ONO PHARMACEUTICAL CO., LTD.

Financial Results for Q3 FY2021

January 31, 2022

[Number of Speakers]	7	
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	Kiyoaki Idemitsu	Corporate Executive Officer, Executive Director of Clinical Development
	Satoshi Takahagi	Corporate Officer, Executive Director of Sales and Marketing
	Kazuhiro Nagahama	Director of Finance and Accounting Department
	Yukio Tani	Corporate Executive Officer, Head of Corporate Communications

Presentation

Sagara: At the previous Q2 briefing, I promised that we should make a decision on the future scholarship system by the end of December to report it to you. So, I would like to report our decision today.

With regard to the scholarship donation, two employees were found guilty in the donation to Mie University, which was really disappointing event. Even within the company, we have been taking appropriate measures for the event. We also received dispositions from each organization, based on our report and other judgments. From now on, we will report the handling of scholarship donations, and would like to proceed in the direction to strictly strengthen compliance.

In conclusion, we have decided not to make scholarship donations, which we have made so far, for FY2022 and thereafter, judging from the various aspects. The main purpose for the scholarship donation is to subsidize research in academia, but we have made the decision to stop subsidizing in the form of scholarship donations. Of course, I think that there is an option of continuing the donation under the strengthened compliance in the future, but I would like to report that we have come to the conclusion to stop it based on comprehensive consideration. If you have any questions, I would be happy to take them. (No questions)

Revenue

Revenue	YoY Change
¥ 271.4 billion	+ 15.5 %

Breakdown of Revenue

(Billion yen)

	FY 2020 Q3	FY 2021 Q3	YoY Change
Revenue of Goods and Products	165.4	185.9	+ 12.4 %
Royalty & other revenue	69.5	85.5	+ 23.0 %
Total	234.9	271.4	+ 15.5 %

Nagahama: I would now like to present an overview of our financial results for the third quarter.

First, revenue for the third quarter of the current fiscal year increased by JPY36.5 billion, 15.5% increase YoY, to JPY271.4 billion.

As for the breakdown of revenue, product sales increased by JPY20.5 billion, 12.4% increase YoY, to JPY185.9 billion. This was due to steady increase in sales of products such as Opdivo intravenous infusion, Forxiga tablets, Velexbru tablets, Braftovi capsules, and Mektovi tablets, while sales of long-term listed products decreased.

Royalties and other revenue increased by JPY16 billion, 23.0% increase YoY, to JPY85.5 billion. Royalties and other revenue include royalty from Bristol Myers Squibb totaling JPY52.1 billion, an increase of JPY7.4 billion YoY and royalty related to Keytruda from Merck, JPY22.4 billion, an increase of JPY4.8 billion YoY.

Revenue

Sales of Major Products

(Billion yen)

	FY 2020 Q3	FY 2021 Q3	YoY Change
Opdivo	76.3	**85.1**	+ 11.4 %
Forxiga	16.6	**26.5**	+ 59.9 %
Glactiv	19.9	**19.3**	- 2.9 %
Orencia SC	16.8	**17.5**	+ 4.4 %
Parsabiv	6.3	**6.9**	+ 10.1 %
Kyprolis	5.4	**6.5**	+ 19.8 %
Velexbru	1.2	**4.7**	+ 289.4 %
Onoact	3.6	**3.9**	+ 8.4 %
Braftovi	0.6	**2.1**	+ 271.0 %
Mektovi	0.6	**1.7**	+ 210.3 %
Ongentys	0.2	**2.0**	+ 955.2 %
New Products（FY2021）	–	**0.8**	–

Regarding sales by products, sales of the anti-cancer agent Opdivo increased by JPY8.7 billion, 11.4% increase YoY, to JPY85.1 billion. This is mainly due to its expanded use in the first-line treatment of non-small cell lung cancer and second-line treatment of esophageal cancer, despite intensifying competition with competing products.

As for other major new products, sales of Forxiga, for treatment of diabetes, chronic heart failure, and chronic kidney disease, increased by JPY9.9 billion, 59.9% increase YoY, to JPY26.5 billion. Sales of Orencia for rheumatoid arthritis, increased by JPY700 million, 4.4% increase YoY, to JPY17.5 billion. Sales of Parsabiv for secondary hyperparathyroidism under hemodialysis, increased by JPY600 million, 10.1% increase YoY, to JPY6.9 billion. Sales of Kyprolis for multiple myeloma, increased by JPY1.1 billion, 19.8% increase YoY, to JPY6.5 billion. Sales of Velexbru increased by JPY3.5 billion, 289.4% increase YoY, to JPY4.7 billion. Sales of Braftovi increased by JPY1.5 billion, 271.0% increase YoY, to JPY2.1 billion. Sales of Mektovi increased by JPY1.2 billion, 210.3% increase YoY, to JPY1.7 billion. Sales of Ongentys increased by JPY1.8 billion, 955.2% increase YoY, to JPY2 billion.

On the other hand, sales of Glactiv, for type 2 diabetes, decreased by JPY600 million, 2.9% decrease YoY, to JPY19.3 billion.

Revenue

Sales of Long-term Listed Products

(Billion yen)

	FY 2020 Q3	FY 2021 Q3	YoY Change
Opalmon	4.3	**3.7**	- 14.2 %
Rivastach	6.0	**2.3**	- 61.0 %
Onon capsule	1.9	**2.7**	+ 39.9 %

Sales of long-term listed products decreased due to the impact of measures to promote the use of generics. Sales of Opalmon for peripheral circulatory disorders, decreased by JPY600 million, 14.2% decrease YoY, to JPY3.7 billion. Sales of Rivastach for Alzheimer's disease, decreased by JPY3.7 billion, 61% decrease YoY, to JPY2.3 billion.

On the other hand, sales of Onon capsules increased by JPY800 million to JPY2.7 billion.

Operating Profit

Operating Profit	YoY Change
¥ 82.2 billion	- 0.0 %

Costs, etc.

(Billion yen)

	FY 2021 Q3	YoY Change
・Cost of Sales	¥ 70.6	(+ 6.8%)
・R&D Expenses	¥ 49.5	(+ 12.8%) ①
・SG&A Expenses	¥ 57.5	(+ 19.2%) ②
①+② Total	¥ 107.0	(+ 16.2%)
・Other Income	¥ 0.7	(- 89.5%)
・Other Expenses	¥ 12.4	(+ 663.2%)

Operating profit was JPY82.2 billion, almost unchanged from the same period last year.

In terms of expenses, cost of sales increased by JPY4.5 billion, 6.8% increase YoY, to JPY70.6 billion. This is mainly due to an increase in product sales.

R&D expenses increased by JPY5.6 billion, 12.8% increase YoY, to JPY49.5 billion. This was due to the gradual recovery of development activities, including the enrollment of patients, as well as an increase in expenses related to development and research.

Regarding selling, general and administrative (SG&A) expenses, excluding R&D expenses, the marketing activity expenses increased due to the active implementation of web lectures, although there were restrictions on marketing activities such as voluntary restraint of MR hospital visits due to the effect of novel coronavirus infection. In addition, there was an increase in expenses due to the launch of new products and additional approval for new indications, as well as co-promotion fees associated with the expansion of sales of Forxiga tablets. SG&A increased by JPY9.3 billion, 19.2% increase YoY, to JPY57.5 billion.

Other income decreased by JPY6.4 billion YoY to JPY700 million, due to the absence of the upfront payment received from Roche in the same period of the previous year. This payment was in connection with the conclusion of a license agreement related to anti-PD-L1 antibody-related patents.

Other expenses increased by JPY10.8 billion YoY to JPY12.4 billion, mainly due to the recording of JPY7.3 billion, a difference between the settlement fee of JPY5 billion associated with the settlement of a lawsuit related to PD-1 antibody-related patents plus the donation of JPY23 billion to Kyoto University and an allowance of

JPY20.7 billion for patent license fee that had already been recorded, as well as the recording of expenses related to the alliance agreement on Opdivo with Bristol Myers Squibb.

As a result, operating income remained almost same as in the same period of the previous fiscal year.

Profit before Tax

Profit before Tax	YoY Change
¥ 84.3 billion	- 0.4 %

Net financial income, etc.

+ ¥ 2.2 billion (YoY Change - ¥ 0.3 billion)

Finance income :	**¥ 2.5 billion**
(Dividend income received and gain on sale of investment securities, etc.)	
Finance costs :	**¥ 0.4 billion**
(Loss on valuation of investment securities and interest expenses, etc.)	

Profit before taxes for the period decreased by JPY300 million, 0.4% decrease YoY, to JPY84.3 billion. This was due to financial income of JPY2.5 billion, financial expenses of JPY400 million, and a decrease in net financial income, etc. of JPY2.2 billion, a decrease by JPY300 million YoY.

Profit for the Period
(Owners of the Parent Company)

Profit for the Period (Owners of the Parent Company)	YoY Change
¥ 64.6 billion	- 2.8 %

Income tax expense

¥ 19.7 billion (YoY Change + 8.6 %)

(Major change factors)

Decrease in profit before tax	¥ 0.3 billion
Increase in corporate tax	¥ 1.6 billion

The profit for the period attributable to owners of the parent company decreased by JPY1.9 billion, 2.8% decrease YoY, to JPY64.6 billion.

Sales revenue reached a record high in the third quarter.

Revenue (Forecasts)

Revenue	YoY Change
¥ 360.0 billion	+ 16.4 %

Breakdown of Revenue

(Billion yen)

	FY 2020 (Result)	FY 2021 (Forecast)	YoY Change
Revenue of Goods and Products	214.5	245.0	+ 14.2 %
Royalty & other revenue	94.7	115.0	+ 21.4 %
Total	309.3	360.0	+ 16.4 %

We have revised our sales forecast announced on May 13, 2021. Please refer to page four of the Financial Report for the details of the revision.

In addition, royalty income is expected to exceed the previously announced forecast due to higher-than-expected royalty income and the impact of a weaker-than-expected yen. As a result, the forecast has been revised upward by JPY15 billion from the previously announced forecast to JPY360 billion.

Revenue (Forecasts)

Sales Forecasts of Major Products

(Billion yen)

	FY 2020 (Result)	FY 2021 (Forecast)	YoY Change
Opdivo	98.8	110.0	+ 11.3 %
Forxiga	22.4	36.5	+ 63.3 %
Glactiv	25.5	24.5	- 3.9 %
Orencia SC	21.9	22.5	+ 2.7 %
Parsabiv	8.1	9.0	+ 11.8 %
Kyprolis	7.1	8.5	+ 19.4 %
Velexbru	2.1	6.0	+ 191.2 %
Onoact	4.7	5.0	+ 7.3 %
Braftovi	1.1	3.0	+ 180.6 %
Mektovi	1.0	2.5	+ 150.9 %
Ongentys	0.3	3.0	+ 777.3 %
New Products （FY2021）	–	1.0	–

Sales revenue is expected to exceed the previously announced forecast for several major new products, including Forxiga tablets, for which additional indication of chronic kidney disease has been approved.

Operating Profit (Forecasts)

Operating Profit	YoY Change
¥ 107.0 billion	+ 8.8 %

Costs, etc.

(Billion yen)

	FY 2021 (Forecast)	YoY Change
・Cost of Sales	93.0	(+ 8.7 %)
・R&D Expenses	72.0	(+ 15.4 %) ①
・SG&A Expenses	77.0	(+ 11.2 %) ②
①+② Total	149.0	(+ 13.2 %)
・Other Income	1.5	(- 81.6 %)
・Other Expenses	12.5	(+ 547.1 %)

The forecast for operating profit has been revised upward by JPY4 billion from JPY103 billion to JPY107 billion.

Cost of sales is forecast to decrease by JPY2 billion to JPY93 billion from the previously announced forecast.

Research and development expenses remain unchanged from the previously announced forecast.

SG&A expenses excluding R&D expenses are expected to increase by JPY3 billion to JPY77 billion compared to the previously announced forecast. This is due to the expected increase in co-promotion fees in line with the sales expansion of Forxiga tablets and increased investment in digital IT.

