



Kyowa Kirin Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending December 2022

August 5, 2022

Event Summary

[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending December 2022	
[Date]	August 5, 2022	
[Number of Speakers]	4	
	Masashi Miyamoto	Representative Director, President and Chief Executive Officer
	Motohiko Kawaguchi	Managing Executive Officer, Director, Finance Department
	Yoshifumi Torii	Executive Officer, Vice President, Head of R&D Division
	Tomohiro Sudo	Executive Officer, Director, Global Product Strategy Department, Strategy Division

Presentation

Moderator: Welcome to the conference call to discuss Kyowa Kirin Co., Ltd.'s Financial Results for Q2 of Fiscal Year December 2022, which were announced yesterday at 3:30 PM.


Please note the following prior to the start of the conference call. Please be advised that the names and company names of all participants in this conference call will be recorded on a list of participants for a certain period. The content of this meeting will also be available on our website as an on-demand audio stream and transcript. We appreciate your understanding in this regard before making any comments.

Today's speakers are Dr. Masashi Miyamoto, President, and Representative Director; Mr. Motohiko Kawaguchi, Managing Executive Officer, Director of Finance Department; Dr. Yoshifumi Torii, Executive Officer, Head of R&D Division; and Mr. Tomohiro Sudo, Executive Officer, Director of Global Product Strategy Department, Strategy Division.

Today's conference call is scheduled for a maximum of 90 minutes. First, Dr. Miyamoto will review the overall financial results and then take your questions.

Miyamoto: This is Miyamoto. Good morning, everyone. Thank you for taking the time out of your busy schedule to join us today. As I'm sure you have already had a chance to peruse the financial report presentation deck on our website, I would like to offer a brief summary.

Summary of Q2 Results



(Billion Yen / Rounded)

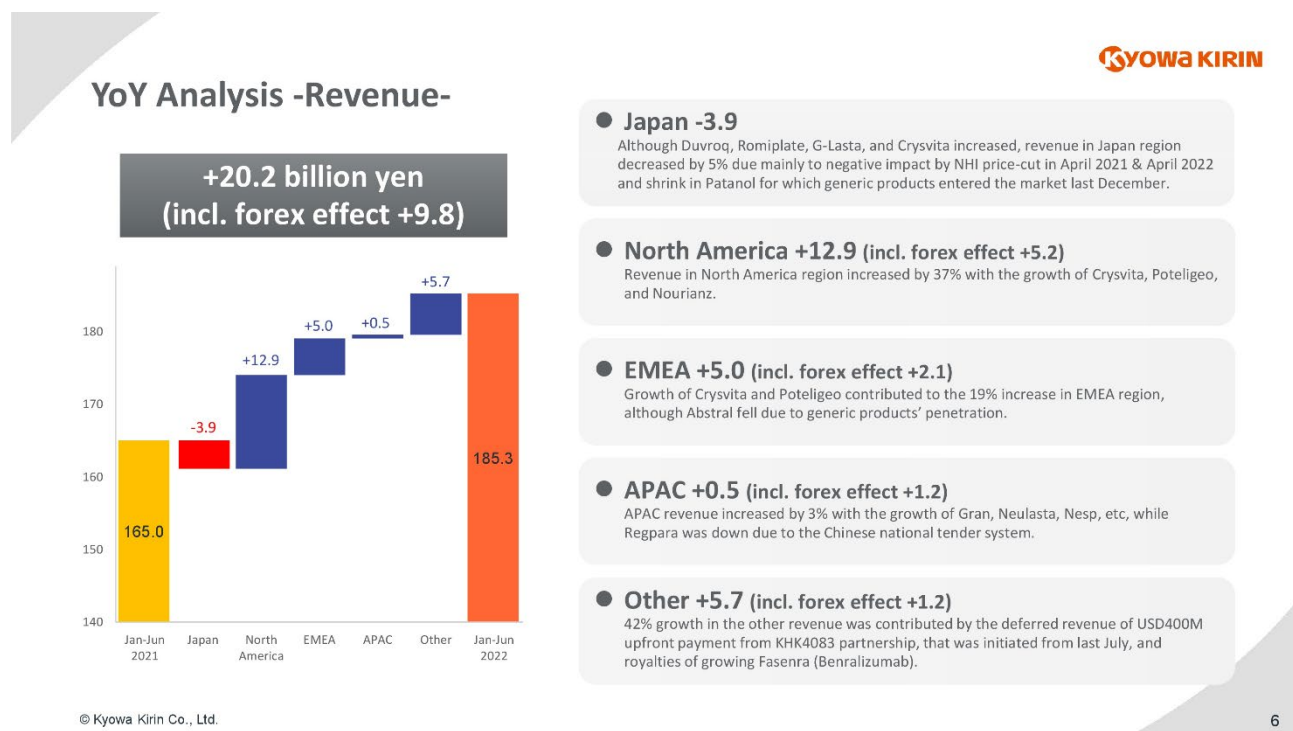
	2021Q2 Results	2022Q2 Results	Changes	2022 Revised Plans	Progresses
Revenue <i>[Overseas Ratio]</i>	165.0 <i>[52%]</i>	185.3 <i>[59%]</i>	+20.2 (+12%)	380.0→ 400.0 <i>[62%]</i>	46%
Gross Profit <i>[Gross Profit Margin]</i>	123.8 <i>[75%]</i>	141.9 <i>[77%]</i>	+18.1 (+15%)	298.0→ 312.0 <i>[78%]</i>	45%
SG&A <i>[SG&A Ratio]</i>	67.2 <i>[41%]</i>	76.4 <i>[41%]</i>	+9.2 (+14%)	164.0→ 172.0 <i>[43%]</i>	44%
R&D <i>[R&D Ratio]</i>	26.5 <i>[16%]</i>	27.9 <i>[15%]</i>	+1.4 (+5%)	70.0→ 67.0 <i>[17%]</i>	42%
Gain/Loss on Equity Method	0.9	2.4	+1.5 (+158%)	3.0→ 4.0	59%
Core Operating Profit <i>[Core OP Margin]</i>	30.9 <i>[19%]</i>	39.9 <i>[22%]</i>	+9.0 (+29%)	67.0→ 77.0 <i>[19%]</i>	52%
Profit	25.1	35.0	+9.9 (+40%)	53.0→ 63.0	56%

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I would like to begin with the financial figure. Please refer to page five. First, a comparison to the same period of the previous year.

Revenue increased by 12% to JPY20.2 billion, core operating profit increased by 29% to JPY9 billion, and quarterly profit increased by 40% to JPY9.9 billion, resulting in a significant increase in both revenue and profit.

The full-year forecast has been updated to reflect the impact of the yen's depreciation and the discontinuation of KW-6356 development and has been revised upward by JPY20 billion for net sales and JPY10 billion for profit.



On page six, please see the YoY comparisons. This is a breakdown of sales revenue by region.

In Japan, sales decreased by 5% due to several reasons: National Health Insurance, NHI, price revisions in April last year and this year. A significant decrease in sales of Patanol, the generic version of which was launched in December of last year.

In North America and EMEA, sales grew by 37% and 59%, respectively, thanks to solid growth in global strategic products and a boost from foreign exchange rates.

In APAC, sales of Regpara, which was subject to centralized purchasing in China last October, declined, but this was offset by growth in other products, such as Gran, and a boost from foreign exchange rates, resulting in a 3% increase in sales.

As for others, in addition to the continued increase in royalties from Fasenra, we began to recognize deferred revenue from the upfront payment for KHK4083 in July of last year, and this was a factor in the overall increase, resulting in a 42% increase in revenue.

