FY2018 1Q Consolidated Financial Overview (IFRS based)

CHUGAI PHARMACEUTICAL CO., LTD.
Executive Vice President and CFO
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April 24, 2018

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Forward-Looking Statements

This presentation may include forward-looking statements pertaining to the business and prospects of Chugai Pharmaceutical Co., Ltd. (the "Company"). These statements reflect the Company's current analysis of existing information and trends. Actual results may differ from expectations based on risks and uncertainties that may affect the Company's businesses.

Note: Amounts shown in this report are rounded to the nearest 0.1 billion yen
Variance and % are calculated based on the amounts shown.

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1Q Results Summary

■ **Revenues: 147.4 billion yen (+21.9, +17.5% YoY)**

- Domestic sales excl. Tamiflu: slight overall decrease despite continuous sales growth of mainstay products (-0.6, -0.7%)
- Overseas sales: growth of Actemra export to Roche, etc. (+6.3, +24.6%)
- Royalties and other operating income: one-time income from transfer of long-listed products on HIP list, etc. (+15.4, +211.0%)

■ **Cost of sales / Operating expenses (Core basis)**

- Cost of sales: the ratio to sales improved due to FX impact, etc. (-0.7% points, from 51.6% to 50.9%)
- Operating expenses: overall increase mainly due to the increase of research and development expenses (-3.2, +8.4%)

■ **Profits**

- IFRS results: operating profit 38.4 billion yen (+12.1, +46.0%)
  net income 28.2 billion yen (+9.5, +50.8%)
- Core results: operating profit 42.8 billion yen (+16.1, +60.3%)
  net income 31.2 billion yen (+12.3, +65.1%)
- Core EPS (JPY): 56.52 (+22.30, +65.2%)

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IFRS and Core Results Jan-Mar

(Billion JPY)	IFRS results 2018 Jan. - Mar.	Non-core items Intangible assets	Non-core items Others	Core results 2018 Jan. - Mar.
Revenues	**147.4**			**147.4**
Sales	124.7			124.7
Royalties and other operating income	22.7			22.7
Cost of sales	-63.8	+0.3		-63.5
Gross profit	**83.6**	**+0.3**		**83.9**
Operating expenses	**-45.2**	**+4.1**		**-41.1**
Marketing and distribution	-15.9			-15.9
Research and development	-25.1	+4.1		-20.9
General and administration	-4.3			-4.3
Operating profit	**38.4**	**+4.4**		**42.8**
Financing costs	-0.0			-0.0
Other financial income (expense)	-0.1			-0.1
Other expense	-0.6			-0.6
Profit before taxes	**37.7**	**+4.4**		**42.1**
Income taxes	-9.5	-1.4		-10.9
Net income	**28.2**	**+3.1**		**31.2**
Chugai shareholders	27.9	+3.1		31.0
Non-controlling interests	0.3			0.3

(Billions of JPY)

Non-Core items

Intangible assets:
- Amortization of intangible assets +0.4
- Impairment +4.1

Others:
- none

Core net income attributable to Chugai shareholders 31.0

(Millions of shares)

Weighted average number of shares and equity securities in issue used to calculate diluted earnings per share 548

(JPY)

Core EPS 56.52

Year on Year (Core)

Financial Overview Jan - Mar

(Billions of JPY)	2017 Jan - Mar	vs. Revenues	2018 Jan - Mar	vs. Revenues	Growth	
Revenues	**125.5**		**147.4**		**+21.9**	**+17.5%**
Sales	118.1		124.7		+6.6	+5.6%
excl. Tamiflu	110.8		116.3		+5.5	+5.0%
Domestic	85.1		84.5		-0.6	-0.7%
Export to Roche	21.3		27.4		+6.1	+28.6%
Other overseas	4.3		4.5		+0.2	+4.7%
Tamiflu	7.4		8.4		+1.0	+13.5%
Ordinary	6.1		8.3		+2.2	+36.1%
Govt. stockpiles, etc.	1.3		0.1		-1.2	-92.3%
Royalties and other operating income	7.3		22.7		+15.4	+211.0%
Cost of sales	-60.9	48.5%	-63.5	43.1%	-2.6	+4.3%
Gross profit	**64.6**	**51.5%**	**83.9**	**56.9%**	**+19.3**	**+29.9%**
Operating expenses	-37.9	30.2%	-41.1	27.9%	-3.2	+8.4%
Operating profit	**26.7**	**21.3%**	**42.8**	**29.0%**	**+16.1**	**+60.3%**
Financing costs	-0.0		-0.0		0.0	0.0%
Other financial income (expense)	-0.3		-0.1		+0.2	-66.7%
Other Expenses	-1.1		-0.6		+0.5	-45.5%
Income taxes	-6.3		-10.9		-4.6	+73.0%
Net income	**18.9**	**15.1%**	**31.2**	**21.2%**	**+12.3**	**+65.1%**
EPS (JPY)	34.22		56.52		+22.30	+65.2%

(Billions of JPY)

Royalties and other operating income	+15.4
one-time income from transfer of long-listed products on HIP list, etc.	
Other financial income (expense)	+0.2
Exchange gains/losses	+0.2
Gains/Losses on derivatives (Gains/Losses on foreign exchange forward contracts)	-0.0
Other Expenses	+0.5
Settlement for transfer pricing taxation	

