Fuji Pharma Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending September 2020

May 20, 2020

Event Summary

[Company Name]	Fuji Pharma Co., Ltd.
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[Venue]	Webcast
[Venue Size]	
[Participants]	38
[Number of Speakers]	2 Takayuki Iwai — President & CEO Takeshi Sato — Corporate Officer, General Manager, Corporate Planning Department

Presentation

Moderator : Hello, ladies and gentlemen. Thank you for your participation in Fuji Pharma Co., Ltd.'s Q2 Results Briefing for the Fiscal Year Ending September 2020.

First, let me introduce today's attendees. From your right hand, President and CEO, Takayuki Iwai. And Corporate Officer, General Manager of the Corporate Planning Department, Takeshi Sato.

The moderator is Hamada.

As for today's progress, we will proceed to questions and answers after President Iwai and Corporate Officer Sato explain the outline of the Results for Q2 of the Fiscal Year Ending September 2020 and the Mid-Term Management Plan.

Then, from now on, we will shift to an explanation of the financial results. President Iwai, could you start please?

Iwai: Thank you very much for gathering amid your busy schedules today. We should explain directly, but we have decided to provide an explanation on the web this time in order to prevent the spread of COVID-19. Thank you for your understanding.

Let me move on to the explanation. First, Mr. Sato will explain the outline of consolidated financial results for Q2 of the fiscal year ending September 2020.

Sato: I am Sato, General Manager of the Corporate Planning Department. Thank you for taking time from your busy schedules to participate in the results briefing today.

First, I would like to send prayers to the victims of COVID-19 infection, pray for the recovery of those who have been infected as soon as possible, and express my deepest gratitude to the health care professionals.

Today, due to the limited time, I would like to secure a longer period of time for the Mid-Term Business Plan, which will be explained by President Iwai. Please bear in mind that I will briefly explain only the main points.

As for the materials, we will upload them separately on our homepage, so please take your time to look at them again.

2020年9月期第2四半期連結決算概要

●売上高:ブランド造影剤販売移管、2019年10月薬価改定等の影響により▲1,578百万円（前期比-8.5%）
●営業利益：売上減に比例した粗利減、研究開発費増加等の影響により▲732百万円（前期比-29.7%）
●当期純利益：Lotus社株価下落による有価証券評価損計上等の影響により▲1,385百万円（前期比-81.7%）

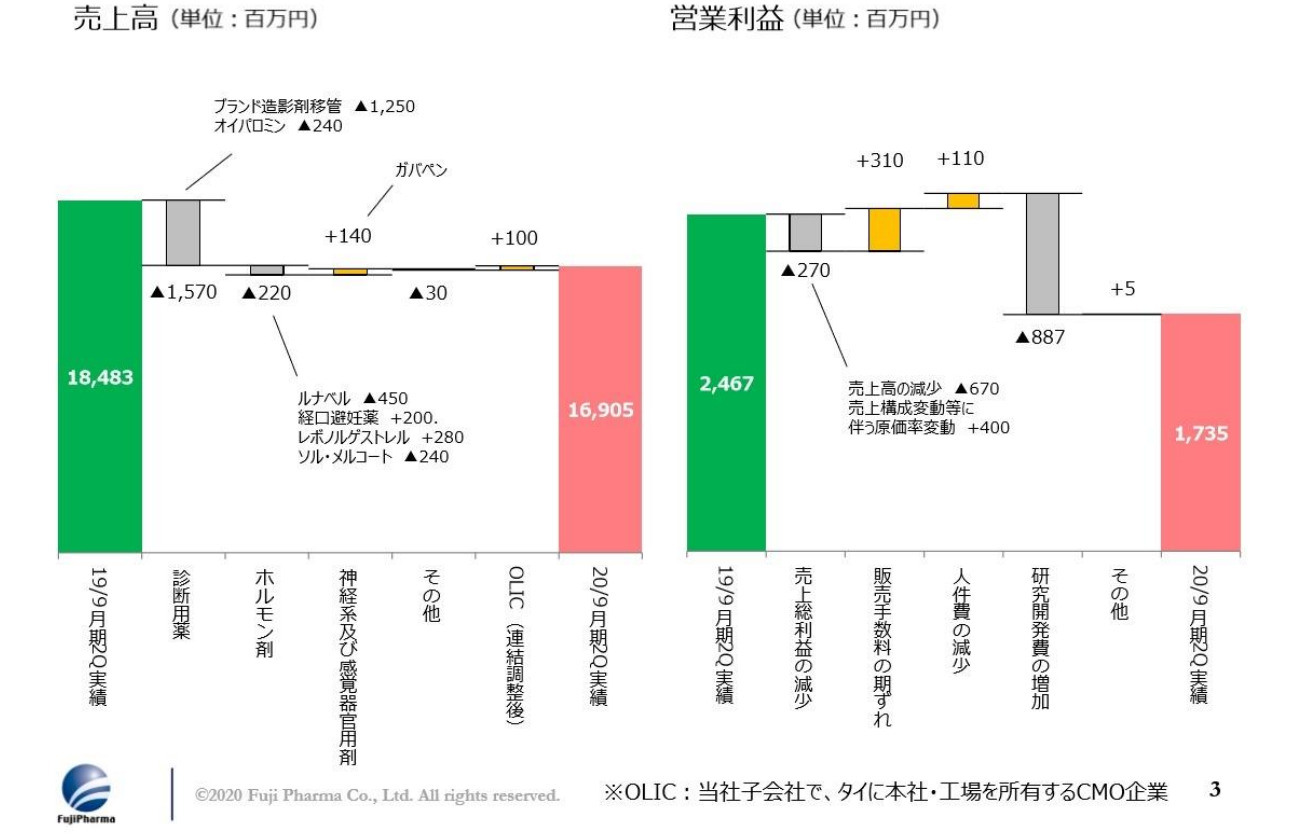
(百万円)	19/9月期 上半期	20/9月期 上半期	前期比 増減額	前期比 増減率	20/9月期通期予想 (修正後)	予想比 進捗率
売上高	18,483	**16,905**	▲ 1,578	-8.5%	**33,830**	50.0%
売上総利益	7,921	**7,650**	▲ 271	-3.4%	-	-
粗利益率	42.9%	**45.3%**			-	-
販売管理費	5,454	**5,914**	460	8.4%	-	-
販売管理費率	29.5%	**35.0%**			-	-
営業利益	2,467	**1,735**	▲ 732	-29.7%	**2,571**	67.5%
営業利益率	13.3%	**10.3%**			**7.6%**	
経常利益	2,501	**1,610**	▲ 891	-35.6%	**2,501**	64.4%
経常利益率	13.5%	**9.5%**			**7.4%**	
親会社株主に帰属する当期純利益	1,695	**310**	▲ 1,385	-81.7%	**492**	63.0%
当期純利益率	9.2%	**1.8%**			**1.5%**	
設備投資額	326	**1,682**	1,356	416.0%	**3,260**	51.6%
減価償却費（設備リース費含む）	972	**908**	▲ 64	-6.6%	**1,891**	48.0%
研究開発費	699	**1,586**	887	126.9%	**2,879**	55.1%
研究開発費率	3.8%	**9.4%**			**8.5%**	

Let me begin. First, details of the consolidated financial results for Q2 of the fiscal year under review were disclosed on May 8.

Sales decreased by JPY1.6 billion, or 8.5%, YoY, due to the transfer of brand contrast media and the impact of the drug price revision in October last year.

In terms of operating income, the gross profit margin improved, due to the increase in the product composition of products with low cost of sales ratio, but gross profit decreased by JPY300 million, due to the decrease in net sales. R&D expenses increased by JPY900 million from JPY700 million to JPY1.6 billion, resulting in a YoY decline of JPY700 million, or 30%.

In addition, net income was written down because the share price of Lotus, which is listed on the Taiwanese Stock Exchange, fell to less than half of the acquisition price. As a result, operating income decreased by JPY1.4 billion, or 82%, YoY.



The following section explains the main factors affecting net sales and operating income.

Sales are shown in the chart on the left. As I mentioned earlier, the impact of the transfer of contrast media was approximately JPY1.3 billion, and in addition, sales of our mainstay OYPALOMIN decreased by approximately JPY200 million, due to a drop in unit prices. In hormone drugs, the impact of LUNABELL's generic products was unable to be offset by other products, resulting in a slight decline in sales.

The chart on the right shows the details of operating income that we explained earlier. As a supplemental explanation, the posting of sales commissions has been lagged behind expectations, and the performance-linked remuneration component has been decreasing. As a result, a portion of the decline in profits has been compensated for.

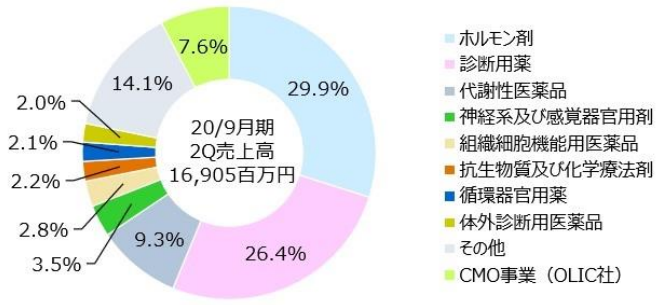
Regarding the progress in comparison with the forecast for the first half of the fiscal year, we will disclose it separately as a reference material. If you have any questions, please contact us at a later date.

薬効別売上高

(百万円)	19/9月期 上半期	**20/9月期 上半期**	前期比 増減額	前期比 増減率
ホルモン剤	5,278	**5,053**	▲ 225	-4.3%
診断用薬	6,028	**4,456**	▲ 1,572	-26.1%
代謝性医薬品	1,505	**1,572**	67	4.5%
神経系及び感覚器官用剤	449	**593**	144	32.1%
組織細胞機能用医薬品	461	**476**	15	3.3%
抗生物質及び化学療法剤	397	**368**	▲ 29	-7.3%
循環器官用薬	466	**356**	▲ 110	-23.6%
体外診断用医薬品	431	**346**	▲ 85	-19.7%
その他	2,278	**2,391**	113	5.0%
CMO事業（OLIC社）	1,186	**1,290**	104	8.8%
合計	18,483	**16,905**	▲ 1,578	-8.5%

※CMO事業（OLIC社）は連結調整後の金額

薬効別売上構成比



Regarding the sales by therapeutic category, I think you are aware that the first line of sales by efficacy was diagnostic drugs for a long time, but from this time it is hormone drugs. We have already explained the factors behind each variation, so we will omit the details.

主要製品売上高

製品名（百万円）	薬効分類	19/9月期 上半期	20/9月期 上半期	前期比 増減額	前期比 増減率	20/9期 期初通期予想	20/9期 進捗率
オイパロミン®注	診断用薬	3,580	**3,342**	▲ 238	-6.6%	6,849	48.8%
イオパーク®注	診断用薬	1,115	**1,116**	1	0.1%	2,444	45.7%
フィルグラスチムBS注シリンジ	代謝性医薬品	945	**1,097**	152	16.1%	1,805	60.8%
ジエノゲスト錠	ホルモン剤	532	**596**	64	11.9%	1,121	53.2%
ガバペン	神経系及び感覚器官用剤	-	**543**	-	-	988	55.0%
ルナベル配合錠(LD/ULD)	ホルモン剤	978	**534**	▲ 444	-45.4%	933	57.2%
ファボワール錠	ホルモン剤	328	**464**	136	41.5%	766	60.6%
デキサート注射液	ホルモン剤	435	**434**	▲ 1	-0.2%	875	49.6%
ラベルフィーユ錠	ホルモン剤	316	**393**	77	24.3%	769	51.1%
HMG筋注用	ホルモン剤	400	**365**	▲ 35	-8.8%	703	51.9%
ウトロゲスタン膣用カプセル	ホルモン剤	332	**350**	18	5.4%	803	43.6%
レボノルゲストレル	ホルモン剤	47	**326**	279	600.6%	834	39.1%
フォリルモンP注	ホルモン剤	316	**286**	▲ 30	-9.5%	607	47.1%
リマプロストアルファデクス錠	代謝性医薬品	300	**255**	▲ 45	-15.1%	559	45.6%
クロミッド錠	ホルモン剤	224	**210**	▲ 14	-6.4%	456	46.1%
上位15品目合計		9,849	**10,315**	466	4.7%	20,518	50.3%
売上高に占める構成比		53.3%	61.0%			60.7%	
その他の製品		7,447	**5,299**	▲ 2,148	-28.8%	11,193	47.3%
CMO事業（OLIC社）		1,186	**1,290**	104	8.8%	2,118	60.9%
合計		18,483	**16,905**	▲ 1,578	-8.5%	33,830	50.0%

急性期医療　女性医療

※下線製品は、当社でのブランド薬（ブランド薬・ブランドジェネリック（承継品）・バイオシミラー）
※CMO事業（OLIC社）は連結調整後の金額

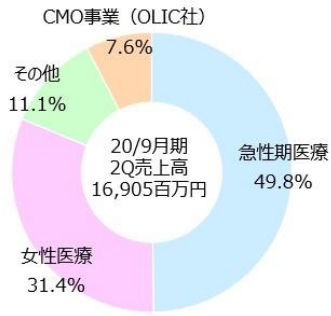
Sales of major products are as follows. We have already explained the decline in sales of OYPALOMIN and LUNABELL and the increase in sales of FAVOIR, Labellefille, and LEVONORGESTREL. This is also a detailed table, so I hope you will take a look at the details separately.