Revenue of Major Items (Japan)

(Billion Yen / Rounded)

Item	2021Q2 Results	2022Q2 Results	Changes	Reasons	2022 Rev. Plans	Progresses
Nesp + Nesp-AG ¹	12.9	10.5	-2.4 (-19%)		19.5→ 20.7	51%
Nesp	1.9	1.6	-0.3 (-14%)	NHI price-cut & Biosimilars' penetration	3.1→ 3.3	50%
Nesp-AG	11.0	8.8	-2.2 (-20%)		16.4→ 17.4	51%
Duvroq	0.5	2.7	+2.1 (+391%)	Market penetration (Launched in Aug 2020)	5.5→ 5.9	46%
Regpara	1.5	1.1	-0.3 (-23%)		2.4→ 2.0	56%
Orkedia	4.6	4.9	+0.3 (+6%)		10.0→ 10.4	47%
G-Lasta	13.8	14.8	+1.0 (+7%)	Market's recovery & penetration	31.5→ 31.5	47%
Poteligeo	0.9	1.0	+0.0 (+4%)		1.9→ 2.0	49%
Rituximab BS	5.3	5.0	-0.2 (-4%)	NHI price-cut	9.7→ 10.3	49%
Romiplat	2.8	4.8	+1.9 (+68%)	Recovery from supply constraints from Jun 2020 through Mar 2021	10.0→ 10.0	48%
Allelock	4.8	3.8	-1.0 (-21%)	Generics' penetration & NHI price-cut	6.6→ 5.6	69%
Patanol	7.8	2.2	-5.6 (-72%)	Generics entered in Dec 2021	3.9→ 3.0	72%
Nourias	4.2	3.9	-0.3 (-7%)	Competitors' penetration	8.4→ 8.1	48%
Haruropi	1.3	1.8	+0.4 (+33%)	Market penetration (Launched in Dec 2019)	5.5→ 4.1	43%
Crysvita	3.3	4.1	+0.8 (+23%)	Market penetration (Launched in Dec 2019)	10.0→ 9.2	45%
Tech-licensing	1.3	0.4	-0.9 (-70%)	Deferred process of FKB ² -related upfront revenue completed	1.0→ 0.9	43%

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.

2 FKB stands for Fujifilm Kyowa Kirin Biologics Co., Ltd.

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Please refer to page seven. Sales revenue of major items in Japan.

We revised Nesp-AG's annual forecast upward by about JPY1 billion, partly because the market share of biosimilars is growing again due to the removal of shipment adjustments for competing biosimilars, but also because the market share was not as large as initially expected.

The Duvroq has been growing steadily since last September when the restriction on long-term prescription was lifted. Accordingly, the full-year forecast has been revised slightly upward.

In addition, Allelock and especially Patanol, as I reviewed earlier, experienced a significant decrease in sales due to the penetration of generics and the impact of the NHI price revision. This year, again, spring pollen was less than expected, and we have lowered our forecast for the full year.

As you can see, Crysvita has been steadily growing in Japan, reaching JPY4.1 billion in H1. However, the initial plan may have been slightly aggressive, and we have revised our full-year forecast downward by about 8%, albeit only slightly.

Revenue of Major Items (ex-Japan)

(Billion Yen / Rounded)

Item	2021Q2 Results	2022Q2 Results	Changes	Reasons	2022 Rev. Plans	Progresses
Crysvita	35.4	49.4	+14.0 (+40%)	[North America] Market penetration [EMEA] Geographical expansion & Additional indication (Adult) [APAC] Launched in China	105.2 → 116.2	43%
North America	25.7	35.9	+10.1 (+39%)			
EMEA	9.7	13.5	+3.8 (+39%)			
APAC	—	0.1	+0.1 (—)			
Poteligeo	7.0	10.3	+3.3 (+47%)	[North America] Market penetration [EMEA] Geographical expansion & Market penetration	22.5 → 23.6	44%
North America	5.8	8.1	+2.3 (+40%)		15.0 → 18.1	45%
EMEA	1.1	2.1	+1.0 (+87%)		7.6 → 5.5	39%
Nourianz	1.9	2.6	+0.7 (+34%)	Market penetration	6.6 → 6.1	42%
Abstral	4.0	3.6	-0.4 (-11%)	Generic's penetration	6.7 → 7.2	50%
Regpara	4.6	2.0	-2.6 (-57%)	Listed on Chinese tender list ¹ in Oct 2021	3.7 → 3.8	52%
Tech-licensing	9.1	15.3	+6.2 (+68%)	Deferred revenue of KHK4083 upfront payment (July 2021-) & Growth of Fasenra	34.3 → 35.0	44%
Benralizumab Royalty ²	7.1	9.3	+2.1 (+30%)			

*1 Volume-Based Procurement (VBP) program that has been introduced since 2018 for reducing healthcare cost in China. A few companies are selected as a supplier through a tender, while their drug prices dramatically drop down.

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

* Revenue from Early Access Program (EAP) are not included in the figures above.

This will be major overseas items. Please refer to page eight.

Crysvita. Sales increased by 6.4% over the previous year. Reflecting the impact of foreign exchange rates, we have revised our full-year forecast upward by JPY11.0 billion.

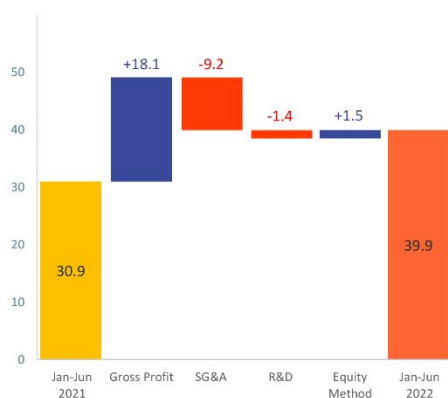
Poteligeo also showed very strong growth, with a YoY rate of 47%. Compared to the original forecast at the beginning of the year, North America is performing very well. On the other hand, the full-year forecast for EMEA has been revised downward slightly, reflecting the impact of the prolonged impact of COVID-19 and the difficulties in negotiations for insurance reimbursement.

Nourianz is also growing steadily in North America, but we are struggling to penetrate the market, which is why we have revised our forecast downward for the full year.

Lastly, as I mentioned earlier, technology revenue was a factor in the increase because there was no deferred revenue from KHK4083 compared to the same period of the previous year. Then we have Fasenra or benralizumab, which is making good progress with a JPY2.1 billion increase in royalties.

YoY Analysis -Core OP-

**+9.0 billion yen
(incl. forex effect +3.7)**



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● Gross Profit +18.1 (incl. forex effect +9.1)

Increased in conjunction with JPY20.2B rise in revenue. Margin improved by 1.6% (75.0%→76.6%) because there was a big negative impact related to elimination of intercompany profits on inventories last year.

● SG&A -9.2 (incl. forex effect -4.2)

Increased by aggressive investment in IT/Digital infrastructure and human resources for the maximization of the global 3 brands (G3B) and the early consolidation of global business foundation, in addition to Crysvita profit sharing expenses for North America.

[Labor -5.2 / Sales promotion -4.1 (incl. Crysvita profit sharing expenses -3.8) / Depreciation & Amortization +0.2 / Other -0.1]

● R&D -1.4 (incl. forex effect -1.2)

Clinical study costs of mainly ME-401 and KHK4083/AMG 451 increased.

● Gain/Loss on Equity Method +1.5

FKB recorded additional deferred tax asset.

FKB; Fujifilm Kyowa Kirin Biologics Co., Ltd.

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Please refer to page nine. This is an analysis of core operating profit compared to that of the previous year.

Gross profit increased by JPY18.1 billion, as sales increased by JPY20.2 billion. The gross margin improved by 1.6%, partly due to the absence of the foreign exchange effects related to the elimination of unrealized income, which caused a slight stir last year.

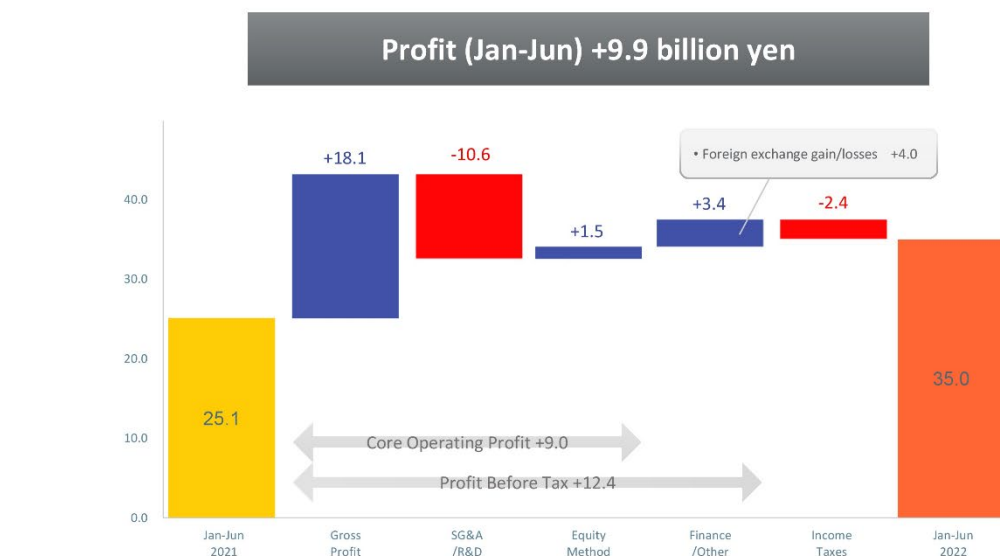
SG&A expenses increased by JPY9.2 billion. The breakdown is as follows: an increase in personnel expenses of JPY5.2 billion, profit sharing in North America due to increased Crysvita sales, resulting an increase in expenses of JPY3.8 billion.