Cost of sales ratio vs. Sales

2017 Jan – Mar	2018 Jan – Mar
51.6%	50.9%

Market average exchange rate (JPY)

	2017 Jan – Mar	2018 Jan - Mar
1 CHF	113.21	114.33
1 EUR	121.09	133.17
1 USD	113.69	108.40
1 SGD	80.25	82.16

Year on Year

Sales (excl. Tamiflu) Jan - Mar

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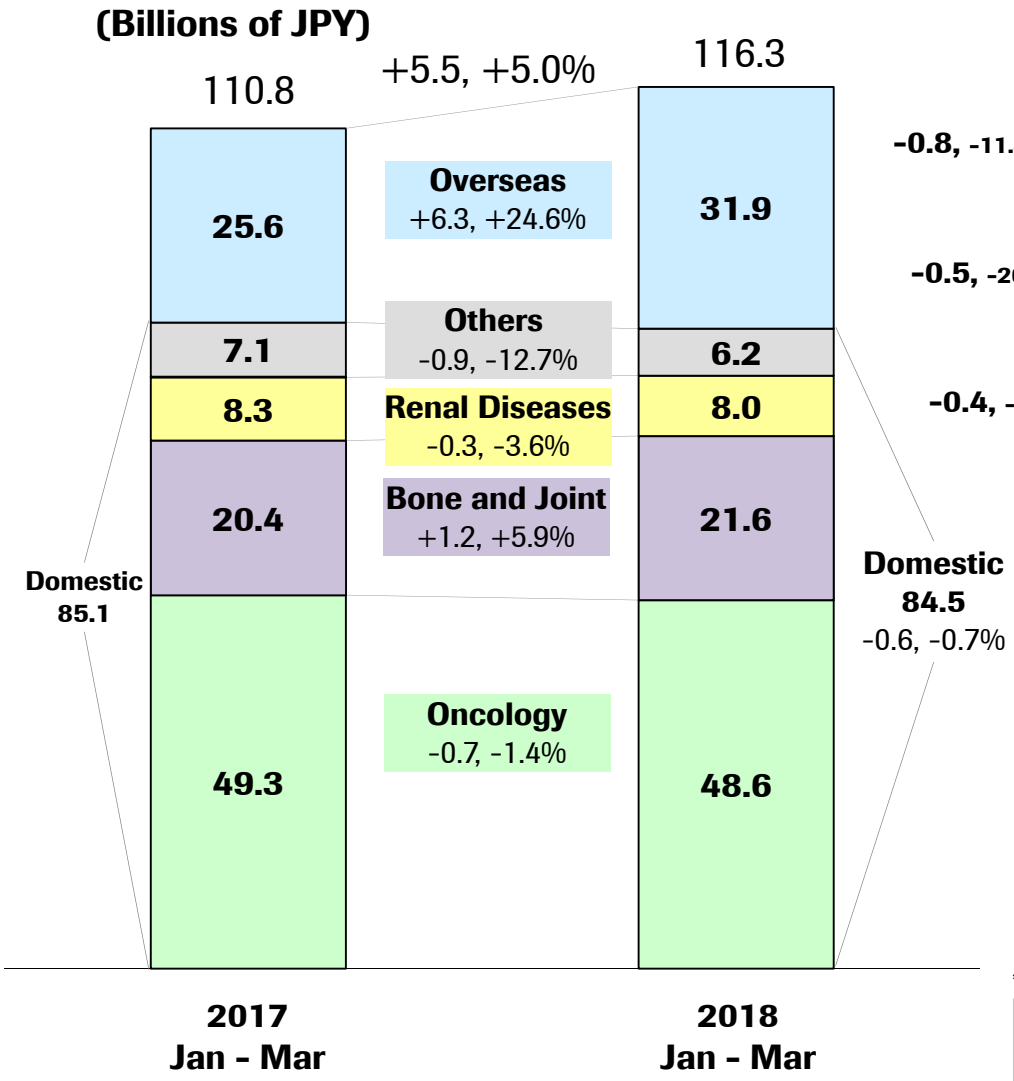
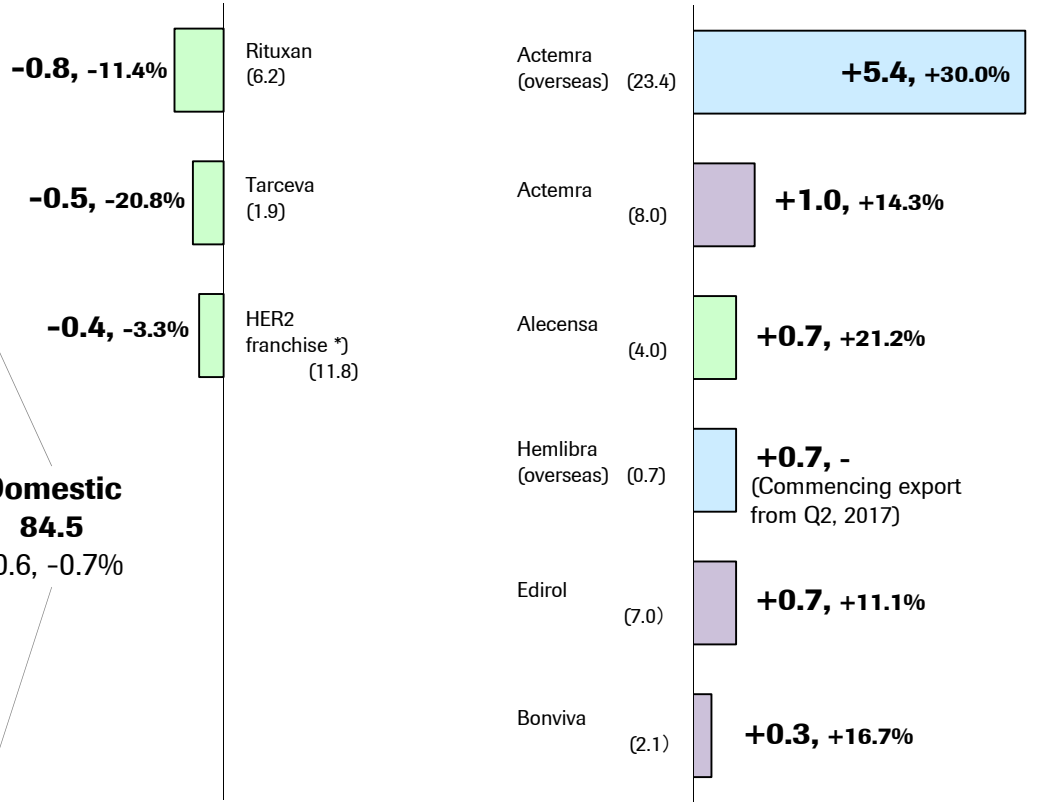
Sales by Disease Area, Year on Year Comparisons



