Kyowa Kirin Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending December 2024

August 2, 2024

Event Summary

[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending December 2024	
[Date]	August 2, 2024	
[Number of Speakers]	3	
	Masashi Miyamoto	Representative Director, President and Chief Executive Officer
	Takeyoshi Yamashita	Director, Senior Managing Executive Officer and Chief Medical Officer
	Motohiko Kawaguchi	Managing Executive Officer and Chief Financial Officer

Presentation

Moderator: Now, we begin the online briefing on Kyowa Kirin Co., Ltd.'s financial results for Q2 of FY2024, which were announced yesterday at 3:30 PM.

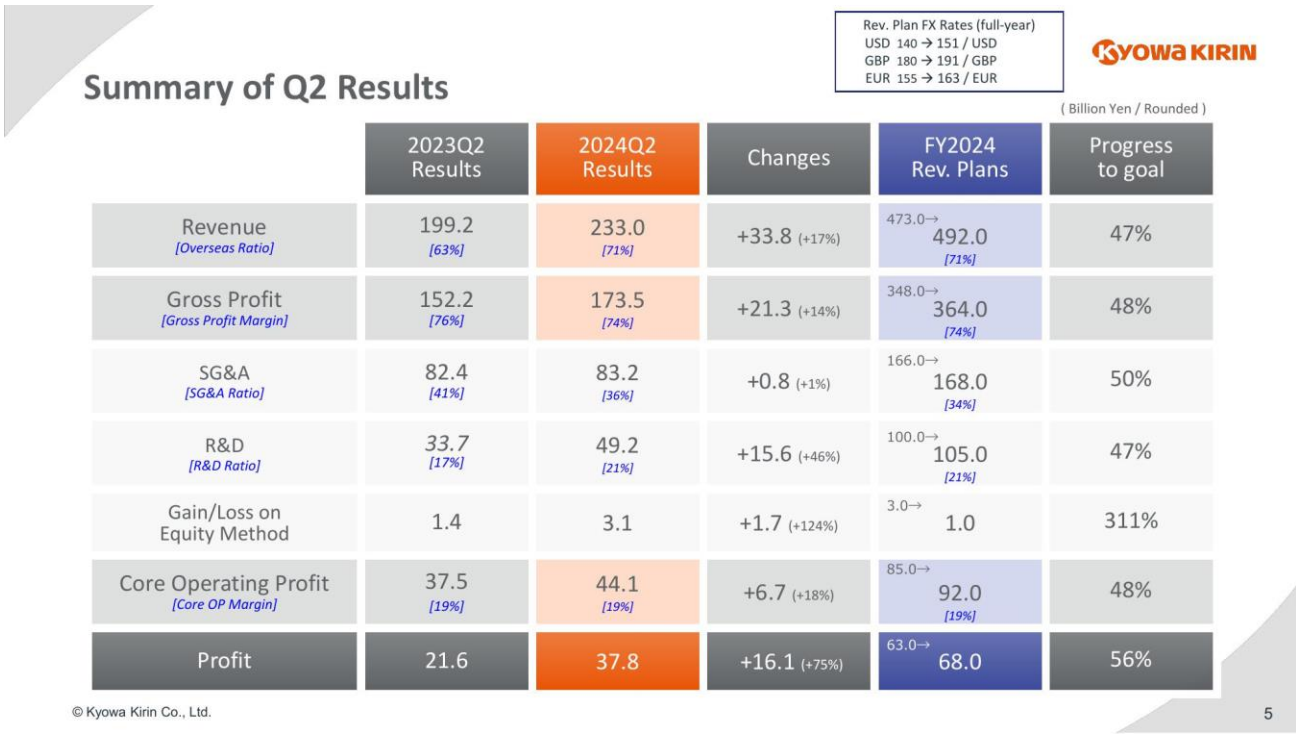
Please take note of the following prior to the briefing. Please note that we will keep the names and company names of all participants for a certain period of time as a list of participants. Please also note that the content of this presentation will be available on our website as an on-demand audio stream and transcript. Please bear this in mind when you make a statement.

The information presented today contains forward-looking statements. Please note that there is uncertainty due to various risks.

Today's speakers. We have three speakers: Representative Director, President, and CEO Masashi Miyamoto, who will lead the Q&A session; Takeyoshi Yamashita, Director, Senior Managing Executive Officer, and CMO; and Motohiko Kawaguchi, Managing Executive Officer and CFO.

Today's briefing is scheduled for a maximum of 90 minutes. After Miyamoto's presentation, we will be happy to answer your questions. Please download the materials from our IR website.

Miyamoto: Good morning, everyone. Thank you for taking time out of your busy schedule to join us. I would like to give an explanation.



First, here are the YoY comparisons.

Revenue was JPY233 billion, an increase of JPY33.8 billion, or 17%.

Operating profit was JPY44.1 billion, an increase of JPY6.7 billion, or 18%.

Interim profit was JPY37.8 billion, an increase of JPY16.1 billion, or 75%.

Revenue increased by 17% due to favorable sales of key products, as well as the impact of foreign exchange rates.

Core operating profit was affected by a significant increase in R&D expenses due to progress in the development of KHK4083 and the new consolidation of Orchard. However, the increase in revenue absorbed this increase in R&D expenses, resulting in an 18% increase in core operating profit.

As for interim profit, the decrease in impairment losses resulted in a 75% increase.

Full-year forecast. Reflecting the recent level of foreign exchange rates and other factors, we have revised our forecasts for revenue, core operating profit, and profit by JPY19 billion, JPY7 billion, and JPY5 billion upward, respectively, from the forecasts made at the beginning of the year.

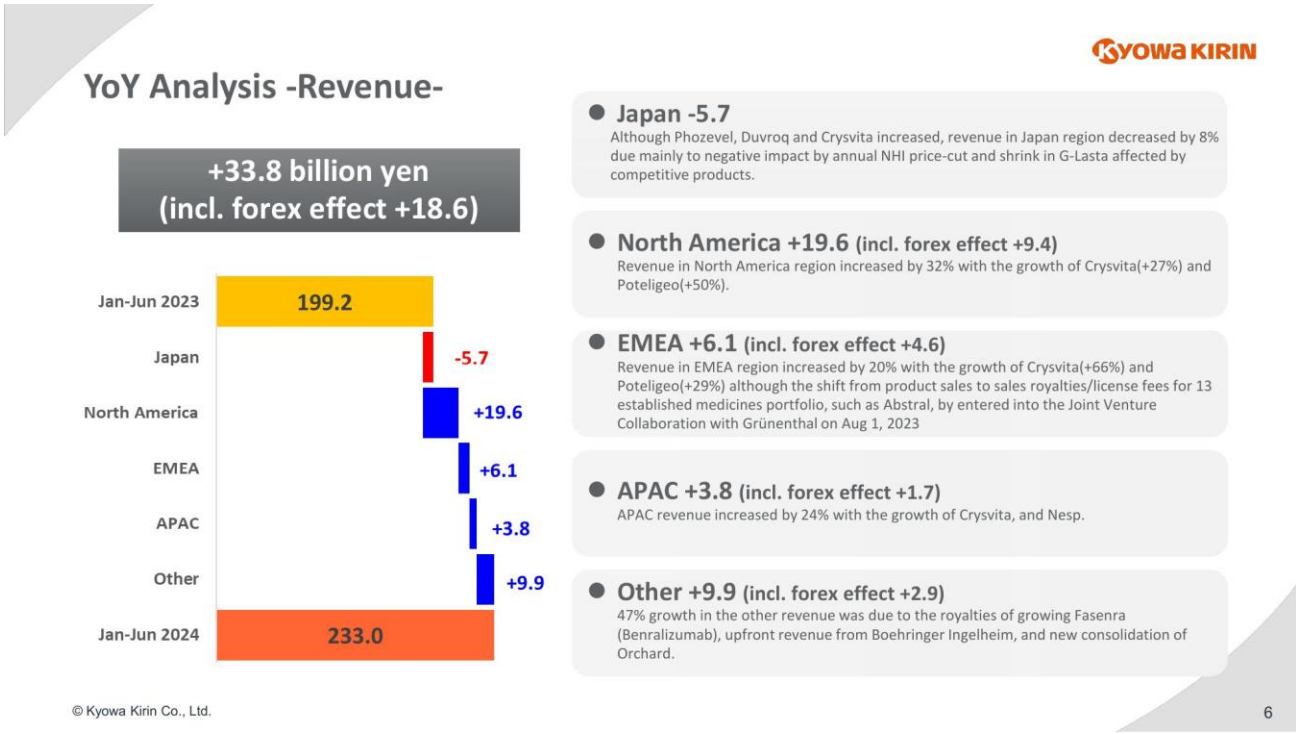
As shown at the top of the page, the revised forecast assumes exchange rates of JPY151 to USD1, JPY191 to GBP1, and JPY163 to EUR1 on a full-year basis.

Excluding some SG&A expenses and the gain and loss on equity method, the revised forecast basically reflects the impact of exchange rate fluctuations, with revenue revised to JPY492 billion and SG&A and R&D expenses revised to JPY168 billion and JPY105 billion, respectively. These are our planning lines.

The revised forecast incorporates the impact of a decrease of approximately JPY3 billion in SG&A expenses resulting from the reorganization of the APAC business announced yesterday.

The revised forecast revises the gain and loss on equity method downward by JPY2 billion. The lower-than-expected share of biosimilars in the US Adalimumab market has led us to anticipate that FKB's results will be lower than initially planned for the beginning of the year.

Consequently, we have achieved 48% progress in terms of core operating profit. In terms of interim profit, the progress rate is slightly higher, primarily due to the sale of fixed assets recorded in Q1.



Here is a YoY analysis of sales revenue by region.

In Japan, Phozevel, Duvroq, and Crysvita continue to grow steadily. The new Phozevel product, in particular, has performed well since its launch in February. On the other hand, sales in the Japan region declined 8% due to the entry of biosimilars and the impact of NHI price-cut on G-Lasta sales.

In North America, sales were up 32%, thanks to solid growth in Crysvita and Poteligeo, as well as the impact of the yen's depreciation.

EMEA was impacted by lower revenue due to the transition from product sales of 13 brands, including Abstral, to sales royalties and license royalties beginning last August, following the establishment of a joint venture with Grŭnenthal in the established medicine business. However, the growth of Crysvita and Poteligeo, two global strategic products, and the impact of foreign exchange rates resulted in a 20% increase in revenue.

APAC saw a 24% increase in sales, led by growth in Crysvita and Taiwan's Nesp.

Other sales increased 47% due to higher royalties from Fasenra and up-front profit from Boehringer Ingelheim in Q1, as well as revenue from sales of hematopoietic stem cell gene therapy from the newly consolidated Orchard.

