really in its early stages, so it's hard to say, but from what I'm hearing now, there are no particular problems, in fact, I'm told that there are many applies. In general, however, I am aware of the reality of the situation as you just described.

Sakai [M]: Yes, I understand. Thank you very much.
Tanaka [Q]: Hello, my name is Tanaka from Mizuho Securities. Thank you.

You mentioned in February that SG&A expenses would increase by JPY18.4 billion this fiscal year. You also mentioned the cost of establishing Crysvita’s own sales system, which is about JPY5 billion, and the investment in human resources, which is about JPY4.5 billion. Beside Crysvita’s profit-sharing, could you let us know the status of these plans?

Kawaguchi [A]: Yes, you mentioned the breakdown, but each of them has a budget, and we are making good progress against that budget. However, since this is the first quarter of the fiscal year, there is a slight trend of underspent compared to the budget, but at this point, we anticipate neither a large overspent nor a large underspent for the entire fiscal year. So simply put, the progress is according to the plan.

Tanaka [Q]: Understood. I think there was JPY1.5 billion in launch readiness costs of next-generation strategic products, but since ME-401 will be delayed, can we ignore these costs for now?

Kawaguchi [A]: Yes, you are right, sorry, I think we will be below the plan to a certain extent there. As you say, the schedule has changed a bit, so of course the level of spending will not be as predicted before.

Tanaka [Q]: Understood. Second question. In April, I believe, there was an amendment to the tenapanor contract. I believe there was an announcement that an additional USD40 million or so would be paid, and that the royalty rate would be changed. Can you tell me why this contract was amended?

Torii [A]: Thank you for your question. As Ardelyx announced on April 11, we have amended the license agreement between our company and Ardelyx.

The economic conditions have been changed, in exchange for increasing the milestone payment for filing and approval in Japan, the royalty payment thereafter will be decreased. The agreement was reached with the expectation that Ardelyx’s cash position improves for the next two years and their operational foundation is strengthened.

Tanaka [Q]: I believe that the original running royalty rate has gone from the top half of the 10% range to the bottom half of the 10% range and then mid-single digit. Did I remember that correctly?

Torii [A]: Yes, that’s right. Initially, it was in the high teens, but the terms are now low double-digits for two years, and then mid-single digit.

Tanaka [Q]: So, it’s safe to assume that when the rate will be the single digits, it will close to your own products?

Torii [A]: That’s right.

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

Kohtani [Q]: I am Kohtani from Nomura Securities.

The first question is regarding Phase III of KHK4083. I think it is called the ROCKET Program and there was a mention by Amgen that multiple Phase III trials will be conducted. I doubt much can be said about the one that Amgen is going ahead with.

However, regarding KW-6356, I would like to ask you about its Phase III, since your company is in control of everything here. Will one or multiple Phase III trials be conducted?
I have the impression that both single-agent and combination arms will be necessary, so I wonder if these will be done separately or combined within a single Phase III trial. That's my first question.

**Torii [A]:** Thank you for your question. As for the details, we will make a press release when the trial is started, so until then, I am sorry, but you will have to wait.

**Kohtani [Q]:** Okay. Secondly, I am still curious about the presentation held on Sanofi's amlitelimab, an OX40L antibody. I was wondering if you had any comments or appraisal of the way it was presented, or the content.

They say of OX40L, for example, that the advantages of targeting it are “limited expression at sites of inflammation” and “effector and memory T cells are preserved”.

In addition, they discussed its capability of preserving and activating regulatory T cells. Furthermore, they are saying that there is no cytokine release with the OX40L antibody, but with the OX40 antibody the opposites occur.

However, this can be easily refuted. First of all, your product eliminates effector T cells while leaving central memory T cells.

Also, regarding regulatory T cells, your product eliminates only activated regulatory T cells, not all of them. Can you give us any comment on that?

Also, there is a slide that seems to be suggesting that they have an advantage regarding IGA over your Phase II study results. However, in the first place, I think that an evaluation of atopic dermatitis does not need IGA, but EASI-75, so we have to look at that first. So, I don’t think it is possible to say anything based on IGA alone, but I would like to know if you could refute this point.

**Torii [A]:** Thank you for your question. In conclusion, since we do not have the results of the head-to-head study, it is impossible to make a direct comparison, so I cannot say anything at this point.

However, since ours is an antibody against OX40, which is expressed on activated T cells, it may cause depletion of such activated T cells. We have been conducting Phase II trial, with about 250 patients participating, in which the safety profile of the drug is good, and there have been no reports of adverse effects such as autoimmune diseases caused by the drug.

However, we will continue to collect longer-term data in the Phase III trial. We would like to evaluate the efficacy and safety, as well as the risk-benefit ratio, by looking at the data from that trial.

**Kohtani [Q]:** And about IGA, I think this method is still unclear since it determines whether or not the global assessment has been cleared.

With EASI, it seems to be a fairly detailed measurement unlike IGA, so I wonder if there is a difference between IGA and EASI. Is it possible that for IGA, it is, in a sense, a little easier to get slightly better results or something like that?

**Torii [A]:** In the past few years, the authorities have been paying attention to evaluation from the patient’s point of view, and in that sense, IGA has been requested to some extent by the authorities. Details are set for the primary and secondary endpoints respectively, and please feel free to take another look when these are disclosed.

**Kohtani [Q]:** I’m sorry to be persistent about this, but in their Phase II, the figure was 8.3% on placebo and for your company it was 1.8%. When I saw the KHK4083 data before, I thought that the placebo was unusually low, but I wondered if this placebo makes that much difference in IGA.
Torii [A]: Since we are talking about patient outcomes, to some extent there might be a range of fluctuation compared to objective test values. In addition, the trial conducted by Sanofi is Phase IIa, with less than 100 patients. As I mentioned earlier, we will not be able to reach a final conclusion until we see more patients and longer-term data in a Phase III trial.

Kohtani [M]: I totally agree. Thank you very much.

Yamaguchi [M]: This is Yamaguchi from Citi, I have another question.

I know it says that the last patient out for the RTA402 trial in Japan is in the second half of the year, but I am also very concerned about the schedules of the top line data. I’d appreciate it if you could tell us the schedule of the last patient out and the top line data will be in this year or next year, so that we can prepare.

Torii [A]: Thank you for your question. Because of responding to the PMDA’s opinion, the last patient out is scheduled for the end of this year and the top line data is scheduled for the first half of next year 2023.

Yamaguchi [M]: The first half of the year, yes, I understand, thank you.

Moderator [M]: This concludes the conference call on the financial results for the first quarter of the fiscal year ending December 31, 2022.

Thank you very much for your participation today. Thank you for your continued support of Kyowa Kirin.