

**[For Investors]**

# **Summary of the Chugai CEO Meeting**

**(September 6, 2019)**

- Although this presentation includes information regarding pharmaceuticals (including products under development), the information is not intended as any advertisement and/or medical advice.
- The CEO meeting was held on August 30 and September 3, 2019, with a total of 37 invited institutional investors and securities analysts. This document summarizes the explanation provided by Chugai.

Innovation all for the patients



**CHUGAI PHARMACEUTICAL CO., LTD.**

 A member of the Roche group

## **Mid-Term Business Plan IBI 21**

- Results for this year have been good so far, but the biggest risks in achieving the IBI 21 targets by 2021 are in the domestic market. We see three risks: biosimilars, generic drugs and price revisions.
  - Products affected by biosimilars: Rituxan, Herceptin, Avastin
  - Products affected by generic drugs: Xeloda, Edirof (next year and beyond)
  - Price revisions: In addition to regular price revisions, we are assuming the loss of premium price status for new and innovative drug creation with the market entry of biosimilars, and market-expansion re-pricing for products with growing sales.
- Although we face headwinds in the domestic market, we think the overseas expansion of growth drivers such as Hemlibra and Alecensa will more than make up for that. We are not considering revising the quantitative outlook in IBI 21 at this point given the difficulty of ascertaining the impact of biosimilars on our sales in Japan, but we will continue monitoring the sales trends closely.

## **Drug Discovery Modalities**

- There is still further potential in therapeutic antibodies, and we believe we can create breakthrough drugs by applying new antibody engineering technologies. The identification of targets is proceeding in cooperation with IFRc, and together with CPR, our subsidiary in Singapore, we are working to create therapeutic antibodies that apply new antibody engineering technologies.
- We are also working on development of new antibody engineering technologies within the company as a priority focus. We have established a number of new antibody engineering technologies besides those already announced, and we intend to talk about them once Proof of Concept of the technology has been confirmed to some extent.
- As disclosed in the Japan Pharmaceutical Information Center database, development of the next generation Hemlibra is under way. We plan to disclose details in the upcoming announcement of third-quarter financial results.
- For middle molecules, there is no change to our policy of pursuing tough targets that are undruggable with large- and small-molecule drugs. Development is advancing steadily, with the aim of starting clinical trials during IBI 21.

## **Data Science**

- We gain many advantages from being a member of the Roche Group. We will combine the clinical real-world data (RWD) of Flatiron Health with the genomic data of Foundation Medicine (FMI), and ensure that data from both companies are of sufficiently high quality for use in filing for regulatory approval, meaning that in the future it may be possible to eliminate control groups in pivotal clinical trials. Information on the kinds of cancer associated with specific gene mutations may also be useful in drug development.
  - There are already some drugs that have been approved by the FDA based on RWD without control groups. The advantages of this are that patients no longer have the risk of being given a placebo, and regulatory agencies are able to approve effective medicines faster. Pharmaceutical companies can expect shorter development times and lower costs because fewer cases will be necessary in clinical trials, which means effective medicines can be made available to patients sooner. It is truly a win-win for all stakeholders. We hope to contribute in this area, too.
  - Combining Flatiron's high-quality clinical data with the genomic data based on next-generation sequencer from FMI will advance pharmaceutical development and make the identification of new targets possible. These data are a storehouse of information for future drug discovery. This structure is already in place for development in the United States, but deciding how to establish it in Japan will be an issue going forward.

## **Structural Reforms**

- The foundation of our strategy is providing innovative products and services to patients. We are making structural reforms in long-term listed products, logistics functions and other areas outside of our core strategy in order to focus investment of resources in the creation of new drugs. Pharmaceutical companies in Japan are facing an increasingly harsh environment, so while our business performance is good, we want to prepare for the future by making drastic structural reforms, including the introduction of an early retirement incentive program.
- There is no question that digital technology will dramatically transform all pharmaceutical companies. On October 1, Chugai will newly establish the Digital

& IT Supervisory Division to lead our digitalization and IT strategy in an integrated fashion. We have already recruited our first female executive officer from outside the company to serve as the general manager of this division, and will bring together the best talent to execute our digital strategy. We would like to appoint at least two women in total as executive officers during IBI 21.

- In April 2020, we plan to introduce a new personnel system to promote innovation. In short, we will use a pay-for-position approach. We want to change to a corporate culture of clearly defining each position and finding the right person to fit that position, rather than vice versa.

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