Sales by Products, Year on Year Changes



*) Details of HER2 franchise

Herceptin (6.8)	-0.7,	-9.3%
Perjeta (3.2)	+0.3,	+10.3%
Kadcyla (1.8)	0.0,	0.0%

( ): Actual sales in FY2018
%: Year-on-year percentage change

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Tamiflu Sales Trends

(Billions of JPY)	Fiscal Term Sales											
	FY2013		FY2014		FY2015		FY2016		FY2017		FY2018	
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Mar	
Ordinary	8.2											
		1.9	7.0									
				5.8	6.7							
						1.5	7.3					
								4.7	6.3			
										5.6	8.3	
	10.1	**(-0.1)**	**12.9**	**(+2.8)**	**8.2**	**(-4.7)**	**12.0**	**(+3.8)**	**11.9**	**(-0.1)**	**8.3**	**(+2.2)**
Govt. Stockpiles etc.	0.8	0.1	0.1	0.1	0.0	0.0	0.0	1.5	1.9	3.1	0.1	
	0.9	**(-1.0)**	**0.2**	**(-0.7)**	**0.0**	**(-0.2)**	**1.5**	**(+1.5)**	**5.0**	**(+3.5)**	**0.1**	**(-1.2)**
Total	**9.0**	**2.0**	**7.1**	**5.9**	**6.7**	**1.5**	**7.3**	**6.2**	**8.2**	**8.7**	**8.4**	
	11.0	**(-1.0)**	**13.0**	**(+2.0)**	**8.2**	**(-4.8)**	**13.5**	**(+5.3)**	**16.9**	**(+3.4)**	**8.4**	**(+1.0)**