Other expenses are expected to increase by JPY10.5 billion from the previous forecast to JPY12.5 billion, mainly due to the recording of JPY7.3 billion, a difference between the settlement fee of JPY5 billion associated with the settlement of a lawsuit related to PD-1 antibody-related patents plus the donation of JPY23 billion to Kyoto University and an allowance of JPY20.7 billion for patent license fee that had already been recorded, as well as the recording of expenses related to the alliance agreement on Opdivo with Bristol Myers Squibb.

As a result of the above, we are forecasting operating income of JPY107 billion.

Profit before Tax (Forecasts)

Profit before Tax	YoY Change
¥ 109.0 billion	+ 8.0 %

Net financial income, etc.

+ ¥ 2.0 billion (YoY Change - ¥ 0.6 billion)

Profit before tax is expected to be JPY109 billion, an upward revision of JPY4 billion from the previous forecast of JPY105 billion.

Profit for the Period /Owners of the Parent Company (Forecasts)

Profit for the Period (Owners of the Parent Company)	YoY Change
¥ 83.0 billion	+ 10.0 %

Income tax expense

¥ 25.9 billion (YoY Change + 2.0 %)

(Major change factors)

Increase in profit before tax	¥ 8.1 billion
Increase in corporate tax	¥ 0.5 billion

The profit for the period attributable to owners of the parent company has been revised upward by JPY1.5 billion from JPY81.5 billion to JPY83 billion.

The year-end dividend is planned to be JPY28 per share, which remains unchanged.

Development pipeline

Idemitsu: I will explain the progress of the development products.

The main progress of the development pipeline is described on pages 13 to 16 of the Financial Report. First of all, I will use this Financial Report to explain the progress of the development pipeline, updated from the previous Q2 result.

The structure of the document is as follows: first, the oncology field, and then the non-oncology field. They are listed in order of development stage: approval, application, Phase III, Phase II, and Phase I.

(4) Main Status of Development Pipelines (Oncology)

As of January 26, 2022

<Approved> *) : "In-house" compounds include a compound generated from collaborative research.

Product Name / Development Code / Generic Name	Classification	Target Indication / Pharmacological Action	Dosage Form	Area	In-house*) / In-license
Opdivo Intravenous Infusion / Nivolumab	Additional indication	Cancer of unknown primary *1	Injection	Japan	In-house (Co-development with Bristol-Myers Squibb)
Velexbru Tablets / Tirabrutinib Hydrochloride	New chemical entities	Primary central nervous system lymphoma *2 / BTK inhibitor	Tablet	S. Korea	In-house

Changes from the announcement of financial results for the second quarter of the fiscal year ending March 2022
*1: An application for Opdivo was approved in Japan for the treatment of cancer of unknown primary.
*2: An application for Velexbru Tablets (BTK inhibitor) was approved in South Korea for the treatment of recurrent or refractory B-cell primary central nervous system lymphoma.

<Filed> *) : "In-house" compounds include a compound generated from collaborative research.

Product Name / Development Code / Generic Name	Classification	Target Indication / Pharmacological Action	Dosage Form	Area	In-house*) / In-license
Opdivo Intravenous Infusion / Nivolumab	Additional indication	Urothelial cancer	Injection	Japan	In-house (Co-development with Bristol-Myers Squibb)
Yervoy Injection ★ / Ipilimumab	Additional indication	Esophageal cancer	Injection	Japan	In-license (Co-development with Bristol-Myers Squibb)

★: Combination with Opdivo.

<Clinical Trial Stage>

<Opdivo> *) : "In-house" compounds include a compound generated from collaborative research.

Product Name / Development Code / Generic Name	Classification	Target Indication / Pharmacological Action	Dosage Form	Area	Phase	In-house*) / In-license
Opdivo Intravenous Infusion / Nivolumab	Additional indication	Hepatocellular carcinoma	Injection	Japan S. Korea	III	In-house (Co-development with Bristol-Myers Squibb)
	Additional indication	Ovarian cancer	Injection	Japan S. Korea Taiwan	III	In-house (Co-development with Bristol-Myers Squibb)
	Additional indication	Bladder cancer	Injection	Japan S. Korea Taiwan	III	In-house (Co-development with Bristol-Myers Squibb)
	Additional indication	Prostate cancer	Injection	Japan S. Korea Taiwan	III	In-house (Co-development with Bristol-Myers Squibb)
	Additional indication	Pancreatic cancer	Injection	Japan S. Korea Taiwan	II	In-house (Co-development with Bristol-Myers Squibb)
	Additional indication	Biliary tract cancer	Injection	Japan	II	In-house (Co-development with Bristol-Myers Squibb)
	Additional indication	Virus positive / negative solid carcinoma	Injection	Japan S. Korea Taiwan	I / II	In-house (Co-development with Bristol-Myers Squibb)

First, oncology field.

In the top row of the table of approved development products, we received an additional approval for Opdivo for the treatment of cancer of unknown primary in Japan last December. There has been no anticancer drugs approved for the treatment of cancer of unknown primary, so Opdivo is the first drug in the world to obtain the approval for this indication.

Under that, Velexbru was approved for the treatment of primary CNS lymphoma in South Korea last November.

<Yervoy> *) : "In-house" compounds include a compound generated from collaborative research.

Product Name / Development Code / Generic Name	Classification	Target Indication / Pharmacological Action	Dosage Form	Area	Phase	In-house*) / In-license
Yervoy Injection ★ / Ipilimumab	Additional indication	Gastric cancer	Injection	Japan S. Korea Taiwan	III	In-license (Co-development with Bristol-Myers Squibb)
	Additional indication	Esophageal cancer	Injection	S. Korea Taiwan	III	In-license (Co-development with Bristol-Myers Squibb)
	Additional indication	Urothelial cancer	Injection	Japan S. Korea Taiwan	III	In-license (Co-development with Bristol-Myers Squibb)
	Additional indication	Hepatocellular carcinoma	Injection	Japan S. Korea Taiwan	III	In-license (Co-development with Bristol-Myers Squibb)
	Additional indication	Virus positive / negative solid carcinoma	Injection	Japan S. Korea Taiwan	I / II	In-license (Co-development with Bristol-Myers Squibb)

<I-O Related> *) : "In-house" compounds include a compound generated from collaborative research.

Product Name / Development Code / Generic Name	Classification	Target Indication / Pharmacological Action	Dosage Form	Area	Phase	In-house*) / In-license
ONO-7701 ★ (BMS-986205) / Linrodostat	New chemical entities	Bladder cancer / IDO1 inhibitor	Tablet	Japan S. Korea Taiwan	III	In-license (Co-development with Bristol-Myers Squibb)
ONO-4686 ★ (BMS-986207)	New chemical entities	Solid tumor / Anti-TIGIT antibody	Injection	Japan	I / II	In-license (Co-development with Bristol-Myers Squibb)
ONO-4482 ★ (BMS-986016) / Relatlimab	New chemical entities	Melanoma / Anti-LAG-3 antibody	Injection	Japan	I / II	In-license (Co-development with Bristol-Myers Squibb)
ONO-7807 ★ (BMS-986258)	New chemical entities	Solid tumor / Anti-TIM-3 antibody	Injection	Japan	I / II	In-license (Co-development with Bristol-Myers Squibb)
ONO-7475 ★	New chemical entities	Solid tumor / Axl/Mer inhibitor	Tablet	Japan	I	In-house
ONO-7911 ★ (BMS-986321) / Bempegaldesleukin	New chemical entities	Solid tumor / PEGylated IL-2	Injection	Japan	I	In-license (Co-development with Bristol-Myers Squibb)
ONO-4578 ★	New chemical entities	Colorectal cancer / PG receptor (EP4) antagonist	Tablet	Japan	I	In-house
	New chemical entities	Pancreatic cancer / PG receptor (EP4) antagonist	Tablet	Japan	I	In-house
	New chemical entities	Non-small cell lung cancer / PG receptor (EP4) antagonist	Tablet	Japan	I	In-house
	New chemical entities	Solid tumor・Gastric cancer / PG receptor (EP4) antagonist	Tablet	Japan	I	In-house
ONO-7913 ★ /Magrolimab	New chemical entities	Pancreatic cancer / Anti-CD47 antibody	Injection	Japan	I	In-license (Gilead Sciences, Inc.)
	New chemical entities	Colorectal cancer / Anti-CD47 antibody	Injection	Japan	I	In-license (Gilead Sciences, Inc.)
ONO-7119 ★ /Atamparib	New chemical entities	Solid tumor /PARP7 inhibitor	Tablet	Japan	I	In-license (Ribon Therapeutics, Inc.)

Next are the pipelines under development.

The bottom row of the I-O related pipelines, ONO-7122, is added. ONO-7122 is a TGF-β inhibitor, co-developed with BMS. A Phase I study has been initiated for solid tumors in Japan.

Product Name / Development Code / Generic Name	Classification	Target Indication / Pharmacological Action	Dosage Form	Area	Phase	In-house*) / In-license
ONO-7122 ★	New chemical entities	Solid tumor *3 / TGF-beta inhibitor	Injection	Japan	I	In-license (Co-development with Bristol-Myers Squibb)
ONO-7914 ★	New chemical entities	Solid tumor *4 / STING agonist	Injection	Japan	I	In-house

<**Others**>　　*) : "In-house" compounds include a compound generated from collaborative research.

Product Name / Development Code / Generic Name	Classification	Target Indication / Pharmacological Action	Dosage Form	Area	Phase	In-house*) / In-license
ONO-7912 (CPI-613) / Devimistat	New chemical entities	Pancreatic cancer / Cancer metabolism inhibitor	Injection	S. Korea	III	In-license (Rafael Pharmaceuticals, Inc.)
	New chemical entities	Acute myeloid leukemia / Cancer metabolism inhibitor	Injection	S. Korea	III	In-license (Rafael Pharmaceuticals, Inc.)
ONO-7913 /Magrolimab	New chemical entities	TP53-mutant Acute Myeloid Leukemia *5 / Anti-CD47 antibody	Injection	Japan	III	In-license (Gilead Sciences, Inc.)
	New chemical entities	Acute myeloid leukemia *6 / Anti-CD47 antibody	Injection	S. Korea Taiwan	III	In-license (Gilead Sciences, Inc.)
Braftovi Capsules / Encorafenib	Additional indication	Thyroid cancer / BRAF inhibitor	Capsule	Japan	II	In-license (Pfizer Inc.)
Mektovi Tablets / Binimetinib	Additional indication	Thyroid cancer / MEK inhibitor	Tablet	Japan	II	In-license (Pfizer Inc.)
ONO-4059 /Tirabrutinib Hydrochloride	New chemical entities	Primary central nervous system lymphoma / BTK inhibitor	Tablet	USA	II	In-house
ONO-7475	New chemical entities	Acute leukemia / Axl/Mer inhibitor	Tablet	USA	I / II	In-house
	New chemical entities	EGFR-mutated non-small cell lung cancer / Axl/Mer inhibitor	Tablet	Japan	I	In-house
ONO-7912 (CPI-613) / Devimistat	New chemical entities	Pancreatic cancer / Cancer metabolism inhibitor	Injection	Japan	I	In-license (Rafael Pharmaceuticals, Inc.)
ONO-7913 / Magrolimab	New chemical entities	Solid tumor / Anti-CD47 antibody	Injection	Japan	I	In-license (Gilead Sciences, Inc.)
	New chemical entities	Myelodysplastic syndromes (MDS) / Anti-CD47 antibody	Injection	Japan	I	In-license (Gilead Sciences, Inc.)
ONO-4578	New chemical entities	Hormone receptor-positive, HER2-negative breast cancer / PG receptor (EP4) antagonist	Tablet	Japan	I	In-house
ONO-4685	New chemical entities	T-cell lymphoma / PD-1 x CD3 bispecific antibody	Injection	USA	I	In-house

★: Combination with Opdivo.
Changes from the announcement of financial results for the second quarter of the fiscal year ending March 2022
*3: Phase I of TGF-beta inhibitor (ONO-7122) was initiated in Japan for the treatment of solid tumor.
*4: Phase I of STING agonist (ONO-7914) was initiated in Japan for the treatment of solid tumor.
*5: Phase III of anti-CD47 antibody (ONO-7913) was initiated in Japan for the treatment of TP53-mutant acute myeloid leukemia.
*6: Phase III of anti-CD47 antibody (ONO-7913) was initiated in South Korea and Taiwan for the treatment of acute myeloid leukemia.
In the case of clinical development of the oncology drugs in the same indication, the most advanced clinical phase is described.