Revenue of Major Items (Japan)

(Billion Yen / Rounded)

Item	2023Q2 Results	2024Q2 Results	Changes	Reasons	2024 Rev. Plans*	Progress to goal
Crysvita	4.8	5.4	+0.5 (+11)	Market penetration (Launched in Dec 2019)	12.9	42%
Poteligeo	0.9	1.0	+0.0 (+4%)		1.9	50%
Nesp + Nesp-AG[1]	8.4	6.9	-1.4 (-17%)		14.4	48%
Nesp	1.5	1.4	-0.2 (-10%)	NHI price-cut & Biosimilars' penetration	2.8	49%
Nesp-AG	6.9	5.6	-1.3 (-19%)		11.7	48%
Duvroq	4.2	5.7	+1.4 (+34%)	Market penetration (Launched in Aug 2020)	12.2	46%
Phozevel	-	1.7	+1.7 (- %)	Launched in Feb 2024	3.3	51%
Orkedia	5.0	4.9	-0.1 (-1%)		11.7	42%
G-Lasta	15.0	10.5	-4.5 (-30%)	NHI price-cut & Biosimilars' penetration	20.5	51%
Rituximab BS	4.4	3.8	-0.6 (-15%)	NHI price-cut	7.9	48%
Romiplate	5.7	6.5	+0.7 (+13%)	Market penetration (New indication in Jun 2019)	13.2	49%
Nouriast	3.7	3.4	-0.3 (-9%)		7.1	47%
Haruropi	2.1	2.2	+0.1 (+4%)		5.2	42%

1 AG stands for Authorized Generic. Official product name is Darbepoetin Alfa [KKF]. Kyowa Kirin Frontier is a marketing authorization holder; Kyowa Kirin is a distributor.

* 2024 Revised Plan announced on August 1, 2024, there is no changes to the "Revenue of Major Items (Japan)"

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Here is the situation by product in Japan.

Although the revised plan is stated, there is no change from the original plan for Japan because there is no effect of exchange rate fluctuations.

Crysvita is growing steadily, with an 11% increase over the previous year.

Sales of Nesp-AG have declined due to the NHI price-cut and the impact of competing products but are performing well against the plan.

Duvroq grew steadily, with a 34% increase over the previous year, and maintained the number one market share in its class.

Phozevel was launched on February 20 and is steadily penetrating the market.

G-Lasta sales decreased by JPY4.5 billion YoY, or 30%, due to the impact of a follow-on biotech product launched last November and the NHI price-cut in April, which included the return of an additional subsidy for the creation of new drugs.

Revenue of Major Items (ex-Japan)

(Billion Yen / Rounded)

Item	2023Q2 Results	2024Q2 Results	Changes	Reasons	2024 Rev. Plans	Progress to goal
Crysvita	61.9	85.5	+23.6 (+38%)		175.9→ 187.8	46%
North America	46.0	58.7	+12.7 (+27%)	[North America] Market penetration [EMEA] Geographical expansion & Additional indication (Adult/TIO) [APAC] Market penetration		
EMEA	15.3	25.4	+10.1 (+66%)			
APAC	0.6	1.3	+0.8 (+141%)			
Poteligeo	12.5	18.1	+5.6 (+45%)		32.5→ 34.8	52%
North America	9.4	14.1	+4.7 (+50%)	[North America] Market penetration [EMEA] Geographical expansion & Market penetration	23.3→ 25.1	56%
EMEA	3.1	3.9	+0.9 (+29%)		8.8→ 9.3	42%
APAC	-	0.1	+0.1 (- %)		0.5→ 0.5	18%
Libmeldy / Lenmeldy	-	1.4	+1.4(- %)	New consolidation of Orchard (FDA approval in Mar 2024)	4.5→ 4.9	29%
Nourianz	3.5	3.5	+0.0 (+0%)		8.5→ 9.1	39%
Nesp	4.4	5.7	+1.2 (+28%)		10.7→ 10.7	53%
Gran	3.2	3.7	+0.5 (+14%)		7.2→ 7.2	51%
Tech-licensing	17.8	23.3	+5.5 (+31%)	Upfront revenue from Boehringer Ingelheim and growth of Fasenra	45.0→ 47.8	49%
Benralizumab Royalty[1]	11.6	14.4	+2.8 (+24%)			

1 Sales royalties of Fasenra which has been marketed by AstraZeneca, including our own estimation.

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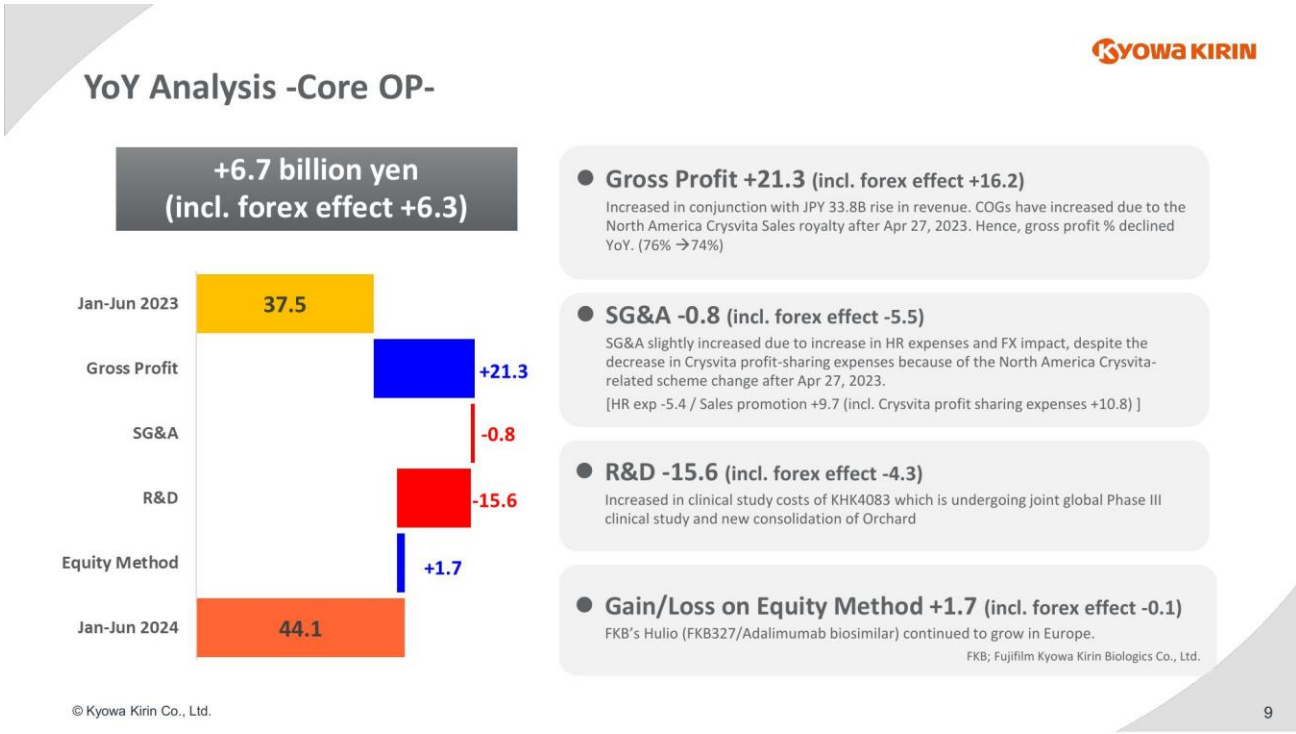
This is the status of major overseas products.

Crysvita continues to grow steadily in each region, with revenue up JPY23.6 billion, or 38%, from the previous year.

Poteligeo also reported a 45% YoY increase in sales, particularly in North America. The penetration into various markets also resulted in a sales increase in EMEA.

Orchard's Libmeldy / Lenmeldy, recorded JPY1.4 billion in Libmeldy sales revenue in Europe due to Orchard's new consolidation from January 24. As you know, we also received approval in the US in March as Lenmeldy, but we have not yet recorded sales revenue in the US as of Q2.

Technology revenue increased JPY5.5 billion, or 31%, from the previous year due to an increase in royalties of Fasenra and the recognition of an up-front licensing payment for a new compound licensed out to Boehringer Ingelheim in January.



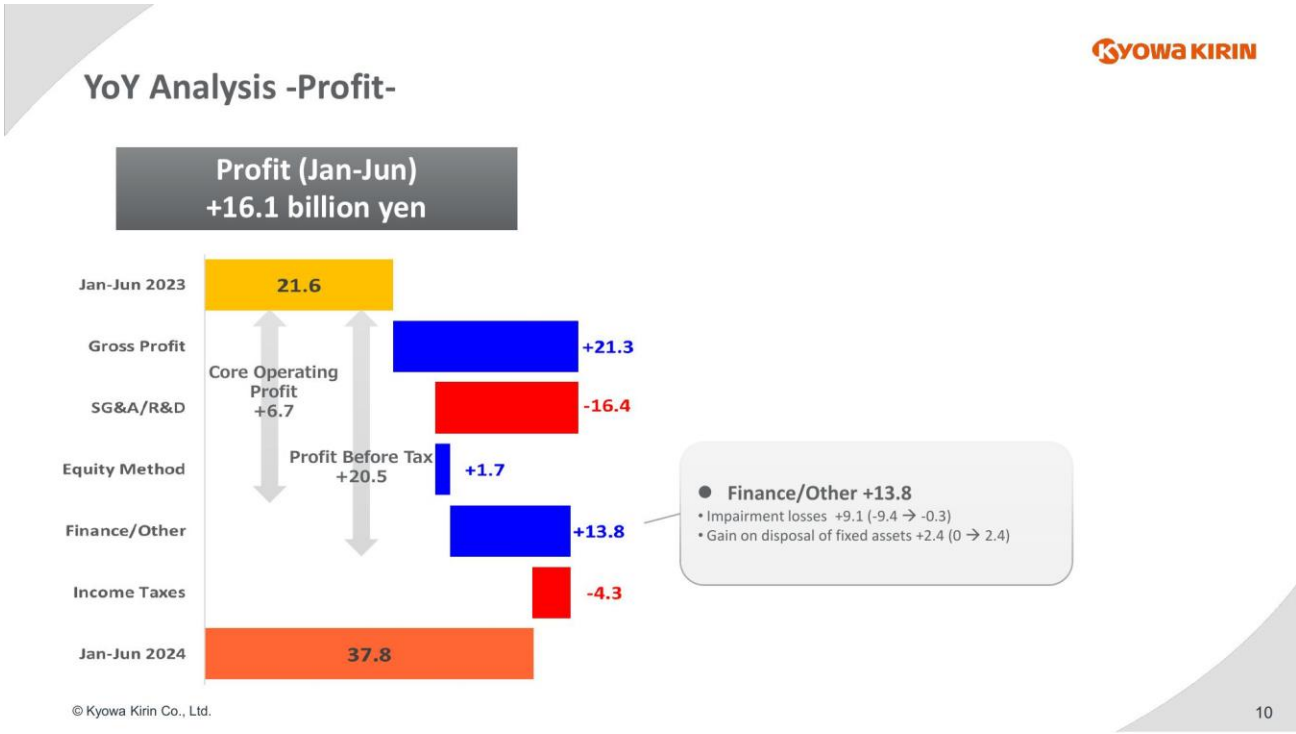
Gross profit increased by JPY21.3 billion, or 14%, in line with the increase in sales revenue. The gross profit margin declined 2% to 74% due to an increase in the cost of sales resulting from the recording of sales royalties since the start of Crysvita's own sales in North America last April.