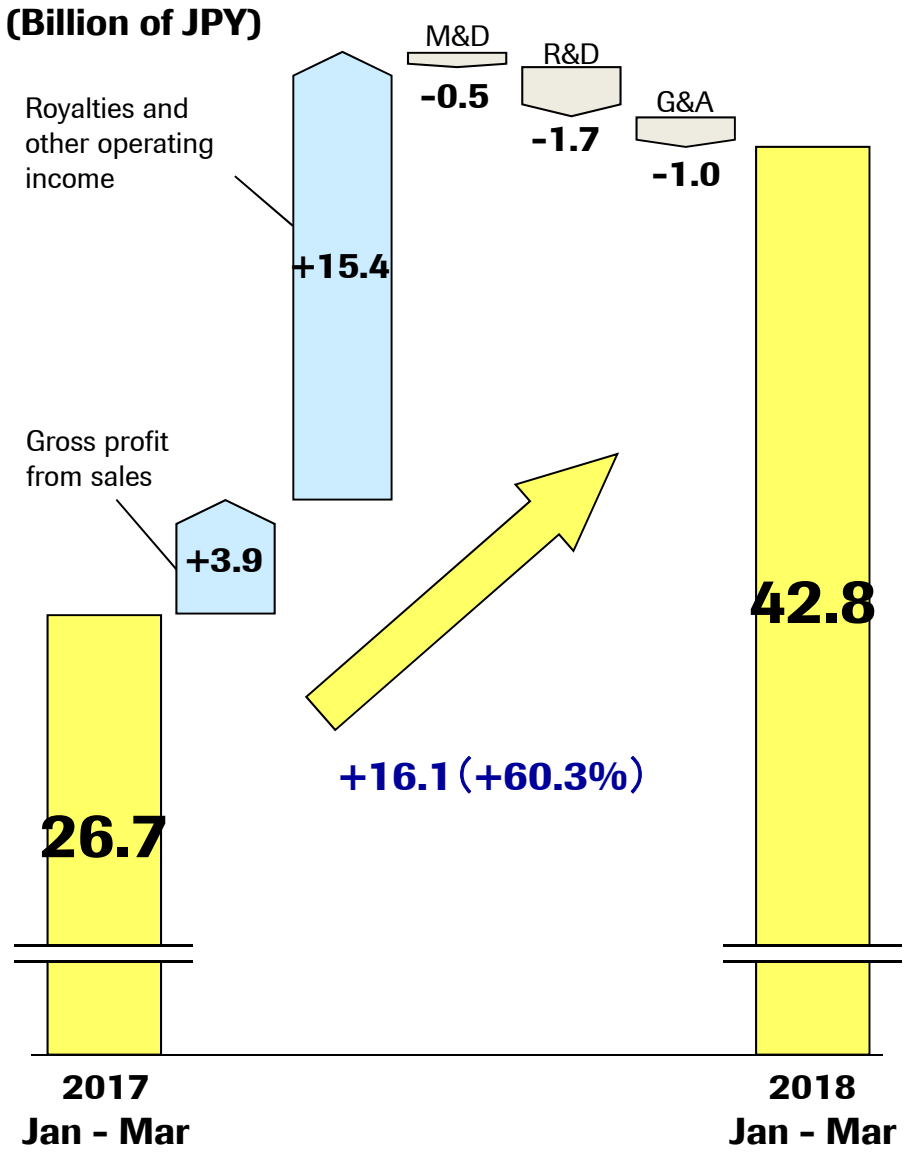
( ) Year on year

Season (from the second half of FY to the first half of the next FY)	
2012	**10.6**
2013	**9.0**
2014	**12.6**
2015	**8.7**
2016	**11.0**
2017 *	**13.9**

* from Jul. 2017 to Mar. 2018

Year on Year (Core)

Operating Profit Jan - Mar



(Billions of JPY)	2017 Jan - Mar	2018 Jan - Mar	Growth
Revenues	**125.5**	**147.4**	**+21.9**
Cost of sales	-60.9	-63.5	-2.6
Gross profit	64.6	83.9	+19.3
of which Sales	57.3	61.2	+3.9
Royalties, etc.	7.3	22.7	+15.4
Marketing and distribution	-15.4	-15.9	-0.5
Research and development	-19.2	-20.9	-1.7
General and administration	-3.3	-4.3	-1.0
Operating profit	**26.7**	**42.8**	**+16.1**

Increase in gross profit from sales +3.9
Increase in export to Roche and improvement of cost of sales ratio to sales due to FX impact, etc.

Increase in royalties and other operating income +15.4

Increase in marketing and distribution expenses -0.5
FX impact, etc.

Increase in research and development expenses -1.7
Progress of projects, etc.

Increase in general and administration expenses, etc. -1.0
Increase in various expenses, including corporate enterprise tax (pro forma standard taxation)

vs. Forecast (Core)

Financial Progress Jan - Mar

(Billions of JPY)	Actual	Forecast on Feb. 1		2017
	2018 Jan - Mar	2018 Jan - Dec	Progress	Progress *
Revenues	**147.4**	**541.5**	**27.2%**	**23.5%**
Sales	124.7	498.5	25.0%	23.7%
excl. Tamiflu	116.3	492.9	23.6%	23.0%
Domestic	84.5	374.8	22.5%	21.9%
Export to Roche	27.4	99.6	27.5%	27.9%
Other overseas	4.5	18.5	24.3%	24.3%
Tamiflu	8.4	5.6	150.0%	43.8%
Royalties and other operating income	22.7	43.0	52.8%	20.9%
Cost of sales	-63.5	-252.0	25.2%	24.1%
Gross profit	**83.9**	**289.5**	**29.0%**	**23.0%**
Operating expenses	-41.1	-181.5	22.6%	21.3%
Operating profit	**42.8**	**108.0**	**39.6%**	**25.9%**
EPS (JPY)	56.52	147.00	38.4%	24.7%

* Jan – Mar progress versus Jan – Dec

Cost of sales ratio vs. Sales

2018 Jan – Mar Actual	2018 Jan – Dec Forecast
50.9%	50.6%

Exchange rate (JPY)

	2018 Jan – Mar Actual*	2018 Jan – Dec Assumption
1CHF	114.33	115.00
1EUR	133.17	133.00
1USD	108.40	111.00
1SGD	82.16	84.00

* Market average exchange rate for the period of Jan – Mar.

vs. Forecast (Core)

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Sales Progress (excl. Tamiflu) Jan – Mar

(Billions of JPY)	Actual 2018 Jan - Mar	Forecast 2018 Jan - Dec	Forecast Progress	2017 Progress *1
Sales excl. Tamiflu	**116.3**	**492.9**	**23.6%**	**23.0%**
Domestic	**84.5**	**374.8**	**22.5%**	**21.9%**
Oncology	**48.6**	**217.6**	**22.3%**	**21.8%**
Avastin	21.0	92.0	22.8%	22.0%
HER2 Franchise	11.8	49.5	23.8%	22.1%
Herceptin	6.8	26.6	25.6%	22.3%
Perjeta	3.2	14.6	21.9%	21.3%
Kadcyla	1.8	8.3	21.7%	22.5%
Rituxan	6.2	23.4	26.5%	21.0%
Alecensa	4.0	22.7	17.6%	19.8%
Xeloda	2.8	12.6	22.2%	23.0%
Tarceva	1.9	9.8	19.4%	22.9%
Tecentriq *2	-	3.1	-	-
Alaglio	0.1	0.7	14.3%	-
Zelboraf	0.0	0.1	0.0%	0.0%
Bone and Joint	**21.6**	**97.1**	**22.2%**	**21.9%**
Actemra	8.0	35.2	22.7%	21.1%
Edirol	7.0	31.7	22.1%	21.3%
Bonviva	2.1	9.9	21.2%	20.7%
Suvenyl	1.7	8.3	20.5%	21.6%