Next, at the top, ONO-7914 is newly added to the pipeline. ONO-7914 is a STING agonist created in-house. A Phase I study has been initiated for solid tumors.

Next, in the Others section below, the second item from the top is ONO-7913, or magrolimab, which is an anti-CD47 antibody, in-licensed from Forty Seven (wholly-owned subsidiary of Gilead Sciences). The compound is under Phase III study for TP53-mutant acute myeloid leukemia in Japan and for acute myeloid leukemia in South Korea and Taiwan.

(5) Main Status of Development Pipelines (Areas other than Oncology)

As of January 26, 2022

<Filed> *) : "In-house" compounds include a compound generated from collaborative research.

Product Name / Development Code / Generic Name	Classification	Target Indication / Pharmacological Action	Dosage Form	Area	In-house*) / In-license
Onoact for Intravenous Infusion / Landiolol Hydrochloride	Additional indication for pediatric use	Tachyarrhythmia in low cardiac function *7 / Short-acting selective β_1 blocker	Injection	Japan	In-house

Changes from the announcement of financial results for the second quarter of the fiscal year ending March 2022
*7: An approval application for Onoact for Intravenous Infusion was filed for the treatment of tachyarrhythmia (supraventricular tachycardia, atrial fibrillation and atrial flutter) in pediatric patients with low cardiac function.

<Clinical Trial Stage> *) : "In-house" compounds include a compound generated from collaborative research.

Product Name / Development Code / Generic Name	Classification	Target Indication / Pharmacological Action	Dosage Form	Area	Phase	In-house*) / In-license
ONO-2017 / Cenobamate	New chemical entities	Primary generalized tonic-clonic seizures *8 / Inhibition of voltage-gated sodium currents/positive allosteric modulator of $GABA_A$ ion channel	Tablet	Japan	III	In-license (SK Biopharmaceuticals)
	New chemical entities	Partial-onset seizures *9 / Inhibition of voltage-gated sodium currents/positive allosteric modulator of $GABA_A$ ion channel	Tablet	Japan	III	In-license (SK Biopharmaceuticals)
Joyclu Intra-articular Injection / Diclofenac Etalhyaluronate Sodium	Additional indication	Enthesopathy / Hyaluronic acid-NSAID	Injection	Japan	II	In-license (Seikagaku Corporation)
Velexbru Tablets / Tirabrutinib Hydrochloride	Additional indication	Pemphigus / BTK inhibitor	Tablet	Japan	II	In-house
ONO-2910	New chemical entities	Diabetic polyneuropathy / Schwann cell differentiation promoter	Tablet	Japan	II	In-house
ONO-4685	New chemical entities	Autoimmune disease / PD-1 x CD3 bispecific antibody	Injection	Japan Europe	I	In-house
ONO-7684	New chemical entities	Thrombosis / FXIa inhibitor	Tablet	Europe	I	In-house
ONO-2808	New chemical entities	Neurodegenerative disease / S1P5 receptor agonist	Tablet	Japan Europe	I	In-house
ONO-2909	New chemical entities	Narcolepsy / PG receptor (DP1) antagonist	Tablet	Japan	I	In-house
Velexbru Tablets / Tirabrutinib Hydrochloride	Additional indication	Systemic sclerosis / BTK inhibitor	Tablet	Japan	I	In-house

Changes from the announcement of financial results for the second quarter of the fiscal year ending March 2022
*8: Phase III of inhibition of voltage-gated sodium currents/positive allosteric modulator of $GABA_A$ ion channel (ONO-2017) was initiated for the treatment of primary generalized tonic-clonic seizures.
*9: Phase III of inhibition of voltage-gated sodium currents/positive allosteric modulator of $GABA_A$ ion channel (ONO-2017) is being conducted for the treatment of partial-onset seizures.
* Phase III of T-cell activation inhibitor Orencia SC for the treatment of polymyositis and dermatomyositis was discontinued due to the results not being able to confirm anticipated efficacy.
* ONO-4059 was out-licensed to Gilead Sciences, Inc. in 2014. However, Gilead returned the rights, except for oncology, in all territories it held rights for. The rights for oncology were already returned.

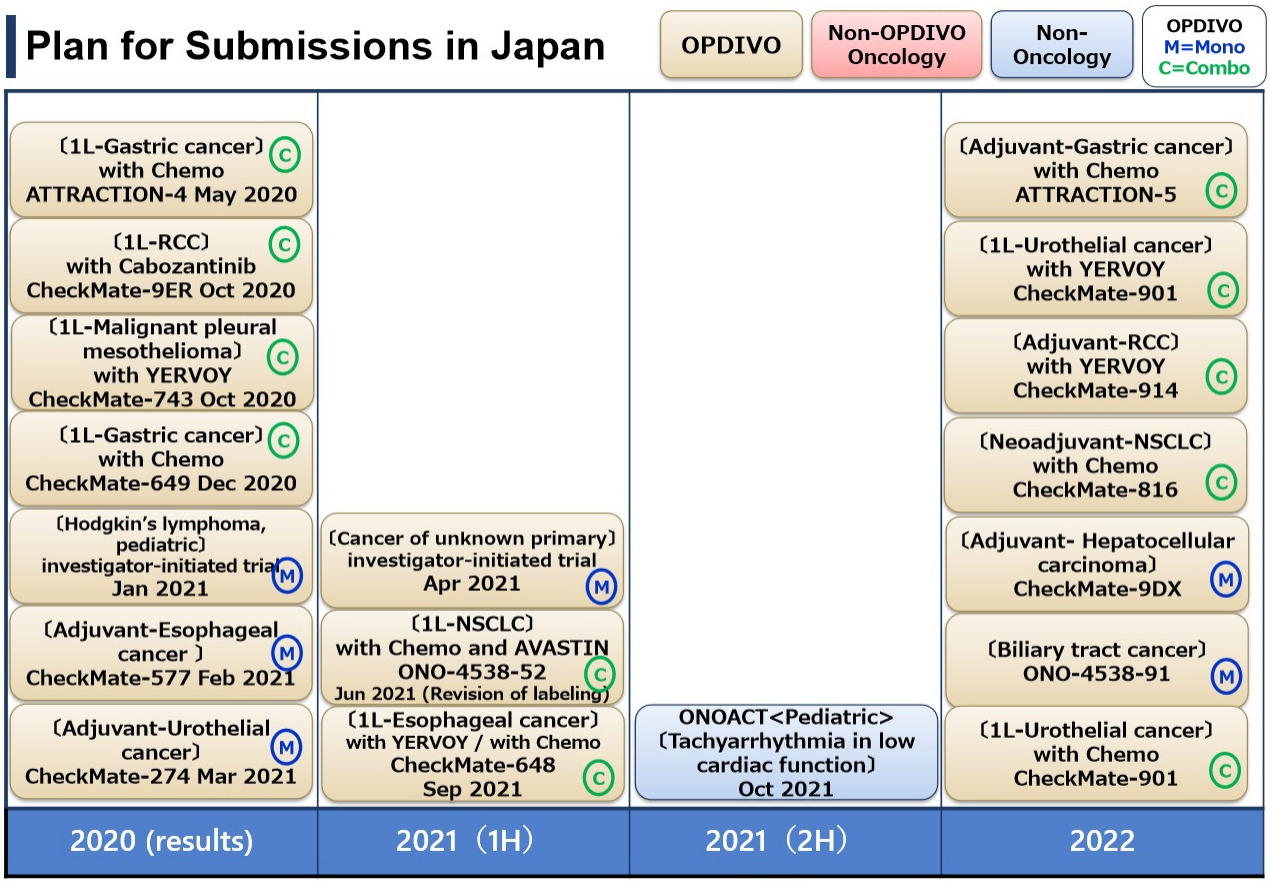
Next, Non-oncology field.

We filed an application for pediatric use for Onoact last October.

Below, at the top of the 2nd table, ONO-2017, or cenobamate, an antiepileptic drug, in-licensed from SK Biopharmaceuticals in South Korea. We have initiated Phase III trial for primary generalized tonic-clonic seizures in Japan. As described below, we have been also conducting Phase III trial for partial-onset seizures in Asia, including Japan.

With regard to Orencia, the previous Financial Report indicated that Phase III for polymyositis and dermatomyositis was underway, but it was discontinued because we could not confirm the expected efficacy.

Regarding ONO-4059 out-licensed to Gilead in 2014, Gilead returned the rights for non-oncology area in their territory. As for the rights in the oncology field, it had already been returned as we explained at the time of financial results held just one year ago.



I will continue with an explanation using the material “Development Pipeline Progress Status” posted on our website.

There is no change in the information in this table from the previous one presented on November 1 last year, but there are updates on approvals.

First, we received additional approval of Opdivo for the first-line treatment of gastric cancer last November, which is listed on the left side of the page, and for the adjuvant therapy of esophageal cancer, which is the second item from the bottom of the same column.

We also received additional approval of Opdivo for the treatment of cancer of unknown primary last December, which is shown in the second column from the left, FY2021 1H.

Development status of OPDIVO (1)

As of Jan 26, 2022

Target disease	Line of Therapy	Treatment	Phase				
			Japan	Korea	Taiwan	US	EU
Melanoma	Adjuvant・1st・2nd	Monotherapy, with Ipi (1st line only)	Approved	Approved	Approved	Approved	Approved
Non-small cell lung cancer	Neo-adjuvant	with Chemo	III	III	III	III	III
	1st	with Ipi	Approved	Approved	Approved	Approved	–
		with Ipi + Chemo	Approved	Approved	Approved	Approved	Approved
		with Chemo	Approved	–	–	–	–
		with Chemo (NSQ)	Revision of labeling	III	Approved	–	–
	2nd	Monotherapy	Approved	Approved	Approved	Approved	Approved
Renal cell carcinoma	Adjuvant	with Ipi	III	–	–	III	III
	1st	with Ipi	Approved	Approved	Approved	Approved	Approved
		with TKI	Approved	III	III	Approved	Approved
		with Ipi + TKI	–	III	III	III	III
	2nd	Monotherapy	Approved	Approved	Approved	Approved	Approved
Hodgkin's lymphoma	Relapsed /Refractory	with Brentuximab	III	–	–	III	–
		Monotherapy	Approved	Approved	Approved	Approved	Approved
Head and neck cancer	2nd	Monotherapy	Approved	Approved	Approved	Approved	Approved
Malignant pleural mesothelioma	1st	with Ipi	Approved	Approved	Approved	Approved	Approved
	SOC refractory	Monotherapy	Approved	–	–	–	–

Red: Update after May 2021

I will briefly introduce the updated portions from the second quarter of the fiscal year ending March 31, 2022.

With regard to Opdivo, the second item from the top, the first-line chemotherapy combination treatment of non-small cell lung cancer (NSQ). We revised the package insert in Japan in June 2021 based on the results of the ONO-4538-52 study regarding the combination with chemotherapy including Avastin. We recently received an approval for this regimen in Taiwan as well.

Development status of OPDIVO (2)

As of Jan 26, 2022

Target disease	Line of Therapy	Treatment	Phase				
			Japan	Korea	Taiwan	US	EU
Gastric cancer	Adjuvant	with Chemo	III	III	III	–	–
	1st	with Chemo	Approved	Approved	Approved	Approved	Approved
		with Ipi + Chemo	III	III	III	–	–
	3rd	Monotherapy	Approved	Approved	Approved	–	–
Esophageal cancer	Adjuvant	Monotherapy	Approved	III	Approved	Approved	Approved
	1st	with Ipi, with Chemo	Filed	III	III	Filed	Filed
	2nd	Monotherapy	Approved	Approved	Approved	Approved	Approved
Colorectal cancer	1st	with Chemo	II / III	–	–	II / III	II / III
	MSI-H／dMMR (1st)	with Ipi	III	–	–	III	III
	MSI-H／dMMR (3rd)	Monotherapy	Approved	–	Approved	Approved	-
		with Ipi	Approved	–	Approved	Approved	Approved*
Hepatocellular carcinoma	Adjuvant	Monotherapy	III	III	III	III	III
	1st	with Ipi	III	III	III	III	III
	2nd	Monotherapy, with Ipi	II	II	Approved**	Approved**	II
Biliary tract cancer	2nd	Monotherapy	II	–	–	–	–

Red: Update after May 2021

* 2nd line
* * With Ipi (US), Monotherapy only (Taiwan)

Last December, we received an approval for adjuvant therapy for esophageal cancer in Taiwan, following in Japan.

