



**JCR Pharmaceuticals Co., Ltd.**

Financial Results Briefing for the Fiscal Year Ended March 2022 Q&A

May 16, 2022

## Event Summary

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<b>[Company Name]</b>	JCR Pharmaceuticals Co., Ltd.	
<b>[Company ID]</b>	4552-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Financial Results Briefing for the Fiscal Year Ended March 2022 Q&A	
<b>[Fiscal Period]</b>	FY2021 Q4	
<b>[Date]</b>	May 16, 2022	
<b>[Number of Pages]</b>	16	
<b>[Time]</b>	13:00 – 13:52 (Total: 52 minutes, Q&A: 52 minutes)	
<b>[Venue]</b>	Dial-in	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	6	
	Shin Ashida	Representative Director Chairman, President and CEO
	Toru Ashida	Senior Vice President, Sales and Administration, Executive Director, Sales Division
	Mathias Schmidt	Vice President, Clinical Development, Global Business Strategy and Business Development
	Hiroyuki Sonoda	Vice President, Research and Corporate Strategy, Executive Director, Research Division
	Yutaka Honda	Corporate Officer, Executive Director, Administration Division (reporting to the president) and Director, General Affairs Department

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Shinya Tsuzuki  
Ryuta Kawamura  
Hiroyuki Matsubara  
Yo Mizuno

Citigroup Global Markets Japan Inc.  
Daiwa Securities Co. Ltd.  
Morgan Stanley MUFG Securities Co., Ltd.  
Credit Suisse Securities (Japan) Limited  
Mizuho Securities Co., Ltd.  
SBI SECURITIES Co., Ltd.  
Nomura Securities Co., Ltd.  
Tokio Marine Asset Management Co., Ltd.

\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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## Question & Answer

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**Moderator [M]:** Thank you very much for joining us for today's conference call for JCR Pharmaceuticals' financial results for the fiscal year ended March 31, 2022. Today, we will hold a Q&A session regarding the financial results presentation held on May 12.

Before we begin the conference, I would like to say a few words to our investors.

In the following discussion, we may make forward-looking statements based on our current expectations. These are subject to risks and uncertainties. Investors are advised that actual results may differ materially from the forecasts.

I will now introduce today's speakers. Shin Ashida, Chairman, President and CEO.

**Shin Ashida [M]:** Thank you very much.

**Moderator [M]:** Toru Ashida, Senior Vice President, Sales and Administration.

**Toru Ashida [M]:** Thank you very much.

**Moderator [M]:** Dr. Mathias Schmidt, Vice President, Clinical Development, Global Business Strategy, and Business Development.

**Schmidt [M]:** Thank you.

**Moderator [M]:** Dr. Hiroyuki Sonoda, Vice President, Research and Corporate Strategy.

**Sonoda [M]:** Thank you very much.

**Moderator [M]:** Yutaka Honda, Corporate Officer, Administration and Director, General Affairs.

**Honda [M]:** Thank you very much.

**Moderator [M]:** Yoshihiro Ohta, Director, Accounting.

**Ohta [M]:** Thank you very much.

**Moderator [M]:** These are today's speakers.

I'll say a few words about our procedure for asking questions. We are accepting questions at any time during today's session.

We will now begin the conference call.

Please note that each person is limited to two questions at a time in a one-question, one-answer format, but you may send as many questions as you wish.

Let's get started. Mr. Yamaguchi of Citigroup Global Markets Japan, please go ahead.

**Yamaguchi [Q]:** This is Yamaguchi from Citi, thank you. My first question is about the assumptions made in the forecast for this fiscal year, the fiscal year ending March 31, 2023.

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The contract amount is about JPY15 billion, which is quite large. I understand that you cannot talk about all of the details. The figure in the previous period was at a similarly high level. Does this high figure include a new partnership other than 141, such as for 171?

Is there anything that will be triggered by the partnership?

Given the large amount of the contract, I'd be grateful if you could give some more details.

**Ohta [A]:** I will take this question. Contract revenues are forecast to be over JPY15 billion for the fiscal year. I am afraid we are unable to provide a detailed breakdown of that figure.

However, I can say the figure includes items that have a high probability of coming to fruition, and to a certain extent, items that we will work to achieve. Also, this is not a single contract, but multiple contracts.

In addition, there are many items that are currently under negotiation. We have created the forecast amount based on the current progress of the negotiations.

The items to be covered are not limited to the existing range of products and include a wide variety of items.