R&D expenses increased by JPY1.4 billion due to increased development costs for ME-401 and KHK4083.

Equity in earnings of affiliates was positive by JPY1.5 billion. This is due to the additional recognition of deferred tax assets at FUJIFILM KYOWA KIRIN BIOLOGICS, as we mentioned in Q1.

As a result, core operating profit increased by JPY9.0 billion. Excluding the impact of foreign exchange rates, this represents an increase of approximately JPY5.3 billion.

YoY Analysis -Profit-



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Please refer to page 10. This is an analysis of changes in operating profit. Please note the little notes added to the financial and other segment. We are in the positive here because of the foreign exchange gains due to the weakening of the yen.

Summary of FY2022 Revised Plan

(Billion Yen / Rounded)

	2022 Full Year Original Plans	2022H1 Results	2022H2 Revised Plans	2022 Full Year Revised Plans	Changes
Revenue [Overseas Ratio]	380.0 [59%]	185.3 [59%]	214.7 [65%]	400.0 [62%]	+20.0 (+5%)
Gross Profit [Gross Profit Margin]	298.0 [78%]	141.9 [77%]	170.1 [79%]	312.0 [78%]	+14.0 (+5%)
SG&A [SG&A Ratio]	164.0 [43%]	76.4 [41%]	95.6 [44%]	172.0 [43%]	-8.0 (+5%)
R&D [R&D Ratio]	70.0 [18%]	27.9 [15%]	39.1 [18%]	67.0 [17%]	+3.0 (-4%)
Gain/Loss on Equity Method	3.0	2.4	1.6	4.0	+1.0 (+33%)
Core Operating Profit [Core OP Margin]	67.0 [18%]	39.9 [22%]	37.1 [17%]	77.0 [19%]	+10.0 (+15%)
Profit	53.0	35.0	28.0	63.0	+10.0 (+19%)

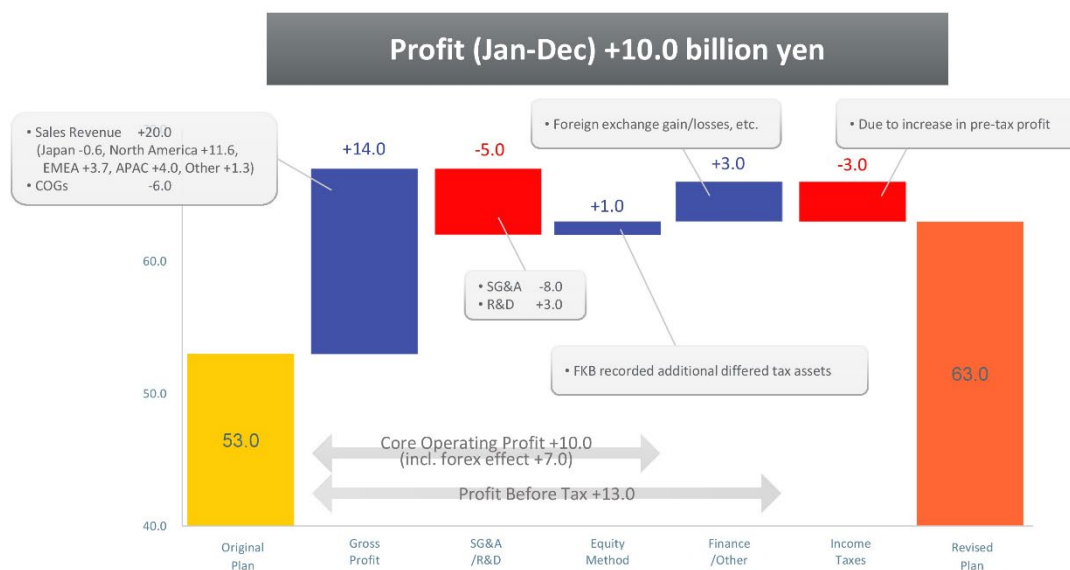
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Next, I would like to introduce the revision of the earnings forecast. Please refer to page 11.

This is a table showing the revised amounts, so please use it to check the numbers.

FY2022 Original Plan vs Revised Plan



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Next, on page 12, we will review the revisions.

First, we increased gross profit by JPY14.0 billion. This was mainly due to an upward revision of JPY20.0 billion in net sales revenues, along with foreign exchange effects. By region, Japan has been revised downward, while overseas and other revenues have been revised upward.

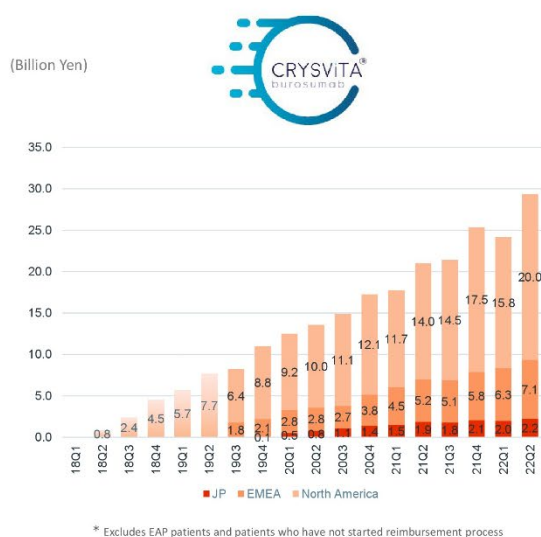
Then, the total cost of SG&A and R&D increased by JPY5 billion. The R&D cost is expected to be about JPY3 billion less than the previous forecast, reflecting the elimination of the Phase 3 cost of KW-6356 and including the portion of the cost that will be inflated due to the exchange rate.

The equity method reflects the additional recognition of deferred tax assets, which was introduced as a factor for the YoY comparison, and this is the breakdown of core operating profit of plus JPY10 billion so far. Of this amount, the foreign exchange impact is approximately JPY7 billion.

As for the financial and other segments, we have already reflected foreign exchange gains and other gains that occurred in H1, which means that no particularly large losses have been factored in for H2 so far.

As a result of the increase in pre-tax income, we are projecting a JPY10 billion increase in bottom profits, to JPY63 billion. This summarizes the revisions we made.

Crysvita



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2022 Key Actions & Q2 Topics

Key Actions

- North America: Initiate full-scale preparation for transfer of commercialization planned in spring 2023.
- EMEA: Continue to focus on geographical & indication expansion. TIO review to be completed.

Q2 Topics

- North America: Re-outbreak of Covid-19 from end-2021 thru early-2022 got subsided and business went steadily. Preparations for the transfer are proceeding as planned.
- EMEA: Launched in Latvia for Pediatric XLH. Obtained positive opinion for TIO indication from CHMP.

Launched Countries/ Regions as of June 30, 2022

Excluding Latin America

Underlines: Pediatric and Adult / Bolded types: New launches in Q2 2022

- 2018 USA, Germany, Netherlands, Luxembourg
- 2019 Canada, England, Wales, Northern Ireland, Slovakia, Sweden, Israel, UAE, Czech, Denmark, Italy, Japan, Norway, Bahrain, Austria
- 2020 Scotland, Oman, Kuwait, Qatar, Romania, Slovenia, France, Finland, Estonia, Spain
- 2021 Ireland, Hungary, Belgium, Saudi Arabia, Hong Kong, China, Singapore
- 2022 Portugal, Latvia

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Let us move on to the commercial update. I would like to begin with three global products analysis. Please refer to page 14. Crysvita.