医療領域・剤形別売上高

医療領域別（百万円）	19/9月期 上半期	20/9月期 上半期	前期比 増減額	前期比 増減率
急性期医療	10,347	**8,414**	▲ 1,933	-18.7%
女性医療	5,154	**5,316**	162	3.1%
その他	1,795	**1,884**	89	5.0%
CMO事業（OLIC社）	1,186	**1,290**	104	8.8%
合計	18,483	**16,905**	▲ 1,578	-8.5%

※CMO事業（OLIC社）は連結調整後の金額

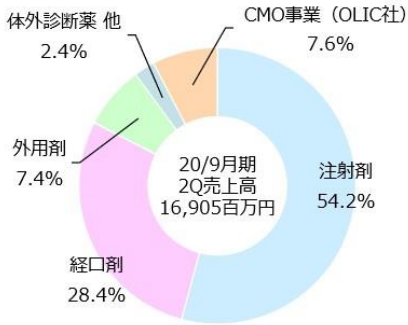
医療領域別売上高構成比



剤形別（百万円）	19/9月期 上半期	20/9月期 上半期	前期比 増減額	前期比 増減率
注射剤	10,998	**9,157**	▲ 1,841	-16.7%
経口剤	4,614	**4,796**	182	3.9%
外用剤	1,238	**1,251**	13	1.1%
体外診断薬 他	445	**409**	▲ 36	-8.1%
CMO事業（OLIC社）	1,186	**1,290**	104	8.8%
合計	18,483	**16,905**	▲ 1,578	-8.5%

※CMO事業（OLIC社）は連結調整後の金額

剤形別売上高構成比



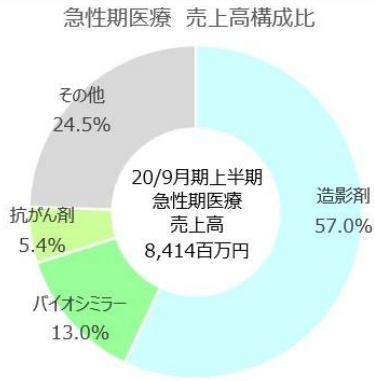
6

Sales of the medical field and drug form categories are as described here. The main factors behind this change are as I have already mentioned. We would appreciate it if you could check the details separately as well.

急性期医療・女性医療売上高

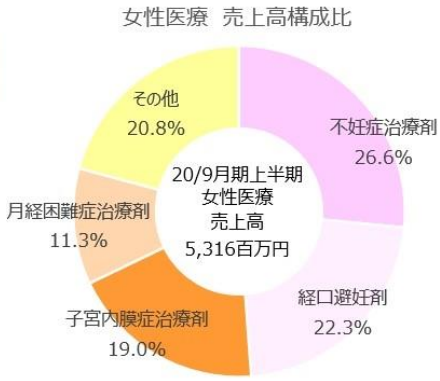
急性期医療（百万円）	19/9月期 上半期	20/9月期 上半期	前期比 増減額	前期比 増減率
造影剤	6,661	**4,796**	▲ 1,865	-28.0%
バイオシミラー	945	**1,097**	152	16.1%
抗がん剤	410	**457**	47	11.5%
その他	2,329	**2,062**	▲ 267	-11.5%
合計	10,347	**8,414**	▲ 1,933	-18.7%

※合計額は連結調整後の金額



女性医療（百万円）	19/9月期 上半期	20/9月期 上半期	前期比 増減額	前期比 増減率
不妊症治療剤	1,475	**1,411**	▲ 64	-4.3%
経口避妊剤	644	**1,183**	539	83.7%
子宮内膜症治療剤	915	**1,012**	97	10.6%
月経困難症治療剤	1,030	**602**	▲ 428	-41.6%
その他	1,088	**1,105**	17	1.6%
合計	5,154	**5,316**	162	3.1%

※合計額は連結調整後の金額



Sales of acute medical care and women's healthcare are as described here. For details, please see the materials separately and ask questions, et cetera.

2020年9月期第2四半期連結貸借対照表概要

(百万円)	19/9月期 期末	20/9月期 第2四半期末	前期比 増減額	前期比 増減率
資産の部				
流動資産	33,919	**31,742**	▲ 2,177	-6.4%
現金及び預金	8,494	**6,046**	▲ 2,448	-28.8%
売上債権	12,944	**12,870**	▲ 74	-0.6%
たな卸資産	10,712	**11,893**	1,181	11.0%
その他	1,767	**932**	▲ 835	-47.3%
固定資産	26,817	**26,420**	▲ 397	-1.5%
有形固定資産	11,718	**12,298**	580	4.9%
無形固定資産	3,300	**3,046**	▲ 254	-7.7%
投資その他の資産	11,798	**11,075**	▲ 723	-6.1%
資産合計	60,737	**58,162**	▲ 2,575	-4.2%
負債の部				
流動負債	12,012	**10,237**	▲ 1,775	-14.8%
仕入債務	4,813	**6,000**	1,187	24.7%
その他	7,198	**4,237**	▲ 2,961	-41.1%
固定負債	9,360	**8,663**	▲ 697	-7.4%
負債合計	21,373	**18,900**	▲ 2,473	-11.6%
純資産の部				
株主資本	38,804	**38,657**	▲ 147	-0.4%
資本金	3,799	**3,799**	0	0.0%
資本剰余金	5,841	**5,841**	0	0.0%
利益剰余金	29,243	**29,086**	▲ 157	-0.5%
自己株式	▲ 78	**▲ 68**	10	-12.8%
その他の包括利益累計額	556	**601**	45	8.1%
純資産合計	39,363	**39,262**	▲ 101	-0.3%
負債純資産合計	60,737	**58,162**	▲ 2,575	-4.2%

1年以内返済予定の長期借入金返済による減少

Lotus社株式時価著しく下落したことに起因

1年以内返済予定の長期借入金返済

〈重要な後発事象〉
新型コロナウイルス感染症の感染拡大による事業環境及び金融市場の不確実性の高まりに備え、2020年4月、運転資金として総額50億円の新規借入を実行。

8

The balance sheet at the end of the first half of the fiscal year under review is shown here.

As supplementary information, the Company borrowed JPY5 billion as a subsequent event at the end of Q2 in response to the outbreak of COVID-19, as disclosed. Details are as stated in the Company's financial results.

At present, there is no major cash outflow factor, and the situation is largely in the form of straddling.

2020年9月期第2四半期連結キャッシュ・フロー計算書概要

(百万円)	19/9月期 上半期	**20/9月期 上半期**	前期比 増減額	前期比 増減率
営業活動によるキャッシュ・フロー	2,281	**2,442**	161	7.1%
（主な内訳）				
税金等調整前当期純利益	2,499	**423**	▲ 2,076	-83.1%
減価償却費	930	**866**	▲ 64	-6.9%
のれん償却額	139	**143**	4	2.9%
投資有価証券評価差益（▲は益）	-	**1,172**	1,172	-
売上債権の増減額（▲は増加）	1,207	**28**	▲ 1,179	-97.7%
たな卸資産の増減額（▲は増加）	105	**▲ 1,246**	▲ 1,351	-1286.7%
仕入債務の増減額（▲は減少）	▲ 1,178	**1,224**	2,402	-203.9%
法人税等の支払額	▲ 308	**▲ 447**	▲ 139	45.1%
投資活動によるキャッシュ・フロー	▲ 8,150	▲ 1,724	6,426	-78.8%
（主な内訳）				
投資有価証券の取得による支出	▲ 5,548	-	5,548	-
有形固定資産の取得による支出	▲ 783	▲ 1,592	▲ 809	103.3%
無形固定資産の取得による支出	▲ 1,499	▲ 138	1,361	-90.8%
財務活動によるキャッシュ・フロー	6,068	**▲ 3,133**	▲ 9,201	-151.6%
（主な内訳）				
長期借入れによる収入	7,000	-	▲ 7,000	-
長期借入金の返済による支出	▲ 210	**▲ 2,420**	▲ 2,210	1052.4%
配当金の支払額	▲ 419	**▲ 467**	▲ 48	11.5%
リース債務の返済による支出	▲ 302	**▲ 245**	57	-18.9%
現金及び現金同等物の期首残高	6,251	8,494	2,243	35.9%
現金及び現金同等物の期末残高	6,435	6,046	▲ 389	-6.0%
フリー・キャッシュ・フロー	▲ 5,868	**718**	6,586	-112.2%

Lotus社株式時価
著しく下落したことに起因

〈重要な後発事象〉
新型コロナウイルス感染症の感染拡大による事業環境及び金融市場の不確実性の高まりに備え、2020年4月、運転資金として総額50億円の新規借入を実行。

9

The statement of cash flow is also described here. I will omit the details of this explanation. If you have any questions, please ask.

2020年9月期連結業績予想

●売上高・営業利益・経常利益：
新型コロナウィルス感染症の感染拡大が続く中、先行き不透明な状況であり、当初の計画から変更なし
●当期純利益：
Lotus社株式時価が著しく下落したことに起因する有価証券評価損を見込み、492百万円に修正
（▲1,172百万円）
●設備投資額：
富山工場への設備投資を追加したため3,260百万円に修正（＋1,353百万円）

(百万円)	20/9月期予想（修正前）	**20/9月期予想（修正後）**	増減額	19/9月期実績	前期比（修正後）	
					増減額	増減率
売上高	33,830	**33,830**	-	36,279	▲ 2,449	-6.8%
営業利益	2,571	**2,571**	-	4,173	▲ 1,602	-38.4%
営業利益率	7.6%	**7.6%**	-	11.5%	-	-
経常利益	2,501	**2,501**	-	4,169	▲ 1,668	-40.0%
経常利益率	7.4%	**7.4%**	-	11.5%	-	-
親会社株主に帰属する当期純利益	1,664	**492**	▲ 1,172	2,962	▲ 2,470	-83.4%
当期純利益率	4.9%	**1.5%**	-	8.2%	-	-
設備投資額	1,907	**3,260**	1,353	1,965	1,295	65.9%
減価償却費（設備リース費含む）	1,891	**1,891**	-	1,934	▲ 43	-2.2%
研究開発費	2,879	**2,879**	-	2,052	827	40.3%
研究開発費率	8.5%	**8.5%**	-	5.7%	-	-

The following is a summary of our consolidated earnings forecasts for the fiscal year ending September 2020. As disclosed on May 8, there is no change in the full-year budget except for the incorporation of unrealized losses on securities in net income.

On the other hand, we have stated that the outlook for COVID-19 is uncertain, so in a case like this, there would be some opinion that we should withdraw our earnings forecasts. At present, there are such movements among the companies that settle their accounts in March.

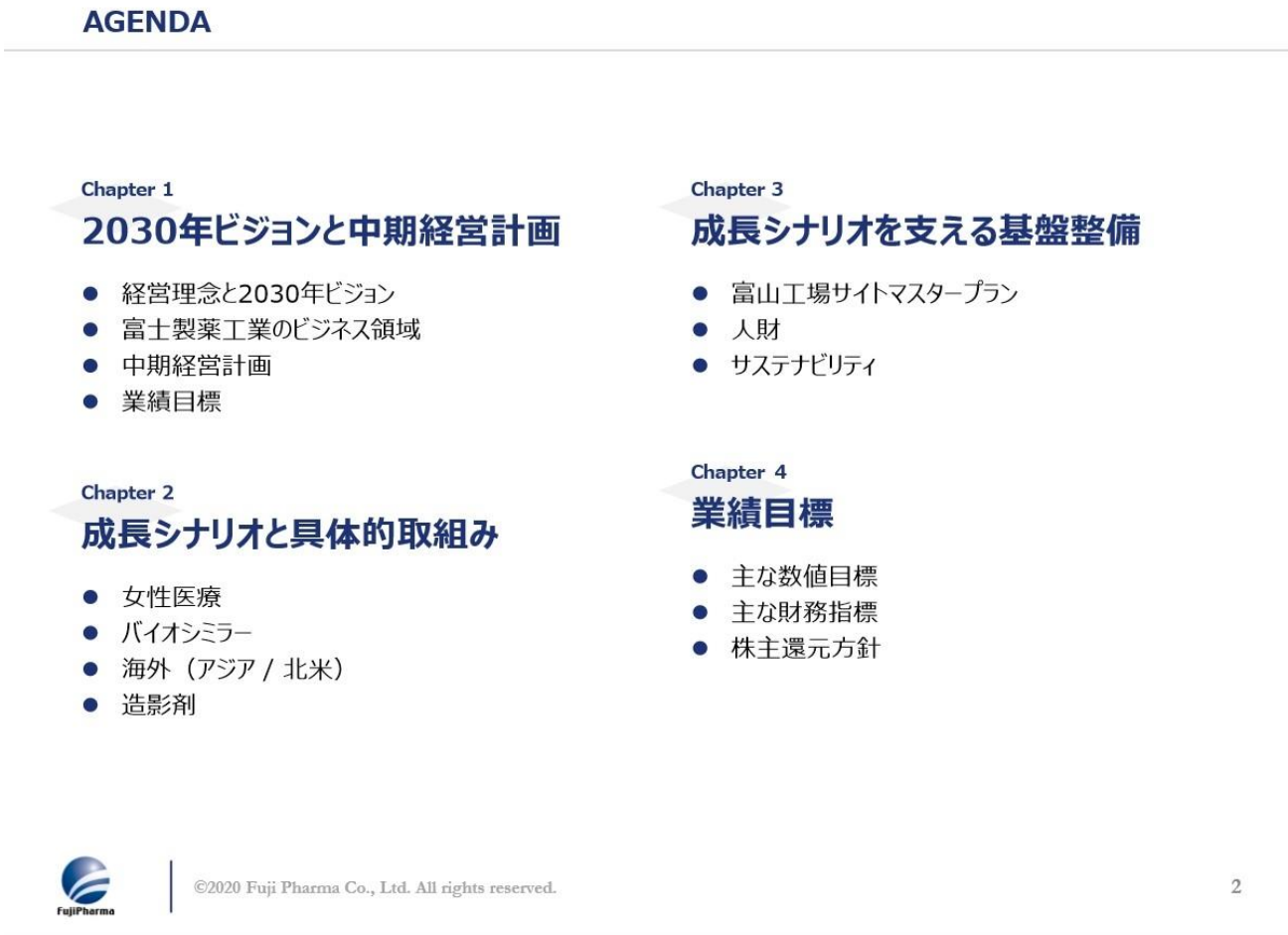
The first point is that, unlike the companies that settle their accounts in March, we are showing prospects in relation to the forecasts which are already released six months ago.