Clinical trials in combination therapy
OPDIVO & other Immuno-Oncology compounds②

As of Jan 26, 2022

Development code (Generic name) Pharmacological action	Cancer type	Japan	US/EU	KR/TW
ONO-7911 (Bempegaldesleukin) PEGylated IL-2	Solid tumor	I	I／II	-
	Melanoma	-	III	-
	Renal cell carcinoma	-	III	-
	Bladder cancer	-	III	-
ONO-7913 （Magrolimab） Anti-CD47 antibody	Pancreatic cancer	I	-	-
	Colorectal cancer	I	-	-
ONO-7119（Atamparib） PARP7 inhibitor	Solid tumor	I	-	-
ONO-7122 TGF-β inhibitor	Solid tumor	I	-	-
ONO-7914 STING agonist	Solid tumor	I	-	-

Red: Update after May 2021

The second from the bottom of page seven, ONO-7122, a TGF-β inhibitor, and the one below it, ONO-7914, a STING agonist, have already started clinical trials in Japan, as I mentioned earlier in my explanations regarding Financial Report.

Development pipeline in Japan (Oncology area other than OPDIVO)

As of Jan 26, 2022

Product name/ Development code (Generic name)	Target indication	Pharmacological action
【Phase Ⅲ】		
ONO-7913 (Magrolimab)	TP53-mutant Acute myeloid leukemia	Anti-CD47 antibody
【Phase Ⅱ】		
BRAFTOVI (Encorafenib)	BRAF-mutant thyroid cancer	BRAF inhibitor
MEKTOVI (Binimetinib)	BRAF-mutant thyroid cancer	MEK inhibitor
【Phase Ⅰ】		
ONO-4578	Solid tumor, Gastric cancer *	PG receptor (EP4) antagonist
	Colorectal cancer *	
	Pancreatic cancer *	
	Non-small cell lung cancer *	
	Hormone receptor-positive, HER2-negative breast cancer	
ONO-7475	Solid tumor *	Axl / Mer inhibitor
	EGFR mutation-positive non-small cell lung cancer	
ONO-7913 (Magrolimab)	Solid tumor	Anti-CD47 antibody
	Myelodysplastic syndrome	
	Pancreatic cancer *	
	Colorectal cancer *	
ONO-7912 (Devimistat)	Pancreatic cancer	Cancer metabolism inhibitor

Red: Update after May 2021 * Combination with Opdivo.

On the top, as for ONO-7913, magrolimab, there is also a description on page 10, both of them reflect the contents I explained in the Financial Report part.

Global devlopment projects (Other than OPDIVO)

As of Jan 26, 2022

Product name/ Development code (Generic name)	Target indication	Pharmacological action	Area
【Approved】			
BRAFTOVI (Encorafenib)	BRAF-mutant colorectal cancer	BRAF inhibitor	KR
VELEXBRU (ONO-4059:Tirabrutinib)	Primary central nervous system lymphoma	BTK inhibitor	KR
【Phase Ⅲ】			
ONO-7912 (Devimistat)	Pancreatic cancer	Cancer metabolism inhibitor	KR
	Acute myeloid leukemia		KR
ONO-7913 (Magrolimab)	Acute myeloid leukemia	Anti-CD47 antibody	KR・TW
【Phase Ⅱ】			
ONO-4059 (Tirabrutinib)	Primary central nervous system lymphoma	BTK inhibitor	US
【Phase Ⅰ/Ⅱ】			
ONO-7475	Acute leukemia	Axl / Mer inhibitor	US
【Phase Ⅰ】			
ONO-7684	Thrombosis	FXIa inhibitor	EU
ONO-2808	Neurodegenerative disease	S1P5 receptor agonist	EU
ONO-4685	T-cell lymphoma	PD-1 x CD3 bispecific antibody	US
	Autoimmune disease		EU

Red: Update after May 2021

As for ONO-7913, magrolimab, please refer to the previous slide.

Development pipeline in Japan (Non-oncology)

As of Jan 26, 2022

Product name/ Development code (Generic name)	Target indication	Pharmacological action
【Filed】		
ONOACT (Landiolol hydrochloride)	Tachyarrhythmia in low cardiac function <Pediatric>	Short-active selective β_1 blocker
【PhaseⅢ】		
ONO-2017 (Cenobamate)	Primary generalized tonic-clonic seizures	Inhibition of voltage-gated sodium currents/positive allosteric modulator of $GABA_A$ ion channel
	Partial-onset seizures	
【Phase Ⅱ】		
JOYCLU (Diclofenac etalhyaluronate)	Enthesopathy	Hyaluronic acid-NSAID
VELEXBRU (ONO-4059:Tirabrutinib)	Pemphigus	BTK inhibitor
ONO-2910	Diabetic polyneuropathy	Schwann cell differentiation promoter
【Phase Ⅰ】		
VELEXBRU (ONO-4059:Tirabrutinib)	Generalized scleroderma	BTK inhibitor
ONO-4685	Autoimmune disease	PD-1×CD3 bispecific antibody
ONO-2909	Narcolepsy	PG receptor (DP1) antagonist
ONO-2808	Neurodegenerative diseases	S1P5 receptor agonist

Red: Update after May 2021

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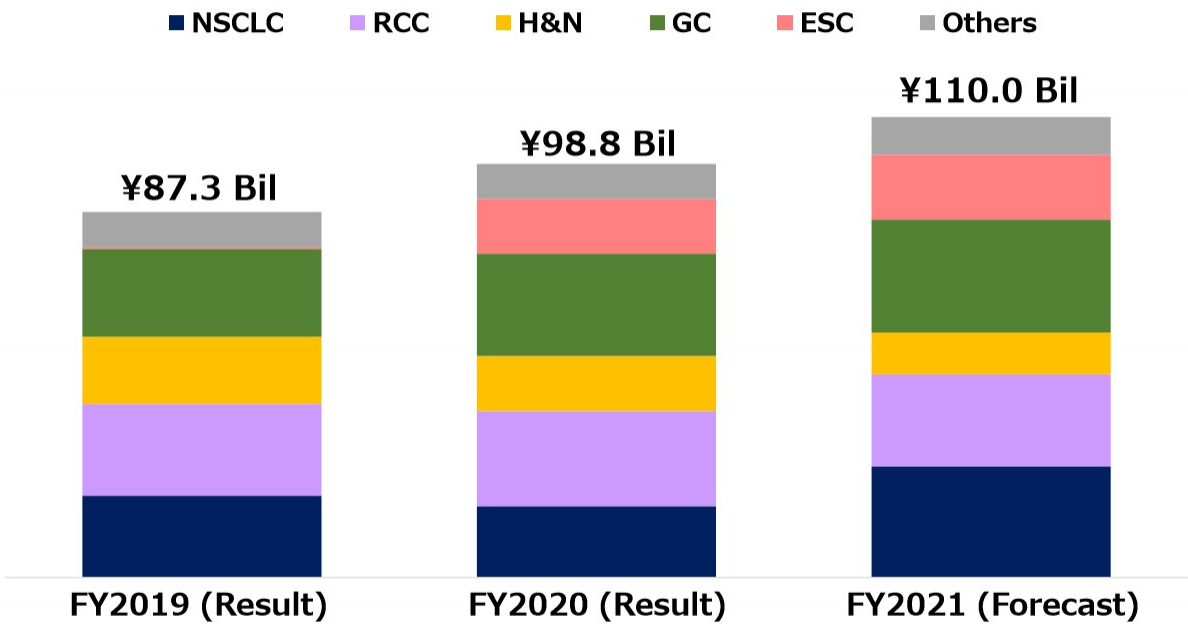
The second item, ONO-2017, cenobamate, similarly reflects the contents explained in the Financial Report part.

Lastly, Velexbru, the second from the top, was approved for the treatment of primary central nervous system lymphoma in South Korea last November. This is also as explained in the Financial Report part.

Trend of Opdivo

Takahagi: I would like to introduce the overall status of Opdivo and the status by tumor type.

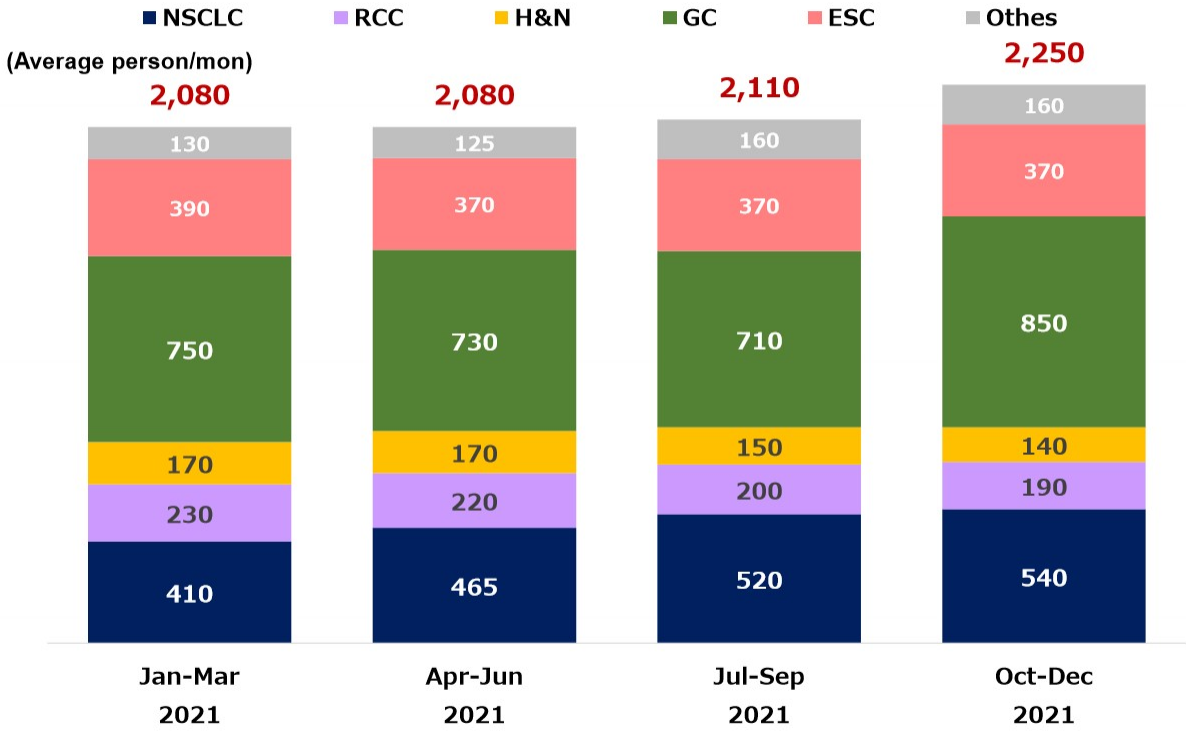
Sales Trend of Opdivo by Each Cancer



Source: Estimation from external and internal data

From the bar graph on the left are the results for FY2019, FY2020, and the forecast for FY2021. We expect sales of JPY110 billion in the current fiscal year following sales of JPY98.8 billion in FY2020.