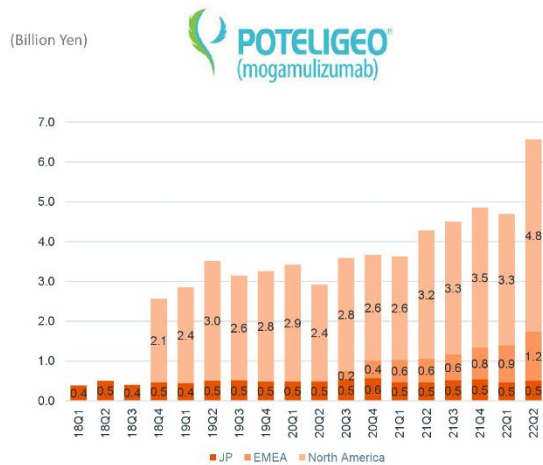
The graph on the left shows the sales trends for the four years since 2018 when the product was launched. Although there are some differences among regions, global sales continue to grow steadily, even excluding the effect of exchange rates.

In North America, we are working closely with ULTRAGENYX to prepare for the transfer of commercialization, which is scheduled for the spring of 2023.

In EMEA, we received a positive opinion from the CHMP in June regarding the extension of the indication for Tumor-induced osteomalacia or TIO. If the process goes smoothly, we plan to receive formal approval from the EC in September, and after that the product will be launched in Germany and other countries.

In Q2, we also achieved the launch of the product in Latvia for the indication of pediatric XLH.

Poteligeo



* Excludes EAP patients and patients who have not started reimbursement process

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2022 Key Actions & Q2 Topics

Key Actions

- EMEA: Continue to talk with payers to ensure reimbursement and patient access to product.
- US/EMEA: Work with Healthcare professionals to gather and share evidence such as clinical data in association of blood tumor burden to help understand better use of Poteligeo.

Q2 Topics

- US: Communication with HCPs is continuing to increase due to easing of Covid-19 restrictions.
- EMEA: Launched in France and Czech Republic. Steadily growing as we expand into new markets (plus forex impact), leading to an 87% growth vs the previous year.

Launched Countries/ Regions as of Jun 30, 2022

Bolded types: New launches in Q2 2022

2012	Japan
2018	USA
2020	Germany, Austria, Luxembourg
2021	Italy, Scotland, Netherland, Belgium, Slovenia, Denmark, Spain, Finland
2022	Sweden, Saudi Arabia, Slovakia, England, Wales, Northern Ireland, France, Czech

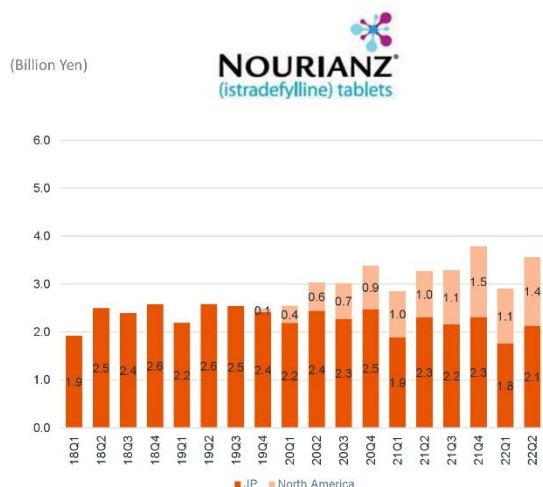
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Page 15, Poteligeo.

COVID-induced restrictions on activities have been eased in the US, and opportunities for communication with medical professionals are quite increasing. We continue to actively promote activities aimed at market penetration.

In Europe, we continue to face difficult circumstances, nonetheless, we are steadily growing as we expand into new markets. While leveraging the experience of our activities in the U.S., we are moving forward with promotional activities which we call 'blood involvement' in Europe as well, that take advantage of the drug's features by focusing on patients with large numbers of tumor cells in their blood.

Nourianz



2022 Key Actions & Q2 Topics

Key Actions

- North America: Focus on approaching potential prescribers and get their deeper understanding of the features of Nourianz such as safety, convenience, and novel mode of action.

Q2 Topics

- North America: Behind the original plan due to the tough market situation with competitors, while revenue is growing consistently. F2F communication with HCPs on the rise. Continuing promotional activities appealing Nourianz's features for HCPs/patients.

Launched Countries/ Regions as of March 31, 2022

2013 Japan
2019 USA

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Page 16, Nourianz. As you can see, we are still in a slightly difficult situation, and we have revised our full-year sales forecast downward. In terms of promotional activities, we have been able to actively hold lectures for doctors and patients, and face-to-face visits have increased compared to the previous year. In addition, we will continue to focus on digital promotion, preparing a variety of content to promote the drug's features, such as ease of use and mechanism of action.

These are the commercial updates.

Upcoming Events: Next-generation Strategic Products



✓ : Completed events from May 11, 2022, to Aug 4, 2022

Code Generic Name	Event	Time Expected	Month Completed
KHK4083/AMG 451 rocatinlimab	Atopic dermatitis P3 FPI (enrollment paused) ✓	Mid-2022	Jun-2022
KW-6356	Parkinson's disease P3 FPI Parkinson's disease P2b detailed data	Discontinued H2 2022	
ME-401 zandelisib	CLL (combo, 2L+) P2 FPI FL (mono, 3L+) P2 detailed data* ✓ iB-NHL (mono, 3L+) P2 topline data (JP)	H2 2022 Mid-2022 H2 2022	Jun-2022
RTA 402 bardoxolone methyl	Diabetic kidney disease P3 LPO	H2 2022	
KHK7791 tenapanor	Hyperphosphatemia under maintenance dialysis submission (JP)	H2 2022	

*: a more detailed report of the P2 TIDAL data reported on Nov. 30, 2021 was presented at ASCO2022 and EHA2022; FPI: first patient in; LPO: last patient out; CLL: chronic lymphocytic leukemia; FL: follicular lymphoma; iB-NHL: indolent B-cell non-Hodgkin lymphoma

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Following is a brief update on R&D-related issues. Please refer to page 18. Here are some updates on what we call next-generation strategic products. I'm going to highlight just the main ones.

Phase 3 trial of KHK4083, whose generic name is rocatinlimab, started in June, however, at the moment we voluntarily suspended the enrollment of patients. I will touch on this subject more in detail later.

We have decided to discontinue the development of KW-6356, which was disclosed in the recent press release. This will also be reviewed later.

In June, for zandelisib, we presented detailed results of Phase 2, the TIDAL study at conferences in Europe and the United States. In addition, in the previous financial results, we informed you that the Phase 2 trial for CLL was scheduled to reach "First Patient In (FPI)" in H1, but due to the impact of COVID-19 and other factors, this has been delayed somewhat, and is now scheduled to begin in H2.



Update: Rocatinlimab (KHK4083/AMG 451) Ph3 ROCKET Program Amendment



- The ROCKET Phase 3 program was initiated in June 2022.
- However, following additional discussions with regulators and our partner, we are amending the studies to improve patient convenience and investigate a range of doses.
- No safety or efficacy issues have arisen.

Please refer to page 19. This is an explanation of the Phase 3 study of KHK4083, rocatinlimab.

I am aware that this topic has been disclosed at CTG website and also mentioned on AMGEN's earning call this morning. The Phase 3 ROCKET program was initiated in June, and we are currently in the process of amending this trial to further study a range of doses to improve patient convenience through various discussions with AMGEN.

In line with this, we are currently voluntarily pausing enrollment; however, this does not mean that any safety or efficacy issues have arisen, but rather that we are taking time now to make positive corrections.

Update: Other pipelines whose development plans have changed

■ KW-6356: Development discontinuation

- Based on communication with the regulatory authorities, we concluded that it would be difficult to achieve its target product profile which we had aimed for.
- We decided to discontinue KW-6356's development after a thorough evaluation of the global regulatory landscape, development hurdles, and timelines for potential market entry.

■ RTA 402 (ADPKD) : Extending the term of the Ph3 FALCON study

- Based on the review regarding Alport Syndrome in CRDAC¹ of FDA in December 2021 and others, Reata held a Type A meeting with FDA regarding protocol changes of the FALCON study including extending the term of the study in 2022 2Q.
- Expected year of first approval is currently under scrutiny.

1. Cardiovascular and Renal Drugs Advisory Committee

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Next, please see page 20.

Regarding 6356, through communication with the relevant authorities such as PMDA and FDA, it was determined that the hurdle to bring forth what we envision to achieve with the target product profile of 6356 is quite high.