Second, although the outlook is uncertain at the present time, there is no real or imminent risk for the previously announced earnings forecasts to be revised or withdrawn. Therefore, the earnings forecasts have been left unchanged except for profit for the fiscal year under review.

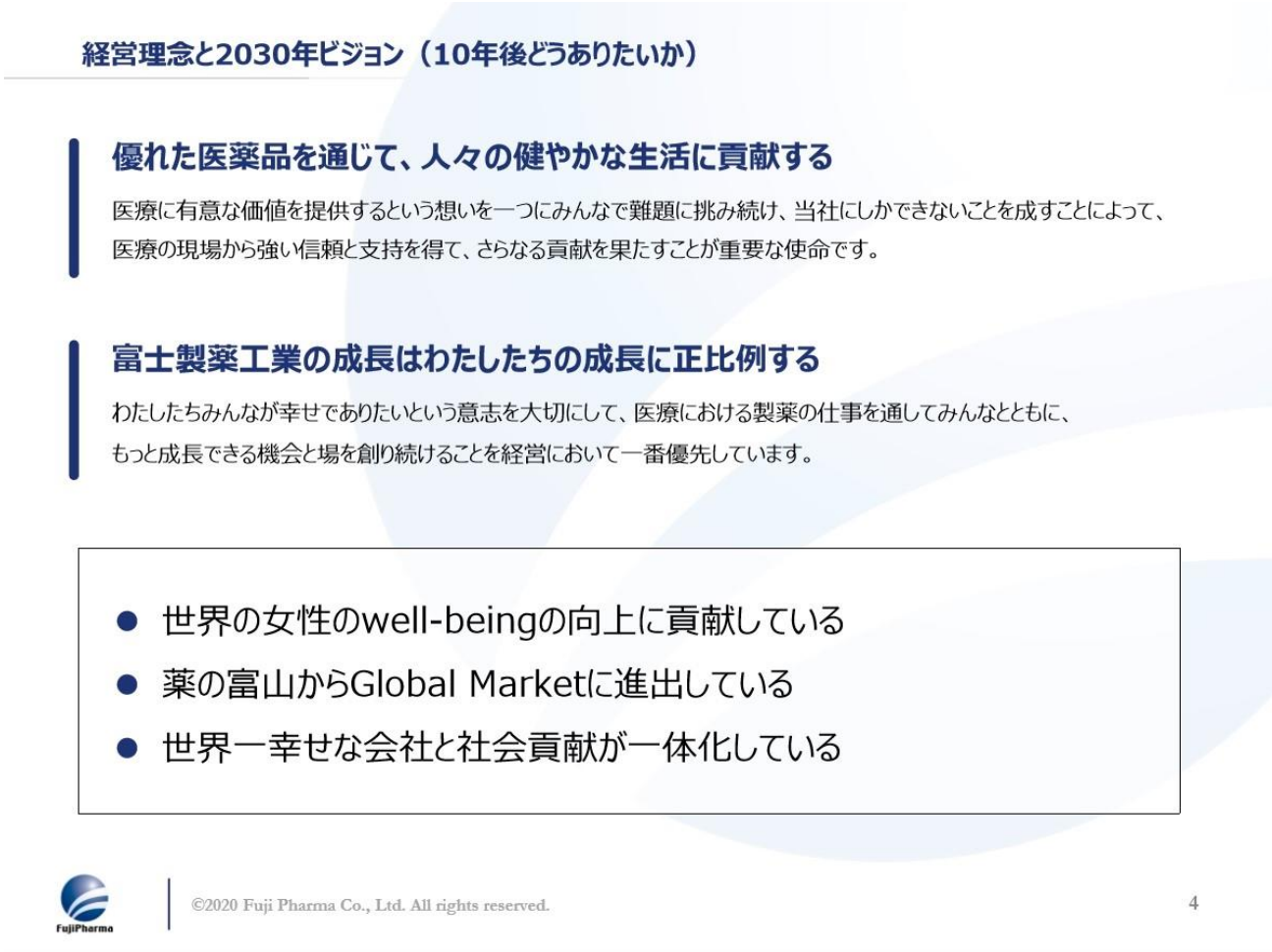
Finally, the addition of capital investment in the Toyama Factory has increased capital investment, but this does not have a significant impact on the Company's financial stability.

That's all for my brief explanation.

Moderator : Thank you very much. Next, President Iwai will explain the Mid-Term Business Plan. Mr. Iwai, could you start?



Iwai: I will explain then. First, here is the structure for the explanation today. First, the Vision for 2030 and the Mid-Term Business Plan. The second point is the growth scenario and concrete actions to achieve this. The third point is the foundation development that supports the growth scenario. Finally, financial targets. I would like to explain in this order.



The first is the 2030 Vision and the Mid-Term Business Plan. This slide is the one shown in November last year.

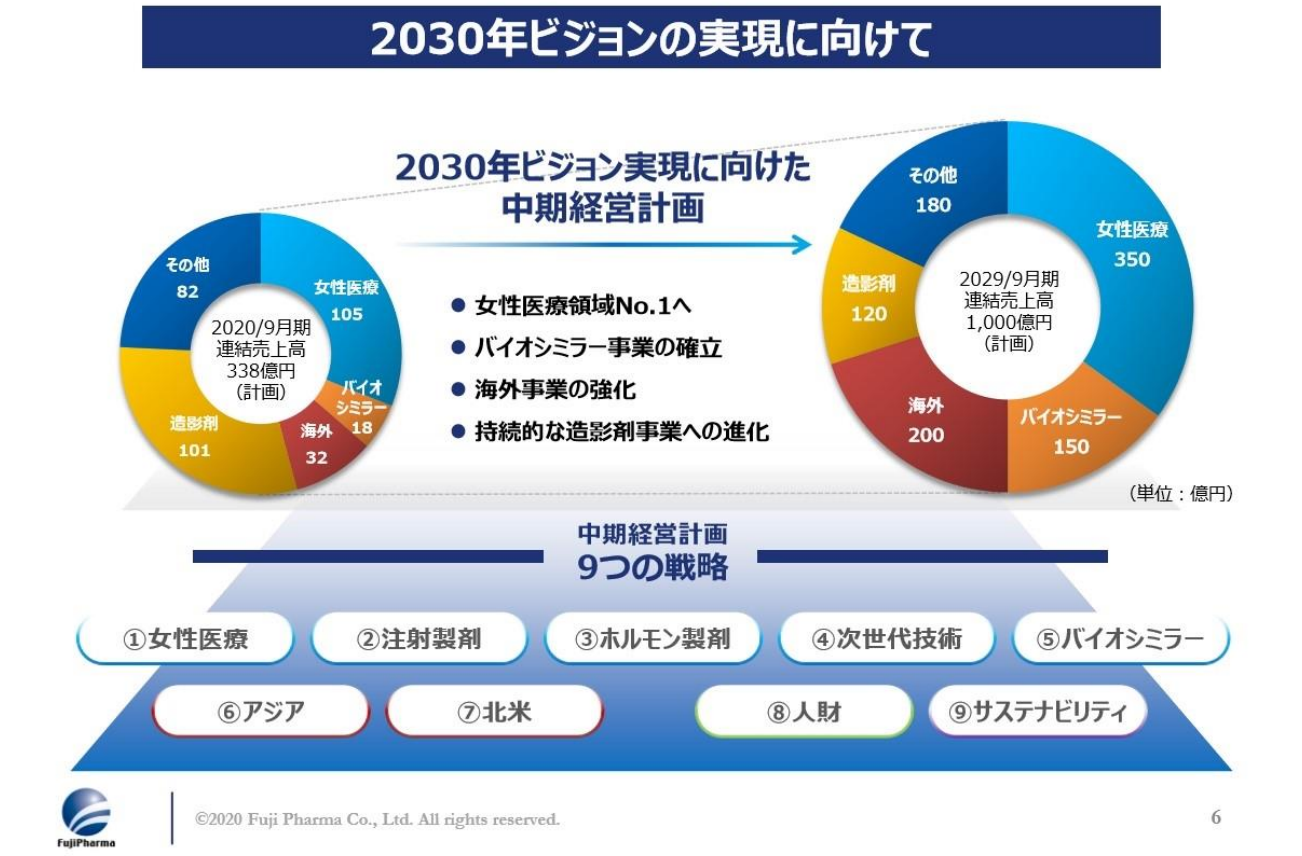
Our two business principles are "We help people lead healthy lives by offering excellent pharmaceuticals" and "Our corporate growth is proportional to our personal growth." Based on this vision, we have set the following three points in our vision for 2030. First, “Contributing to well-being of women in the world.” Second, “Expanding our business to global market from Toyama.” Finally, “Integrating the world’s happiest Company and social contribution.”

To achieve these goals, we divided the next 10 years into the first five years and the second five years. The first five years are the period of the Mid-Term Business Plan for the fiscal year ending September 2024, which I will explain today.

These are the quantitative goals to achieve in the 2030 Vision shown in the previous slide. We aim to achieve consolidated net sales of JPY100 billion and an operating profit margin of 20% in the fiscal year ending September 2029. The positioning of the current Mid-Term Business Plan is to lay the foundation for achieving this goal.

There are four broad scenarios for achievement, as described in the middle row. The first is the field of women's medical care, which should be further expanded. Second, establish a biosimilar business as a new pillar. Third, expand and strengthen overseas business. Finally, the contrast media business, one of our current core businesses, will be transformed into a sustainable business for 10 years. These are the four points.

中期経営計画の概要（２）



For each of the four scenarios I just mentioned, the quantitative goals for the fiscal year ending September 2029 are shown here.

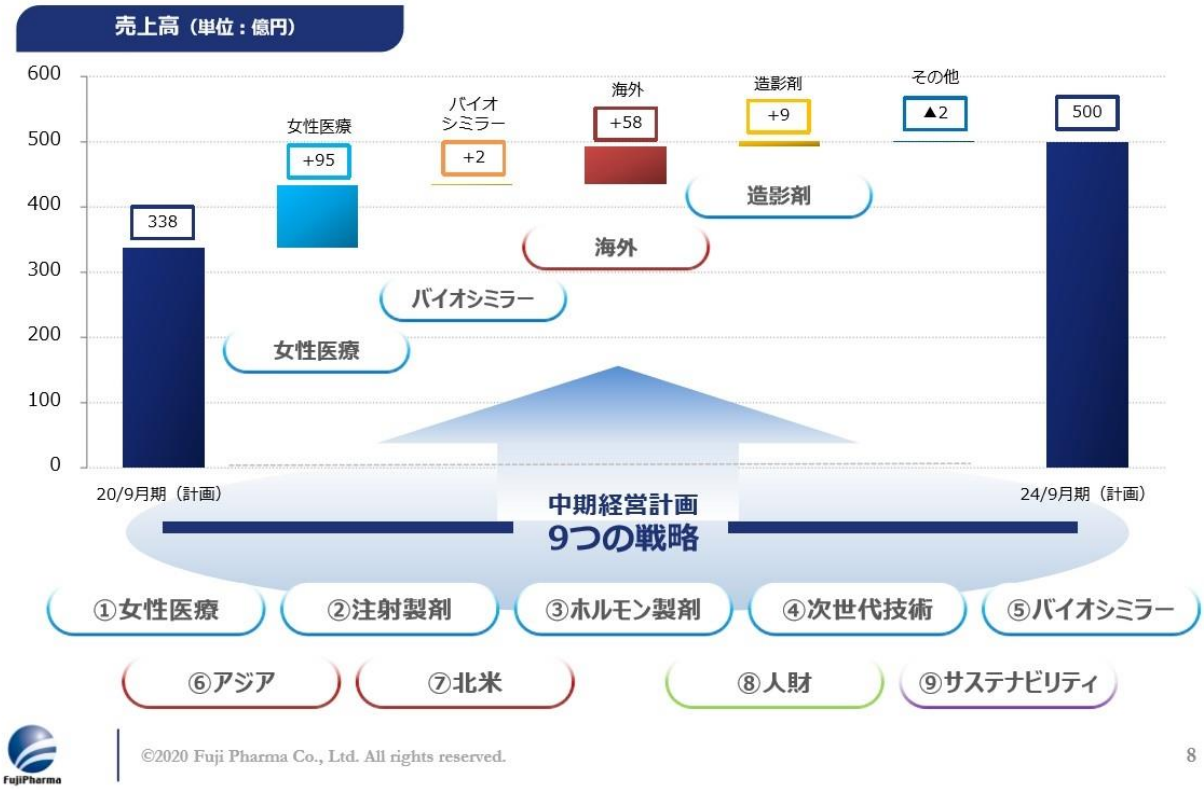
First, in the field of women's medicine, sales total approximately JPY10 billion now, and will be JPY35 billion in the fiscal year ending September 2029. For biosimilars, the current price is JPY2 billion, but it will be JPY15 billion. Regarding the overseas business, by OLIC in Thailand, which is JPY3 billion now, it will be JPY20 billion as a whole. And, we will continue to transform our contrast media business into a business that can be sustained at the current size and a little something extra. These are the four points.