Number of Patients Newly Prescribed with Opdivo by Each Cancer (Estimation)



Source: Estimation from external and internal data

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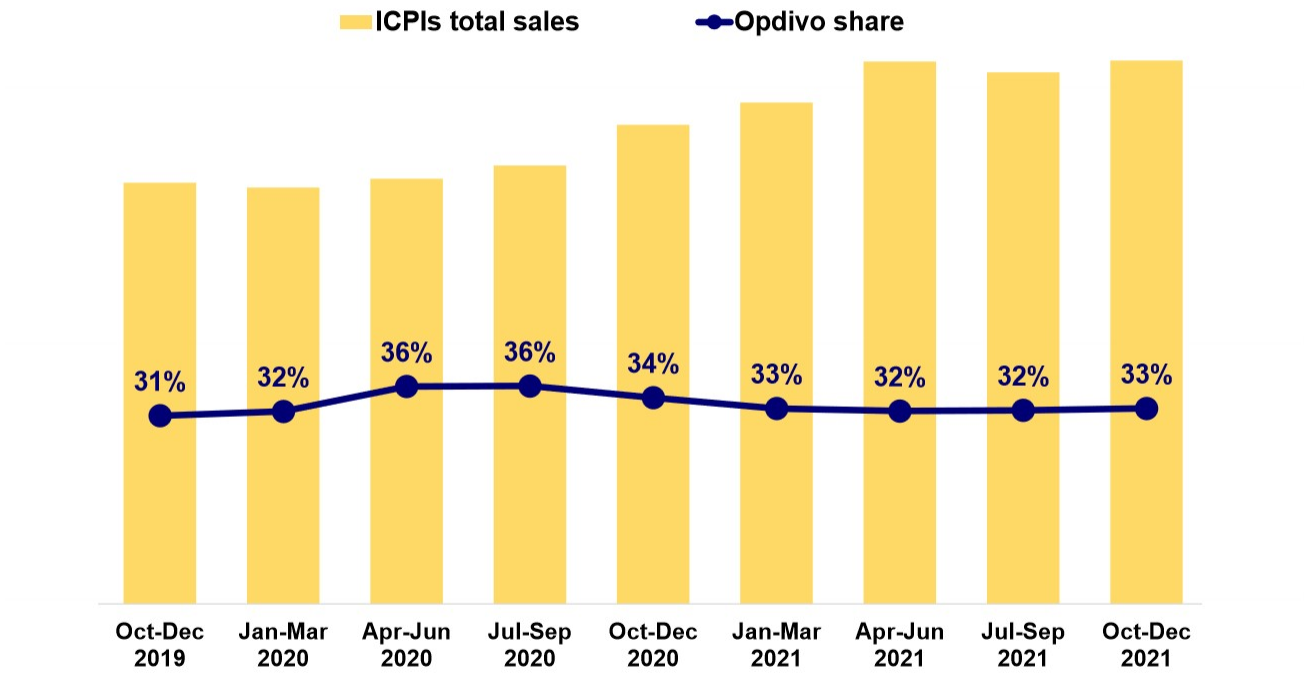
From the left, the bar graphs show the estimated number of newly prescribed patients for Opdivo by tumor type, broken down by quarter from January-March 2021 through October-December 2021, with the average number of patients per month.

Although it is an estimate, in the October-December period of 2021, Opdivo was used in 850 cases of gastric cancer, 370 cases of esophageal cancer, and 540 of non-small cell lung cancer. On monthly average, Opdivo was used in 2,250 new cases per month.

Trend of total sales of ICPIs and Opdivo share



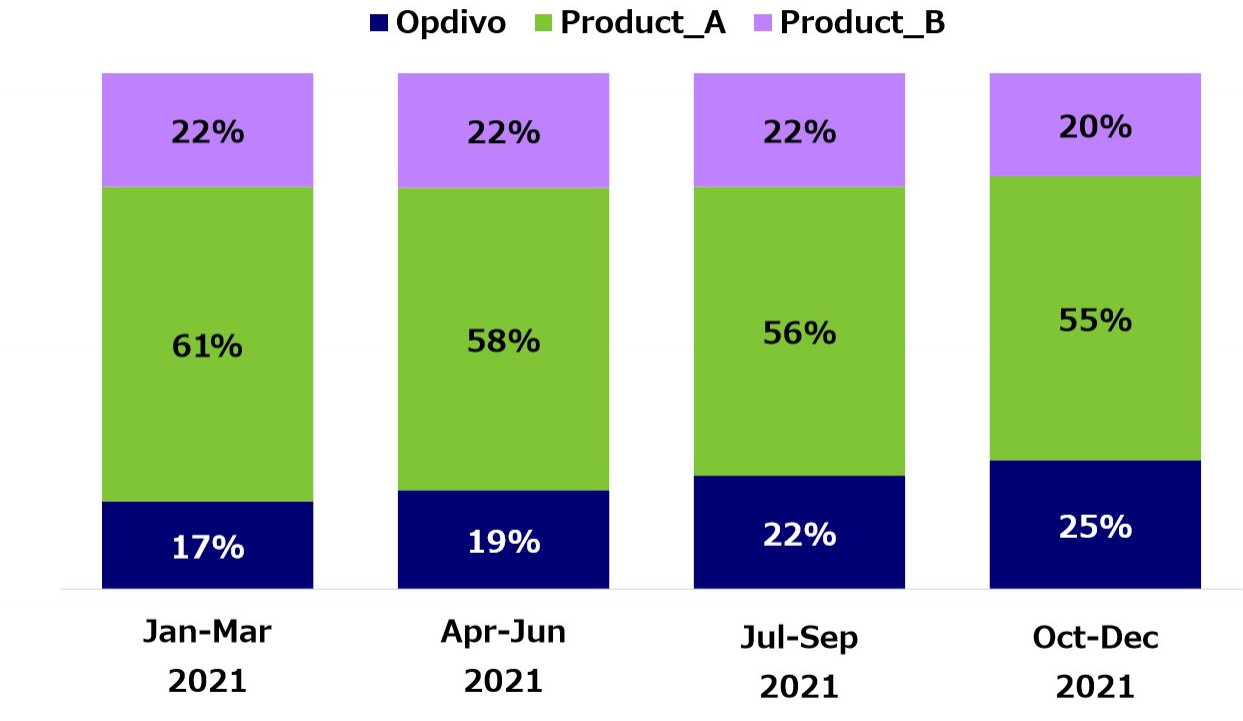
Source: External data

This slide shows the sales trend of all immune checkpoint inhibitors launched in Japan, and the market share of Opdivo.

The yellow bar graph shows the total sales of all immune checkpoint inhibitors, and the dark blue line graph shows the market share of Opdivo.

Sales of immune checkpoint inhibitors have been increasing steadily. In FY2020, the total sales of all five products exceeded JPY300 billion, with Opdivo currently securing a 33% share of the market.

Sales Ratio of ICPIs in NSCLC (Estimation)



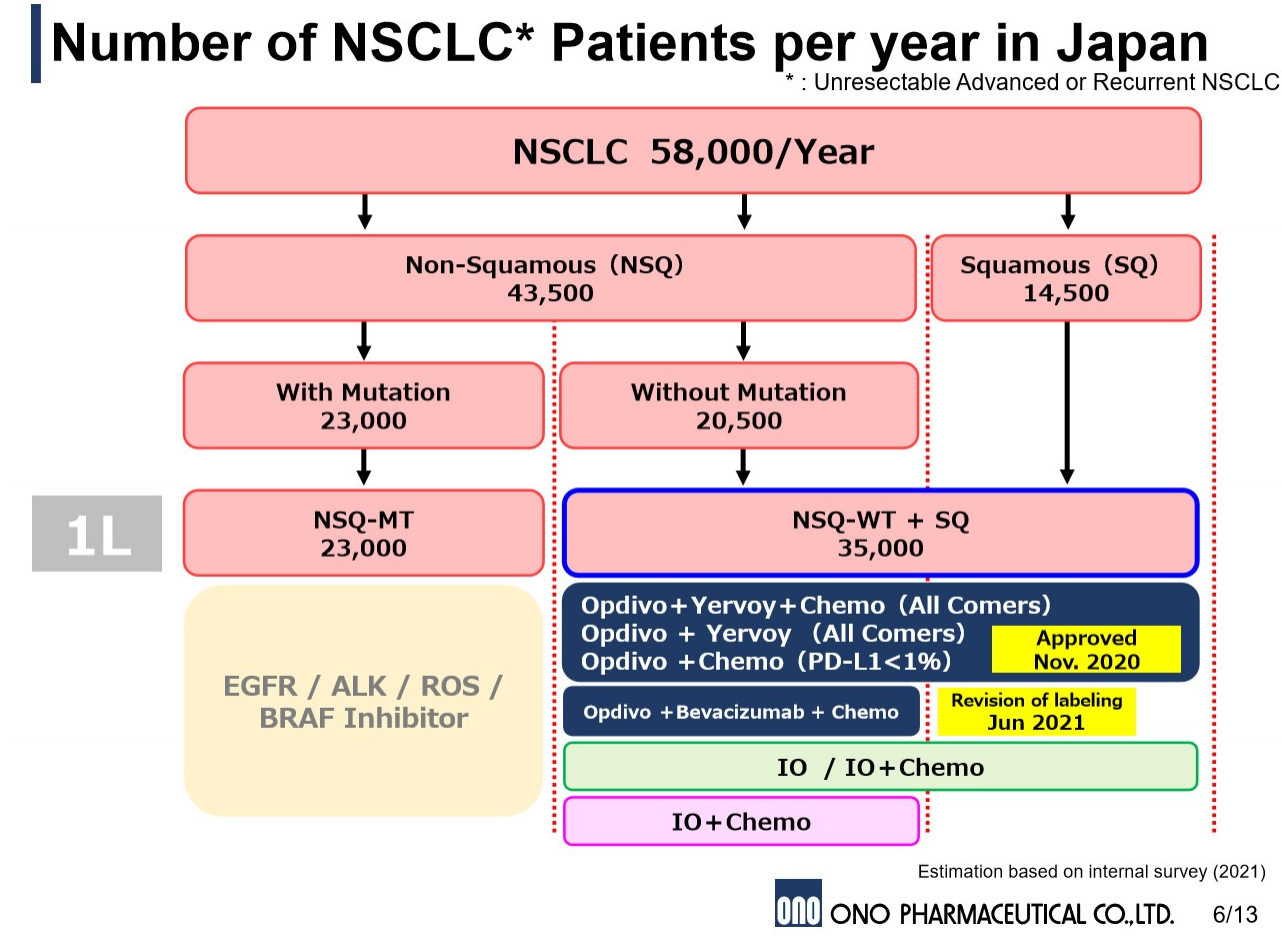
Source: External data

The following is an introduction of the field of lung cancer.

This shows the sales composition ratio of immune checkpoint inhibitors for non-small cell lung cancer including all lines of therapy.

From the left, the bar graphs shows the period from January-March 2021 through October-December 2021, broken down by quarter.

Opdivo accounted for 25% of the market in October-December 2021, and we are trying to further gain ground in the first-line treatment of non-small cell lung cancer.



The annual number of patients with non-small cell lung cancer is shown.

The annual number of patients with unresectable advanced or recurrent non-small cell lung cancer is estimated to be 58,000, although this is our own estimate.