SG&A expenses were affected by the absence of profit-sharing expenses after Crysvita's own sales in North America. On the other hand, an increase in personnel and other expenses and foreign exchange effects resulted in a slight increase in total SG&A expenses of JPY0.8 billion, or 1%.

R&D expenses increased by JPY15.6 billion, or 46%, from the same period last year due to progress in the development of KHK4083 (rocatinlimab), as well as the new consolidation of Orchard Therapeutics. As a percentage of sales revenue, the ratio increased by 4% to 21% from 17% in the previous year.

Gain and loss on equity method increased by JPY1.7 billion. This was due to the continued growth of FKB's Hulio in Europe.

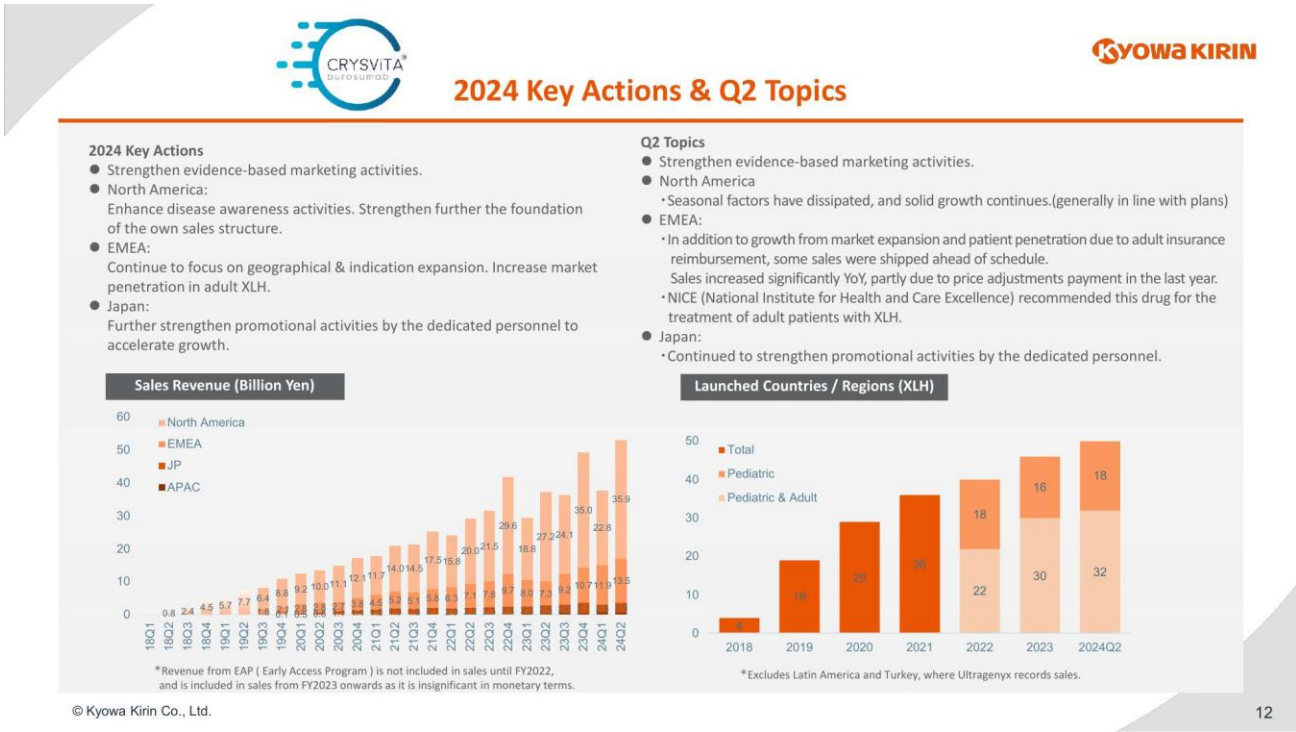
As a result, core operating profit increased by JPY6.7 billion compared with the same period of the previous year.



This is the portion of core operating profit and other items.

Finance and other increased by JPY13.8 billion. The increase was mainly due to a decrease in impairment losses and a gain on sales of fixed assets.

As you know, there was an impairment of RTA 402 and other assets around this time last year. As a result, interim profit increased significantly by JPY16.1 billion, or 75%, compared with the same period last year.



Next are commercial updates.

First, Crysvita.

The graph at the bottom of the page shows sales revenue and the number of countries and regions where the product has been sold since its launch.

Global total sales revenue for Q2 was JPY90.9 billion, an increase of JPY24.1 billion, or 36%, over the same period last year.

Through our evidence-based disease awareness activities, we have continued to achieve steady business growth as we have increased patient penetration of our products, especially adult XLH and TIO, and expanded the number of countries and regions where we sell our products.

In terms of YoY revenue, the seasonal factors that contributed to the decline in North American sales in Q1 have been resolved, and the region has returned to its original growth path.

Some shipments in Europe were accelerated, which were supposed to be shipped in Q3. As you know, there was a decline in sales due to price adjustments in Germany in Q2 of the previous year. Those factors led to a significant increase in sales compared to the previous year.

Our domestic business also continues to grow at 11% YoY, although slightly behind the plan.

In addition, while the launch of adult XLH in the UK was delayed among major EMEA countries, NICE was able to obtain a recommendation in June for the treatment of adult XLH patients in England, Wales, and Northern Ireland.

We will continue our disease awareness activities and focus on strengthening patient support programs, such as enabling diagnosed patients to start treatment earlier, and also to avoid any inconvenience in treatment due to switching insurance and other factors.

Poteligeo reported global total sales revenue of JPY19 billion, an increase of JPY5.6 billion YoY, or 42% growth.

In North America, we are further deepening our evidence-based promotion, continuing to promote penetrating it among patients with tumor cells in the blood. Also, we are making progress to access patients who have been somewhat under-reached in the past by using evidence for patients presenting skin symptoms. In addition, based on analysis of the data, promotional activities are focused on medical facilities with higher dosing potential. Business growth through these initiatives has led to this increase in revenue.

In Europe, the Company is also growing through geographic expansion and penetration of patients through disease awareness activities and will continue to focus on further penetration of existing markets through deeper marketing activities and expansion of target markets in order to achieve growth.

These are the commercial updates.

News Flow of Main Development Pipeline Products

KYOWA KIRIN

As of Aug 1, 2024

Code Generic Name	Events (Completed are in bold)		Timeline (Completed are in orange)
KHK4083/AMG 451 rocatinlimab	Atopic Dermatitis	P3（ROCKET Program）	In progress
	Asthma	P2 initiation	May 2024
	Prurigo nodularis	P3 initiation	July 2024
KHK4951 tivozanib	nAMD	P2	In progress
	DME	P2	In progress
KK4277	SLE, CLE	P1	In progress
KK2260	Advanced or metastatic solid tumors	P1	In progress
KK2269	Advanced or metastatic solid tumors	P1	In progress
KK2845	AML	P1 initiation	Q3 2024
KK8123	XLH	P1 initiation	Q3 2024
OTL-203	MPS-IH (Hurler syndrome)	Registrational study[1]	In progress
OTL-201	MPS-IIIA (Sanfilippo syndrome type A)	Proof-of-concept study[2]	In progress

1. Equivalent to P3 study; 2. equivalent to Ph 1/2 study

Next, here are the updates on R&D.

I would like to touch on some of the news items listed on the slides, focusing on the changes since the last meeting.

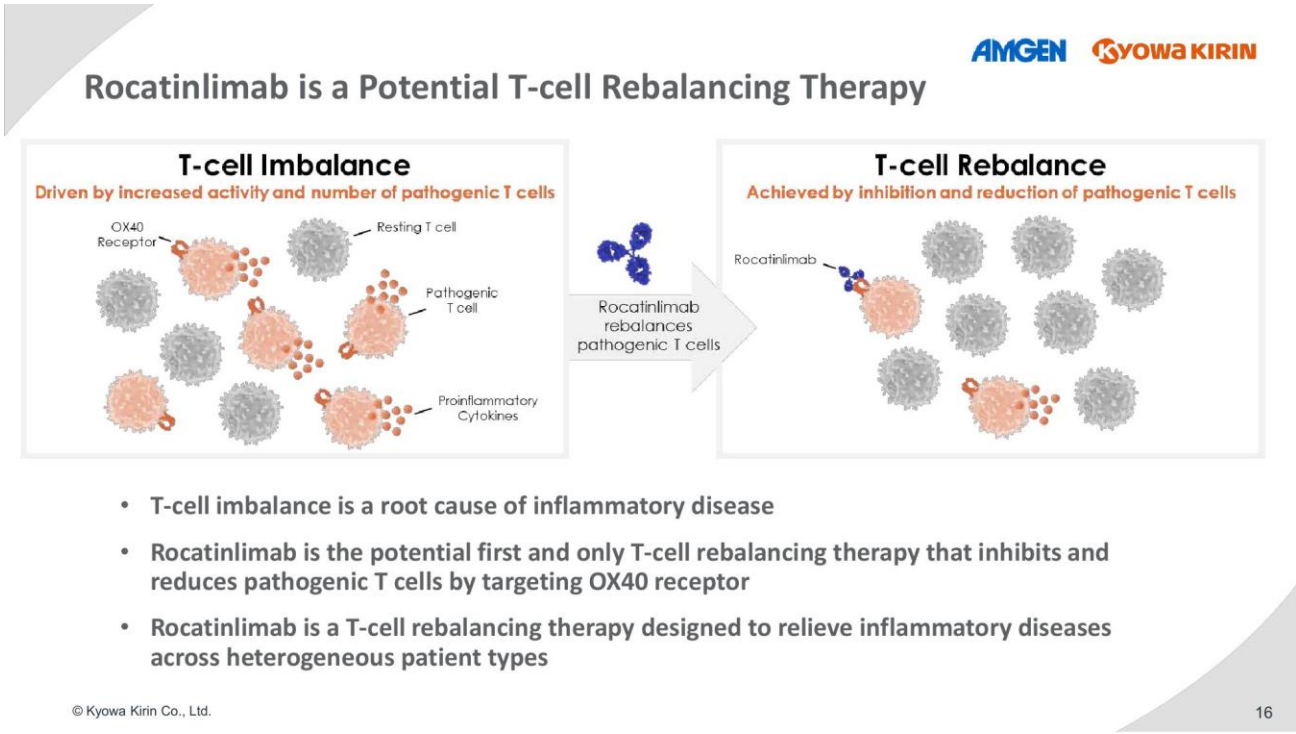
First, rocatinlimab is in a Phase III trial for atopic dermatitis, the ROCKET Program. On the slides that follow, I would like to explain some of the characteristics of the product and the progress of the ROCKET Program.