In order to achieve this goal, we have positioned the year ending September 2024 as an important waypoint, and we have developed the nine strategies described in the bottom row to achieve this Vision.

See the following slide for these nine strategies. The nine strategies shown in November last year were further divided into 18 categories.

Let us take a brief look. First, second, and third are women's healthcare, then injection and hormone formulations. These are the core businesses that we continue to focus on. We would like to further strengthen these areas, and new technologies, which we have written as next-generation technologies, referring to formulation technologies. We will develop new drug formulation technologies, and then establish a biosimilar business as a new pillar.

In terms of geographical areas, there is ASEAN and North America. And, we will strengthen our human resources, and strengthen sustainability. Through steadily implementing these initiatives, we would like to achieve our targets for the fiscal year ending September 2029.



This is an outline of the quantitative plan for the fiscal year ending September 2024.

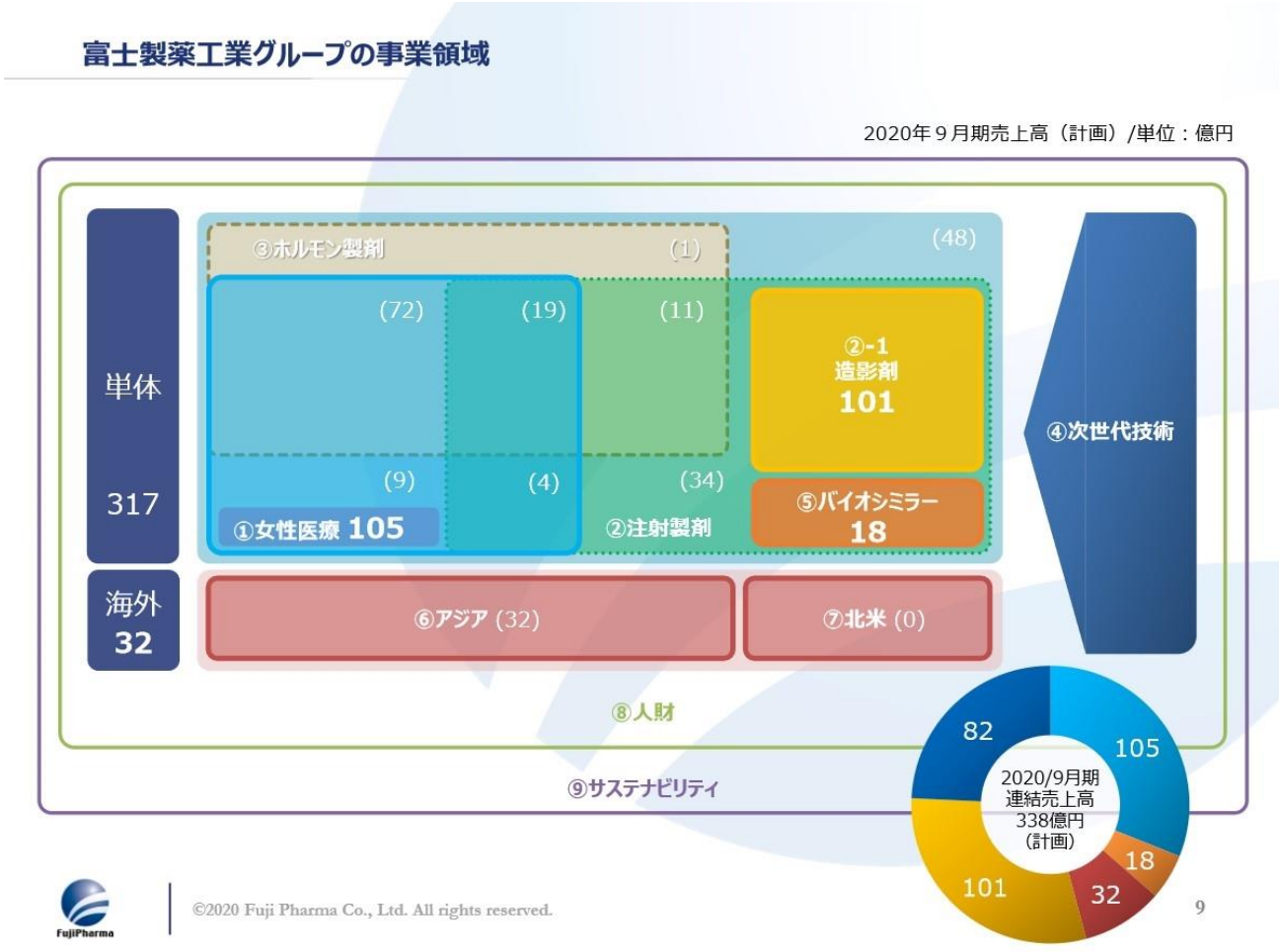
As I have just mentioned, sales of JPY100 billion in the fiscal year ended September 2029. With the goal of achieving an operating margin of 20%, we will steadily proceed with the nine strategies we have just mentioned, and current sales of JPY33.8 billion will be JPY50 billion in the fiscal year ending September 2024.

The breakdown is as shown in the following four scenarios. We will focus on women's healthcare, biosimilars, overseas, and the contrast media businesses.

As I mentioned earlier, the aim of the current Mid-Term Business Plan is to build a solid foundation for achieving the 2030 Vision, and at present, we will thoroughly increase the number that we can currently increase, regardless of new drugs or generics. Another important thing is to prepare for growth in the latter five years.

A typical example of these preparations is to launch new drugs currently under development in the field of women's healthcare; and moreover, to introduce newly developed products. Then, we will prepare for the development of biosimilars.

The above is the overview of the 2030 Vision and the current Mid-Term Business Plan.



Before entering the main topic, I have organized a slide to explain how our businesses and the nine strategies I have just mentioned are related to each other. Since there is no time to explain everything, I would like to explain it specifically for women's healthcare.

As I mentioned earlier, we are called the women's healthcare company Fuji, the injection company Fuji, and then the hormone formulation company Fuji. We would like you to see the blue portion of women's medical care, JPY10.5 billion. And the upper third, hormone formulation, the gray area surrounded by a dotted line.

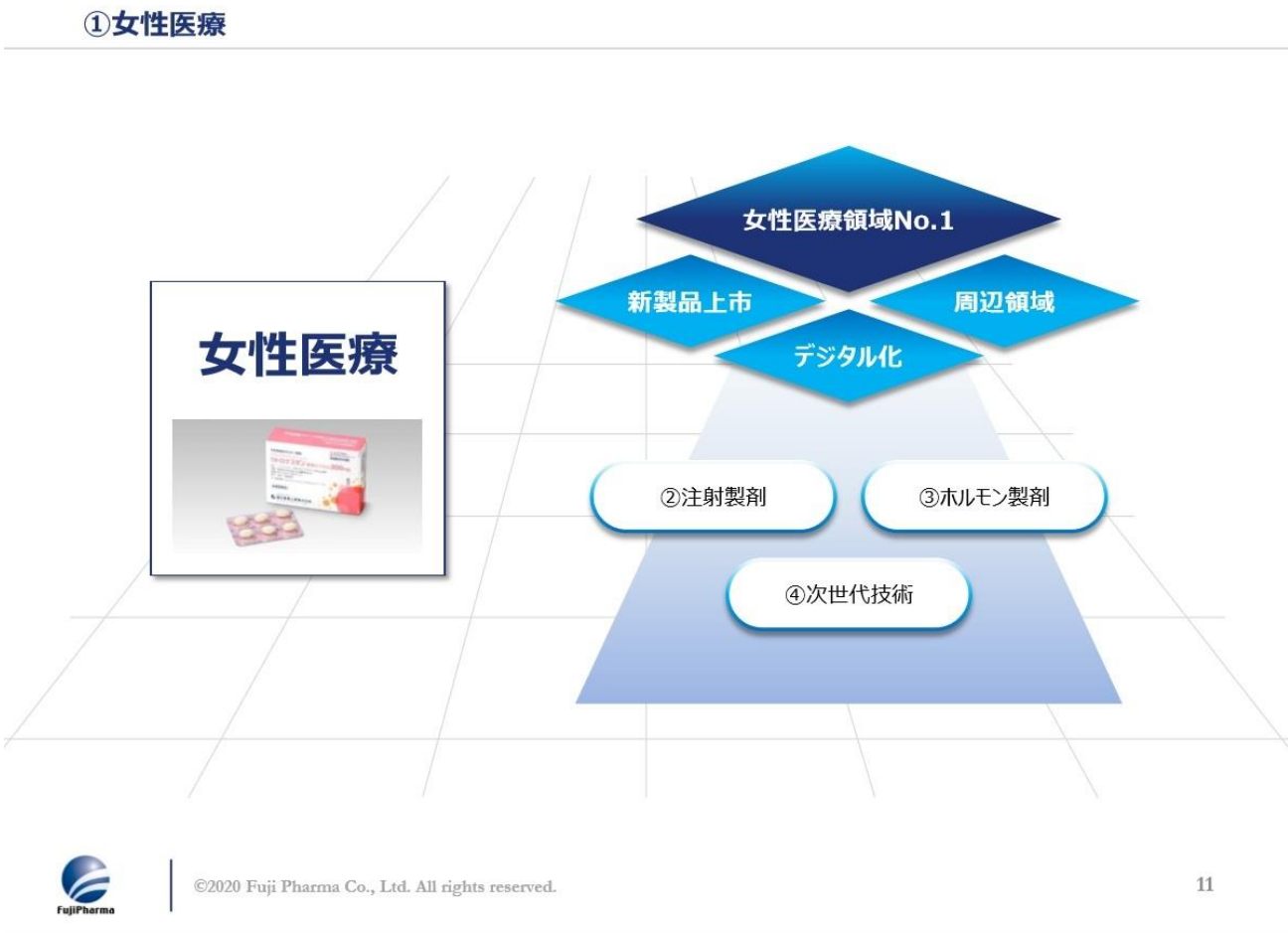
The overlap is the hormone formulations in women's healthcare, when products in women's healthcare are decomposed into factors. With JPY7.2 billion plus JPY1.9 billion, hormone formulations account for approximately 90% of the JPY10.5 billion of women’s healthcare.

On the other hand, see the right-hand side of the middle row, the area surrounded by a thin green dotted line is injection. Injections for women's healthcare are JPY1.9 billion plus JPY400 million, which is JPY2.3 billion. The ratio of injections accounts for more than 20% of the women’s healthcare.

Accordingly, when we say we are going to strengthen or further expand women's healthcare, it will be essential to increase production capacities for hormone and injections.

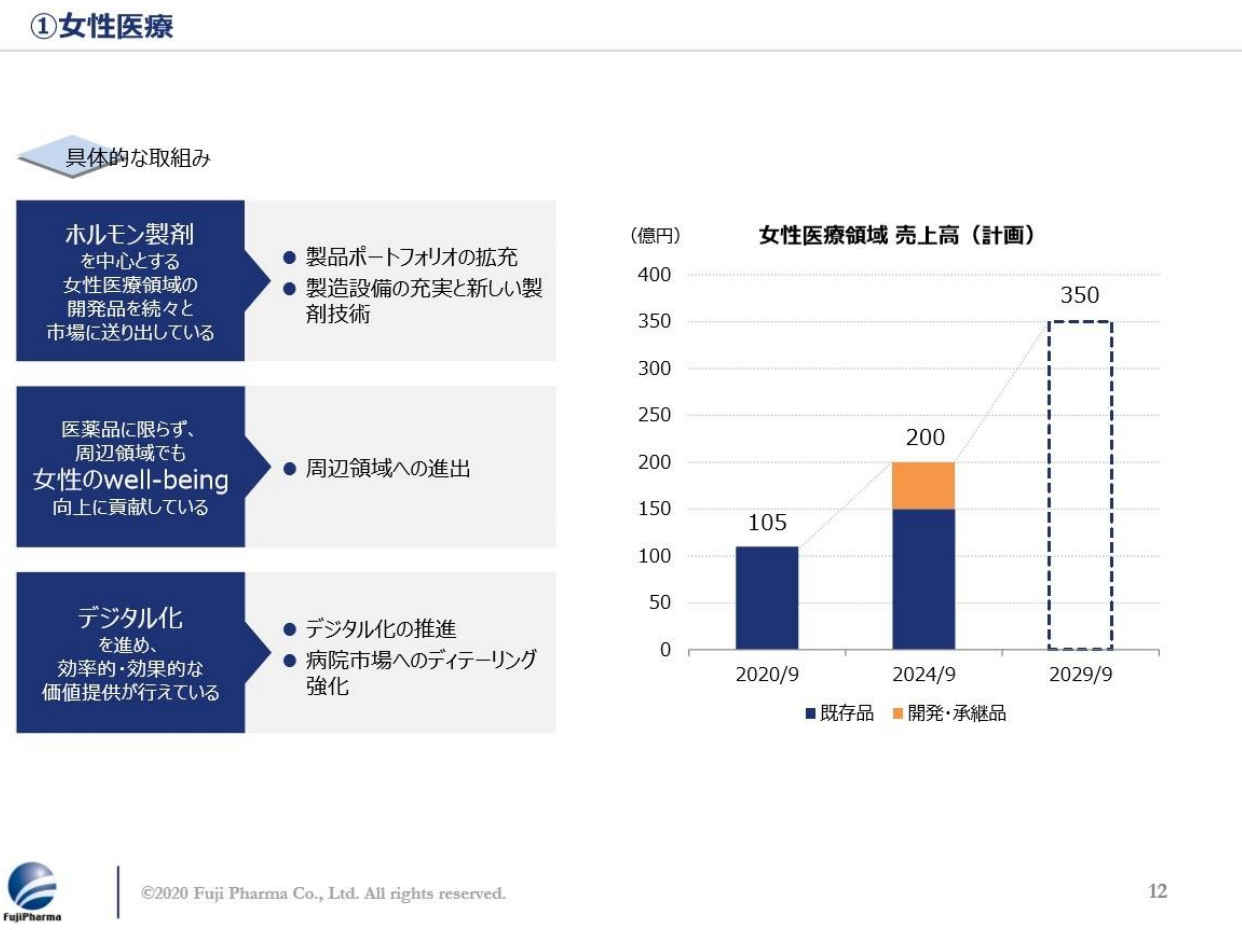
Therefore, I hope you will understand that strengthening these three areas in a balanced manner will ultimately lead to the expansion of the women's healthcare business. Otherwise, there is a correlation in which strategies from one to nine are involved in each business.