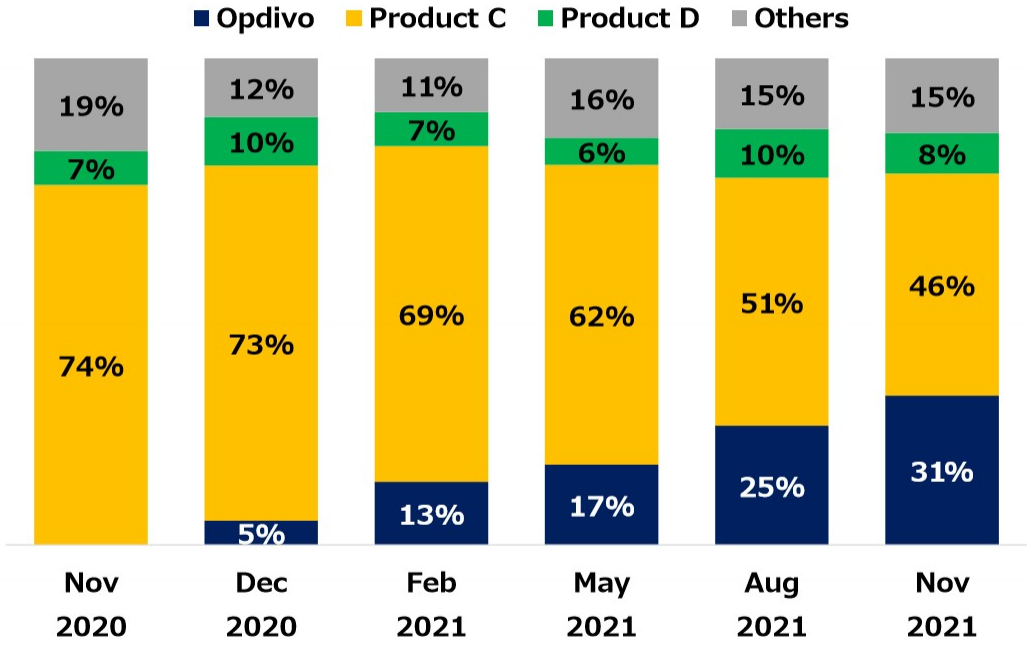
As you know, non-small cell lung cancer is divided into non-squamous cell carcinoma and squamous cell carcinoma by histological type. Non-squamous cell carcinoma is further divided by diagnosis with or without genetic mutation.

In the first-line treatment of non-small cell lung cancer, the targets of immune checkpoint inhibitors such as Opdivo are squamous cell carcinoma and non-squamous cell carcinoma without genetic mutation. The market is very large, estimated at 35,000 patients per year.

Although the current environment is quite competitive, we entered the market with Opdivo-Yervoy combination therapy in November 2020, and further bevacizumab + chemotherapy combination therapy last June.

Prescription Ratio in Patients Newly Treated for 1L NSCLC

※Patients starting 1L treatment within the last 1 months (Except Driver Mutation)



Source: External data（Nov 2020 – Nov 2021: n=167~245)

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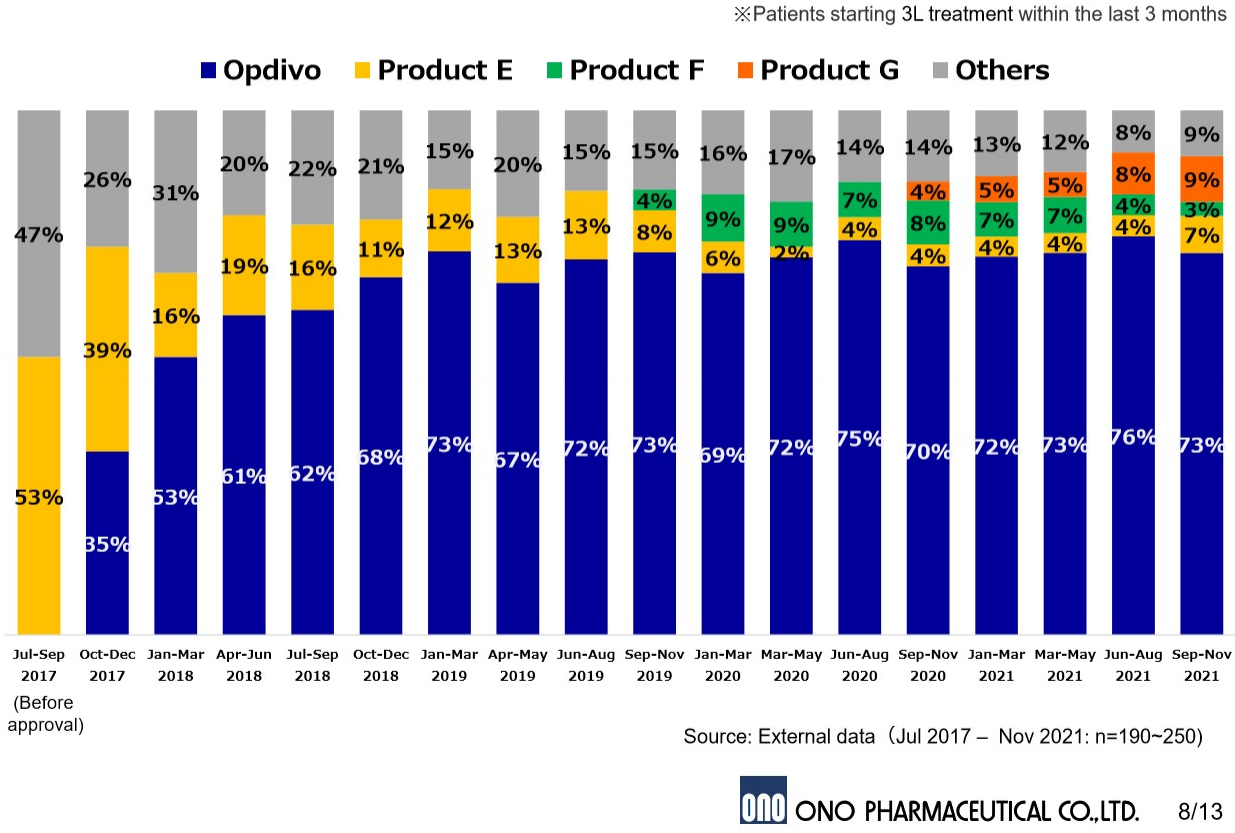
This shows changes in the share of new patient prescription in the first-line treatment of non-small cell lung cancer.

As of November 2021, the share of new patient prescriptions of Opdivo was 31%. I-O combination therapy of Opdivo plus Yervoy is unmatched by competing products and is gaining a solid reputation among medical professionals. Since the approval at the end of November 2020, Opdivo has been used in more than 4,000 cases as of the end of December 2021.

We will introduce the data on long-term survival of I-O and I-O combination therapy firmly to further build on this reputation.

Prescription Ratio in Patients Newly Treated for 3L GC



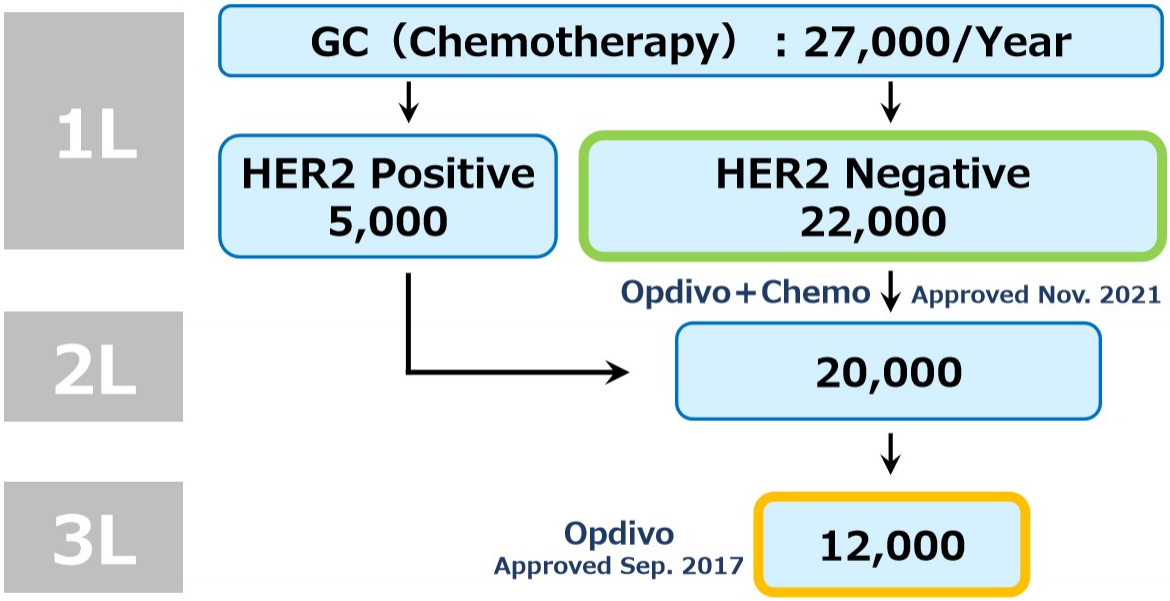
Source: External data（Jul 2017 – Nov 2021: n=190~250)

The following is an introduction of gastric cancer.

First, I would like to show you the trend in the share of new patient prescriptions in third-line treatment for gastric cancer. The market share of Opdivo for new patient prescriptions in third-line treatment is 73%, exceeding the target of 70% despite the entry of competing products. Physicians using Opdivo have the impression that they prescribe it to almost all patients receiving chemotherapy.

Number of GC* Patients per year in Japan

* : Unresectable Advanced or Recurrent GC



Estimation based on internal survey (2020)

The combination regimen of Opdivo and chemotherapy was approved for the first-line treatment of gastric cancer in November 2021.

The slide shows the annual number of patients with gastric cancer. Although this is our own estimate, the annual number of patients with unresectable advanced or recurrent gastric cancer is 27,000.

In recent years, drugs have been introduced and highly recommended for the first-line HER2-positive treatment and second-line treatment, but no new drugs have been introduced for the first-line HER2-negative treatment for more than a decade.

In November 2021, Opdivo was approved in combination with chemotherapy for the first-line treatment and we are expanding our activity to 22,000 HER2-negative patients.

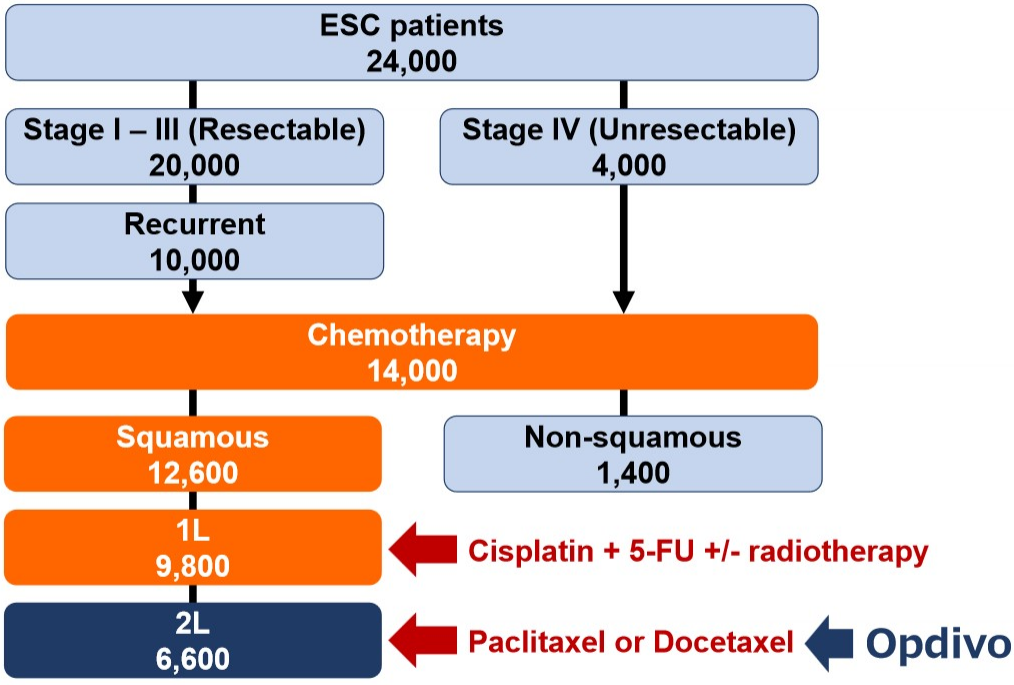
Currently, among the 600 medical institutions that occupy the top 80% of the market, we have confirmed at the MR level that about 50% of them started prescribing Opdivo as a first-line treatment in December 2021. It has been used in more than 400 cases.

At other medical institutions, registration of regimens is progressing smoothly, and we are currently expecting more than 600 prescriptions in January 2022 alone.

In addition, many KOLs in Japan commented that the measurement of PD-L1 provides important information to consider their treatment option to patients. They also state that Opdivo is a key drug for gastric cancer, and that it should be administered in the treatment of gastric cancer. Since it was previously indicated only for the third-line treatment, only about 40% of patients were able to receive treatment with Opdivo, but now that it has been approved for the first-line treatment, we are hearing from specialists that more patients obtain chance receiving treatment of Opdivo. We will continue to promote the proper use of Opdivo based on such opinions.