(Billions of JPY)	Actual 2018 Jan - Mar	Forecast 2018 Jan - Dec	Forecast Progress	2017 Progress *1
Renal	**8.0**	**35.3**	**22.7%**	**21.1%**
Mircera	4.9	23.5	20.9%	20.5%
Oxarol	1.7	5.8	29.3%	20.7%
Others	**6.2**	**24.8**	**25.0%**	**23.7%**
CellCept	2.0	8.5	23.5%	21.3%
Overseas	**31.9**	**118.1**	**27.0%**	**27.2%**
Actemra	23.4	73.0	32.1%	29.6%
Export to Roche	23.0	71.4	32.2%	29.8%
Alecensa	3.8	26.4	14.4%	25.9%
Export to Roche	3.7	26.3	14.1%	25.9%
Neutrogin	3.0	12.0	25.0%	23.6%
Hemlibra	0.7	2.0	35.0%	-

*1 Jan - Mar progress versus Jan – Dec.
*2 Forecast for Tecentriq has been officially announced on April 24, 2018.

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vs. Forecast (Core)

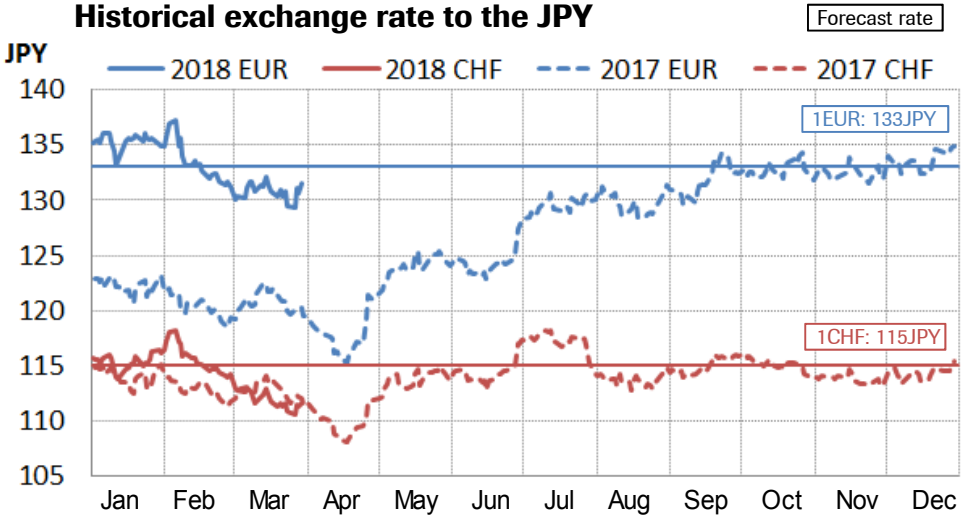
Impact from Foreign Exchange

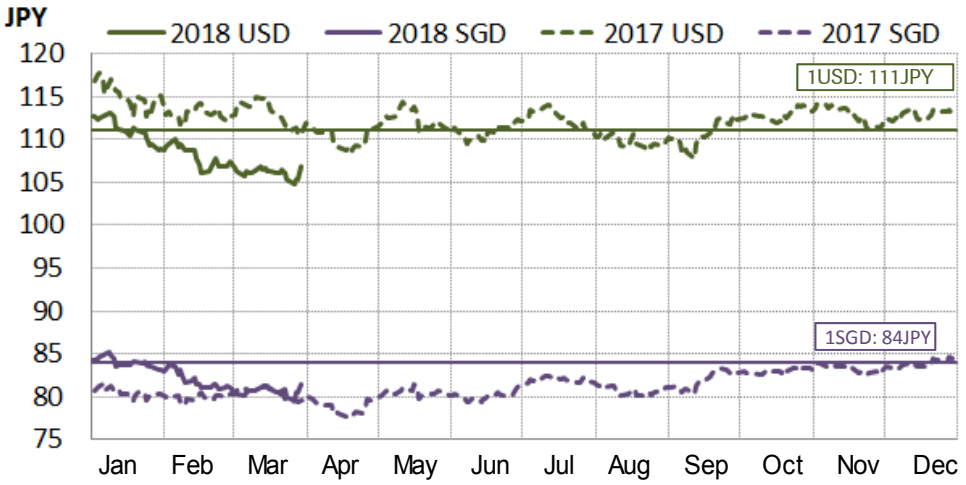
(Billions of JPY)	FX impact Jan – Mar 2018 (FX impact vs. Assumption)	
Revenues	**-0.1**	
	Sales	-0.0
	Royalties and other operating income	-0.0
Cost of sales Operating expenses	Cost of sales	+0.1
	Expenses	+0.0
Operating profit	**-0.0**	

Actual / Forecast rate* (JPY)	2017 Jan - Mar Actual	2018 Jan -Dec Assumption	2018 Jan - Mar Actual
1CHF	113.21	115.00	114.33
1EUR	121.09	133.00	133.17
1USD	113.69	111.00	108.40
1SGD	80.25	84.00	82.16