Then I would like to go into today's main topic. In terms of the growth scenario and specific initiatives, I will explain the four points I have just mentioned: women's healthcare, biosimilars, overseas, and contrast media.



First, we aim to be Number One in the field of women's healthcare. There are three major measures to achieve this. First, we will expand our product portfolio. Second, expanding its current clinic-centered detailing to the hospital market, and improving efficiency by digitization. Third will be approaches to peripheral areas.

What will support this growth is the strengthening and expansion of the injection, hormone, and new generation technology.



Next is the quantity.

In the fiscal year ending September 2024, we plan to double our current operating income from JPY10 billion to JPY20 billion. Subsequently, we hope to achieve JPY35 billion for the fiscal year ending September 2029. I just mentioned three measures. We will steadily implement these measures.

On the other hand, the path toward achieving JPY20 billion in the fiscal year ended September 2024 is almost visible. Of the JPY10 billion growth, half, or JPY5 billion, will be the growth of existing products, and the remaining JPY5 billion will be the contribution of new drugs.

In addition, for this portion, which will increase from JPY20 billion to JPY35 billion, the Company will steadily launch new drugs currently under development. Then, in order to be able to launch new drugs during the next Mid-Term Business Plan, we will firmly acquire the right to develop new drugs during the period of the current Mid-Term Business Plan and start to do so.

On the other hand, as we focus on ongoing development, we intend to leverage our combined product portfolio of new drugs and generics to expand the market.

We would like to explain in more detail, but we don’t have enough time, so today let me focus on the product portfolio.

①女性医療　～既存品

（単位：億円、千万円以下切り捨て）

女性医療領域製品	適応	状況	2020/9	2024/9
レボノルゲストレル（同）＊	緊急避妊	ジェネリック上市により継続的に市場拡大 数量シェア80%超	8	15
ファボワール（エチニルエストラジオール/デソゲストレル）＊	避妊	国内経口避妊薬市場 メーカー別シェア1位	7	27
ラベルフィーユ（エチニルエストラジオール/レボノルゲストレル）＊			7	33
ウトロゲスタン（プロゲステロン）＊	生殖補助医療における黄体補充	クリニック市場シェア2位	8	8
ジエノゲスト（同）	子宮内膜症	継続的に市場拡大 3月単月当社シェア過去最高	11	12
ル・エストロジェル（エストラジオール）	更年期障害	年間成長率20%	3	5
6製品合計			**46**	**100**

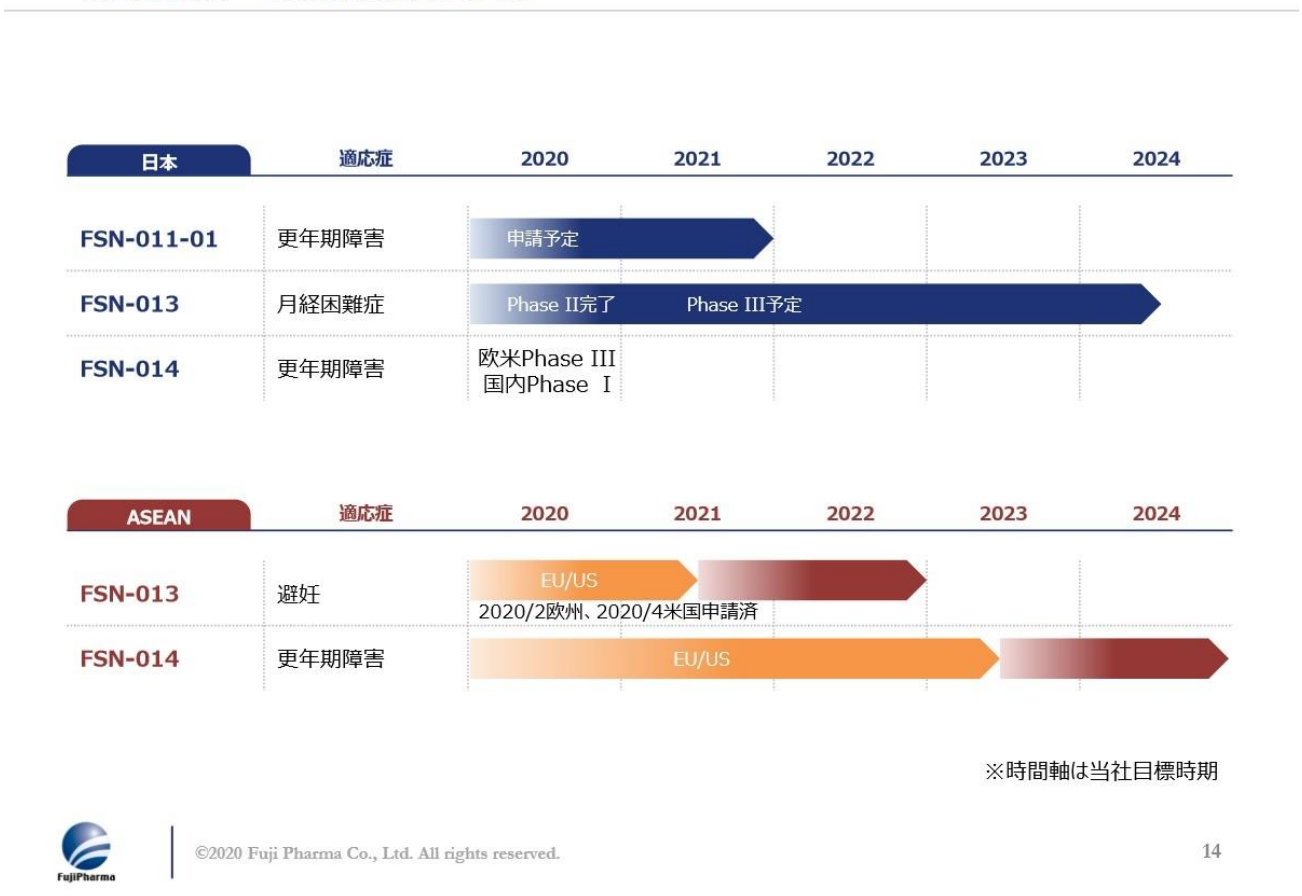
＊ 薬価未収載品

First, these are the existing products I just mentioned. The content itself is the same as the one shown in November last year, and it is a list of the major products in the women's healthcare. Products other than DIENOGESTO and l'estrogel are not listed in the NHI price list, and are growing steadily while supporting changes in women's lifestyles.

See page five in the material for Q2 that Mr. Sato explained. The figures for each item have increased from about 30% from the previous year, and even more for some items, so please confirm these figures.

Consequently, in terms of the figures for the fiscal year ended September 2024, the Company is currently at the stage where this JPY10 billion figure is in sight. We believe that we can achieve this by thoroughly carrying out the detailing, centered on clinics, and communicating accurate information to medical professionals.

L'estrogel, in the lower panel. is estrogen used for menopausal disorders. We expect to see synergies with a new drug FSN-011-01 that we will explain later.



These are the new drugs that are currently development.

The top blue portion is a development project in Japan. First, FSN-011-01, a new drug using progesterone for menopausal disorders. And a treatment for dysmenorrhea, FSN-013, which use a new estrogen ingredient called E4, or estetrol. Phase III of 011-01 has already been completed, and the application is currently being prepared. If it goes smoothly, we plan to submit an application in September of this year.

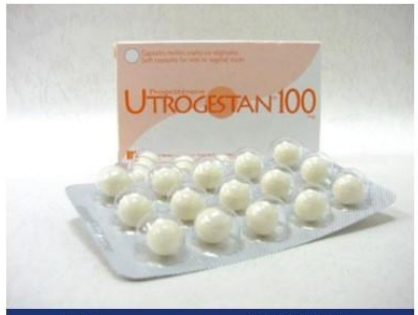
On the other hand, the licensor of 013 is the Belgian Mithra Pharmaceuticals. This development is proceeding smoothly in Europe and the US, and we plan to enter Phase III in Japan after obtaining approval in Europe and the US.

Mithra's application for approval in Europe and the US was completed in February and April this year, so it is scheduled to be approved in Europe and the US around this time next year. Therefore, as it is approved, we are scheduled to enter Phase III, with the aim of launching in 2024.

①女性医療 ～FSN-011-01 / プロゲステロン

概要

- プロゲステロン100mgを含有する経口製剤
- エストロゲン製剤投与時の子宮内膜組織の異常化を防ぐ目的で使用
- アメリカ及びEU加盟国等世界80数ヵ国にて承認・販売
- 更年期障害を適応症として承認申請・上市予定



写真：Utrogestan ®（海外販売品）

国内

	ホルモン補充療法適応のプロゲステロン製剤がない状況
2009	「未承認薬・新たな適応の開発要望に関する意見募集」（厚生労働省） 日本産科婦人科学会、日本女性医学学会から ホルモン補充療法における開発要望書
2010	「医療上の必要性の高い未承認薬・適応外薬検討会議」 において開発企業の募集が行われ、当社が開発の意思を表明
2019	Phase III試験完了
2020	承認申請予定（9月）

プロゲステロン：女性ホルモン、黄体ホルモンの一つ

Phase III試験

試験：非盲検非対照試験
疾患：HRT適用患者
投与期間：52週間
用法・用量：
＜周期投与＞1周期（28日間）の後半の14 日間、1日1回 2カプセル経口投与
＜持続投与＞1周期28日間、1日 1回1カプセル経口投与
結果：主要評価項目及び忍容性に関して良好な成績を得た。

I would like to explain a little more about the current two products on the next slide.

011-01, as mentioned here, this product is already approved and launched in 80 countries, including the US and EU countries. The ingredient is natural progesterone, like the new drug from the Company, UTROGESTAN. The licensor is Besins Healthcare, which is headquartered in Europe.

This drug has been designated as an unapproved drug of high medical need in Japan, and we have been developing it as a new drug in Japan since 2016.

This product is used for the protection of the endometrium during HRT, hormone replenishment therapy, in the menopausal disorder. We have almost all access to the HRT clinics, so we would like to wait for approval of the new drug and actively conduct detailing activities. Once again, we will also aim for synergies with l'estrogel, our existing product.

Next, 013.

This is being developed as a treatment for dysmenorrhea, and including estetrol, or E4, a new estrogen ingredient. This is the successor to LUNABELL, our first new drug to be marketed. The new ingredient estetrol is expected to have less impact on the blood coagulation system than conventional ingredients, and we believe it will be a product that can be used more reliably in the medical field.

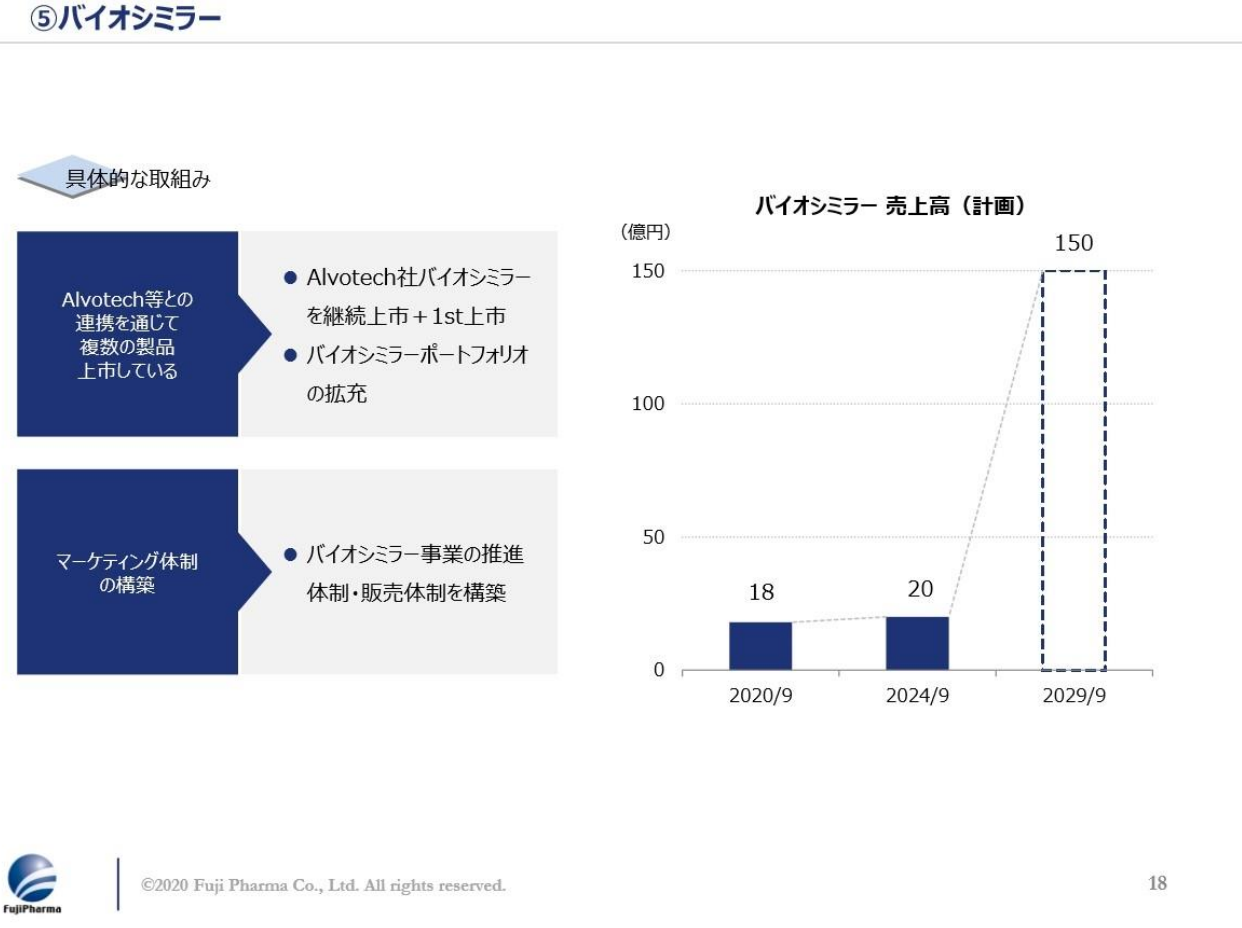
Mithra Pharmaceuticals, the Belgian company that introduced the drug, has been developing it as an oral contraceptive in the US and Europe. In Japan, only we are developing it as a treatment for dysmenorrhea.