Number of ESC* Patients per year in Japan

* : Unresectable Advanced or Recurrent ESC



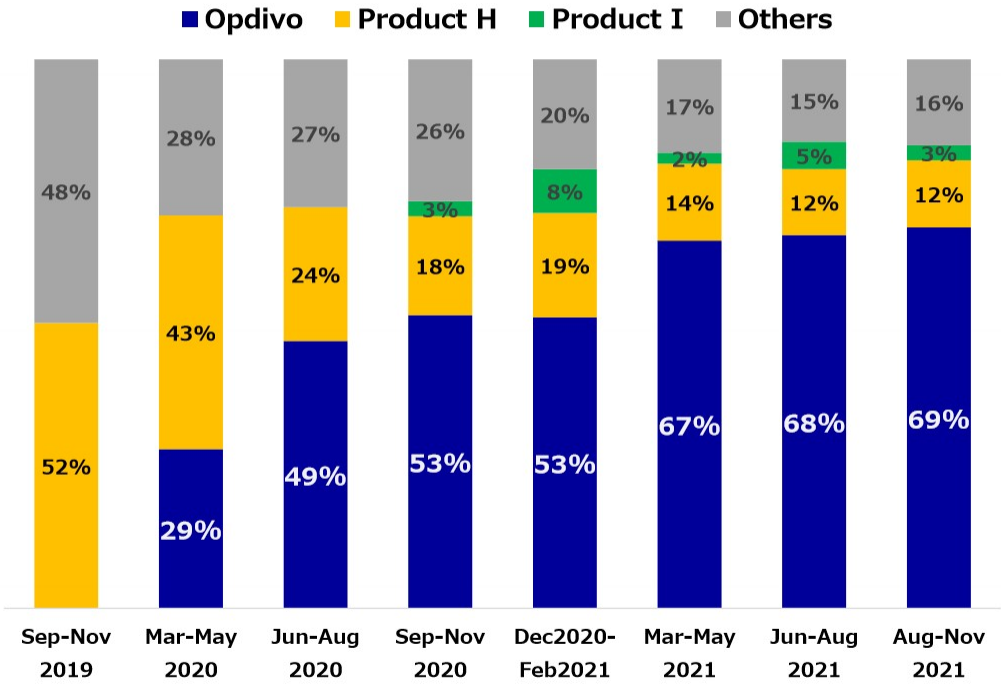
Estimation based on internal survey in 2020

This slide covers esophageal cancer.

We believe that its use in the second-line treatment of unresectable advanced or recurrent esophageal cancer has been steadily expanding since its approval in February 2020.

Prescription Ratio in Patients Newly Treated for 2L ESC (Squamous Cell Carcinoma)

※ Patients starting 2L ESC within the last 3 months



Source: External data（Sep 2019 – Nov 2021: n=150~158）

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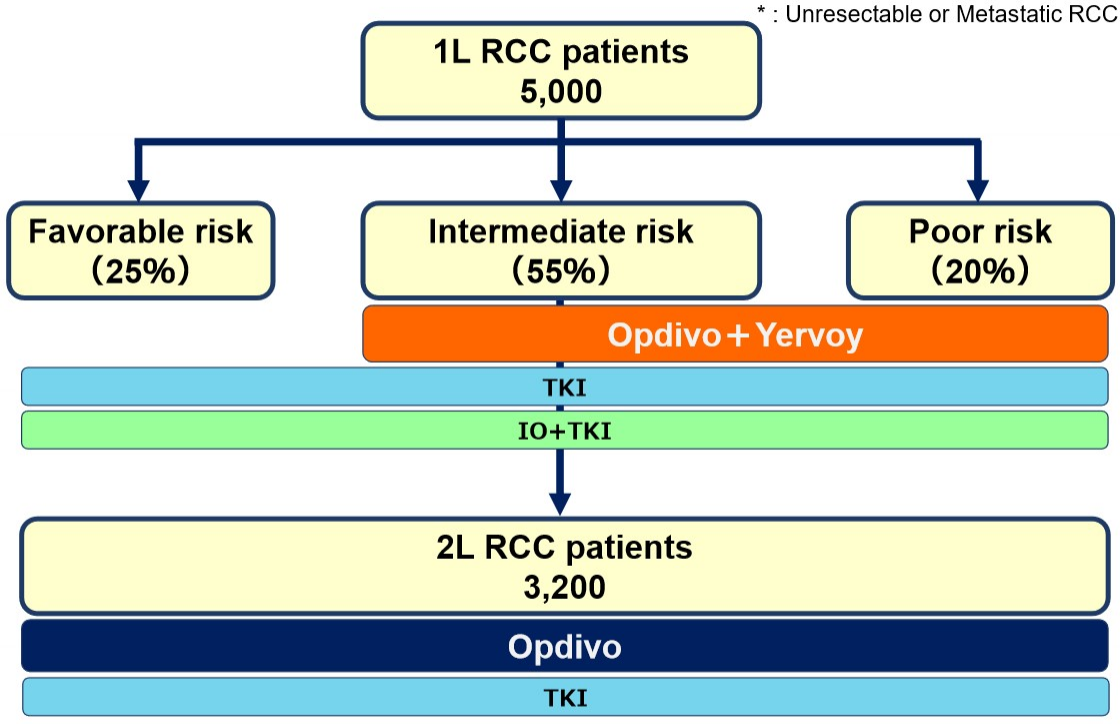
Amid the entry of competing products, our share of new patient prescriptions for second-line treatment of esophageal cancer was 69%, almost reaching the target of 70%. As for adjuvant therapy for esophageal cancer, which was approved in November last year, it has been prescribed in more than 50 cases as of the end of December 2021, and we believe it is progressing almost as planned. We will continue to raise awareness of the benefits of Opdivo in the gastrointestinal field.

Number of RCC* Patients per year in Japan



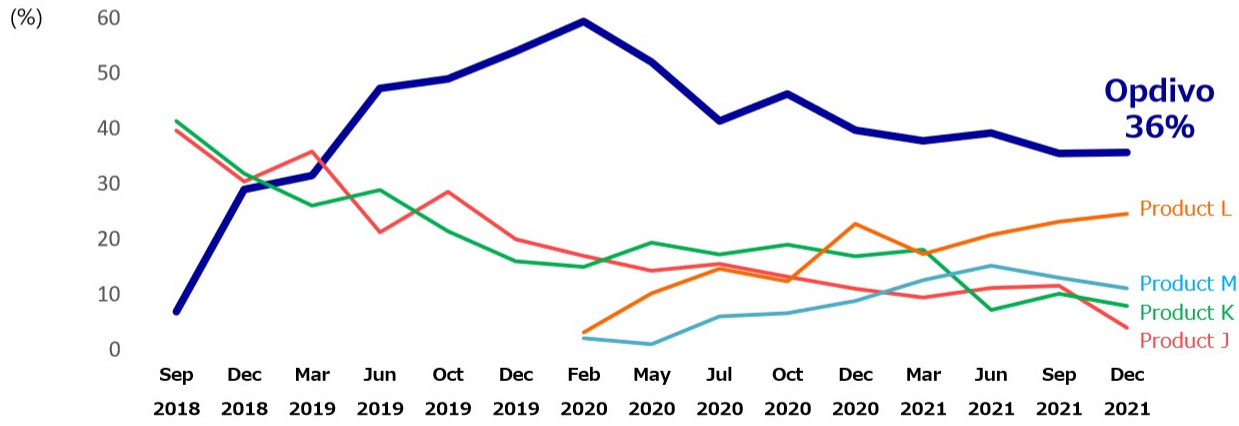
Estimation based on internal survey (2021)

Lastly, I will talk about the field of renal cell carcinoma.

We have evidence for Opdivo in the first-line and the second-line treatment and beyond, and we are working to bring Opdivo to all renal cell carcinoma patients.

Prescription Ratio in Patients Newly Treated for 1L RCC

	2018		2019				2020				2021					
	Sep	Dec	Mar	Jun	Oct	Dec	Feb	May	Jul	Oct	Dec	Mar	Jun	Sep	Dec	
Opdivo	7	29	32	47	49	54	59	52	41	46	40	38	39	36	36	(%)
Product J	40	30	36	21	29	20	17	14	16	13	11	9	11	12	4	(%)
Product K	41	32	26	29	21	16	15	19	17	19	17	18	7	10	8	(%)
Product L							3	10	15	12	23	17	21	23	25	(%)
Product M							2	1	6	7	9	13	15	13	11	(%)



Source: External data（Sep 2018 – Dec 2021: n=46~100)

The slide shows the change in the share of new patient prescriptions for the first-line treatment of renal cell carcinoma.

In first-line treatment, combination therapy of I-O and TKI has entered the market, and prescriptions are gradually expanding, with I-O therapy is becoming the mainstay in more than 70% share in first-line treatment.

The share of new patient prescriptions with Opdivo-Yervoy combination therapy is 36%. The share of new patients is 50% when narrowed down to intermediate and poor-risk patients who are eligible for the combination therapy.

Also, the number of I-O untreated patients after second-line treatment is on the decline, but even in this context, we maintain a 70% share of the market for second-line treatment with Opdivo. We will continue to work to ensure that Opdivo is delivered to patients at all lines of therapy.

This concludes the section on the trends of Opdivo.

We are continuing our efforts in the first-line treatment of non-small cell lung cancer. From November to December last year, we obtained approval for the first-line treatment of gastric cancer, adjuvant therapy for esophageal cancer, and cancer of unknown primary.

In the future, we anticipate to expand the markets that Opdivo can reach. The adjuvant therapy for urothelial carcinoma is expected to be approved, probably soon. We believe that high-risk patients will be eligible, but we estimate that the number of patients will be more than 4,000.

We will continue to deliver the benefits of single-agent Opdivo and combination therapy with Yervoy and other drugs to cancer patients.

Question & Answer

Questioner 1: I think you said that 400 patients were treated with Opdivo in December and more than 600 in January for gastric cancer. If the number of patients is increasing at this rate of 200 per month, then by the end of March, the number will be 1,000. Extrapolating one year ahead, it would be 4,000 patients. How do you anticipate the figure changing in the future? And how do you evaluate the number of these 400 and 600 patients?

Takahagi: First of all, we have heard that approximately 1,800 gastric cancer patients start first-line treatment every month. The figures of 400 in December and 600 in January are from our MRs, and I think we need to scrutinize a little the figures. But we believe that we are making progress as planned. In the future, even among those 1,800 patients, there will be a certain number of patients in whom immune checkpoint inhibitors cannot be used or chemotherapy cannot be given. In addition, the regimen that can be used with Opdivo is an oxaliplatin-based regimen, and we believe that Opdivo will be used concomitantly mainly in these patients. We hope to secure a 40% share of new patients in March, and then move up the ladder to 60% and then 65%.

Questioner 1: If we assume that sales will continue at the pace you just mentioned, I think it will exceed the JPY110 billion that you have set for the full year. Am I wrong in that assessment?

Takahagi: Since we are still at the beginning stage with about 400 or 600 patients and it takes time to accumulate cases, I think it will contribute to sales in the next fiscal year or later. However, the JPY110 billion includes the sales for the first-line treatment of gastric cancer, and we are confident that we will be able to achieve this figure.

Questioner 1: Regarding the revision of the NHI price for Opdivo, if we look at materials of the Central Social Insurance Medical Council meeting held at the end of last year, I think it has been decided that if a drug is recalculated once based on the recalculation of other drug, it will not be recalculated for four years. Is that basically the right way to think about it?

Tsujinaka: The rules for recalculation has not yet been fully established. There have been various estimates by the authorities, and we are keeping a close watch on the trend. I think it will take some more time to reach the next stage, but as you mentioned, we understand that there is no definite time span of four years yet. We will continue to watch the announcements or movements by the authorities. I would appreciate your understanding with my explanation.