In May, the Phase II study for asthma achieved first patient-in, and the study has been initiated.

In addition, Phase III trials for prurigo nodularis began in July, and clinical trials for diseases other than atopic dermatitis are progressing steadily.

KK2845 and KK8123 are currently under preparation for Phase I trials and are on track to begin in Q3.

These are the updates on R&D.

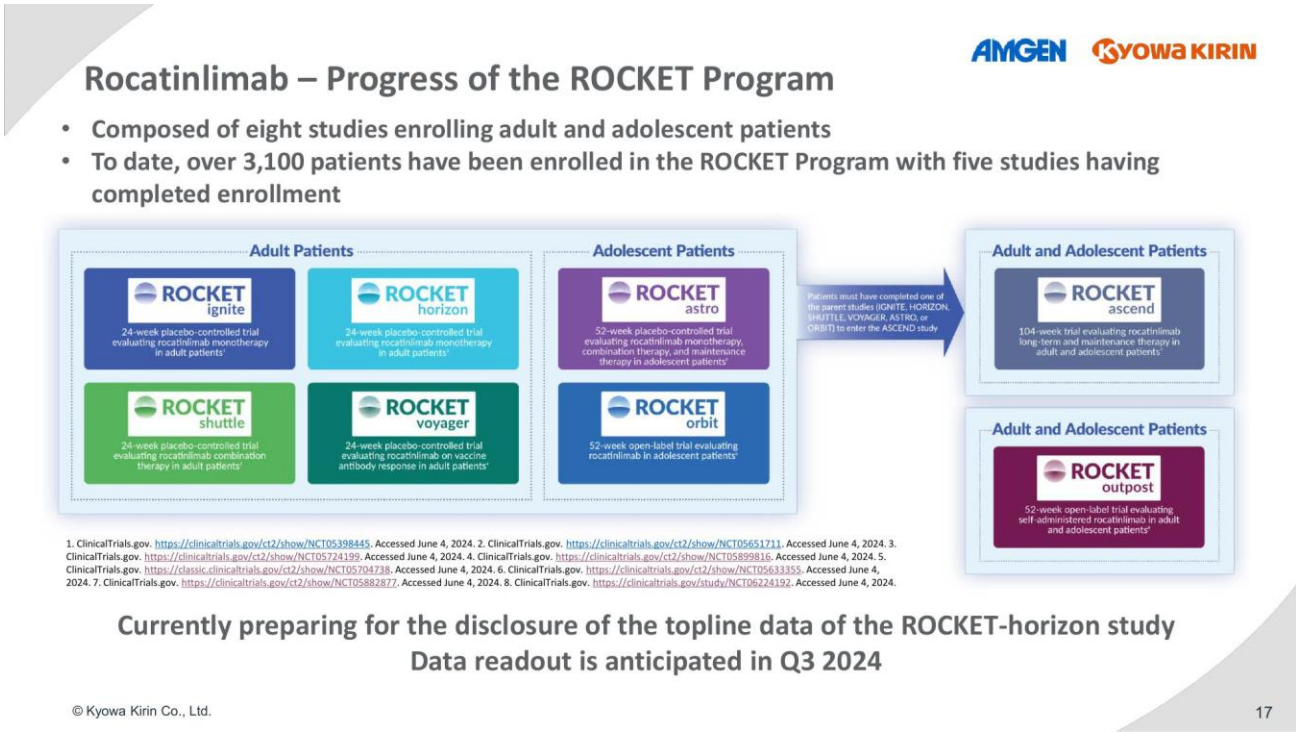


Regarding rocatinlimab, I would like to recap the features of the product on this slide.

In inflammatory diseases, such as atopic dermatitis, excessively activated T cells, here called pathogenic T cells, are known to be in a state of increased number of highly active T cells, or T-cell imbalance.

On the other hand, rocatinlimab targets the OX40 receptor expressed on pathogenic T cells and is believed to be a product that can inhibit the function and reduce the number of these cells.

Therefore, we believe that rocatinlimab is the first product that can be expected to achieve T-cell rebalancing, correcting the T-cell imbalance. This T-cell rebalancing action is expected to be effective in patients with various types of inflammation.



We will explain the progress of the ROCKET Program. Here is the overall picture.

The ROCKET Program is a Phase III clinical trial program consisting of a total of eight clinical trials. To date, more than 3,100 patients have participated in the trials, and five trials have already progressed to the end of subject enrollment.

For the ROCKET-Horizon study, which is the most advanced of these, we are currently making good progress in preparing top-line data for disclosure and are working with Amgen to do so. We expect to be able to report the results in some form during Q3.

Year-to-date Key News Flow

KYOWA KIRIN

As of Aug 1, 2024

Category	Date	Headline
SP	Jan 5	Out-licensed the exclusive and worldwide rights to Boehringer Ingelheim of developing first-in-class treatment for fibro-inflammatory diseases.
SI	Jan 24	Completion of share acquisition of Orchard Therapeutics plc, UK biopharmaceutical company
R&D	Feb 6	First Patient Randomized in Registrational Trial of OTL-203 for MPS-I Hurler Syndrome
R&D	Feb 6	First Patient Enrolled in the Phase2 Clinical Trial Evaluating Tivozanib Eye Drop for Diabetic Macular Edema
SI	Feb 7	Conclusion of Agreement with BridgeBio Pharma for an Exclusive License on Infigratinib in Skeletal Dysplasias in Japan
Finance	Feb 7	Acquisition of Own Shares and Cancellation of Treasury Shares
MKT	Feb 19	Launch of PHOZEVEL® Tablets for Improvement of Hyperphosphatemia in Chronic Kidney Disease Patients on Dialysis (Japan)
R&D	Mar 11	Presented the post-hoc analysis data from the Phase 2b study of rocatinlimab (AMG 451/KHK4083) at American Academy of Dermatology (AAD) 2024 Annual Meeting
R&D	Mar 19	Receives FDA Approval of OTL-200 (Lenmeldy) for the treatment of children with early-onset—metachromatic leukodystrophy (MLD)

ESG: environmental, social, and governance; LCM: lifecycle management; R&D: research and development; SCM: supply chain management; SI: strategic investment; SP; strategic partnering MKT; marketing

The following are some news topics from earlier in the year.

Year-to-date Key News Flow

KYOWA KIRIN

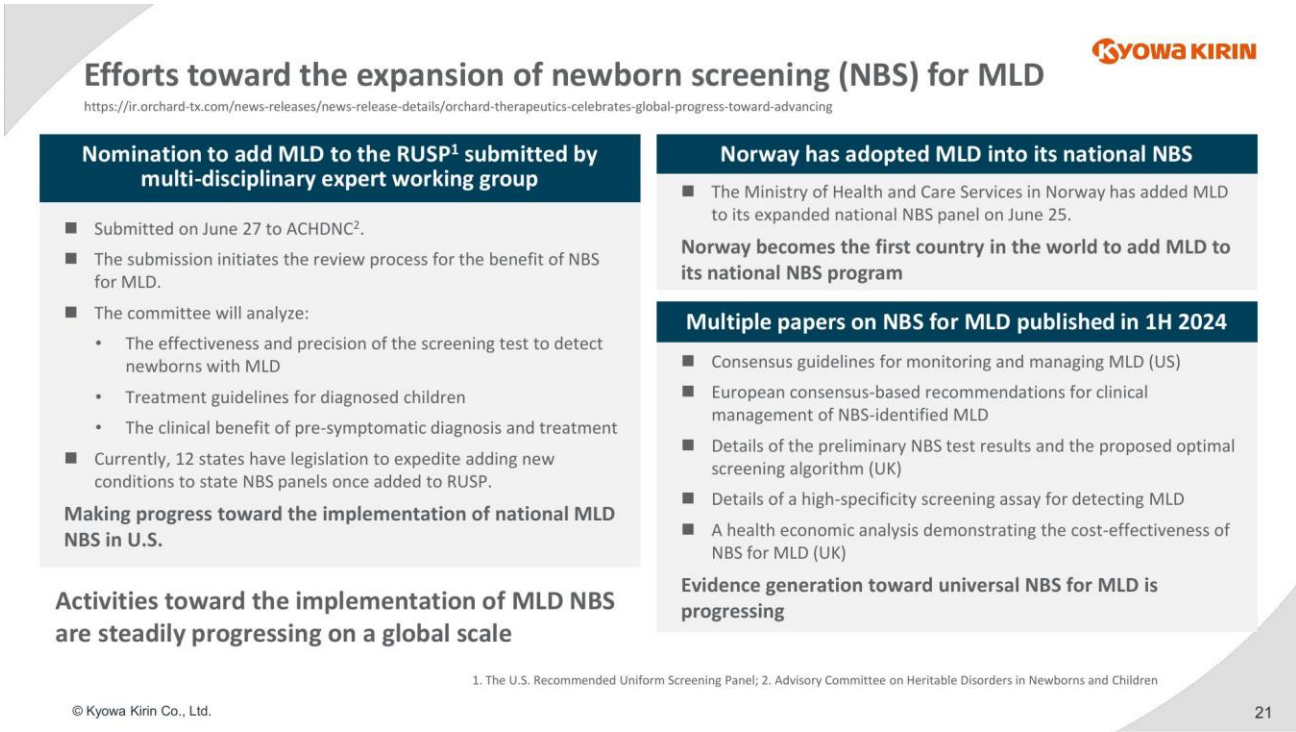
As of Aug 1, 2024

Category	Date	Headline
ESG	May 14	Announced the Publication of a Patient-focused Global Consensus Statement for Improving Diagnosis and Care in Cutaneous T-Cell Lymphoma (Kyowa Kirin, Inc.)
LCM	May 17	Approval for Partial Change of Approved Indication of G-Lasta® for the Mobilization of Hematopoietic Stem Cells into Peripheral Blood for Autologous Blood Stem Cell Transplantation in Japan
SCM	Jun 10	Announced Establishing New Biologics Manufacturing Plant in North Carolina, in the United States
LCM	Jun 28	Application for Additional Formulation of "LUMICEF® Subcutaneous Injection 210 mg Pen" in Japan
MKT	Jul 1	Announced Global Progress toward Advancing Newborn Screening for MLD (Orchard Therapeutics)
ESG	Jul 29	Joined the Pharmaceutical Supply Chain Initiative (PSCI)
SCM	Aug 1	Restructuring of APAC Region Business and Change in Kyowa Kirin China Pharmaceutical Co., LTD
R&D	Aug 1	Transition to a Research Organization to Realize Our Vision toward 2030, and Introduction of a Voluntary Retirement Program
		Updates after the previous earnings announcement

ESG: environmental, social, and governance; LCM: lifecycle management; R&D: research and development; SCM: supply chain management; SI: strategic investment; SP; strategic partnering MKT; marketing

The following is a list of news releases since the announcement of the Q1 financial results.