As I mentioned earlier, the development in Europe and the US is proceeding smoothly, so we would like to enter Phase III as soon as the approval in Europe and the US has been obtained, and we intend to launch in 2024.

This is not the current Mid-Term Business Plan, but rather the expected new drug in the second half, the five years toward the achievement of the 2030 Vision.

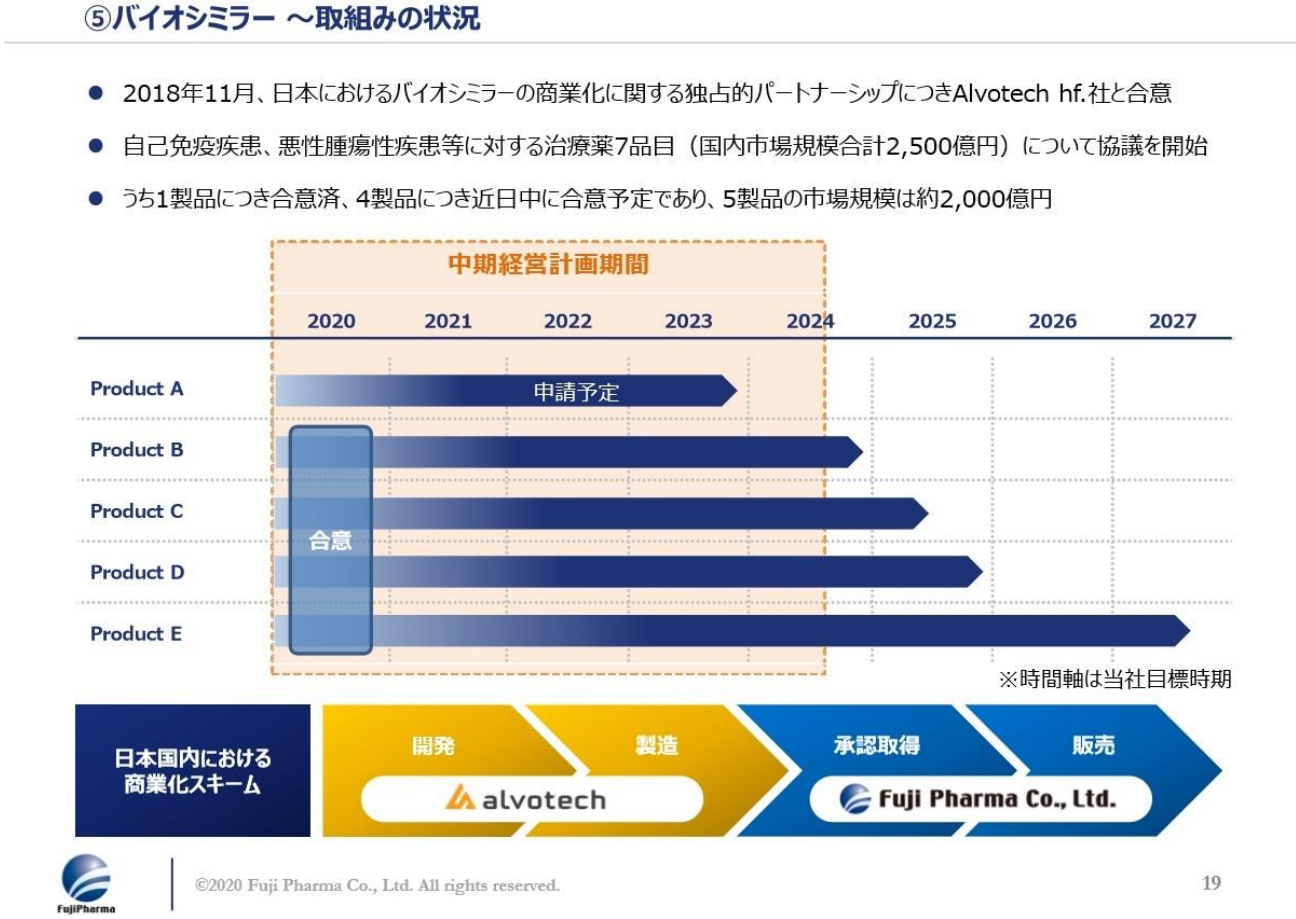
Next is a biosimilars.

The target under the 2030 Vision is to be Number One in Japan for biosimilars. We intend to make steady progress in preparations during the current Mid-Term Business Plan period.



As I mentioned earlier, the period of the current Medium-Term Business Plan will be a preparatory period, so we do not expect any quantitative contributions until the fiscal year ending September 2024. We hope to achieve sales of at least JPY15 billion in the fiscal year ending September 2029 by making firm preparations.

I will explain the current development and the status of preparations. As we have already reported several times, we reached an agreement in November 2018 with Alvotech in Iceland on an exclusive partnership for the commercialization of biosimilars in Japan. We have concluded individual contracts on biosimilars Alvotech is developing, and are currently preparing to develop them.



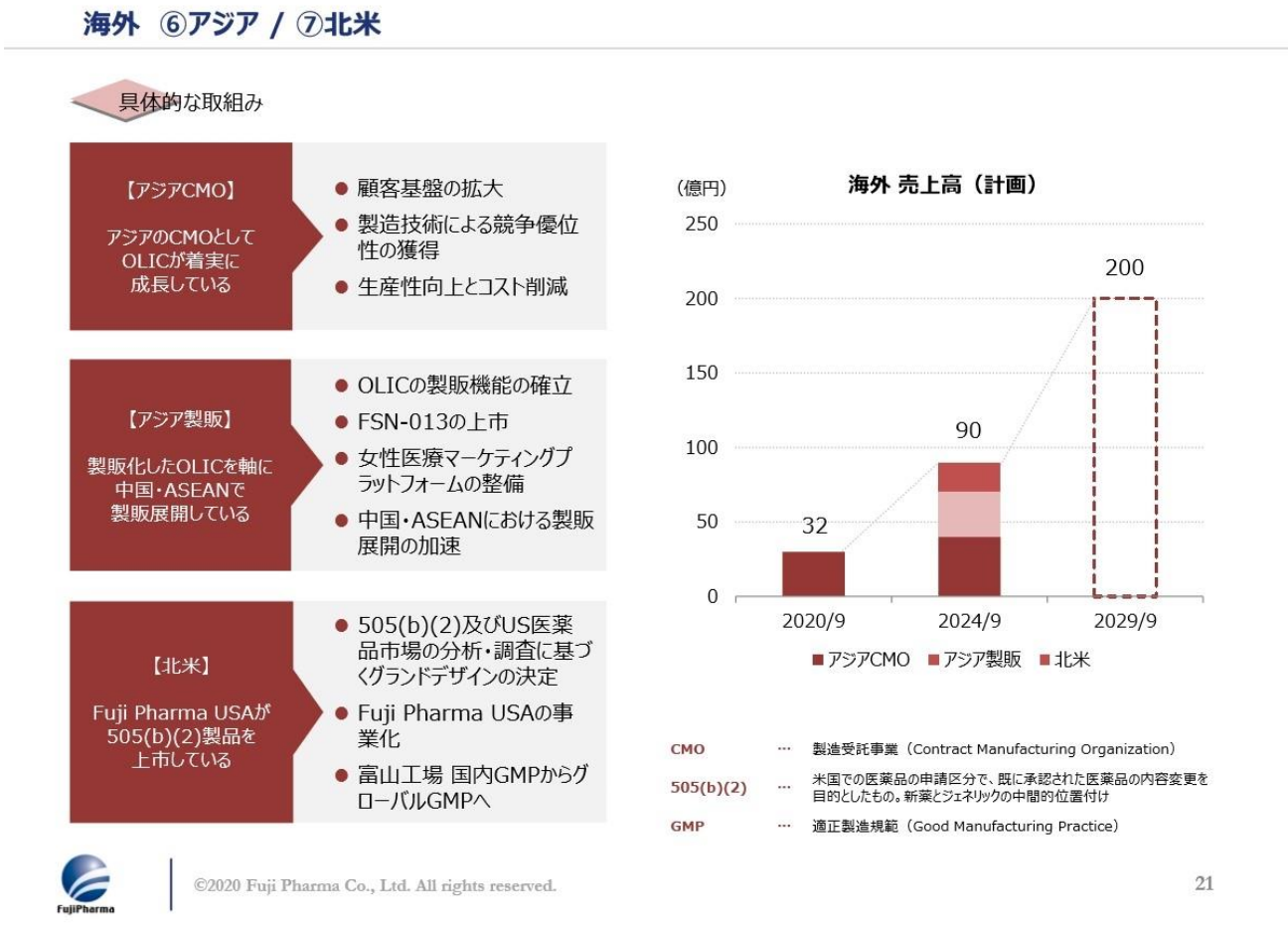
As indicated here, we have already concluded the contract for one drug formulation, shown as Product A due to confidentiality, and we are currently developing it on a global-data basis, including that of Japanese nationals. This significantly reduces the number of clinical trials carried out in Japan, and we are able to significantly lower the cost of obtaining approval compared to normal development.

As shown on the bottom, we are currently working on Product A with the application scheduled for 2022. Also, in the same scheme, four products, written as B to E, we are currently in the process of holding concrete discussions regarding this matter. Regarding these four products, negotiations, or discussions, are underway, with the aim of reaching an agreement at the end of 2020 at the latest.

Currently, the original sales of these five products is about JPY200 billion. Through our collaboration with Alvotech, we intend to develop this business into our core business.

The following is our overseas business. I would like to explain separately about Asia and North America, including Europe.

The key words of these growth strategies will also be women's healthcare, injection, hormone, and then new generation technology, as described here.



First, the quantity. Currently, our overseas sales are JPY3.2 billion for the CMO, or contract manufacturing business, of OLIC. We intend to increase this to JPY8 billion in the fiscal year ending September 2024. At the same time, we intend to enter the US and Europe business, whose main market is North America, during this Mid-Term Business Plan, and to increase the total of our overseas operations to JPY9 billion in the period ending September 2024.

The key to achieving this goal is to make OLIC a pharmaceutical company. In addition to the CMO business, we will create a part of the pharmaceutical company. Another is preparations for entering the Europe and US markets. I'd like to explain in some detail about each of them.

First, OLIC. As I have just mentioned, the keyword is the transformation of OLIC into a pharmaceutical company. Currently, sales are JPY3.2 billion, nearly 100% of which is from contract manufacturing business. The key to future growth will be to continue steadily expanding this business and transforming OLIC into a pharmaceutical company.

Specifically, the most important initiatives are described in the lower dark red part. We will surely launch FSN-013, listed in the lower row, in ASEAN. FSN-013 was previously mentioned as a treatment for dysmenorrhea in Japan. However, in ASEAN it is scheduled to be launched as an oral contraceptive, as in Mithra, which the drug was introduced from.

As I mentioned earlier, this drug is an oral contraceptive using estetrol, a new type of estrogen. Because it has little impact on the blood coagulation system, we expect it to increase recognition in the medical field.

Currently, in ASEAN, local clinical trials are not required if there are approved data in Europe and the US, so we will proceed with applications for approval in each country, based on the Mithra approval data in Europe and the US.

As I mentioned earlier, Mithra will probably be approved in Europe and the US this time next year. As such, we will first apply for this drug in Thailand, which is the largest market for oral contraceptives in ASEAN, with the goal of launching it in Thailand in 2022. Apart from Thailand, we are planning to apply for approval in order in Indonesia and the Philippines, which have large populations.

This slide is exactly the same as the one we showed you for Japan earlier, but the dark red part is about ASEAN.

Regarding OLIC, as I have just mentioned, in addition to 013, we will acquire drugs in Asia and then obtain approval for unapproved drugs in Asia, as described here. Although approved in the US and Europe, some pharmaceuticals have not been approved in Asia, so we will obtain such approval. In addition, we will introduce generics in the women field. By doing this, we will expand our product portfolio and transform it into a pharmaceutical company, in addition to CMOs.