Questioner 1: Lastly, the R&D expenses are unchanged at JPY72 billion, but can we assume that this will be used as planned, or is there a possibility that the remaining more than JPY22 billion will not completely used during the fourth quarter? How should we consider the current R&D spending?

Tani: Please note that it will be spent as planned.

Questioner 1: So, you're almost sure?

Tani: Yes, that's what we've confirmed with R&D department.

Questioner 2: Firstly, regarding SG&A expenses, which I think the figure has been revised to JPY77 billion this time. In the second quarter, I think you said that you would keep the amount within JPY74 billion, but I would like to know the background behind this revision. Is it correct to assume that you will increase the amount from the next fiscal year onward based on the JPY77 billion? That's my first question.

Tani: As I explained a little at the end of the second quarter, if there is a possibility of an upward swing, I would appreciate your understanding that the co-promotion fee will naturally increase, when the sales of Forxiga expand further.

Questioner 2: So, that would be the co-promotion fees. Then, can I understand that everything else is as planned?

Tani: Yes. I hope you understand that there has been no significant change.

Questioner 2: As for other expenses, you explained about the settlement fee and so on, but at the same time, I think you also mentioned that the contract with Bristol Myers Squibb is included. Will you make some more comment on that? Is this a temporary expense?

Nagahama: In the Financial Report, it described as expenses related to the alliance agreement with Bristol Myers Squibb. I'm afraid we have not yet got any consensus to disclose the details from Bristol Myers Squibb. We are not in a position to make a comment.

Questioner 2: Am I correct in understanding that something different from the terms of the Opdivo contract, which remain unchanged, has happened?

Nagahama: Yes. I think your concern is that this expense recording is one-time event or continued one, but I hope you understand that it is a one-time event.

Questioner 2: Lastly, for ATTRACTION-5, I think the ClinicalTrials.gov says that the primary endpoint will be available in March 2023. Could you tell us more about the read-out timing? It is described the application will be submitted in FY2022, but looking at the ClinicalTrials.gov, should we be thinking around the end of the next fiscal year?

Idemitsu: As the independent data monitoring committee determined that the study should be continued, we changed the timing we can receive the result on adjuvant treatment of gastric cancer from the ATTRACTION-5 to FY2022. I can't say any more specific, but we expect to be able to apply by the end of FY2022.

Questioner 2: I understood that in the ClinicalTrials.gov, it is mentioned the result will be available in March 2023. If it will be delayed, the result will be delayed until FY2023 or later. So, you are sure to file an application by the end of FY2022 aren’t you?

Idemitsu: At present, that's right.

Questioner 3: I would like to ask you two questions about the figures first. There was no explanation today about the disposition of cross-shareholding, but I would like to know whether this is proceeding as planned. Also, I'm sorry if I misunderstood you, but I don't think your company discloses how much money has been disposed of and what kind of accounting treatment has been applied. I think part of it is accounted for in comprehensive income, but if we look at the balance sheet and cash flow, we can see that your company has made the scholarship payment, the settlement payment, and the share buyback, so the cash level and the cash flow level are fluctuating a bit. Do you intend to disclose this information somewhere? This is my first question.

Nagahama: You asked about the progress of the reduction of strategic cross-shareholdings, and how the Company's IR materials show the profit from the reduction of strategic cross-shareholdings, including accounting treatment. I understand you have asked these two questions.

Our plan to reduce our strategic cross-shareholdings by 30%, or approximately JPY40 billion, which has started since October 2021, is progressing more smoothly than expected. In terms of investor relations, we have

already announced that the ratio of strategic cross-shareholdings divided by net assets, reduce to less than 20%, which ISS advocates, by the end of March 2022. The progress itself, and the progress in the sense of complying with it, are proceeding smoothly at the current stock price level. That's the reply to the first question.

Next, I would like to explain the accounting treatment for the disposal of strategic cross-shareholdings. First of all, I would like to explain the description of disposal of strategic cross-shareholdings in terms of IFRS, the Japanese GAAP, and the statement of cash flows. Under IFRS, the portion of unrealized gain on stock is included in the capital portion called other comprehensive income. At the time when the shares are actually sold out, the portion of unrealized loss and profit is realized and transferred to retained earnings. Therefore they are not shown in Profit and Loss Statements. On the other hand, in the Japanese GAAP annual financial statements, they are shown as the gain or loss on sales of investment securities. This is reflected in the cash flows section of the Financial Report of this third quarter, there is an entry of JPY16.9 billion in the item of proceeds from sales and redemption of investment securities. The amount of income from the disposal of cross-shareholdings is included in this figure.

Questioner 3: I'm sorry to be persistent, but you're saying that detailed amounts in the hundreds of millions of yen have not been disclosed exactly yet.

Nagahama: With regard to the three-year plan on the reduction of strategic cross-shareholdings that was implemented from October 2018 until the end of September 2021, we have actually reduced the amount of shares held by 30% from those held as of the end of March 2018 as planned. As for the amount, since the amount equivalent to the market value changes for each fiscal year, the target reduction rate and amount of reduction were fixed based on the stock price at the time of setting the target. At that time, based on the stock price level at the end of March 2018, we explained on IR whether we could reduce 30% of the strategic cross-shareholdings held at that time. Regarding the strategic cross-shareholdings reduction plan, we are in the situation where we have properly implemented the reduction target.

Questioner 3: If progress is being made, I was wondering if it would be okay to disclose those figures.

Next question regarding mesothelioma, what is your view on the domestic potential for Opdivo? As I recall, Lilly's Alimta has generated quite a large amount of sales in the past, and I don't know if it was only for mesothelioma or not. I think sales were around JPY20 billion. Your company has already obtained approval as a first-line treatment of mesothelioma, but what are your thoughts on the domestic sales for mesothelioma?

Takahagi: First of all, Alimta is indicated for various types of cancer, so I am aware that it is not only for mesothelioma. The number of patients with mesothelioma who start first-line treatment is about 800 cases per year. In this context, on a monthly basis, about 80 cases are being started for mesothelioma with the Opdivo-Yervoy regimen, so we are aware that Opdivo is well being used for mesothelioma.

Questioner 4: I don't recall any specific details about progress of Opdivo for the treatment of cancer of unknown primary, but if there is any, could you please tell us a bit more about it?

Takahagi: The indication was approved at the end of December 2021. This is just what we're hearing from the MRs, but the current situation is that we were able to confirm the prescriptions for less than 10 cases in December, and more than 50 cases in January. However, as you know, there is a very wide range of target doctors for cancer of unknown primary, and even among oncologists, it is a very rare cancer, with only one or two cases seen per year. The Japanese Society of Clinical Oncology has issued a guideline, so we would like to promote awareness of the doctors with this guideline so that we can deliver Opdivo to patients with cancer of unknown primary.

Questioner 4: Just one more quick question. I believe the market share of Opdivo for non-small cell lung cancer is about 31% with a target of 30%, so I think it is safe to say that the progress is in line with or slightly ahead of expectations for this indication. Would that be fair to say?

Takahagi: As for the first-line treatment of non-small cell lung cancer, I believe that it is progressing almost as planned. We believe that an expectation for long-term survival with the I-O plus I-O combination therapy, which is not available in competing products, is steadily spreading among medical specialists. We would like to further focus our activities on this area.

Questioner 4: Lastly, the Gilead's one from Forty Seven, I think the partial clinical hold is being put on for the combination regimen with azacitidine in the US. It seems same hold is applied to part of clinical studies in Japan as well, but how will this affect other projects at your company? Although you didn't explain it today, will it have any impact on the pipeline?

Idemitsu: As for the clinical studies for hematological cancers in Japan, we have suspended nominating new patients in association with the partial critical hold of the FDA. On the other hand, clinical studies for solid tumors continue, and we are currently in discussions with Gilead about how to deal with the situation in the future, as it just happened last week.

Questioner 4: Lastly, Cenobamate is now in Phase III. Will your Company be the main player in this? When do you expect the application to be submitted?

Idemitsu: For Cenobamate, a clinical study for primary generalized tonic-clonic seizures is conducted by Ono Pharmaceutical. For partial-onset seizures, SK is conducting the study, and Japan is included in the Asian study. In other words, SK is conducting this part. Regarding the timing of the application, I'm sorry, we ask for your some more patience.

Questioner 5: The first is regarding the adjuvant therapy of Opdivo for esophageal cancer. Although preoperative radiotherapy was not required for the approved indication, how do you think Japanese specialists would accept the fact that there is no evidence of adjuvant therapy of Opdivo without preoperative radiation therapy? Additionally, in the recently published data of the JCOG study, preoperative radiotherapy could not show any efficacy in Japanese patients. With this in mind, what is your company's current target share with this indication?

Takahagi: First of all, as for the adjuvant therapy of Opdivo for esophageal cancer, as you mentioned, we have obtained evidence in the case of preoperative chemotherapy plus radiotherapy. KOLs in Japan have evaluated the effectiveness of the CheckMate-577 in preventing postoperative recurrence as an excellent result. In the past, the risk of postoperative recurrence of esophageal cancer was high. In addition, we have not been blessed with good therapeutic drugs. Therefore, it has been said that Opdivo should be used aggressively for high-risk patients. In particular, more and more doctors are telling us about specific risks, such as the presence of one or more metastases in the lymph nodes, and we consider that there are about 70% of patients with very high risk. We would like to achieve this 70% first. Also, regarding the results of the JCOG study that was presented at ASCO, as you mentioned earlier, the indication for Opdivo in Japan is Non-pCR, meaning patients who have not had a pathological complete response by preoperative chemotherapy. As you have already mentioned, it does not matter whether the patient has radiotherapy before surgery or not, and we think that about 90% of the patients who have received this preoperative chemotherapy, which is about 3,500 patients, are eligible for Opdivo. Based on the results of the JCOG study, we are aware that the possibility of DCF therapy becoming the standard of care has increased, but when we look at the results of the pathological complete response data, the rate of complete response with DCF was 18.6%, which means that about 80% of patients did not achieve complete response. Considering the fact that 80% of patients did not achieve complete response, we believe that this will not have a significant impact on the current predictions we have made. We are still in the initial stage for this indication, but looking at the preoperative chemotherapy status of patients

receiving adjuvant therapy with Opdivo, we can see that every therapy, DCF, FP, and CRT are included. We would like to continue to consult with the doctors about the target patients, with continuing education activities on the results of CheckMate-577.

Questioner 6: First of all, I would like to ask about the financial results. Sales increased by JPY15 billion this fiscal year and operating income increased by JPY4 billion. I'm looking at the profit and loss account in the Financial Report, and the amount paid to Dr. Honjo and Kyoto University other than the provision is JPY7.3 billion, so there is JPY5 billion left. You said that you could not disclose too many details because of the confidentiality agreement with Bristol Myers Squibb, but is it correct to say that the majority of these are related to the contracts with Bristol Myers Squibb? Or is the deal with Bristol Myers Squibb a relatively small sum?

Nagahama: We are making efforts to disclose important points in the Financial Report, and to express the materiality in this kind of form. The majority of the deducted amount is the one-time payment related to the collaboration agreement with Bristol Myers Squibb.

Questioner 6: In that case, the JPY10 billion with the JPY7.3 billion was not previously forecast, and there was a JPY4 billion upward revision. Does that mean that originally, there would have been a JPY14 billion upward revision?

Nagahama: I couldn't give a specific figure, but the general point you're making is correct.

Questioner 6: Since this is a one-time expense, it is completely irrelevant from the fourth quarter, isn't it?

Nagahama: Indeed.

Questioner 6: As you explained earlier, non-small cell lung cancer is almost as expected, and I am looking at pages two and three of the materials you gave us. If you simply compare the number of patients of gastric cancer per quarter, it has increased by 20% from the previous quarter. If we do that, the figures on the second page are used to make projections, but is it correct to assume that the gastric cancer figure will be much higher than expected? Naturally, of course, it will go up next quarter, but if the third and fourth quarters have gone up as well, can we see from the picture on this second page that this part is much stronger than expected?

Takahagi: It is true that the number of new patients has been increasing steadily. However, we believe that the contribution to the results will probably start from the next fiscal year, so we would like to make a leap forward in the next fiscal year.