In addition, we have comprehensively examined the regulatory outlook for global development, the degree of difficulty of Phase 3, and other factors, and have decided to discontinue the development.

I would also like to talk about the Phase 3 FALCON study of RTA 402 for ADPKD. Following the FDA's review of Alport syndrome at the CRDAC held last December and other meetings, REATA carried out a meeting with the FDA in this year Q2 to discuss protocol changes, including an extension of the study period for this trial. Due to this change, the schedule for approval of ADPKD is currently under scrutiny.

Year-to-date Key News Flow ①

AS of August 4, 2022

Category	Date	Headline
ESG	Jan 11	Introduction of Renewable Energy “Aqua Premium” for Fuji Research Park and CMC R&D Center
LCM	Jan 31	NDA submission of Topical Ophthalmic Mitomycin C Agent (Japan)
LCM	Feb 25	Approval for Partial Change of Approved Indication of G-Lasta (Japan) (for the Mobilization of Hematopoietic Stem Cells into Peripheral Blood for Allogenic Blood Stem Cell Transplantation)
ESG	Mar 9	Selection as “Health & Productivity Stock” for the First Time (Japan)
R&D	Mar 31	Regulatory Update on Zandelisib Following Meeting with the FDA
LCM	Apr 4	Publication of Safety Data from a Clinical Trial of Automated Injection Device of G-Lasta (Japan)
SCM	May 17	Construction of a New Biopharmaceutical API Manufacturing Building at Takasaki Plant
R&D	May 18	Joint Research Agreement with LUCA Science on mitochondrial disease treatment with novel mitochondria modality
R&D	May 31	Achievement of First Milestone in Research Collaboration with InveniAI
LCM	Jun 1	Positive Data from Phase 3 Study of Lumicef in Systemic Sclerosis (EULAR 2022 Congress)
Updates after the previous earnings announcement		

© Kyowa Kirin Co., Ltd. ESG: environmental, social, and governance; LCM: lifecycle management

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Finally, we would like to share with you some news from this quarter. Please refer to page 22.

The news released after Q1 briefing. We decided to construct a new biopharmaceutical API manufacturing building at the Takasaki Plant. Concerning this investment, the objective is to enable the timely production of biotech products from R&D to market launch. The new building will also be equipped with an education and training function for biopharmaceutical production, and we intend to utilize it to focus on the development of our human resources involved in biotech production.

Year-to-date Key News Flow ②

AS of August 4, 2022

Category	Date	Headline
R&D	Jun 5	New Clinical Data on Zandelisib (American Society of Clinical Oncology Annual Meeting)
R&D	Jun 10	Clinical Data on Zandelisib (European Hematology Association 2022 Hybrid Congress)
LCM	Jun 27	Positive CHMP Opinion for Use of Crysvita for TIO
R&D	Jul 15	Discontinuation of Developing KW-6356
R&D	Jul 19	Data from Phase 1b Clinical Study of Zandelisib in Patients with Relapsed or Refractory B-cell Malignancy (The Lancet Oncology)
LCM	Aug 1	Approval of “G-Lasta Subcutaneous Injection 3.6mg BodyPod” in Japan
Updates after the previous earnings announcement		

© Kyowa Kirin Co., Ltd. ESG: environmental, social, and governance; LCM: lifecycle management

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Then, we received approval for the automated G-Lasta dosing device in Japan, most recently on July 28.

This is the end of my brief summary.

Question & Answer

Moderator [M]: Now, we would like to move on to the Q&A session.

Yamaguchi [Q]: This is Yamaguchi from Citigroup Global Markets Japan.

The first question is about 4083. Sorry, I haven't followed the AMGEN's call. It is generally thought that the Company is considering changes to the dosing schedule and other aspects of the drug to improve patient convenience and make it a more competitive drug. It may be hard to say how long it will take to make corrections or when the next start will be since it is tied in with AMGEN, but I would appreciate any guidance you could provide on this since the starting time will delay, though you're making effort to make the products better.

Miyamoto [A]: Thank you, Mr. Yamaguchi. This is Miyamoto. I would rely on Dr. Torii to fill in the details.

Overall, the program launch will be certainly delayed a little, so I'm guessing there will be a slight impact, but I don't think it will impact the timeline to receive final approval hardly.

I can't give you too many details, but I can say that we maintain very tight communication with AMGEN, as we have a long history of working together. The announcement this morning from AMGEN is almost the same as ours; they are closely communication with the FDA. We are reviewing the program one more time to make the product as good as possible at this point.

Regarding the timeline, do you have any follow-up, Dr. Torii?

Torii [A]: Hi this is Torii with the Research and Development. Regarding the timeline, based on communication with the FDA, we would like to basically start by the end of the year, but since there are multiple exams, some of them may be delayed to Q1 of next year. However, we are currently working with AMGEN to resume operations as soon as possible.

Yamaguchi [Q]: I understand. Since the ROCKET program is a series, I understand that you would like to have several of those in place, and one of them would start at least by the end of the year, at the latest, is it correct?

Torii [A]: Yes, we are now working with AMGEN to prepare for that.

Yamaguchi [Q]: I understand. Thank you. The second question is the trend in sales of Poteligeo and Crysvisa. There is definitely a favorable impact from the exchange rate, even excluding that in consideration, both products did remarkably well during the quarter, especially in the US. In addition to the exchange rate, I would be grateful if you could comment on the Crysvisa and Poteligeo performance in the US if any of the factors you have just mentioned that are particularly influential.

Sudo [A]: Thank you very much. This is Sudo, and I'm happy to answer you. First, Crysvisa sales in the US certainly did very well in Q2, if it was on the local currency based too. On the other hand, Q1 took a hit by COVID-19, the Delta variant, more than we had estimated. Though there was some negative impact, but overall, it was almost negligible. In that sense, there are no major factors of concern for the medium to long

term now, especially in the latter two quarters, and we will continue to grow here firmly on schedule. In past years, we have gone quite well in the second half, and we will continue to do our best.

And Poteligeo. Recently, Poteligeo in the US market has been performing quite much better than previous-year results and forecasts. You can see a clear sign of growth by looking at the trend on the overall sales chart. I think that the blood involvement activities described earlier by Dr. Miyamoto are gradually beginning to play a role. The impact of COVID-19 is gradually slowing down, so we have been visiting more facilities. And we are working on market penetration by gradually gaining a better understanding with discussing we explore where to expand these blood involvement activities.

Then, we would like to ensure that both products will grow steadily in the US market over the medium to long term while keeping a firm footing in the market.

That's all from me.

Yamaguchi [Q]: Blood involvement is something like involvement in hematologic tumor relations, right?

Sudo [A]: It is a tumor in the blood, Mycosis fungoides tumors. Since the response rate is relatively high for it, we are now in the process of building the market focusing on the patients who have more tumors in their blood.

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

Kohtani [Q]: I'm Kohtani of Nomura Securities.

My question is about KHK4083, which overlaps with the question from Mr. Yamaguchi. AMGEN clearly states, "Driven by ongoing discussions with the FDA to explore a broader range of doses, and we took that opportunity to, we think, improve patient convenience." They used the expression "We took that opportunity to" and it sounds like the FDA recommended exploring doses in some way.

Considering that the phrase "patient convenience" is included in your organization's documentation, plus, considering continuity of the EASI-75, biomarker TARC, and IgE after dose interruption presented in your materials for EADV and others, I am under the impression that from the FDA's point of view, you could investigate a longer dosing period. I think it would be a regimen of once every 12 weeks or something with a break in between, and can't think of other options, so if you could rule that out in any way, I would appreciate hearing from you.

Also, just to confirm, can you tell me if this ROCKET program is only for atopic dermatitis, or if other conditions may also be included? This is my first question.

Miyamoto [A]: Thank you, Mr. Kohtani. This is Miyamoto. Unfortunately, this is still a part of our corporate strategy, so I'm sorry, I cannot give you the details at this time. We are certainly discussing this in the context of our meetings with the FDA, so please bear that in mind.

As for ROCKET, we are running several trials limited to severe atopic dermatitis and are considering it as the collective name for these trials.

Kohtani [Q]: Is my understanding correct that you are doing something with deCODE GENETICS, a subsidiary of AMGEN, the famous Icelandic company, where you are pursuing other opportunities for OX40?