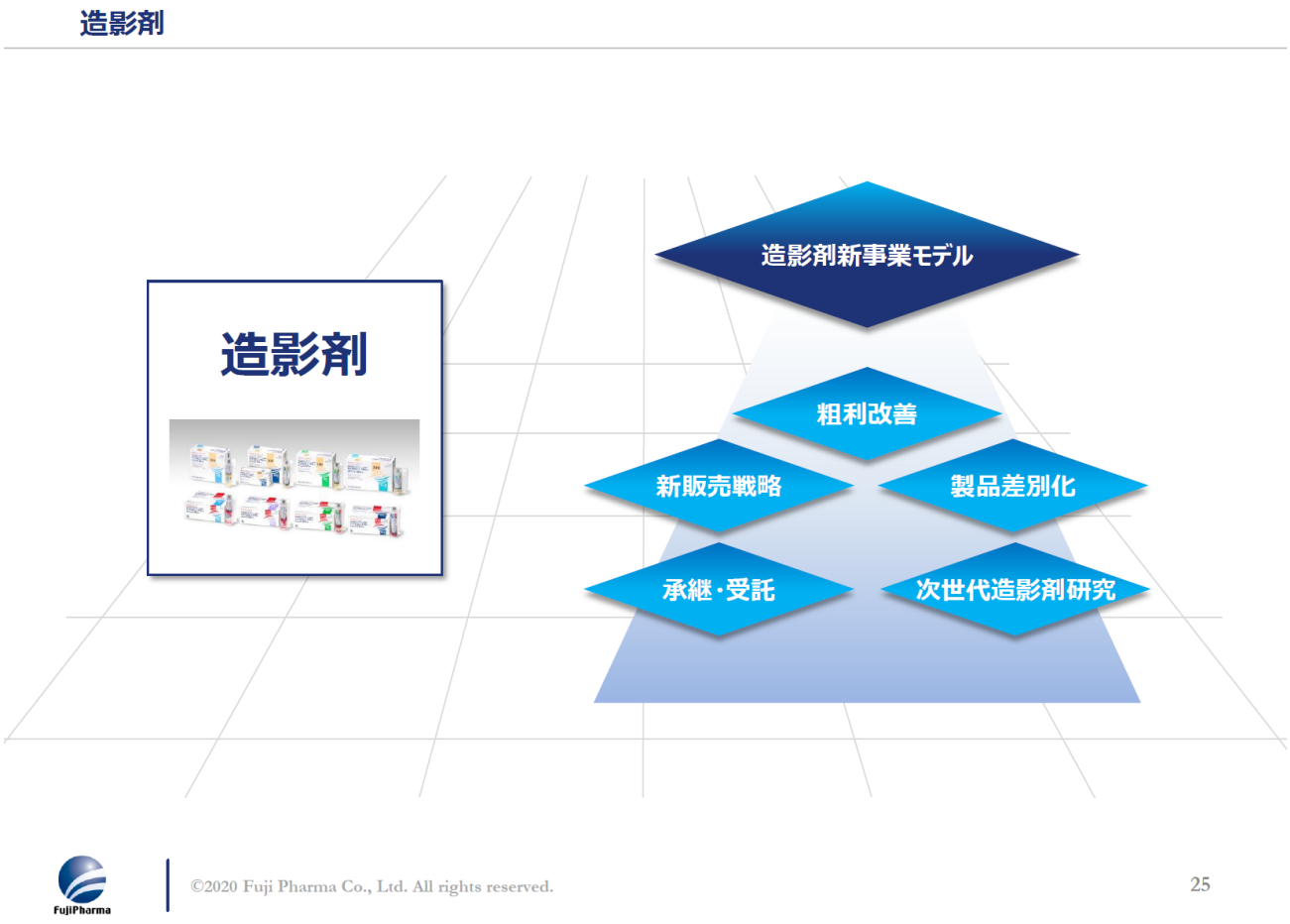
On the other hand, we will be preparing for our Europe and US businesses, and we are currently examining three specific ways to enter.

The first is contract manufacturing based on a tripolar approach, with the Toyama Factory as the starting point. We have already begun studying a new hormone formulation facility that can handle this, and then a multisyringe facility. We would like to explain briefly later.

Second, as I mentioned in November last year, the Toyama Research and Development Center is currently working on the new formulation technology, and we will obtain approval for 505(b)(2) in the US using this technology.

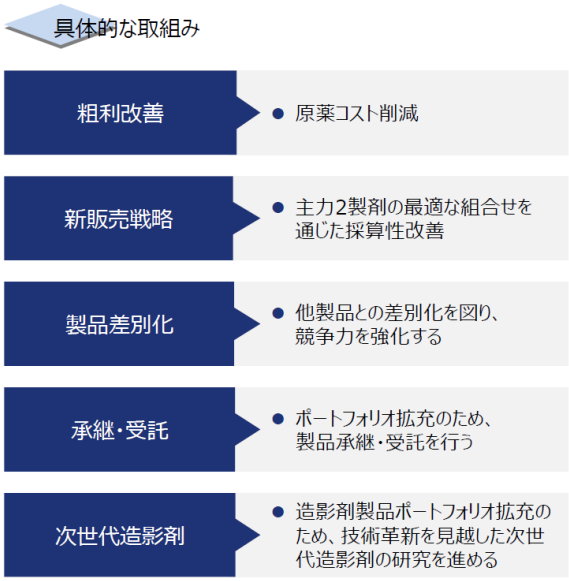
Finally, the acquisition of US and European companies focusing on technology. We intend to take this into consideration. Although it will take some time for this, we plan to make the first step in the period of the current Mid-Term Business Plan.

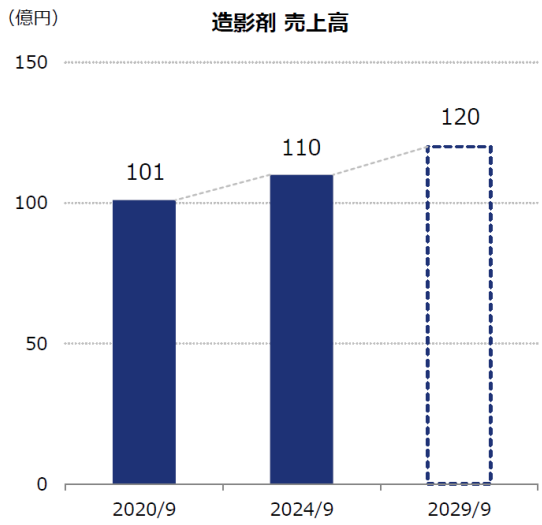
So far, the three scenarios.



Finally, I would like to explain about contrast media.

造影剤





Over the past two decades, we have grown contrast media into a core business, and we continue to do so. On the other hand, drug prices were about 70% lower than at the time when we launched about 20 years ago. The aim of this strategy is to develop the contrast media business into a sustainable business that will continue for the next 10 years.

These are the specific scenarios for achieving the goals of the Mid-Term Business Plan.

Next, I would like to explain the foundation development that supports the scenarios I have just mentioned.

First, I would like to touch on the master plan for strengthening the Toyama Plant, which I just mentioned. We are called the women's healthcare company Fuji, the injection company Fuji, and then the hormone formulation company Fuji. We will increase the capacity of injection and hormone, which are the foundation of our core business. In addition, we will introduce the latest technologies and strengthen our quality system.

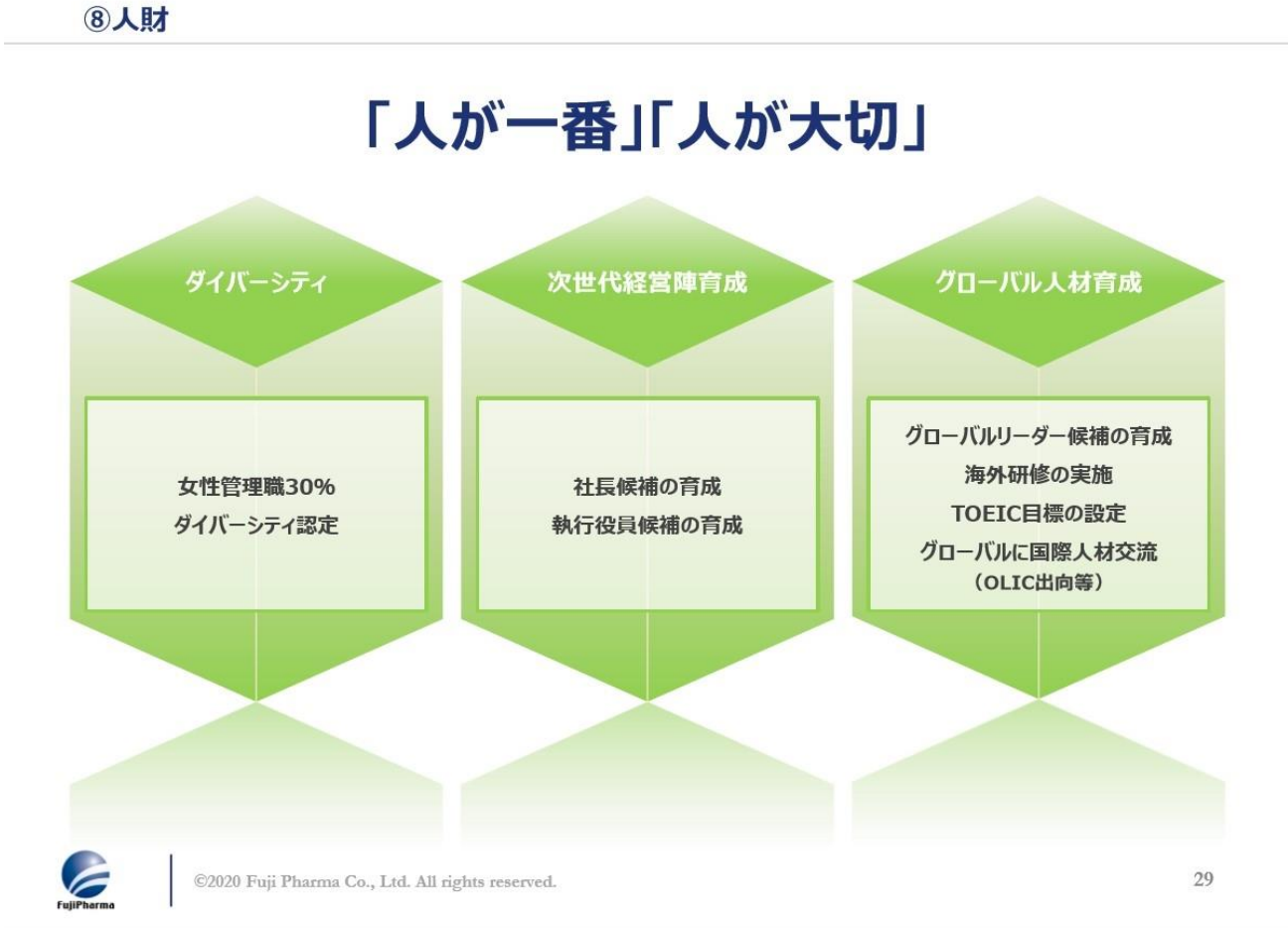
Hormone formulations involve high pharmacological activity, and this means not everyone can produce them anywhere. This is one of our major characteristics.

The first point is the adding of an ampule/vial line, which is the first phase of our plan to renew the production lines for injection formulations, which are currently three lines. This initiative is to address high pharmacological activity centered on hormone formulations, and we will make full use of the latest sterility assurance and containing technologies to create a new product line.

The second is the construction of a new management/welfare building. This is scheduled to start operation at the end of August of this year. The laboratory function of the quality control operation and the quality assurance function will be physically integrated here. By integrating, we will enhance overall capacity and quality of quality control.

The third point is the construction of a new tablet building. This will be a new facility to produce tablets for high pharmacological activity products, including hormones. Aiming to expand the production capacity of the hormone formulation, which is currently about 150 million tablets, to 450 million tablets, three times the

current level. At the same time, we will make it the state-of-the-art facilities that can respond to overseas as one of the foundations for our overseas expansion.



The second point is human resources.

Fuji Pharma operates under the philosophy of "put people first," that the growth of the Company is in direct proportion to the growth of people. Conversely, the Company does not grow without the development of people. People are the greatest asset.

We will promote the growth of our human resources. In particular, I would like to be involved in nurturing the next generation of management, and I would like to cultivate it while saying tough things.

Regarding global human resources, we currently have only three non-native Japanese speakers. By promoting personnel exchanges with OLIC and recruiting new personnel in the future, we intend to increase this number, and accelerate the self-reliance of our global human resources.

Finally, sustainability. It goes without saying that our growth depends on economic growth, the sustainable growth of the world economy and society. With regard to sustainability, we will promote Company-wide activities centered on the sustainability committee, focusing on the seven core subjects of ISO26000.

Let me introduce you here a little briefly.

⑨サステナビリティ　～取り組み事例

女性アスリートのパフォーマンス向上を女性医療の視点から支援

当社は世界中の女性が身体的・精神的・社会的にもすべてが満たされた状態に向けて積極的に貢献していくことを目指しています。東京五輪・パラリンピックも見据え、女性アスリートに向けた体調管理の啓発活動を実施しており、健康管理に活用できるスマートフォンアプリなどと組み合わせ、薬の正しい服用法や女性特有の体調維持・周期管理についての講演やサポートも行っています。

ホッケー女子日本代表「さくらジャパン」に向けた講演

新型コロナウイルス感染症対策の地域支援として消毒液を無償配布

新型コロナウイルスへの感染防止のため、タイ国内でも供給不足となっている手指消毒用のアルコールジェルとスプレーをOLICにて製造し、従業員全員に配布するとともに地域社会への社会的責任を果たすため、アルコールジェル「CLEAN MORE」をアユタヤ県内の病院や行政機関、寺院等への無償提供を実施しました。

タイ・アユタヤ県の病院や行政機関等に消毒液を無償配布

On the left, to support the performance improvement of women's athletes from the perspective of women's healthcare. A woman speaking in the upper left-hand is our employee. This is when our employee gave a lecture on physical health management and conditioning as a female athlete at a camp of Sakura Japan, Japan women's national field hockey team.