* Actual: market average exchange rate for the period of Jan - Mar

[Reference]
Historical exchange rate to the JPY





Overview of Development Pipeline

CHUGAI PHARMACEUTICAL CO., LTD.
Department Manager of R&D Portfolio Management Dept., Project & Lifecycle Management Unit
Minoru Hirose

April 24, 2018

Overview of Development Pipeline

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Projects under Development (1) (as of April 24, 2018)

	Phase I	Phase II	Phase III		Filed
Oncology	**CKI27** (Japan / overseas) - solid tumors **RG7604 / taselisib** - solid tumors **GC33 (RG7686) / codrituzumab** - HCC★ **ERY974 (overseas)** - solid tumors **RG7421 / cobimetinib** - solid tumors **RG7802** - solid tumors★ **RG7828** - hematologic tumors★		**RG3502 / Kadcyla** - breast cancer (adjuvant) **RG435 / Avastin** - RCC **RG7440 / ipatasertib** - prostate cancer - breast cancer **RG7596 / polatuzumab vedotin** - DLBCL	**RG7446 / Tecentriq** - NSCLC (adjuvant) - SCLC - urothelial carcinoma - MIUC (adjuvant) - RCC - RCC (adjuvant) - breast cancer - ovarian cancer - prostate cancer - HCC★	**GA101 (RG7159) / obinutuzumab** - follicular lymphoma **RG1273 / Perjeta** - breast cancer (adjuvant) **RG7446 / Tecentriq** - NSCLC (1L) ★
Bone & Joint			**NRD101 / Suvenyl (China)** - knee osteoarthritis /shoulder periarthritis		**ED-71 / Edirol (China)** - osteoporosis★
Renal	**EOS789 (Japan / overseas)** - hyperphosphatemia				

In principle, completion of first dose is regarded as the start of clinical studies in each phase.

HCC: hepatocellular carcinoma
NSCLC: non-small cell lung cancer
SCLC: small cell lung cancer
MIUC: muscle invasive urothelial carcinoma
RCC: renal cell carcinoma
DLBCL: diffuse large B-cell lymphoma

Letters in orange: in-house projects
★: Projects with advances in stages since Feb. 1, 2018
★: Multinational study managed by Chugai

Overview of Development Pipeline

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Projects under Development (2) (as of April 24, 2018)

	Phase I	Phase II	Phase III	Filed
Autoimmune	**RG7845** - rheumatoid arthritis		**MRA / Actemra** - systemic sclerosis **SA237(RG6168) / satralizumab** - neuromyelitis optica★	
Neurology	**RG7935** - Parkinson's disease★	**RG7916** - spinal muscular atrophy	**RG1450 / gantenerumab** - Alzheimer's disease **RG7412 / crenezumab** - Alzheimer's disease **RG6206** - DMD (PII/III)	
Others	**PCO371 (overseas)** - hypoparathyroidism **RG7716** - wAMD / DME **AMY109** - endometriosis★	**CIM331 / nemolizumab*** - pruritus in dialysis patients **URC102 (South Korea)** - gout **SKY59 (RG6107)** - paroxysmal nocturnal hemoglobinuria (PI/II)	**ACE910 (RG6013) / Hemlibra** - hemophilia A (non-inhibitor)	

In principle, completion of first dose is regarded as the start of clinical studies in each phase.
wAMD: wet age-related macular degeneration
DME: diabetic macular edema
DMD: Duchenne muscular dystrophy

* Atopic dermatitis is under development by licensees [Galderma (overseas) and Maruho (Japan)]

Letters in orange: in-house projects
★: Projects with advances in stages since Feb. 1, 2018
★: Multinational study managed by Chugai

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Development Status (1)

In-licensed

RG7446 / Tecentriq®

Unresectable advanced or recurrent NSCLC*
Launched in April 2018
Unresectable advanced or recurrent NSCLC, in combination with other anti-tumor drugs [1st line]
Filed in March 2018
HCC
Started global Phase 3 study in April 2018

* Efficacy and safety of Tecentriq® in chemotherapy-naive patients have not been established.

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Development Status (2)

In-house

ACE910 / Hemlibra®

Routine prophylaxis to prevent or reduce the frequency of bleeding episodes in adult and pediatric patients with hemophilia A with factor VIII inhibitors

- Approved in March 2018 (JP)
- Approved in February 2018 (EU)

Hemophilia A without factor VIII inhibitors

- Breakthrough Therapy Designation granted by US FDA

In-house

ED-71 / Edirol®

Osteoporosis

- Filed in February 2018 (China)

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Development Status (3)

In-licensed

RG7802 (CEA TCB)

Solid tumors

Started Phase 1 study in January 2018

In-licensed

RG7828 (CD20 TDB)

Hematologic tumors

Started Phase 1 study in March 2018

In-licensed

RG7935 (Anti-α-synuclein antibody)

Parkinson's disease

Started Phase 1 study in February 2018

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Development Status (4)

In-house

AMY109
Endometriosis
Started Phase 1 study in February 2018

In-licensed

RG3637 / lebrikizumab
Idiopathic pulmonary fibrosis
Development discontinued

FMI business

Activities towards commercialization of Foundation Medicine's products in Japan
Entered into a sub-license agreement with Roche for exclusive commercialization rights in Japan
"FoundationOne CDx™" filed in March 2018