**Yamaguchi [Q]:** Thank you. I think there was some interference on the line, so I would appreciate it if you could speak a little louder next time. Thank you very much.

The second question is about the JR-141-GS31 trial. The primary is in August 2024, so I would expect the initial results to be released six months before that. In this case, I believe your company is considering applying based on the interim results. In terms of timing, does that mean that the interim will probably be released at the beginning of 2024, and depending on the result, will you consider applying on the basis of that? Thank you.

**Schmidt [A]\*:** This is Mathias Schmidt. I will answer your question. Application can be possible based on the data from the interim analysis. At this stage, we are still in the beginning stages of the trial, so it is difficult to speculate on the outcome or timeline at this stage.

**Yamaguchi [Q]:** But is it safe to say that the timing of the interim analysis is scheduled at this 53-week point?

**Schmidt [A]\*:** Yes, correct.

**Yamaguchi [M]:** I understand. That's all for now. Thank you very much.

**Moderator [M]:** Yes, thank you very much. Now I would like to move on to the next questioner.

Mr. Sakai of Credit Suisse Securities, please go ahead.

**Sakai [Q]:** This is Sakai from Credit Suisse. I have two questions.

In the financial results presentation materials, there is an update on the vaccine solution manufacturing business. It talks about the completion of construction in October. How will the facility be utilized?

I will ask a more general question on this later, but I would like to know your thinking on this plant, including the capital investment for this fiscal year, and the amount of this depreciation. That's my first question.

**Honda [A]:** This is Honda from Administration. Thank you for your question.

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As you mentioned, the construction of the vaccine plant is currently progressing smoothly toward completion. Construction is planned to be completed in October as scheduled.

As you know, this vaccine solution factory was started in FY2020 as part of a project for an emergency vaccine production system.

There has been no change to our current plans, and we will continue to manufacture the vaccine plant based on the grant from the government. Within this framework, and within the scope allowed by the government, we would like to make effective use of the instructions we receive for the production of vaccine bulk materials or for the production of bulk pharmaceuticals for our own products.

Mr. Ohta of the Accounting Department will explain the capital expenditures and depreciation expenses.

**Ohta [A]:** Ohta here. Thank you for your question.

As for the amount of capital investment, as mentioned by Mr. Honda, we are making use of subsidies. Since the subsidy will cover most of the cost of the project, it is not currently included in the capital investment amount.

The same applies to depreciation, which will be reduced by the grant. We will not incur depreciation expenses. Thank you.

**Sakai [Q]:** Could you also tell us about capital expenditures and depreciation on a company-wide basis? On a forecast basis. It is not in the disclosed documents.

**Ohta [A]:** I will take this question. This information is shown on page eight of the financial statements. In the current fiscal year, capital expenditures were JPY4.4 billion and depreciation and amortization expenses were JPY1.9 billion.

For the fiscal year ending March 31, 2023, we currently expect the figures to be roughly the same. Thank you.

**Sakai [Q]:** Okay. Thank you very much.

Also, I'd like to ask about the collaboration with Takeda on the development of 141. For the Global Phase 3 trial, the costs will be split 50-50 with Takeda. I believe most of the clinical trials are in the US, so please let me know the form that cost-sharing will take.

**Schmidt [A]\*:** Regarding the collaboration with Takeda, I am not sure to what extent we can disclose information about the financials.

**Sakai [M]:** Okay. And research comes in before the burden deduction, right? Okay, understood. Thank you very much.

**Moderator [M]:** Thank you very much. Now I would like to move on to the next question.

Mr. Hashiguchi of Daiwa Securities, please go ahead.

**Hashiguchi [Q]:** Hashiguchi here, thank you.

The first question is about IZCARGO sales trends. Regarding monthly sales, as shown on page five of the financial summary. Sales in the October to December period were large, and compared to that, they appear to have leveled off in the January to March period. I think this might be a blip based on the timing of shipments, for example.

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However, I would also like to know how many patients are actually receiving treatment and what the trends are in this figure. You anticipate growth this fiscal year, but would you please comment on the degree to which you will be able to achieve this?

**Toru Ashida [A]:** This is Ashida, Sales. Regarding the trend from the October to December period to the January to March period, I certainly haven't seen any change on the ground that would suggest a change in trend.

We have had very steady market penetration throughout the year. Over time, we believe that patients and healthcare professionals are gradually coming to appreciate the value of J-Brain Cargo and IZCARGO. We believe that we will be able to achieve our goals for the current fiscal year as well.