We are moving forward with initiatives based on our strategic story to realize our 2030 vision, and there are a few topics that I would like to share with you. I will explain it on the next page and beyond.



First, I will explain the progress of our efforts to expand newborn screening for metachromatic leukodystrophy (MLD), which is the target disease of Libmeldy/Lenmeldy.

As we have reported in the past, MLD is an irreversible genetic disorder that develops in childhood, and establishing the diagnosis early, before or after the onset of the disease, is an extremely important part of the treatment process for this disease.

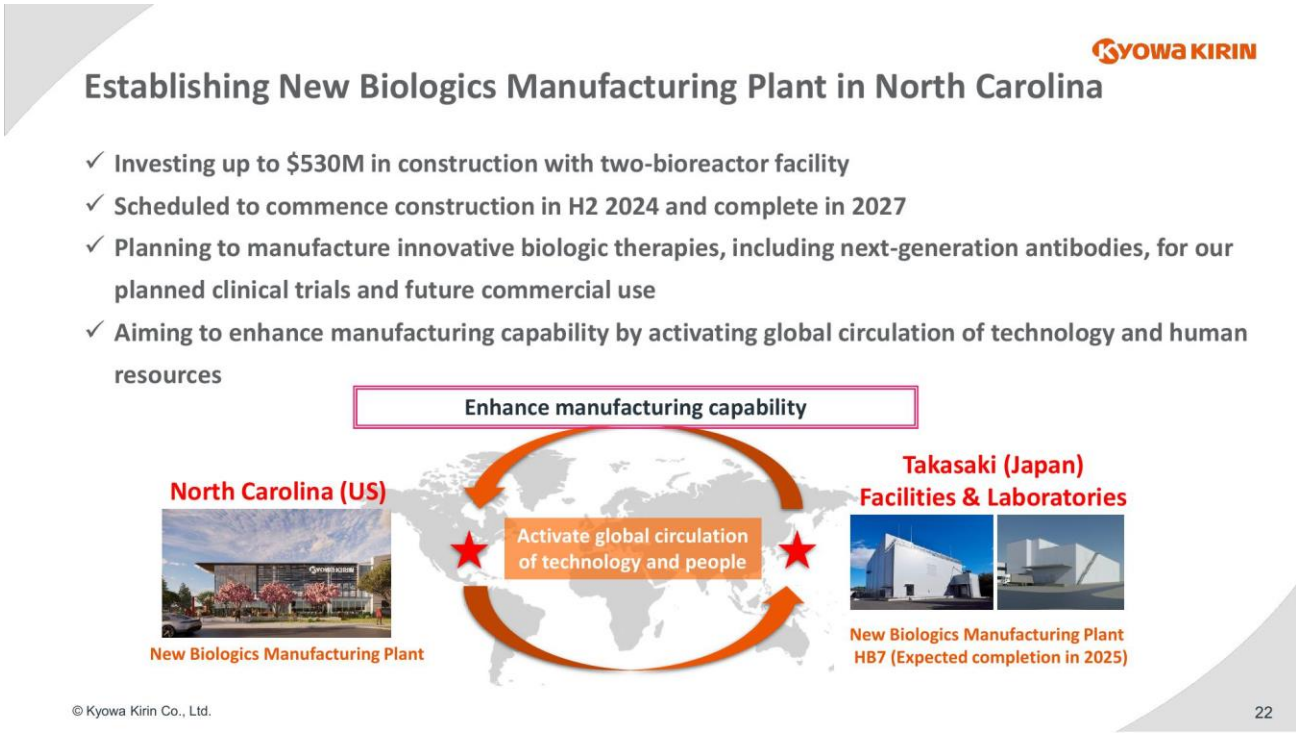
Currently, several specific medical facilities in each country and region are taking the lead in implementing newborn screening, which is essential for early diagnosis. Efforts are underway to ensure that this newborn screening is widely implemented publicly.

Progress has been made in the US and Europe.

In the US, a multidisciplinary expert working team has submitted a recommendation to add MLD to the Recommended Uniform Screening Panel, “RUSP”, a list of targeted diseases for which screening is recommended for all newborns.

In Europe, Norway is the first country in the world to add MLD to its newborn screening panels nationwide.

The lower right-hand corner of the slide shows the results of papers published in H1. We will continue to promote the importance of newborn screening by developing various publications, primarily by Orchard. Our goal is to create an environment where newborn screening for MLD is universally implemented.



We will explain about the biopharmaceutical plant that we have decided to build.

We have decided to invest up to USD530 million to build a new biopharmaceutical plant in North Carolina.

As you know, the US is at the forefront of biopharmaceutical production, and North Carolina, in particular, is one of the leading states in biopharmaceutical production. The Research Triangle Park is well-known. Also, there are many pharmaceutical companies and research institutes there, making it an ideal environment for attracting and training talented biopharmaceutical-related professionals.

The new plant is scheduled to be operational in 2027. Once operational, we will manufacture clinical trial drugs. Then, we plan to produce commercial products and innovative biologic therapies, such as next-generation antibodies.

We have core plants in Takasaki, including the research laboratory and North Carolina. These two key plants facilitate the transfer of technology from development to commercial. With this, we believe that this will further accelerate drug development.

Next year, we are scheduled to complete the construction of “HB7” at the Takasaki plant, an API manufacturing building for biopharmaceuticals.

Under the global structure of the Takasaki and North Carolina plants, we aim to improve the capability of biopharmaceutical production by activating the global circulation of technology and human resources.

Restructuring of APAC business

- ✓ APAC business will be restructured in accordance with Story For Vision 2030
- ✓ China business: Divest all the equity to WinHealth
- ✓ Established medicines portfolio (excl. China): Grant commercial license to DKSH
- ✓ Global products (Crysvita and Poteligeo): Grant commercial license to partners in certain countries / regions

	Established medicines portfolio	Global Products
China	Divest to WinHealth	Partner with WinHealth
Korea / Taiwan	Partner with DKSH	Kyowa Kirin
Australia	N/A	Kyowa Kirin
Other Asia *	Partner with DKSH	Partner with DKSH

* Hong Kong / Macau / Thailand / Malaysia / Singapore

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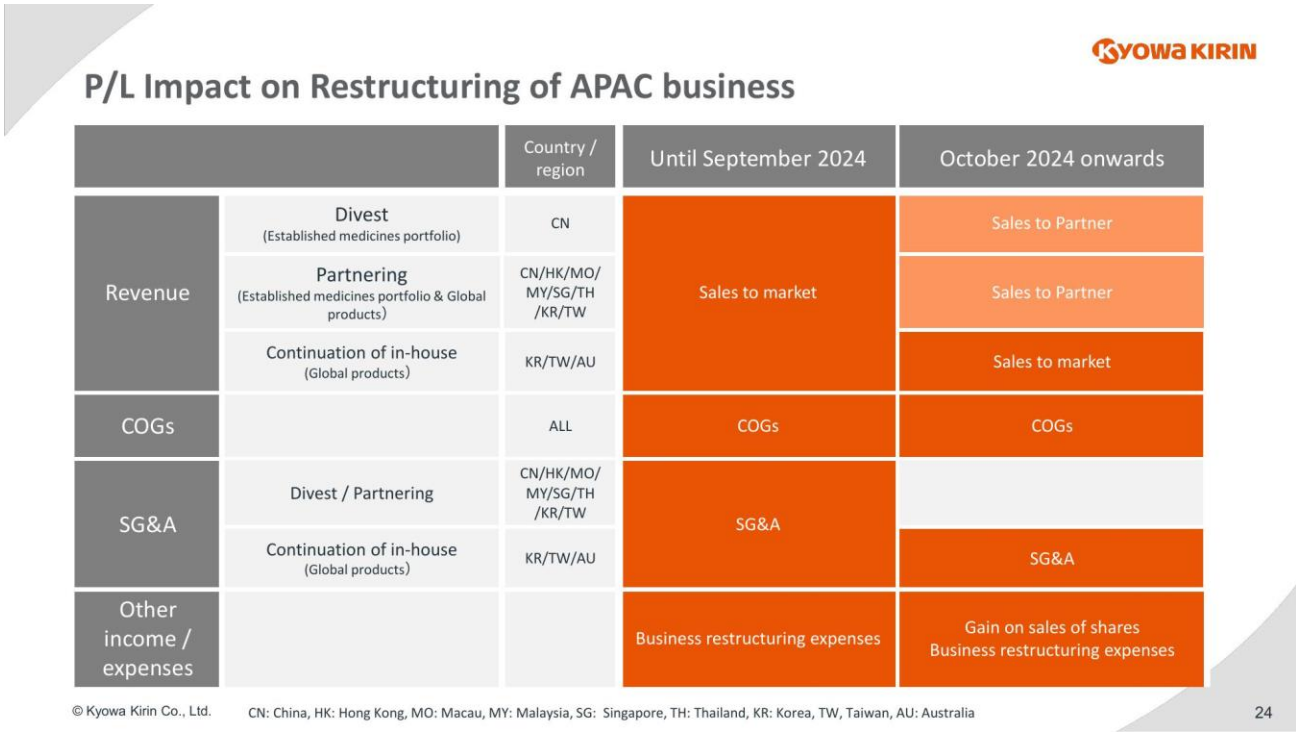
I would like to explain the restructuring of our APAC business announced yesterday.

We announced our Story for Vision 2030 this spring as a path toward realizing our 2030 vision. Based on this decision, we have decided to reorganize our business according to the characteristics of the APAC market.

As you are already aware, we are in the process of transferring our management resources to focus on Crysvita and Poteligeo in Europe. We would like to move to a similar structure in APAC to focus on global products.

The APAC established medicines portfolio is divided into China and the other Asia. We will transfer our equity interest in the Company to WinHealth Pharma for China. Except for China, we will enter into a license agreement with DKSH.

For the global products of Crysvita and Poteligeo, we were considering the best commercial structure based on regional characteristics. In Korea, Taiwan, and Australia, we will continue to seek to maximize value on our own. In other areas, we have determined that maximizing value through partnering is optimal. As with the established medicines portfolio, we decided to partner with WinHealth Pharma for China and DKSH for the other Asia.