Results of Clinical Trials / Conference (1)

In-licensed

RG7446 / Tecentriq®

NSCLC 1st line: global Phase 3 study (IMpower150)

- One of the primary endpoints, overall survival (OS) was achieved in March 2018
  - ➢ Statistically significant improvement in OS with the addition of Tecentriq® versus Avastin® + chemotherapy was demonstrated

- Detailed data regarding progression-free survival (PFS) was presented in April 2018
  - ➢ Results of sub-group analysis for PFS with the addition of Tecentriq® versus Avastin® + chemotherapy was presented at the American Association for Cancer Research (AACR) congress

Results of Clinical Trials / Conference (2)

In-licensed

RG7446 / Tecentriq®

NSCLC 1st line: global Phase 3 study (IMpower131)

- One of the primary endpoints, PFS was achieved in March 2018
  - ➢ Statistically significant improvement in PFS with the addition of Tecentriq® versus chemotherapy was demonstrated

RCC 1st line: global Phase 3 study (IMmotion151)

- Detailed data was presented in February 2018
  - ➢ Tecentriq® + Avastin® reduced the risk of disease progression or death by 26% compared to sunitinib (PD-L1 expression ≥ 1%, Investigator's assessment)

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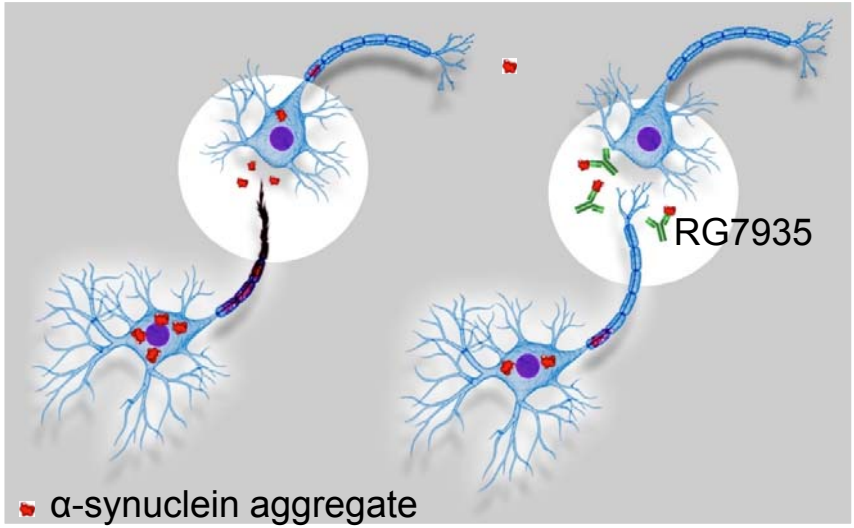
RG7935(anti-α-synuclein antibody) and its Mode of Action



Source: Prothena document

- Parkinson's disease is a progressive neurodegenerative disorder with a wide spectrum of progressive motor and non-motor symptoms.
- Aggregated pathogenic forms of α-synuclein can be transferred from cell to cell, resulting in spreading neuronal death in the brain of patients.
- RG7935 is a monoclonal IgG1 specifically targeting to aggregated α-synuclein.
- RG7935 is hoped to bind and clear α-synuclein aggregates, protect neurons and delay/stop the disease progression.

Reference:
Chan DKY, et al. Transl Neurodegener. 2017
Schenk DB, et al. Mov Disord. 2017

すべての革新は患者さんのために
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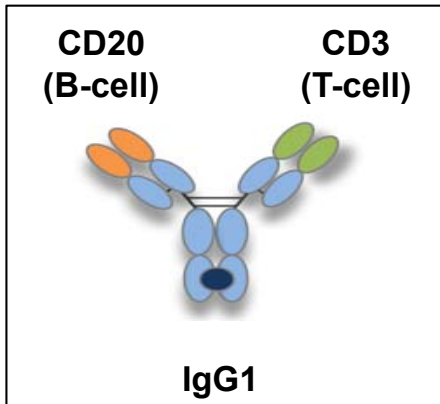
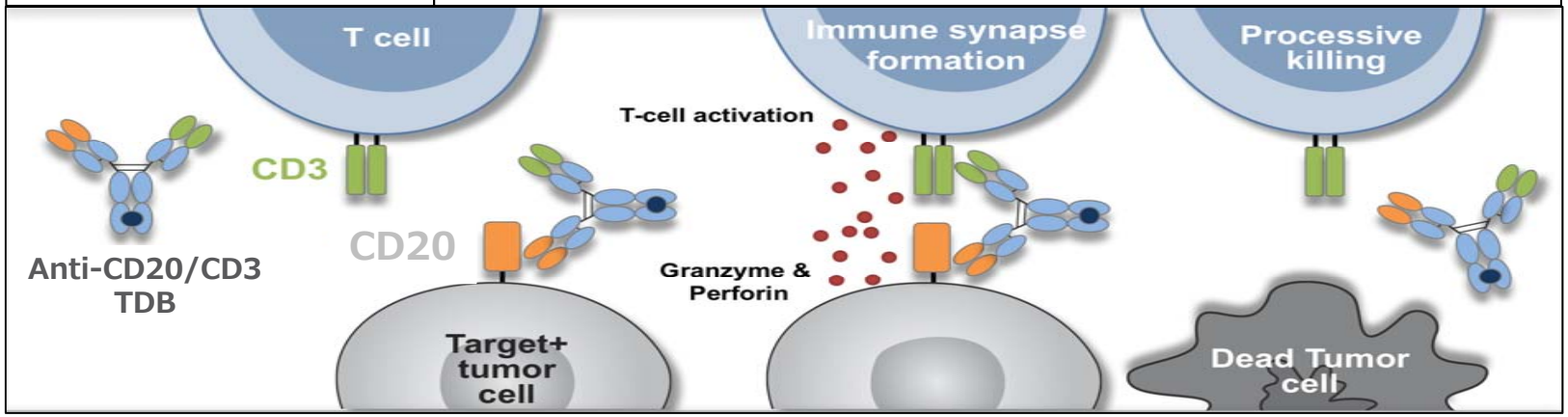
RG7828 (CD20 TDB) and its Mode of Action