In addition, we have set a goal for MPS II (Hunter Syndrome) to achieve the top market share in Japan by the end of this fiscal year. We are currently working on it.

**Hashiguchi [Q]:** Thank you very much.

My second question is about the development timeline. This is shown on page 22 of the Business Report, for example. I would like to know why the development of JR-441 presented here is now expected to be delayed slightly from the time of the March R&D presentation.

Also, it says something different in the last page of the financial summary.

Regarding the plan for FY2023, the situation with JR-446 is as explained in the business report. On the last slide of the summary of financial results, in JR-142, it says in light letters that the development of the long-lasting hormone product has been discontinued. I would like to know more about this as well.

**Schmidt [A]\*:** Schmidt here. Thank you for your question. I would like to answer your questions regarding the development timeline.

We made the decision to increase the number of subjects in one of our cohorts. This is a decision that is designed to increase the success rate.

We predicted that this would not lead to significant delays in getting results from the clinical trial. I hope that this has answered your current question.

**Hashiguchi [Q]:** I think that covers the part about JR-141. My first question was about JR-441.

**Sonoda [A]:** Sonoda here. Regarding JR-441, I think your question is about the difference between the latest document and the one before.

As the project continues, we are reviewing the timeline and scheduling of development in the project. In this context, although we cannot answer specifically, we also disclose where clinical trials will be conducted and at what level, based on what we are doing. The latest report can be seen as new information.

**Hashiguchi [Q]:** Thank you very much. Does this symbol mean that the development of JR-142 has been discontinued?

**Honda [A]:** This is Honda from Administration. As for the phrase development has been suspended, it is a typographical error. Is that on page 18?

**Hashiguchi [M]:** Yes.

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**Honda [A]:** One level up, the words discontinued development should be next to JR-031EB. It is a misprint. Our sincere apologies.

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

**Moderator [M]:** Thank you very much. Now I would like to move on to the next question.

Mr. Kawamura of SBI Securities, please go ahead.

**Kawamura [Q]:** Thank you for your presentation. This is Kawamura of SBI Securities. I have two questions. First, please tell us a little more about your assumptions for IZCARGO.

The full-year forecast is JPY5.2 billion. Dividing that by 12, I think the sales assumption is about JPY430 million per month. Given that in the month just gone, sales were almost JPY400 million, it seems a little weak. That's my personal opinion.

I'm wondering if you could tell us a little more about your assumptions about sales, such as regarding new prescriptions, switching and continued dosing, these kinds of areas that could affect sales.

Thank you.

**Toru Ashida [A]:** Ashida, Sales.

Mr. Ohta might like to add a few words about the numbers. Basically, we are aiming to continue the treatment of the patients treated last year and to treat about 20 new patients this fiscal year.

The number of doses and dosage per year will vary depending on when the administration starts. To some extent, we will make a prediction during the year. Whether or not we are right, we aim to administer the drug to 20 new patients in total for the fiscal year.

I think that in time, the main focus will be almost exclusively on patients who switch.

That is all. Is that alright?

**Kawamura [Q]:** Yes, thank you.

I have a follow-up question. My understanding is that when IZCARGO is prescribed, it is basically the kind of drug that needs to be administered for life. I'm sorry for the basic question, but do you expect many cases of discontinuation of treatment? Are there many cases like that?

**Toru Ashida [A]:** Last year, there was a case of dropout, in which a patient who had been receiving IZCARGO stopped receiving it due to certain circumstances.

**Kawamura [Q]:** Okay. Thank you very much.

The second question is about contract revenue. I'm afraid I couldn't hear the answer earlier, so I'm sorry if this is repetition.

Up to now, your Company seems to be quite conservative in its forecasts, mostly including in the forecast items that are quite firmly decided. Is that the case this time around, or are you also including some more aggressive items?

**Honda [A]:** Honda from Administration.

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We are estimating a certain amount of contract revenue for this fiscal year.

We believe that we are putting together a variety of things that are in various stages of development, some fairly certain, some with a lower degree of certainty.

As I mentioned at our first R&D briefing recently, we are not restricted to item licensing. We are implementing initiatives in a variety of business development throughout the field.

In the process, we have come up with a number of points where we see a number of possibilities. I hope you understand that we have made estimates, including some that are highly certain and others that are challenging. We have used these as the calculated amount of contract revenue for the current fiscal year. That is all.