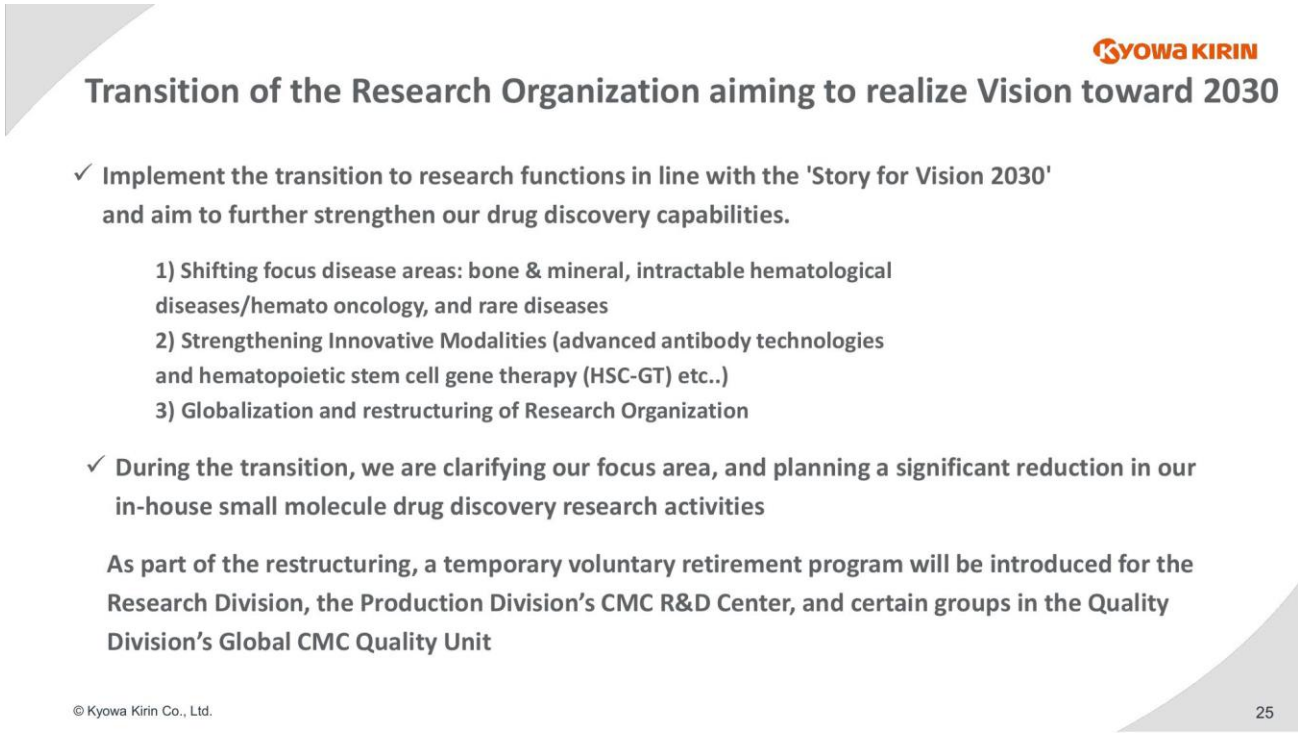


The following chart shows the profit and loss impact on restructuring the APAC business after October.

The established medicines portfolio business in APAC and the global products business, excluding Korea, Taiwan, and Australia, will be transitioned to a partnering business.

In the partnering business, both sales revenue and gross profit decrease as the selling price changes to the price of supplying the product to the partner instead of the direct selling price to the customer. On the other hand, since SG&A expenses will also decrease, we expect core OP to remain largely unchanged. The structure will be same for the next fiscal year and beyond.

Below Core OP, other income and expenses, with respect to the current period, there will be a gain on the sale of a Chinese subsidiary, while there will also be business restructuring expenses. When combined with other costs associated with the introduction of the temporary voluntary retirement program in Japan, which I will explain on the next slide, we do not believe that the net impact on profit and loss for FY2024 will be significant.



Finally, I would like to explain the transition of our research structure toward the realization of the 2030 vision and the associated introduction of a voluntary retirement program in Japan.

As explained in the APAC business restructuring, we are promoting initiatives based on the Story for Vision 2030 in accordance with the characteristics of each region and company.

We have designated bone & mineral, hemato oncology, intractable hematological diseases, and rare diseases as focus disease areas.

As modalities, we will focus on hematopoietic stem cell gene therapy in addition to the advanced antibody technologies we have cultivated to date.

In order to further strengthen our drug discovery capabilities by solidifying our efforts in these focus disease areas and new modalities, we will globalize our research organization and shift to a research structure that will enable us to realize our vision for 2030.

This has led to a review of resource allocation and a decision to scale back small molecule drug discovery research in-house.

In addition, we have decided to offer voluntary retirement to employees who wish to expand their career development options during this transition period and to provide maximum support to those who wish to move outside the Company.

As explained today, we are steadily advancing initiatives based on our Story for Vision 2030. Through these efforts, we aim to realize our 2030 vision and achieve our annual plan.

That is all for today's explanation.

Question & Answer

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

Yamaguchi [Q]: Thank you. I am Yamaguchi from Citigroup Global Markets. Two questions, please.

You explained about restructuring various businesses in Asia and Japan. There are a variety of easy-to-understand descriptions of sales in the Asia part.

In Japan, I think it is about to start, but you mentioned net impact will be neutral. What is the expected impact on the domestic business performance, especially on SG&A expenses? Can you tell us when that will come up?

Kawaguchi [A]: Thank you for your question. I, Kawaguchi, will answer the question.

The domestic impact is that the retirement date this year will be December 31, so the additional retirement benefits and the cost of outplacement will be incurred under other expenses in core OP.

Since we have not specified the number of applicants, we are assuming a certain maximum monetary range, which will have no impact on the revised forecast on a net basis, as Miyamoto explained earlier.

Then, starting next year, there will be reduced personnel costs for the applicants. However, the number of applicants is not yet determined, so we will provide further details once the impact is known.

Yamaguchi [Q]: In that sense, when looking at global operations, established products have first undergone structural reforms in Europe, and this time, reforms have also been implemented in Asia. Additionally, some policy changes have led to revisions in R&D. Do you think that those types of reviews, both global and by business, have almost run their course? Or are there any other items that still need to be addressed?

Miyamoto [A]: Thank you. This is Miyamoto.

If we use the keyword "establish," people may think that Japan still has a lot of things left to offer. We are currently working on various options, including succession and discontinuation. So, if asked whether we've run their course or not, we are still continuing to do so. I don't feel that anything has been completed or new work is about to begin, but rather that we are constantly working on structural reforms while continuing to consider various issues.

Yamaguchi [Q]: One more quick question on how to disclose rocatinlimab. I think you are saying that the top line will come out, and with that I think with Amgen, but will this include conference presentations and similar stuff? Or will you give a top line and the conference will be some time after that? I would appreciate it if you could explain how to put that out.

Yamashita [A]: Thank you for your question. I, Yamashita, will answer your question.

Firstly, I am wondering if the current ROCKET-Horizon data will be available soon, and I would like to disclose it as soon as possible at the top-line level. We would like to proceed with the conference or academic presentations at another appropriate time.

Yamaguchi [Q]: So, you meant that since it's the top line, it's not quite possible to have a briefing session on that. Is that going to be after the conference?

Yamashita [A]: Yes, that's right. We would like to discuss with Amgen how to take advantage of the timing of data disclosure in this regard.

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

Muraoka [Q]: Thank you very much. I am Muraoka from Morgan Stanley.

I have an additional question adding to Yamaguchi-san's about rocatinlimab. I think I understand most of what you said about Horizon, but I think you are going to hold the R&D Day probably at the end of the year in November or December. So, I was wondering if there will be a conference before that, and then the R&D Day.

In addition, I would like to confirm when the interim analysis of ROCKET-Ascend will be done in 2025. Then, if the interim analysis of Ascend is good, you can submit all the data together, right? Could you confirm that area?

Yamashita [A]: Thank you for your question. My name is Yamashita.

The Ascend is a long-term study, and we hope to submit the data from the other Phase III studies after the studies are completed by the end of 2025, at which time we will be able to utilize the Ascend data.

Our goal is to take such actions in place by the end of 2025, and we are currently working on the time frame.

Muraoka [Q]: The Ascend is a long study, but I understand that if you do an interim analysis, you will meet the end in terms of time, which is by the end of 2025, as you just mentioned. Is that correct?

Yamashita [A]: Yes, that's right. We are working on the assumption.

Muraoka [Q]: I keep asking the same question about Crysvita—whether it's going well or not. Will it be okay in the next quarter?

The US did very well this time, but conversely, is it safe to assume that there is no risk of a rebound in the next Q3? Please let us know what is happening and what kind of movement is possible in Q3, including the inventory situation, price increases, and any other relevant factors. Europe was noted as having some advanced demand for the material. If there are any further details on that, I would like to know.

What are your thoughts on Crysvita for Q3?

Miyamoto [A]: Thank you. This is Miyamoto.

I was wondering if you were asking whether there will be any significant impact on the inventory. I don't think there is anything to note about the US, so I think things will go smoothly and without too many bumps and bruises.

Muraoka [Q]: I have a hypothetical supposition that there may have been some advance demand since the price of a drug that usually increases in the summer didn't this year. Is there anything to worry about there?

Miyamoto [A]: I guess the level of concern is how far we should go. I just have the image that there is a possibility that a little of what you mentioned is happening, but it won't be a bumpy ride.

Muraoka [Q]: I think this Q2 was very good. So, can I expect the US for Q3 and beyond?

Miyamoto [A]: I think that the reason Q2 looks very good is partly because the dents in Q1 were covered.

Muraoka [Q]: It is natural, but since control has now completely shifted from Ultragenyx to your company, it is not wrong to understand that your company is able to do business while keeping a close eye on end-user demand and having a firm grasp of what constitutes good momentum.

Miyamoto [A]: We now have a better understanding of the market situation. Among the various explanations, I can clearly see the type and number of patients, as well as when they are coming in, thanks to the activities we have outlined.

The number of starting forms has been increasing steadily. So, from such a perspective, I think the situation is very reassuring at the moment when we look at a full year, as it is growing very steadily.

Muraoka [M]: I understand. Thank you very much.

Wakao [Q]: My name is Wakao from JPMorgan Securities. Two, please.

With rocatinlimab, you said that the results of Horizon will be announced. Do you have any idea how the results of the trials after Horizon will be released to the public? Last time, you said you were not sure about that part yet.

Yamashita [A]: My name is Yamashita. Thank you for your question.

As same as before, we are focusing on presenting Horizon first. Following that, I would like to discuss publication of the results of subsequent tests, depending on the timing of when they become available.

Wakao [Q]: I think the results will come progressively at intervals of two or three months, one after one. If so, is it possible that after Horizon, you may not continuously announce updates to the public but only announce apply for the final data next year once it is finalized?

Yamashita [A]: We have not finalized that part yet. However, as rocatinlimab is now in Phase III, we would like to provide appropriate explanations about this type of drug.