Torii [A]: Hi this is Torii from Research and Development. We are currently discussing the possibility of expanding the application to indications other than atopic dermatitis, and in the course of this discussion, we are looking at the data you just mentioned, as well as the results of vitro experiments and other factors, and are currently discussing the LCM strategy in cooperation with AMGEN.

Kohtani [Q]: I understand. Second, I would like to know about the discontinuation of the development of KW-6356. Your company has been researching adenosine A2A for about 20 years. I'm also very sorry to hear that the project was discontinued.

I would like to know for future reference, but I think that the deciding factor in stopping the development of this medicine was that they were aiming for L-DOPA preservation therapy, which would probably require head-to-head with L-DOPA, and although the single agent was successful in the Phase 2 trial, was it assumed that it would not be high-impact and that the probability of success would not be high?

Also, am I correct in understanding that adenosine A2A will no longer be pursued in the future? This is my last question.

Miyamoto [A]: Thank you very much. KW-6356, as you know, is the successor to Istradefylline. Since Istradefylline was launched in the US as well, we have thought that it would be meaningless unless we developed the drug with more features than Istradefylline when viewed globally. We have considered some of the characteristics based on the data up to Phase 2.

One is the improvement of motor symptoms in patients who are taking combination therapy, which I thought it would still work better in total than istradefylline. Then, of course, we want to target single agents as well.

The other thing is that, as you know, Parkinson's disease patients suffer not only from motor symptoms but also from various non-motor symptoms, so when we looked at Phase 2, we saw that there was room for improvement in that area as well and that this drug might be able to help them, if possible.

So, we considered various options, including the possibility of obtaining a label for the drug. Also, I have had various discussions with the FDA and PMDA, and as for those three, it may not be impossible to get any of them, but it is still a very high hurdle.

Especially when it comes to non-motor symptoms, the authorities have told us that it was quite impossible without considerable testing. Comprehensively taking them into consideration, we are supposed to enter a phase in which we will have to make a substantial investment. So, we scrutinized the probability of success as well, and we had a very serious internal discussion about whether we should invest in this substance or not, but in the end, we decided to cancel the investment.

It is very disappointing. We also informed our determination to the Japanese doctors who have cooperated with us to date. We received feedback from them, including the response that they were still very disappointed. We would like to look back at our past practices and make the most of what we have learned this time.

Kohtani[Q]: Are you saying that you will no longer pursue adenosine A2A?

Miyamoto [A]: As for 6356, we will not pursue it anymore.

Kohtani [M]: I understand. Thank you.

Wakao [Q]: This is Wakao from JPMorgan Securities Japan. Thank you for this opportunity.

From my point of view, first, can you give me some more details regarding the status of preparations for the transfer of commercialization of Crysvita in the North America starting next spring? I believe that at the beginning of the fiscal year, you expected to invest JPY5 billion this fiscal year, but I was wondering if there has been any change in that amount.

Miyamoto[A]: Thank you very much. I will provide a brief overview, and I would ask Mr. Sudo to provide more details. We are doing well in terms of hiring for our sales force, and we have already attracted a large number of people.

As for expenses, of course, we are just getting started, and although H1 does not seem to have been used much, I believe it means that we will be using it properly from now on. A few more details will be coming from Mr. Sudo.

Sudo [A]: Thank you. I would like to offer a few additional words. First, regarding personnel, I would like to reiterate that we are making steady progress in discussing how we will cooperate, including our part and ULTRAGENYX's part, and hiring is underway, so I do not think there is much cause for concern at this time.

On the other hand, we have been discussing for a long time what form the field activities should take, but we have been able to reach an agreement with ULTRAGENYX, and we expect to start some of the actual field activities around Q4. I hope that you will understand that the overall situation is progressing well.

Wakao [Q]: Thank you very much. At the beginning of the period, I understood that it was probably as planned, but can I assume that the number of expenses when it actually starts running next fiscal year will be the same as what was previously assumed? I mean expenses for the next fiscal year and beyond.

Miyamoto [A]: Thank you very much. This is Miyamoto. As for the next fiscal year, we will be making the budget for next year, and some of the discussions with ULTRAGENYX will be part of that, so I don't think there will be that big a change, but the details will be worked out.

Wakao [Q]: Thank you very much. Second, I would like to ask this question to the President particularly. Regarding Zandelisib, I believe that the product is now unlikely to come in the market in FY23. Could you please tell us what impact, if any, this will have on your company's medium-term quantitative guidance? I think the President was not present during Q1, so could you please give your comment on this point? That's all from me.

Miyamoto [A]: Thank you very much. By the time we started building the Mid-Term Business Plan, this was true as you said, and we planned on the assumption that we would be able to obtain accelerated approval. However, the part of the product that could be approved early was a third-line treatment with a very small segment, and even if it was successful, it would only take one to two years after the product's launch. If there was an impact, it would be very minor.

Does that answer your questions?

Wakao [M]: Yes. I understood that there is no change now, especially regarding the goals. Thank you.

Hashiguchi [Q]: I'm Hashiguchi from Daiwa Securities. Thank you for this opportunity to ask questions. Regarding the modification of the rocatinlimab, 4083 study design, the design of Sanofi's Amltelimab study was published on ClinicalTrials.gov shortly after the ROCKET program was initiated. Thereby, I'm assuming that the ROCKET program's dosage and administration had to be changed for competitive reasons, is that correct?

If that is the case, if you should change the dosage based on amlitelimab dosage, you would have to do a Phase 3 study in the future with a dosage that was not administered in the study up to Phase 2. I assume the risk, which would result in the dosage not being appropriate, will go up.

Of course, multiple doses can be tested in Phase 3, but this should take more time and more costs due to the increase in number of arms. I think that going back to Phase 2 and carefully conducting a dose-finding study will make it easier to produce high-quality evidence in the Phase 3 study. I would like to hear your opinion on this.

Miyamoto [A]: Thank you, Mr. Hashiguchi. This is Miyamoto. I imagine that Dr. Torii has more to say in detail. We care the Sanofi's study design certainly, however it was not true that it was the factor of changing our program design. As I mentioned earlier, we have entered this phase after discussions with AMGEN and the FDA, due to determine the best way to maximize the value of this product while keeping an eye on patients. It was not triggered by Sanofi.

Then, as you mentioned, the design of Phase 2 is somewhat complicated and confusing in some areas, so I think it is indeed a very excellent scientific suggestion to have the option to go back to phase 2. However, when we look at the overall situation, we and AMGEN believe that we can do without it.

Dr. Torii, feel free to add your comments.

Torii [A]: I think Dr. Miyamoto covered most of it. In my various discussions with AMGEN, there was no reference how Sanofi designed. It doesn't matter for us basically.

As for the risk in Phase 3, we prepare it based on modeling and simulation, and we would like you to see the details when ClinicalTrials.gov is released, but the design also considers such risk hedging. We will disclose the information through appropriate channels when we decide after obtaining consensus of the FDA, so I hope you will confirm the details at that stage. That's all from me.

Hashiguchi [M]: Thank you. That's all from me.

Muraoka [Q]: Hello. I'm Muraoka with Morgan Stanley. Thank you.

There was a piece of news in June that your company is considering selling your overseas assets, and I have a hunch that it could be one of those speculations, but I would appreciate comments on this as much as you could. It would be helpful if you could share your thoughts, not whether this is true or not, but whether you are thinking of such a more core or non-core narrowing overseas.

Miyamoto [A]: Good morning, Mr. Muraoka. This is Miyamoto. Thank you for your question. As we commented in June, the news report itself was based on speculation, and we have nothing to say about it. We are always thinking about how to narrow down or broaden the scope of our business as a whole while considering the development pipeline and market conditions, not only in Europe but also in Japan and Asia. So, it is true that we are always discussing such things as strategic options, always ongoing within the Company, and not only recently, but we are doing it. As for the June report itself, as I mentioned earlier, we believe that the report is completely speculative.

Muraoka [Q]: I understand. Thank you. One more thing, there was a drug called Ilofotase for sepsis that you introduced in the past, and I believe it is in Phase 3, and the results of the futility analysis were supposed to be available this summer or so. Please let me know what is going on and what is the timing.

Miyamoto [A]: Thank you for your questions. I believe they said they would announce the status of the analysis in July, but I have heard that they are still in the process of conducting a detailed analysis, and we do not have any further information at this time.

Muraoka [Q]: I understand. Because this is related to futility, so if the result is not good, that is it, and I should not expect if it is good, the application process might not necessarily start right away. Is my understanding correct?