**Kawamura [M]:** Yes, I understand. Thank you very much. That is all.

**Moderator [M]:** Mr. Kawamura, is that alright? Thank you very much. Now, I would like to move on to the next question.

Mr. Matsubara of Nomura Securities, please go ahead.

**Matsubara [Q]:** My name is Matsubara, Nomura Securities. Thank you for your presentation. I have two questions.

The first one is your forecast for this fiscal year for darbepoetin. Can you give us some background on the decline in sales after this shipment adjustment has been lifted?

**Ohta [A]:** Thank you for your question. Ohta, Accounting.

JCR's sales are based on shipments to Kissei Pharmaceutical. The correlation is slightly different from that of Kissei Pharmaceutical's market.

The budget for this item is based on Kissei's order forecast.

**Matsubara [Q]:** Understood. Thank you very much.

The second question is regarding the approach to R&D expenses. R&D expenses are expected to increase in the current fiscal year. Several clinical trials are expected to proceed in the next fiscal year as well. Am I correct in understanding that the trend is for a slight increase in the next fiscal year as well?

**Ohta [A]:** I'll take this question, too.

Spending was approximately JPY7 billion for the fiscal year ended March 31, 2022. The next fiscal year is projected to be approximately JPY9 billion. We have forecast this increase in spending as overseas global clinical trials are underway.

**Matsubara [Q]:** Thank you very much. As for the next fiscal year, I am of the view that there will be an increase in clinical trials, so will there be an upward trend?

**Ohta [A]:** As you pointed out, it is increasing.

**Matsubara [M]:** Understood. Thank you very much. That's all from me.

**Moderator [M]:** Thank you very much. Now I would like to move on to the next question.

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Mr. Yamaguchi of Citigroup Global Markets Japan, please go ahead.

**Yamaguchi [Q]:** I have two more questions. Sales of agalsidase beta were JPY700 million in the fiscal year ended March 31, 2022, and are projected to be a little over JPY700 million this fiscal year. Since your partnership with Sumitomo Pharma, is it correct to say that the sales for this fiscal year ending March 31, 2023 are for shipments to Sumitomo Pharma? That is, will the recording of sales change from being customer sales?

**Ohta [A]:** Thank you for your question. Ohta, Accounting.

As you have just pointed out, we have been in partnership with Sumitomo Pharma since this April. The amount shipped to Sumitomo Pharma is recorded as sales.

**Yamaguchi [Q]:** Okay. You may not be able to fix this issue today, but I can hear quite loud whispering on the line, so I can't hear your answer very well. I can hear Japanese and English at the same time.

I have one more question. This concerns your partnership with Takeda. During the R&D meeting, you mentioned that your company is thinking about expanding into non-rare areas. With Denali, it seems that recently Takeda is also in the position of competitor to your company. For example, with the research testing the use of the Enzyme replacement therapy (ERT) to treat frontotemporal dementia. Do you think this kind of area is a possible theme for your company to approach in the future for a partnership with Takeda?

**Sonoda [A]:** Sonoda here. Thank you very much.

As we have shown at the R&D meeting, in any modality, it is more likely to pass through the BBB(blood-brain barrier). We have asked Denali and Takeda for a few examples. While for us, That area may be easy, and we can make full use of our technology in other areas, too.

**Yamaguchi [M]:** Thank you. That is all.

**Moderator [M]:** Yes, thank you very much. Now I would like to move on to the next question.

Mr. Tsuzuki of Mizuho Securities, please go ahead.

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

My first question is about GROWJECT. I think the recent NHI price revision had an impact, but what is the expected increase on a volume basis? I believe that competing drugs are coming onto the market at the moment. Is it correct to say that you believe this will have almost no impact at this stage? That's my first question.

**Toru Ashida [A]:** Thank you for your question. Ashida, Sales.

In terms of volume, the volume base increased by about 4% from the previous year.

Regarding the status of competitor products, I think you are mainly referring to long-acting formulations. We do not expect the NHI price revision to have much of an impact on the current fiscal year. We are continuing our efforts this fiscal year with the goal of further increasing the volume to counteract the effect of the NHI price revision.

**Tsuzuki [Q]:** Understood. Thank you very much.

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My second question is about items scheduled to start clinical trials this fiscal year. Looking at the briefing materials and the R&D update, it looks as if there are none for FY2022 and quite a few for FY2023. Is that correct?

**Schmidt [A]\*:** Schmidt here. Thank you for your question.

Yes, you are correct.