Wakao [Q]: One more thing, I would like to know specifically about building a factory in the US—how large the two bioreactors are in the first place, and why you decided to build them in the US on your own. You could have used CMO, but why chose to do so by your own, not CMO?

Specifically, what you are going to produce at this plant in the future are next-generation antibodies. So, if the products you are developing are successful, you will manufacture them commercially here? I assume you don't manufacture Crysvita, or other existing products, do you?

Miyamoto [A]: Thank you. Miyamoto will answer.

As for the two bioreactors, we are not thinking of installing large tanks, unlike in the past. Rather, something that is good mobility, so we are not building two large ones. Rather, we are trying to do it in a new way that allows us to turn more batches.

As I mentioned in my explanation, one of the reasons for establishing the plant in the US is that the US is the largest market for biopharmaceuticals, and it has an abundance of human resources in the area of biotechnology production. In short, there are some very knowledgeable people with PhDs, in addition, the quality and quantity of people working in the field is very abundant in the US, and it is a very good place to recruit people.

In particular, North Carolina, as you know, has a large concentration of this field, and there are many colleges, which makes it very easy to recruit people. So, with that in mind, the US is a very big point of reference.

As shown on the slide here, I think it would become to be a very interesting structure to combine the good things we have cultivated in Takasaki with innovative technology, information, and human resources in the US. Therefore, as Kyowa Kirin, we want to take our biopharmaceutical manufacturing capability one or two steps higher than before, and we recognize that the US is the best place to do so.

As for what we will manufacture, I think we will start with investigational drugs in North Carolina, as I explained. The reason is that the ones that are already in clinical trials are already using a lot of CDMOs, so rather than moving those, we would rather manufacture something new that we are going to start. We will be watching the timing of this, but we will manufacture an investigational drug.

The advantage of not using CDMO is that we usually launch new products in Takasaki, but when scaling up from the lab or bench level to the manufacturing level, the technology will need to be transferred. However, if we want to use CDMO, we have to start by securing CDMO lines and batches since quite a long time ago, and we have to spend a lot of time on technology transfer, meaning it is not very flexible or agile.

Given the high costs, it would be advantageous to produce in-house, as technology transfer would be quick and easy. We believe this would significantly enhance the speed of our development.

So, we are aiming for that kind of thing for the initial start-up, and once we have a large enough number of candidates for clinical trials, I think North Carolina will be able to make a strong run with them. If some of the development products do not progress as expected, we can increase the operation rate by manufacturing existing products there, then double sourcing them, and we can have a two-sided approach. The reason for establishing this plant is we consider that this factory has several advantages like as expanding some options.

Wakao [M]: I understand very well. Thank you very much.

Ueda [Q]: My name is Ueda from Goldman Sachs.

First, I would like to know about the progress ratio against the plan. This time, in the area of global products, Crysvita and Poteligeo, progress up to Q2 and the progress rate of the previous year are doing very well. You mentioned that the revision of the plan was based on foreign exchange assumptions, but can you tell us about your view on whether there is a possibility of further upward revision on an actual basis?

Kawaguchi [A]: Thank you for your question. Kawaguchi will answer.

As you understand, regarding the forecast revision, we have not made any changes based on local currency but have only accounted for the impact of foreign exchange rates. Conversely, we believe that we are on track to achieve the plan we made at the beginning of the year in local currency terms. Naturally, we would like to see an upward swing, but all we can say now is that we are determined to achieve the plan we made at the beginning of the year.

Ueda [Q]: Secondly, I would like to follow up on the transition of the research structure. You are going to reduce small molecule drug discovery research activities. I think we can expect to see horizontal expansion of this area into other modalities, such as ADCs.

Could you tell us about the background behind this decision and what your company's future plans are in the areas of nucleic acids and regenerative medicine, which I believe you have presented as one of the four major drug discovery modalities?

Yamashita [A]: Thank you for your question. My name is Yamashita.

First of all, as announced in our Story for Vision 2030, we will shift our research to focus on high-level researches in more specific areas, addressing future unmet medical needs and concentrating on these modalities.

In such a situation, we are not totally rejecting small molecule drugs, but it is difficult to see what advantage we have in screening small molecules, and then using medicinal chemistry to create small molecule drugs.

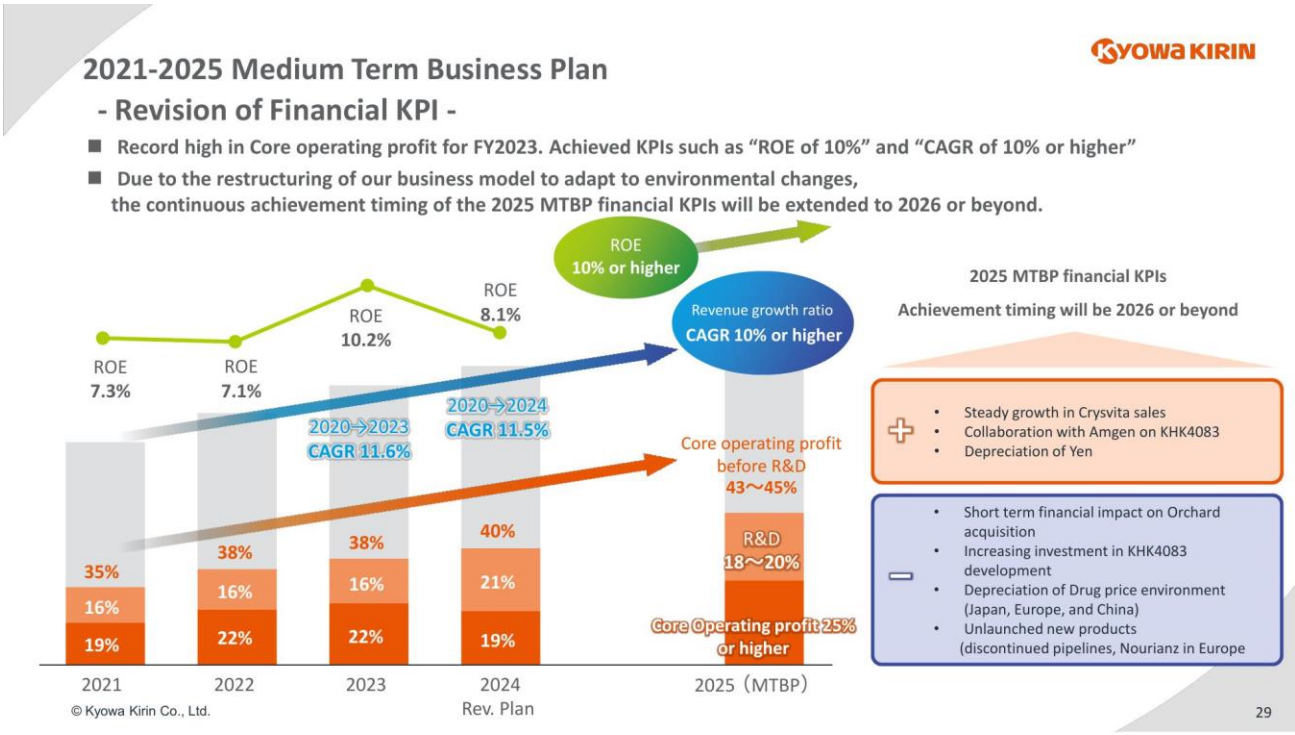
We are now in the process of reducing these areas slightly and focusing on modalities that can meet unmet medical needs in the future, then shifting resources accordingly and building on our strengths in these areas. That is our concept now.

For example, ADC, as you mentioned in your question, is one of the technological elements of our next-generation antibody modality, and we expect a possible development in there, so we will continue such research. Also, with the acquisition of Orchard, we would like to focus on cell and gene therapy.

As for your question about nucleic acids and regeneration, we are watching for modalities that have potential in the future and are looking for opportunities to enter the market with a certain level of activity.

Ueda [M]: Okay. Thank you very much.

Sakai [Q]: You have taken various measures to achieve your vision for 2030, including restructuring your APAC business, reviewing your R&D structure, building a biotech plant, and restructuring your European operations.



Based on this, I have an impression that your company is being put on hold by the KPI targets for 2025, as shown in the mid-term plan on page 29, extending into 2026 and beyond.

I am not saying that you should review your 2025 plan, but I wonder how the figures for 2025 change based on the measures you have taken so far. Furthermore, I think it would be better if you could indicate a little more about how you plan to proceed toward 2030.

Normally, a company will talk about the guidance for 2025 after seeing the financial results the following year. However, you already set KPIs for 2025 and have stated clearly once that it will be delayed. Therefore, I think it would be better for you to be a little more accountable in this area with explanations. Do you have any thoughts on this?

Miyamoto [A]: Thank you, Mr. Sakai. This is Miyamoto.

Regarding accountability, we have announced the 2025 targets to indicate the need for review. Then, if you ask about how it will be in 2025, unfortunately, as you mentioned, we can only announce our guidance at the beginning of 2025. We appreciate your understanding in this matter.

I hope to be able to provide some kind of information on how we are going to move toward 2030 after 2025, taking into account the impact of the various measures we are taking.

Sakai [Q]: In any case, would that be after the rocatinlimab situation is clarified?

Miyamoto [A]: I don't think the status of rocatinlimab will be clear then, especially by the time we issue the 2025 guidance next year, as one of the trials will be finished, but the others are not yet. However, since this is the final year of the mid-term plan, we have already started to prepare a plan for next year and are discussing whether we can provide some kind of guidance for the future based on how rocatinlimab moves.

Sakai [Q]: The other thing is regarding Orchard. I think I have a better understanding as you have explained the progress of MLD. First, how is Orchard's organization structured within your group?

Also, OTL-203 and OTL-201, which are in the pipeline, are in progress. I can see its progress by looking at ClinicalTrials.gov to some extent, but I would appreciate it if you could update their status as well. What do you think?

Miyamoto [A]: I would like to ask Yamashita to add a little more about the situation later, but I, Miyamoto, will start.

As for the organization, as I mentioned from the beginning, we are basically not making any major changes to Orchard's organization. So, it is like the Orchard organization is under us.

On the other hand, collaboration in areas such as research, for example, has begun considerably, with researchers from both companies coming and going. Top researchers from both ends are meeting up and having discussion quite frequently to discuss study strategies. We are now in close discussions about what areas we should target for the future, such as hematopoietic stem cell gene therapy, cell therapy, and gene therapy.

We are also working in close collaboration in the research area to see if we can start new initiatives that we have been thinking about and want to work on. In addition, we will proactively seek if there are ways to make Orchard's operations more efficient by better utilizing our existing organizations and platforms in the US and Europe.

As an organization, again, Orchard is still acting with certain autonomy, but if you look at the various function levels, we are starting to collaborate quite a bit.

Regarding research, from Yamashita.

Yamashita [A]: My name is Yamashita.

There are two development pipelines by Orchard that you mentioned in your question.