Miyamoto [A]: Yes. As you know, I think it's an interim analysis or futility review of a completely double-blinded trial, being looked at by a separated independent committee, so if the results were good, there would probably be no mention of a good outcome.

Muraoka [M]: That's right. Understood. Thank you. That's all from me.

Ueda [Q]: I'm Ueda from Goldman Sachs Japan.

Let me begin with my first question about Crysvita. It appears that this new overseas forecast was reduced slightly, taking into account the change in exchange rates. As you reviewed earlier, is this a reflection of actual results, such as the slight impact of COVID-19 in Q1, or are there any negative factors in the future outlook?

Miyamoto [A]: Good morning, Mr. Ueda. Thank you. This is Miyamoto. If there are any details to fill in Mr. Sudo will add his remarks.

As you said, Q1 was still slightly weak. As Mr. Sudo mentioned earlier, the number of patients suffered from Omicron variant, as you know, in the US increased very much in January, February, until about March. I think it is like Japan today. What happened as a result was that medical personnel became infected and could not work in the hospital, or new patients wanted to go to the hospital but gave up because of fever. We were informed that there were quite a few such cases. As a result, performance weakened slightly, but only partially, in January and February.

It is true that the full-year forecast has been moved down a little to account for this change, but we do not consider this to be a major change.

Mr. Sudo, if you have anything to add.

Sudo [A]: Thank you, Mr. Ueda. Earlier I mentioned the Delta variant, but the correct term was Omicron variant. It had a considerable impact as Dr. Miyamoto just mentioned. Please understand that we just made adjustments for that, but we have no major concerns about the medium- to long-term sales growth going forward.

Also, I would like to make a point or two about Europe, which has actually made a slight positive correction this time. I believe this is a base for solid future growth in both Europe and the United States. Also, as Dr. Miyamoto mentioned the outlook for Japan during his presentation, but looking at the historic trends in Europe and the US, I think that Japan's growth is slightly weak. In H2 of the fiscal year, we will review our business structure, and will strive to grow together with the global market or to create growth in the Japanese market that will lead the global market.

That's all from me.

Ueda [Q]: Thank you very much for your explanation. Second, I would like to know about the revision of the plan on a group-wide basis. I believe that the revision of the plan has incorporated a negative, albeit slight,

downward revision of the gross profit margin. Considering the foreign exchange fluctuation this time, I wonder if there is any factor that could make things worse for your company, since there is no effect of elimination of unrealized income, but I would appreciate it if you could tell me if there is any one-time factor or other.

In addition, I think that your plan for this fiscal year has already been firmly set in the direction of a weaker yen, so I wonder if there is any upside or downside to your plan for the current fiscal year. Can you comment on the upside and downside risks of this fiscal year's plan at this point?

Kawaguchi [A]: Thank you, Mr. Ueda, for your careful analysis. This is Kawaguchi, and I'm in charge of finance. I would like to take your question.

As you mentioned, there are some areas where the cost ratio would be worse if you could analyze it. This was not so much in H1, but in H2, there are some transient but expected disposals and write-offs of inventories, the details of which I cannot discuss.

The second point, regarding the exchange rate, was based on the exchange rate at the time the forecast revision was calculated, which was JPY135, and the yen has since appreciated slightly. However, as mentioned in the sensitivity to exchange rates, a JPY1 change in the annual exchange rate for the dollar has a JPY300 million impact, so even if the exchange rate stays at around JPY130 per dollar from September onward, the impact would be just several hundred million yen. We believe that we will be able to achieve this forecast if progress is made as planned.

That's all from me.

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

Sakai [Q]: Good morning. I'm Sakai from Credit Suisse Securities Japan.

Since you have updated us on the status of various individual developments, let me ask you about the overall picture. In the end, in terms of the news flow of next-generation pipelines, I think you indicated this in the Mid-Term Business Plan with various potentials or patient numbers, but after a year and a half, almost everything has been modified, 6356 is already discontinued.

What's left unharmed is 7791, and how do you see this situation now in terms of managing your portfolio? Certainly, in the individual stories, there was talk of recovering in the future so that there were corrections but no delays, but that said, when we see so many corrections added, I'm slightly tempted to ask what the heck happened.

Also, regarding RTA 402 for ADPKD. I believe you have the rights to this RTA 402 in Japan and Asia, and you will expand in Asia and Japan with the trial results for which Reata is conducting in the US, is that correct? These are the first questions.

Miyamoto [A]: Mr. Sakai, this is Miyamoto. Good morning. Thank you for your participation.

As you said, each of the five pipelines on page 18, certainly see some troubles. And although you mentioned that 7791 is intact, which is true in Japan, but in the US, Ardelyx has had pointed out from the FDA, and they have had a quite struggle.

Based on the ongoing Mid-Term Business Plan, the impact is still not significant, but looking beyond that, this is certainly not what we had expected for the pipeline. Therefore, I would like to invest more in early-stage

products to accelerate the process. As you have pointed out, we have ample funds for investment and we are continuing to think about introducing it. As President, I think we need to do something about it. I hope that answers your question.

Also, regarding ADPKD, REATA's study is not only in the US, but this is actually a global study that includes Japanese patients. The data is in the form of a single global trial data including Japanese patients, so if the results are positive, the data can be used as is in Japan.

Sakai [Q]: So, the fact that the scheduled approval became under scrutiny will naturally have an impact on Japan?

Miyamoto [A]: You're right. That's right.

Sakai [Q]: I understand. Thank you. Another point is Crysvita. I believe ULTRAGENYX commented on this, but I think the current market share in North America is about 40% for children and 15% for adults. After all, I think the expanding penetration into the adult market will be a challenge in the future, and you will take this over from ULTRAGENYX next year.

In this context, I think Mr. Sudo mentioned earlier that you are discussing how to grow Crysvita in a variety of ways, but I have heard that genetic consulting has become a very important key. How about is this point in Japan? Also, since it is of course ULTRAGENYX that is doing this in the US, will you take over this know-how from ULTRAGENYX? Or are you thinking of taking over including the human resources, can you tell us about this area?

Sudo [A]: Thank you very much for your question, Mr. Sakai. Now, I think there were a couple of questions, but first, I would like to talk about the patient penetration rate. In the case of children, we have reached about 40% of the total. In Europe and the US, the pediatric market was actually formed by the same uptake, and many of the patients were existing in large hospitals, so in that sense, I believe the market penetration has been relatively fast.

Then in the case of adults with 15% share, for which we think as an important key for the future, we are considering this based on incidence rate of 1 in 20,000 patients, which is actually 12,000 adult patients, so we think penetration for adult is around 10%, it is different from ULTRAGENYX. But I don't think it will have a significant impact.

In any case, this adult market is different from the pediatric one I mentioned earlier, in that first of all, there is a need, but it is not recognized, which means that activities for that the needs are recognized are required to make sure. Where adult patients are, I would say, is scattered among various small hospitals rather than large hospitals, including various treatment departments. In that sense, I think we need to visit a broad range of facilities and find patients, through disease education, which is the way ULTRAGENYX is taking in the US.

Incidentally, regarding adults, for example, in Q2, among the newly treated patients, more than half were adults, maybe 60%. In that sense, we are also in a situation where is supporting our current growth by looking for new patients and prescribing physicians and by looking for patients in broad range of facilities, as I mentioned earlier. And we would like to fully consider even if how we can further enhance that in the future, as well as other measures.

As you know, XLH is a genetic disease, so genetic testing is very important. At the same time, I think another most important aspect for diagnosis, is how the FGF23 value is. Especially in the US, we are not required to examine this in our label, but many insurance companies require genetic tests or FGF23 measurements. In that sense, it will still be extremely important to recognize how many patients there are through this activity.

I would like to avoid commenting on the situation in Japan because I cannot give you exact details at this time. However, in Japan, I think some are doing similar activities, but as I mentioned earlier, in the US, it is being implemented quite widely.

So, regarding the point what will happen when we transfer this in April 2023, as I mentioned earlier, it is a very important activity, therefore we will continue to implement it. However, whether or not we will implement these activities in the same way, is still under review, and there may be some areas where we will do these differently, but basically, these activities themselves will be implemented in parallel.

That's all from me.

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

Tanaka [Q]: This is Tanaka from Mizuho Securities.