Anti-CD20/CD3 T-cell Dependent Bispecific (TDB) antibody
Highly potent and selective targeted B-cell killing by T-cells



- **αCD3 arm recruits T-cells to B-cells**
  - Conditional agonist: T-cell activation requires CD20 target engagement
  - Pre-treatment immune response to tumor not a pre-requisite
  - Active against indolent (non-dividing) and chemo-resistant cells
- **Produced using 'knobs in holes' technology**
  - Full length bi-specific, PK similar to conventional IgG1
  - Fc region engineered eliminates ADCC function => MOA distinct from rituximab and obinutuzumab



Source: Roche document

Overview of Development Pipeline

Innovation all for the patients

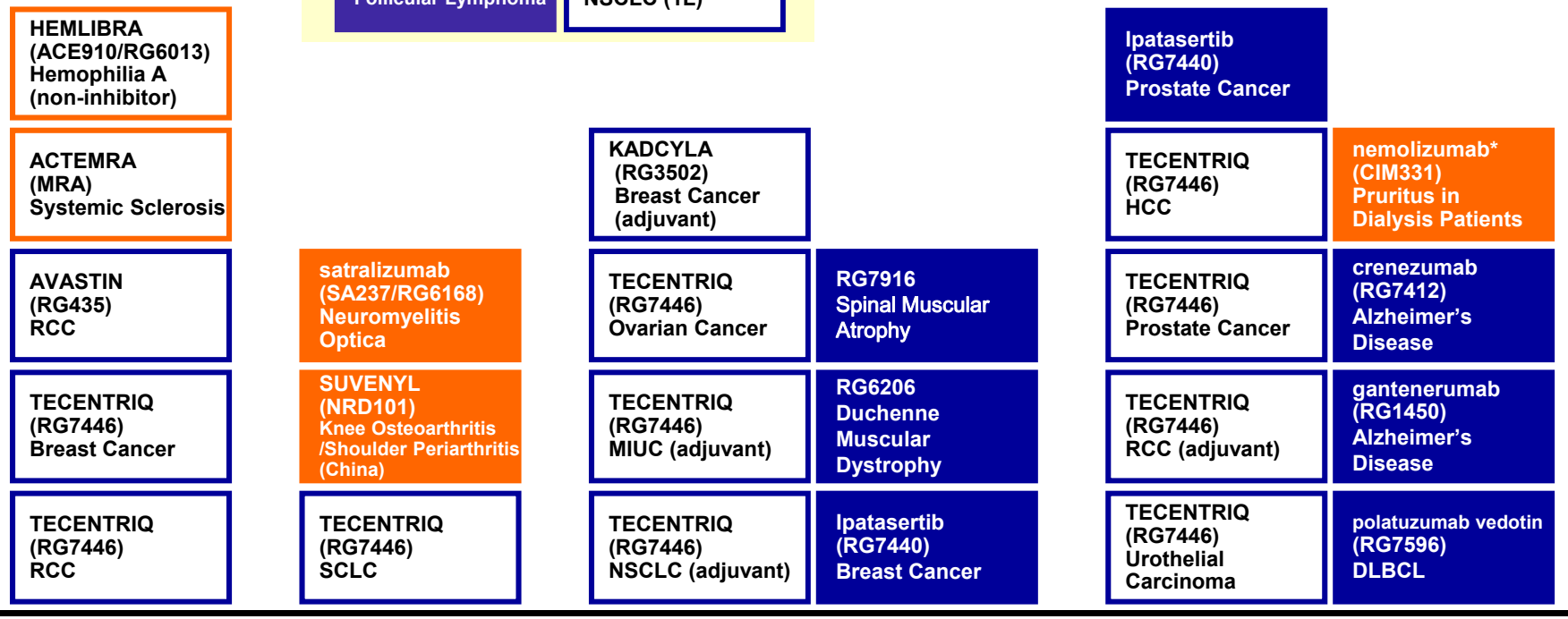
CHUGAI

Roche A member of the Roche group

Projected Submissions (Post PoC NMEs and Products)

	NME	line extension
in-house	■	□
in-licensed	■	□

NSCLC: non-small cell lung cancer
RCC: renal cell carcinoma
SCLC: small cell lung cancer
MIUC: muscle invasive urothelial carcinoma
HCC: hepatocellular carcinoma
DLBCL: diffuse large B-cell lymphoma



*Atopic dermatitis is under development by licensees [Galderma (overseas) and Maruho (Japan)]

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