We implemented this in November last year for the national team, and then in February this year for the U21 team. We intend to continue providing such support as the Company involved in women's healthcare.

Then to the right. We donated sanitizer as a community support to fight against COVID-19. In Thailand, too, there was a shortage of sanitizer for COVID-19. Under these circumstances, we produced sanitizing gel using OLIC manufacturing lines. We donated them to local governments, medical institutions, temples and other locations. We are currently preparing to commercialize these products.

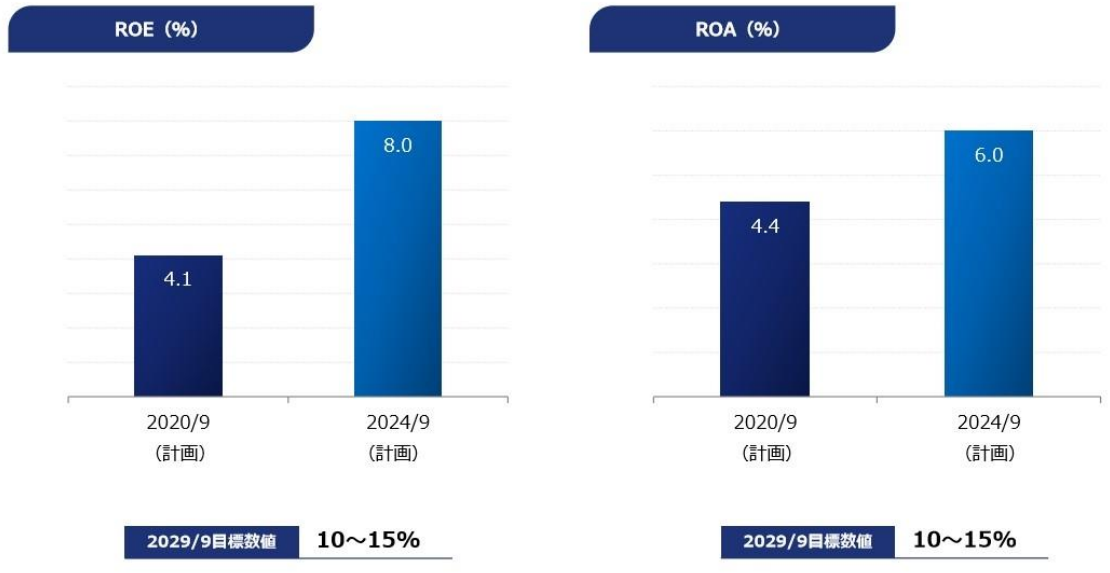
Finally, I would like to explain in more detail the quantitative aspect.

This is P&L. As I mentioned so far, we have first set the Mid-Term sales figures of JPY33.8 billion in the current fiscal year, and JPY50 billion and operating income of JPY5 billion in the fiscal year ending September 2024.

During this period, R&D expenses amounted to approximately JPY18 billion over a five-year period. We would like to control the rate to about 10% yearly. The average R&D expense during the previous Mid-Term Business plan was about 5%, and we expect this to increase by about 5%. This is attributable to an increase in R&D expenses for the development of new drugs. We believe that this is an appropriate level because it is an investment that will support future growth.

In addition, although we stated last year that the amount of investment would be JPY40 billion, we will eliminate unnecessary expense, and negotiate to reduce what can be reduced, and we now expect it to be JPY32 billion over the five years.

主な財務指標

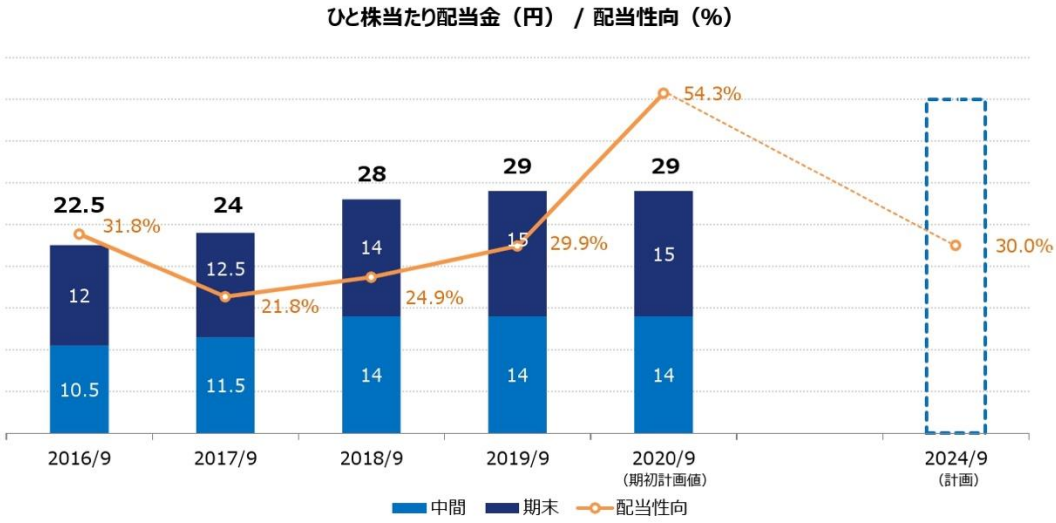


This is a financial indicator. For the fiscal year ending September 2029, we plan to achieve ROE and ROA of more than 10%. We are currently aiming to increase ROE from 4% to 8% and ROA from 4.4 to 6%.

We also expect an investment of around JPY32 billion by the fiscal year ending September 2024, but taking into account the current fund procurement cost, in principle, we intend to deal with it by borrowing. As a consequence, we expect a net interest-bearing load of around JPY20 billion at the end of the fiscal year ending September 2024. We believe that this is within a sound scope because the capital ratio on the assumed balance sheet at that time is approximately 50% or more and the cash flow is within twice that of EBITDA.

株主還元方針

当社らしい価値を提供するための投資を行いながら、
安定配当を軸に配当性向30%を目指す。



- 2018年7月1日付けで普通株式1株につき2株の割合で株式分割を行っております。
  そのため、2018年9月期中間配当以前は、当該株式分割が行われたと仮定して、1株当たり配当金を算出して おります。
- 2020/9の配当性向は期初計画値となります。

35

Regarding shareholder returns, as we announced at the beginning of the fiscal year, we plan to pay an annual dividend of JPY29 per share, the same as in the previous fiscal year. From the next fiscal year onward, we intend to continue management based on the dividend payout ratio of 30% stated here.

This is the last slide showing the internal logo for achieving the current Mid-Term Business Plan. The size of the Company has grown considerably larger than it used to be. In addition, the speed of the world has become overwhelmingly faster, and the impact of the recent COVID-19 will change the way we work. Therefore, we intend to develop our strong points further and improve our weak points, and achieve our plan for the fiscal year ending September 2024.

We will now finish the explanation. Thank you for your attention.

Moderator : President Mr. Iwai, Mr. Sato, thank you for your explanation.

Question & Answer

Moderator : Let me move on to the question-and-answer session. We have received many questions. This is the first question. Please tell us about the impact of the spread of COVID-19.

Sato: I would like to answer. In terms of the impact of COVID-19, I think there are two stories, about the period of the Mid-Term Business plan, and a short-term story, so I will first talk about the first one.

In the sense of the plan for the next five years, the specific impact has not been taken into account at present, but, as a matter of course, we would like to make sure that we work hard in the Mid-Term period, including the ideal way of providing information and of business development activities, and the improvement of efficiency taking into account the post-COVID-19.

In the short term, we are considering the impact in four major categories. The first was the information provision activities in the self-prohibition of MR visit activities. As Mr. Iwai explained in the strategy in the Mid-Term Business Plan earlier, we are moving forward with the use of electronic and online system, in order to establish a new information provision system including digitization.

The second issue is the refraining from medical examination. First, regarding the treatment of fertility, the academic society issued a statement in April that it was desirable to consider postponing treatment, and there was a declining trend. A new statement was issued on May 18. We will take into account the impact of these factors on us in assessing the progress of the situation.

In areas other than fertility treatment, contrast media and other products have currently been affected in some areas. Although the impact is currently appearing as a whole, the trends are quite different for each medical institution, so we will continue to consider the impact of these trends in the future.

Third, from the perspective of ensuring stable supply, we will closely monitor the disruption of the supply chain for imported pharma ingredients and changes in the supply balance in the global market. At the present time, we have secured inventories that will not hinder stable supply. However, there is uncertainty about what will happen in the future, and we will take appropriate measures to deal with these uncertainties.

The Company will respond in accordance with the drug supply adjustment scheme formulated by the Federation of Pharmaceutical Manufacturers' Associations of Japan and the Ministry of Health, Labor and Welfare.

The fourth is clinical trials. There are reports and releases about the impact on clinical trials for new drug development in the industry, but at this point in time we are not experiencing any difficulties.

We have established an information liaison committee, as we have released it, and we are confirming the status, as we anticipate other impacts. We intend to promptly discuss and decide on countermeasures. Briefly, that’s all.

Moderator : Thank you very much. Now, let me introduce the next question. At the financial results briefing in November 2019, you explained that the strategic investment was JPY40 billion, but what is the reason for this reduction to JPY32 billion?

Iwai: I would like to explain. There are several reasons, but the most significant background of the reduction was the reduction in agreement fees related to the acquisition of intangible assets. At the stage I explained last year, we estimated quite a lot of the introduction license fees for the introduction from overseas, mainly

biosimilars. We negotiated for about six months after that, and we were able to reduce this license fee. The most significant effect is the reduction of this portion, for the acquisition of intangible assets as I mentioned. This is all.

Moderator : Thank you very much. Let me move on to the next question. Regarding the financial results, there are some cases in which the diagnosis of COVID-19 involves CT in addition to PCR, but is the demand for contrast agents changing?

Sato: I will answer. The second major factor behind the overall impact of COVID-19, as we mentioned earlier in connection with the refraining from medical examination, contrast agents are currently having an impact, but we are carefully watching by business partners whether this impact will continue.

Moderator : Thank you very much. We continue to ask questions about the financial results. The impact of COVID-19 is expected to lead to a greater penetration of online medical services than ever before. What do you think about this? Also, please tell us about the impact on your Company's business.

Iwai: I would like to answer on the financial results for the current fiscal year, and then on a medium-term basis. Basically, there are both arguments for and against online medical care, and we are not in a position to strongly express our opinion, but it is probably a matter of course to shift to online medical care as a trend. Against this backdrop, we believe that our business will continue to grow in line with this trend.

Of course it depends on the system. For example, in the field of women's healthcare, there is a question about what is the parameter, but the percentage of targeted age women receiving health examinations at women's clinics is only about 20% at this time. This online system will work positively for us if the rate of health examinations increases as women become more concerned about their own health.

However, as we are a pharmaceutical company, we would like to respond to changes in the environment by doing our utmost to provide solid information to doctors and pharmacists. I think this is positive.

Moderator : Thank you very much. This is a question about the Mid-Term Business Plan. Regarding the numerical targets in the Mid-Term Business Plan on page 33, which is given the highest priority among sales, operating profit, and operating profit margin?

Iwai: I'll answer. This is essentially everything. First, we believe that the operating income and the operating income margin are closely related. Once again, in the decade, we are working hard to prepare for achieving the 100 billion figures for September 2029. This means that we must increase the current figures, while preparing for the new drug in the second five years.

In that sense, for the question of which to extend, it may not be the one on one answer because it is a somewhat mixed period, but we intend to appropriately accomplish it by placing priority on all three indicators.

Moderator : Thank you very much. Regarding the same person's questions, which do you also focus on, sales or operating profit margin in the Vision for 2030 on page five of the slide, in relation to your thoughts?

Iwai: Similarly, the answer is both. At the moment, the target of the Mid-Term Plan itself is JPY50 billion and JPY5 billion, and assuming JPY100 billion and JPY20 billion, the simple calculation in the second five years indicates that the operating margin of 30% of JPY50 billion must be achieved. The big driver for achieving this goal is the new pharmaceuticals released in the second five years, the new pharmaceuticals that we are currently expecting, plus something extra, we will release new products, and the initiatives for biosimilars.

Therefore, we will place a strong emphasis on profit margins in the sense that we will steadily launch products with high operating profit margins in the second half. However, with regard to sales of JPY100 billion, JPY30, totaling JPY15 billion for the growing products for women and JPY15 billion for biosimilars, is considered to be extremely important for us, and we will work to achieve both of these.

Moderator : Thank you very much. We sincerely apologize for not being able to answer all of the many questions you have asked. It's time. For questions after the briefing, please contact the Corporate Planning Department stated in the briefing materials. The question-and-answer session will now be completed.

In conclusion, President Mr. Iwai would like to say a few words.

Iwai: Thank you very much for taking time out of your busy schedules today to attend the web-based briefing session. We will make a Company-wide effort toward achieving the goals of the Mid-Term Business Plan for the fiscal year ending September 2024. We would like to take this opportunity to ask for your continued support.

Moderator : We will finish Fuji Pharma Co., Ltd.'s Q2 Results Briefing for the Fiscal Year Ending September 2020. Thank you very much to everyone who participated to the end.

[END]

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Document Notes

1. *Portions of the document where the audio is unclear are marked as follows: [Inaudible].*
2. *This document has been translated by SCRIPTS Asia.*

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