**Tsuzuki [M]:** Thank you very much.

**Moderator [M]:** Thank you very much. Now I would like to move on to the next question.

Mr. Hashiguchi of Daiwa Securities, please go ahead.

**Hashiguchi [Q]:** Hashiguchi here, thank you.

What is your policy on the development of enzyme replacement therapy for lysosomal disease? When asked before how you would use in-house development and partnerships with other companies, I think you answered that it would be on a case-by-case basis.

On the other hand, in this presentation, it seems the basic idea is collaboration. I understood that you said that you might develop some products in-house. I personally feel that the nuance of this is leaning more toward collaborative partnering than it has in the past, but I'm not sure if that's a good thing. If you have changed your mind on this question, could you give us some background?

**Sonoda[A]:** Sonoda will answer. In our opinion, things have not changed that much. I think it would be best if we could do it in-house, but with our current capacity and capability, it is quite difficult to advance many diseases at once.

Another issue is that patients have been waiting for these treatments for a long time. We aim to take the best measures to deliver effective medicines to patients as quickly as possible.

For certain items, if it is better to work with another company, we will do so. Otherwise, we will do it ourselves.

However, we can take advantage of our capability by specializing more in the R of R&D. In the area of clinical development this term, we would like to choose more partnerships for those things that require large amounts of money and large resources.

**Hashiguchi [Q]:** Thank you very much.

Another point is about cost of sales for the period that just ended. Compared to your plan, I believe that cost of sales exceeded the plan by about JPY2 billion, while sales were slightly below the plan.

As for the item mix, there did not seem to be that much of an increase in costs compared to expectations. I think you also mentioned in your presentation that the production of the vaccine stock solution went well. Why was the cost of sales so high?

**Ohta [A]:** Thank you for your question. Ohta, Accounting.

Regarding your question, the increase is due to the sudden occurrence of costs specific to the fiscal year ended March 31, 2022.

I cannot give you the details, but this is something that will not be accounted for after FY2024.

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**Hashiguchi [M]:** Okay, thank you very much.

**Moderator [M]:** Thank you very much. Now I would like to move on to the next question.

Mr. Muraoka of Morgan Stanley MUFG Securities, please go ahead.

**Muraoka [Q]:** Muraoka from Morgan Stanley.

I would like to know the exchange rate assumption for this fiscal year. The exchange rate is quite volatile, so could you also tell us how much you expect it to change? If you are able to share, I would appreciate the information.

**Ohta [A]:** Yes, thank you for your question. Ohta from Accounting.

Regarding the exchange rate, we are currently considering JPY120.

Although there are a few imported raw material purchases, the impact on overall profits is extremely minor. As for the procurement side, we hope you understand that it is almost unaffected by exchange rate fluctuations.

**Muraoka [Q]:** Thank you very much. So are you assuming that the JPY15.4 billion in contract money will be received in yen, not in foreign currency?

**Ohta [A]:** Ohta here. I am afraid I cannot comment on this point.

**Muraoka [Q]:** Perhaps if the exchange rate moves, the assumptions here will also move quite a bit.

**Ohta [A]:** It is possible to see it that way.

**Muraoka [Q]:** Okay. Thank you very much.

I'm sorry to be so persistent about the contract money, but should I assume that the revenue is concentrated in the second half of the fiscal year?

**Ohta [A]:** Thank you for your question. Ohta, Accounting.

If anything, the revenue is weighted toward the second half of the fiscal year.

**Muraoka [M]:** Okay. Thank you very much.

**Moderator [M]:** Thank you very much. Now I would like to move on to the next question.

Tokio Marine Asset Management, Mizuno, please go ahead.

**Mizuno [Q]:** Thank you for your presentation. Thank you.

I would like to ask two previous questions confirming the high cost of sales in the term that just ended. Are you saying that if the unexpected factors had not occurred, you would have been able to offset most of the downside to the full-year operating profit? So, you wouldn't have fallen short of the plan.

**Ohta [A]:** Thank you for your question. Ohta, Accounting.

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As you have just pointed out, regarding cost of sales, if it were not for the unexpected costs, we would have achieved the operating profit projection.

**Mizuno [Q]:** There were some one-time SG&A expenses that were only incurred during that term. And did they occur in the third quarter or the second quarter? I would like to confirm that this and the cost of goods are two completely different things. When you say that R&D expenses are well below the budget, do you mean that they have been shifted to SG&A expenses, for example?