OTL-203, is introduced with an approval schedule in 2029 and 2030. It is in the last trial to get approval, and the standard therapy for mucopolysaccharidosis Type 1 is Allo's so-called blood stem cell transplantation. We will proceed with a comparative study of this with a transplant of blood stem cells combined with Orchard's gene therapy.

As of now, we have a planned number of enrollments this year, and it is on track. Therefore, if things continue to go smoothly and the results come in on schedule, we expect to receive approval in 2029 or 2030.

OTL-201 has completed its PoC study, and the efficacy has been confirmed in a small number of cases. So, we are now preparing for the Phase III study to obtain approval, following OTL-203.

In this case, cell processing is being conducted in a relatively simplified manner at the PoC trial stage, so there are some cases where this will be approved together with a proper process for future pharmaceutical treatment. Therefore, we are in the process of preparing the CMC equivalent, and we will begin clinical trials as soon as it becomes ready.

Sakai [Q]: In the follow-up to OTL-203, you are expecting approval in 2029 or 2030, so it still takes a while. I understand that patient recruitment takes time, but will this process take as long as it currently seems? Sorry, I'm afraid this is a rough question.

Yamashita [A]: We will have to recruit patients, administer treatment, and then evaluate the efficacy and duration of the treatment. This process takes time. We will need to accumulate data for genetic diseases, especially in children, infants, and early treatment cases. This could take perhaps one year or even up to three years. Thus, we expect it will take time to lead out outcomes.

Sakai [M]: I understand. Thank you very much.

Wada [Q]: I am Wada from SMBC Nikko Securities. Thank you very much. I also have two points. I would like to ask one point each on the topic of rocatinlimab and the transition of the research organization.

I believe Sanofi's Amlitelimab, as competitor, is in Phase III, with a dosage interval of once every three months. I think that your company's rocatinlimab is currently being tested once every two months for Ascend trials. I am wondering if you have any plans to extend this dose interval. This is my question regarding rocatinlimab.

Regarding your research structure, you are reducing small molecule drug discovery and its resources. I would like to know how much you see the resource allocation for small molecule drug discovery at present and in the future.

Many domestic companies devote more than 90% of their resources to small molecules. I have heard that companies focusing on biopharmaceuticals have reduced their resource allocation to around 50%. I would like to know how much you plan to allocate the ratio of biopharmaceuticals and small molecules in your company.

Miyamoto [A]: Thank you. I, Miyamoto, will briefly answer the second question. I cannot give you the details, but I will be as direct as I can.

I would say that the resources on the small molecule side are already quite low. While we will keep the ones that can be used for the next modality, as Yamashita explained earlier, we will reduce the number of traditional screening methods considerably, such as high-throughput systems that are used to refine the screening results through medicinal chemistry.

So, although we are already focusing on biotechnology or new modalities, we will need to allocate more resources to the areas that we have not been able to focus on so far, such as hematopoietic stem cell gene

therapy, to which we have not been able to add many resources. We will change the allocation of resources according to the measures I mentioned earlier. In that sense, it means that the low-molecular weight portion will become smaller and smaller.

I am not able to give you specific numbers, sorry.

Wada [Q]: As an additional question, if something good of small molecules comes out in a priority area, should I have an image that you will be taking it from the outside?

Miyamoto [A]: Regarding licensed-in products, we are not saying that we don't like low-molecular-weight products, so of course, we will take good ones if they are available. Also, as we announced this spring, we only have Japanese rights for infigratinib, but we have obtained a license, this is a small molecule, from BridgeBio. I am not saying that I don't like small molecules and will stop researching them. We are always open to adding good ones from the outside if they are available.

Wada [M]: I understand. Thank you very much.

Yamashita [A]: I, Yamashita, will answer the first one.

We are aware that amlitelimab might be launched in a long-acting form, and that is where the difference in the product profiles will be.

First, rocatinlimab's position is that it has a time advantage over amlitelimab. So, I think it is important to launch it quickly in terms of focusing on this point. Of course, I think it is important to get into the markets of dupilumab, which has a large market, and of other drugs quickly to increase our presence.

In fact, there is naturally a discussion that the long-term effects of amlitelimab can also apply to rocatinlimab, which we will be examining in the future. In this context, I wonder if there is still room to consider this, but of course we may have to devise Ascend test a bit more. Or we may be able to proceed with another new trial additionally, and in any case, our data is not yet available. So, we are in a situation where we may change our next action while also looking at the first part of the ROCKET data a little.

Wada [M]: Thank you very much. I understand very well.

Tsuzuki [Q]: My name is Tsuzuki from Mizuho Securities. Thank you very much.

As for rocatinlimab being the top line in Q3, I understand that this will be the primary endpoint of the data after 24 weeks, but is there a possibility that other follow-up results reports are coming out? How about here?

Yamashita [A]: We have not yet received any specific information here or from Amgen, so I cannot answer in detail. We believe that we will disclose this information in the form of top-line data.

Tsuzuki [Q]: Another point is we talked about the small molecule earlier, and I have the feeling that ADCs are firmly in your pipeline in that sense. So, I personally think that if you are going to make ADCs, you would need some small molecules in organic synthesis, including linkers. Are you good in this regard? I would also like to ask if you could comment on how you intend or appeal to focus more on cell and gene therapy.

Yamashita [A]: Thank you very much. My name is Yamashita.

Cell and gene therapy is featured as a new modality that has come in, but we are also focusing on evolving the strengths of the antibodies that have always existed. In that sense, we have several ADCs in our lineup and are still conducting research on them. We will continue to do these things.

We are also conducting research on further applications of antibodies, such as bispecific. In that sense, we are in the right place to focus on the ADC, which is in a part of your question.

Tsuzuki [Q] One more point, in the APAC business restructuring, I think you said that the impact on profits would not be large. I was wondering if you could disclose how much of an impact on the current sales in FY2024 ending December 31 and how much of an impact it will have in FY2025 ending December 31 in terms of sales. Please.

Kawaguchi [A]: Thank you for your question. Kawaguchi will answer.

First of all, I would like to tell you that if this year's projected sales are roughly JPY40 billion, and next year, that will be reduced by almost half, which is about JPY20 billion, in 2025 and beyond.

Regarding this year's sales, there will be some aspects that will change to supply prices due to the transfer from October onward, which would normally result in a decrease. However, the inventory of local subsidiaries will be transferred and shipped to our partners, so we expect the impact to be almost negligible this year, offset by this change.

Tsuzuki [M]: I understand it well. Thank you very much.

Yamaguchi [Q]: One quick question, KK8123 for XLH. In the document it is still in Phase I preparation and has not changed in particular, but is there anything that can be updated in the next three months? What will it be like for Crysvita? When will the clinical trial begin? Please let me know if there are any updates.

Miyamoto [A]: Thank you, Mr. Yamaguchi. This is Miyamoto.

We have a discussion with Ultragenyx here, which means that we cannot tell you anything more than what we are disclosing now. Preparations are steadily underway, and I hope to be able to tell you that Phase I has begun rather soon.

I'm sorry, but this is what we can comment on at this moment.

Yamaguchi [Q]: Does your discussion with Ultragenyx mean that you are doing something with them?

Miyamoto [A]: Naturally, it will be a competing product for Crysvita, so we are working with Ultragenyx on that while also holding an agreement.

Yamaguchi [Q]: Secondly, thank you very much for showing us the rocatinlimab draft picture, or cell picture. On the other hand, the OX40 ligand antibody works in a slightly different place, like work in the front. As a result, even healthy T cells are killed by this OX40, so I think they are saying that it is not safe.

I would appreciate it if the difference between this OX40 ligand approach and this approach is on one chart, but is there anything you can say from this chart that differentiates it from the OX40 ligand approach?

Miyamoto [A]: This is Miyamoto. If I say something wrong, Yamashita will correct me.

OX40 itself appears on the surface of T cells, the pathogenic T cells we are talking about here, so rocatinlimab is directly targeting these cells. Moreover, it is also equipped with Potelligent technology, which can reduce the number of pathogenic cells relatively efficiently, which I believe is a major difference. The ligand is probably not directly approaching pathogenic T cells but is an antibody against the ligand that activates OX40, so I think there must be a difference there.

Mr. Yamashita, do you have anything to add?

Yamashita [A]: I think you have just explained it, but in this draft picture, the cells that express OX40 are the ones that are painted in the orange-ish color. As I explained earlier, the rocatinlimab does a little bit of decrease, so this colored stuff, or the number of cells themselves is reduced.

In this context, if we only inhibit the binding of this ligand receptor, the effect on reducing the cell itself may be weak. This picture indicates that we assume there will be a difference in that area.

Yamaguchi [M]: I understand. Thank you very much.

Sakai [Q]: One point.

I have a small concern that I believe you explained that G-Lasta will go down due to the NHI price-cut and B/S penetration. On the other hand, I heard glimpses from the medical field that the body pods are a bit difficult to use because there have been quite a few, maybe not quite a few, but some cases where the devices have come off.

In terms of compliance and quality, is this an issue that will affect the future sales of body pods, your thinking, and the position of the products? Can you tell us about this?

Miyamoto [A]: Thank you, Mr. Sakai. This is Miyamoto. I was also impressed by the fact that you are indeed picking up information on the medical field.

As you say, in the early days, since this is a new device for us, there were some problems that we did not anticipate. There is no doubt that there were a fair number of situations that caused inconvenience to people in the medical field. That is as you say.

We are now working with Terumo to address the problems and have already made considerable improvements in a short period of time. So, I expect such things will settle down in the future.

But in any case, this was our first device, and there were quite a few things we learned by doing it. So, as I have said repeatedly, we have caused some inconvenience to those involved in the initial stages, but the product has been relatively successful, and the doctors and patients who have been using it properly have been very pleased with it. So, we would like to continue to improve this so that we can deliver it properly.

Sakai [M]: I understand. Thank you very much.

Muraoka [Q]: Thank you very much. I didn't remember if I asked the question earlier, so here it is again.

I think you usually hold R&D Day around December at the end of the year. Is this planned? If you have some idea of dates, it would be helpful if you could share.

Moderator [A]: Thank you, Mr. Muraoka.

The planning of the R&D briefing is currently under discussion. We apologize that we have not been able to provide the dates yet. We will inform you as soon as it is decided. I would appreciate it if you could wait a little more.

Muraoka [Q]: Also, this may be the flip side of the same coin, but there is an immunology conference, ACAAI, at the end of October. For example, could a promising presentation of rocatinlimab be expected around that time? I understand that it might not be easy for you to comment.

Yamashita [A]: My name is Yamashita.

As a comment, we have nothing to reveal about the conference presentation yet.

Muraoka [M]: I understand. Thank you very much.

Moderator [M]: This concludes the online presentation on the financial results for Q2 of the fiscal year ending December 31, 2024.

Now, thank you very much for your participation today. We look forward to your continued support of Kyowa Kirin.

[END]