First, in the explanation at the time of the annual earnings call in February, I believe that the increase in SG&A expenses included, in addition to the construction costs of in-house commercialization system in North America of approximately JPY5 billion, a JPY4.5 billion investment in human resources and approximately JPY1.5 billion in launch readiness costs of next-generation items. In your current plan, please tell us what has happened to those costs, whether we should only increase the amount by the impact of the exchange rate, and what is the budget for SG&A expenses there.

Miyamoto [A]: Thank you very much. Mr. Kawaguchi will fill you in on the details.

I can say that the launch readiness cost of the new products, as I have reviewed in detail earlier, is not working as planned, so I believe that will disappear.

I would like to turn to Mr. Kawaguchi for more details.

Kawaguchi [A]: Thank you for your questions. This is Kawaguchi. As Dr. Miyamoto just mentioned, a large part of the JPY1.5 billion for launch preparation costs is related to ME-401, so we expect that this portion will be almost completely disappeared.

To put a finer point on it, we were planning to launch RTA 402, so we had included amortization of sales rights in the plan, but it will not be occurred, too. The revision of the forecast incorporates the fact that SG&A expenses are slightly less than the original plan made at the beginning of the year.

Tanaka [Q]: Regarding RTA 402, did you expect in February that the amortization would start this year? Are you saying that we should assume that Alport Syndrome was taken into account?

Kawaguchi [A]: Yes.

Tanaka [M]: I see. Understood.

Kawaguchi [A]: Frankly, sales are gone, but amortization is also gone.

Tanaka [Q]: I understand. Thank you. The second point is the FALCON study of RTA 402, the revised ADPKD clinical trial has increased the number of patients by 300 to 850, and the end date is now April 2025, but I'm not sure if this is roughly correct. Also, can you tell me if the ADPKD test is enough with only this one?

Miyamoto [M]: Thank you, Mr. Tanaka. I will ask Mr. Torii to take this question.

Torii [A]: For ADPKD, as you mentioned, there have been some changes in the timing of endpoints, etc., and accordingly, the number of cases is expected to increase from 550 to 850, and the timing of the application will be delayed accordingly.

As to whether this study data alone is sufficient, this is a matter for discussion with the regulatory authorities, including PMDA, so I cannot say at this stage that this is sufficient. We would like to discuss this point with PMDA in the future. That's all from me.

Tanaka [Q]: I don't remember how many weeks this was for the previous endpoint, but this time it becomes 108 weeks, right?

Torii [A]: Yes, that's right. It used to be 52 weeks, roughly one year. Now it's two years.

Tanaka [Q]: I don't remember seeing such long-term ones in the tests operated by OTSUKA PHARMACEUTICAL.

Torii [A]: I don't have an exact figure, but the FDA has expressed concern about hyperfiltration and so on, and to dispel those concerns, it is necessary to confirm the long-term endpoints. This is the reason why we have set two years.

Tanaka [M]: I understand. Thank you for your answers.

Moderator [M]: Thank you very much. Now, the next person, please.

Operator [M]: The next question comes from Tokai Tokyo Research Center, Mr. Akahane. Mr. Akahane, please proceed.

Akahane [Q]: I am Akahane from Tokai Tokyo Research Center. Thank you very much.

Figures are very good, core operating profit is up almost 30%. Duvroq and Romiplate were doing very well as expected, but it appears that Crysvita is growing steadily, but the plan was a little bit too aggressive.

First of all, it was of course expected that Patanol would be bad, but despite generic makers have caused many problems, I wondered what it meant that the generics are gaining market share more than we had expected. And as for Nesp and Nesp-AG, this was also expected to be negative, of course, but actually it was revised upwardly, and as for biosimilars, it used to be concerned about its quality, but recently there is rather a move to withdraw from market due to the lower price of biosimilars.

What I would like to ask you most is, that although I have a general idea of the actual results of Q2, the new assumptions are quite different from what you had originally expected. If you can give us any indication as to how this has changed from what your company originally expected, we would appreciate it.

Miyamoto [A]: Thank you, Mr. Akahane. This is Miyamoto. There are certainly various restrictions on shipments by generic manufacturers, but in terms of Patanol, I think that generic manufacturers are well prepared and have been active since the drug was placed on the NHI drug price list.

From this perspective, as you know, it is not that the current market is distrustful of generics, or distrustful of their quality, etc., but pharmacies and other institutions are actively using the generic products if sufficient supplies are available. We have just anticipated the market too wishfully. I didn't imagine that it would change to generic all at once like this, so when I opened it up, I was just saying that it has changed quite rapidly.

As for biosimilars for Nesp-AG, if biosimilars can be supplied with enough volume, as you mentioned, I believe they could penetrate the market to a certain extent, partly because of the lower price. Unlike low-molecule

compounds, they are biologic products, so it is slightly slower than expected to get back to normal after the shipping restriction, etc. That's why we have made an upward revision for the full year, albeit a very small one.

Does that answer your questions?

Akahane [Q]: Is it not such a strong trend of reverting to AG and other branded products? Is it just a slight increases in your assumption?

Miyamoto [A]: We have maintained a certain market share for a long time. However, dialysis is the largest market now, and unlike in the past, dialysis facilities are not so well operated nowadays. It is becoming a very price-sensitive market. Therefore, I believe that if the quality is still okay, there will definitely be a shift to cheaper drugs.

Akahane [Q]: I understand very well. The second question is about generics and biosimilars. The burden on the elderly has doubled since October, but how do you see of the domestic market after that?

Miyamoto [A]: Thank you very much. We are assuming that there will be a big impact of generic erosion on our products, especially for long-term listed products, but we do not expect that the change will have a big impact on our products beyond what we expected. I don't think there will be a big impact in the future.

Akahane [Q]: Are you saying that H2 trend will be roughly like H1?

Miyamoto [A]: Yes. That is what we expect in this revised forecast. There are quite a few very subtle corrections, but that is what we did.

Akahane [Q]: I understood very well. Thank you for your answers.

Yamaguchi [Q]: I'm Yamaguchi from Citi Securities. This is my second round. Thank you.

I'd like to ask you about a few details. The 4951, I believe the end time will be in September. It is Phase 1 but the patients are tested in this program, therefore I had an impression you could start getting the sense of the overview for the effectiveness and other aspects of this drug. Please tell me what is the outlook, and current status, and if any update on this drug.

Miyamoto [A]: Thank you, Mr. Yamaguchi. We think it is very challenging to target this area with low molecular compound, so we will have to take a close look at the results of Phase 1 when they are all available. I'm sorry, but of course I can't tell you the detail now. I will be happy to give you a full explanation once a certain direction has been set.

As President, I find this very interesting. I'm putting lots of pressure on Dr. Torii to get it out quickly. Of course, it depends on the results of the test, but if the results are good, I think this will be a very interesting product, and as the President, I have high expectations for it, albeit secretly.

Yamaguchi [Q]: So, this is a large project with huge potential in your opinion, isn't it? I assume that is how you feel, personally.

Miyamoto [A]: Tivozanib has a long history and was produced through our research. It is a very potent kinase inhibitor and is probably the most powerful substance in the world. I think it will be very interesting to see how we can take advantage of this feature.

Yamaguchi [Q]: Thank you very much. I'm sorry, one more qualitative question. I think you talked about your company's unique bispecific antibody, which with many hands, and various other things in the R&D meetings in the past. I would say that there have been no new entries recently, but do you have any new information around that?

Miyamoto [A]: Thank you, Mr. Yamaguchi. Actually, I'm quite impatient too, but I would like to ask Dr. Torii to take this question.

Torii [A]: This is Torii. Thank you for your question. I'm under pressure from Dr. Miyamoto every day.

We are working with SBI on a project called 4277, and we have already started a first-in-human study recently. We may not have been actively releasing the news yet, but that is the circumstance. Also, regarding the bispecific antibodies you mentioned earlier, we are planning to start the first-in-human study next year. The year after that, we are planning to have multiple, first-in-human studies for biologic candidates, although we will not be specific.

Earlier, we told that some of the global strategic products are not doing well, but the early phase R&D activities are going well, so we would like to accelerate the pace and fill in the gaps.

Yamaguchi [M]: I understand. Thank you for your answers.

Moderator [M]: Thank you very much. This concludes the conference call for the financial results for Q2 of the fiscal year ending December 2022. Thank you all very much again for your participation today.