**Ohta [A]:** Thank you for your question. Ohta, Accounting.

As for SG&A expenses, as you just pointed out, there are some items that were unique to the fiscal year ended March 31, 2022. We have one here that will be resolved in the fiscal year ending March 31, 2023. In terms of the full-year forecast, the figure is lower for the fiscal year ending March 31, 2023.

As for your question about whether there was a flow between SG&A and R&D expenses, there was almost none.

You pointed out, R&D expenses for the fiscal year ended March 31, 2022 were lower than originally forecast. At the time of the forecast, we had assumed that aggressive research and development would be pursued to some extent. This situation has decreased as the situation here has progressed slightly closer to normal.

**Mizuno [Q]:** Yes, I understand, thank you.

As for the JR-141 global trial, your competitor, Denali, has also said that they will start Phase 3 in the second half of this fiscal year. In a way, though, I'm looking at it as if there is a risk of competing for patients. I think that the fact that your company has partnered with Takeda, which has already established a partnership with existing Hunter syndrome patients and the medical field, is, qualitatively speaking, an overwhelmingly advantageous point of differentiation. Is that interpretation correct?

**Schmidt [A]\*:** Schmidt here. Thank you for your very important question.

The collaboration with Takeda has brought about tremendous benefits to our company.

We have received highly valuable feedback. We have received a great deal of information regarding the design of the clinical trials and their implementation. As you mentioned, it is also a benefit to our company in terms of access to patients for clinical trials, which is strategically very important.

The fact that collaboration at the highest level is now a reality, and looking at the potential of IZCARGO, I can say that there is no better partner to collaborate with.. We can continue to collaborate openly and move forward in the future.

The summary is that being able to collaborate with Takeda is a very significant differentiation point for our Company.

**Mizuno [M]:** Thank you for your very specific examples. That is all.

**Moderator [M]:** Thank you very much. Now I would like to move on to the next question.

Mr. Kawamura of SBI Securities, please.

**Kawamura [Q]:** I am Kawamura from SBI. I have one more question.

Please tell us about the situation in Brazil in JR-141.

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It looks like it's been quite a while since the application was filed. I think regarding approval, there were a lot of things that happened during the COVID-19 pandemic, but have you been able to ascertain the current situation to some extent? Are you able to comment on this? Thank you.

**Schmidt [A]\*:** Schmidt here. Thank you for your very important question.

The Brazilian authority, ANVISA, is still busy dealing with applications for COVID-19 vaccines for children. I hope you all understand that we are in a very unusual situation.

For our part, ANVISA is currently working on the final project regarding the application for approval. At present, we are not able to predict when they will take a decision.

**Kawamura [Q]:** Okay. Sorry, I didn't catch the audio for a moment. I think it was mentioned that the project is in the final stages to some extent, but is it safe to say that we can expect some kind of announcement during this fiscal year?

**Schmidt [A]\*:** Yes, we understand that the ANVISA evaluation itself has already been concluded. We do not know when the authorities will notify us.

**Kawamura [M]:** Yes, I understand. Thank you very much. That is all.

**Moderator [M]:** Mr. Kawamura, is that alright? Thank you very much. Now I would like to move on to the next question.

Mr. Tsuzuki of Mizuho Securities, please go ahead.

**Tsuzuki [Q]:** My name is Tsuzuki from Mizuho Securities. Thank you very much. Let me ask one question.

In the section on contract revenue, I think it says JPY15.4 billion, but I understand that the forecast for the fiscal year ended March 2022 was originally JPY7.2 billion. It was then subsequently raised to JPY10 billion.

How does this last term's method of calculation differ from that of the previous term? I would be interested to know if you loaded a little more aggressively this term, or if it is about the same as last term, and what your interpretation of this is. That is all. Thank you.

**Ohta [A]:** Thank you for your question. Ohta from Accounting.

As mentioned earlier, last year, we made our forecast assuming a certain degree of certainty in the previous fiscal year. The situation with the forecast for the fiscal year ending March 31, 2023 is as Mr. Honda mentioned earlier. This figure includes some highly likely items as well as some more challenging items.

**Tsuzuki [M]:** Understood. Thank you very much.

**Moderator [M]:** Thank you very much. Are there any other questions? This concludes the question-and-answer session.

**Company Representative [M]:** Thank you very much.

**Moderator [M]:** Thank you very much. This concludes today's conference call.

Thank you all very much for your participation today.

[END]

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