

**[For Investors]**  
**Summary of the Chugai CEO Meeting**  
**(September 10, 2020)**

- 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 September 3 and 4, 2020, with a total of 23 invited institutional investors and securities analysts. This document is a summary of the explanations given at the meeting.
- Our speakers for this meeting were as follows.  
Tatsuro Kosaka, Representative Director, Chairman & CEO  
Minoru Watanabe, Vice President, Head of Project & Lifecycle Management Unit

Innovation all for the patients



**CHUGAI PHARMACEUTICAL CO., LTD.**

A member of the Roche group

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

- While we expect sales and profits to increase in the current fiscal year as they did last year, our quantitative target for IBI 21 is around 30% core EPS CAGR, which is considered to be somewhat conservative for two main reasons
  - Firstly, with regard to Hemlibra, our growth driver, the speed of market penetration overseas is difficult to predict. Secondly, although 2021 is the year in which the mid-year revision of the NHI prices will take place, the scope of NHI price revision is unclear, such as whether only products with large price differences between NHI price and wholesaler sales price will be covered or all drugs, including market expansion re-pricing, will be covered by the price revision.
  - On a more detailed note, we believe that the positive/negative factors for the business performance of the next fiscal year and beyond are as follows
    - ◇ Positive factors include the new product, Enspryng, polatuzumab vedotin and risdiplam, both of which have been or will be filed this year, and Kadcyra (breast cancer adjuvant) and Tecentriq (hepatocellular carcinoma) that are expected to increase sales as a result of additional indications
    - ◇ Negative factors include a decrease in sales of Avastin and Herceptin impacted by the drug price reductions mentioned above and biosimilars and Edirof due to generics
    - ◇ Regarding Royalty 2, which is equivalent to the compensation for a difference between the ordinary and initial shipping prices of Hemlibra, whether it will end next year or continue beyond next year depends on the trend of overseas sales by Roche. However, it is assumed that sales revenue and profits will temporarily fluctuate when Royalty 2 ends

## **Drug Discovery Modalities**

- We are proud of our world-leading middle molecule technology, which has been developed in-house for more than a decade, and actively investing management resources in this area as a pillar of drug discovery modalities next to our antibody engineering technologies
  - With middle molecules, we can pursue tough targets such as protein-protein interactions in cells, which could not be targeted by even small molecules or antibodies

- Some of the tough targets are better known and established, and we hope that pursuing such targets with middle molecules will increase the probability of R&D success
- Intellectual property rights are extremely important for new technologies, and our technologies are sufficiently covered by patents
- A clinical trial for one middle molecule project is expected to start next year
- Chugai originated STA551 is a switch antibody created utilizing our proprietary antibody engineering technologies and is being developed as an agonist antibody to CD137, as published recently in a medical journal
- Based on the hypothesis that the concentration of ATP in solid tumor tissues is high, STA551 is postulated to have a mechanism of action in which the antibody specifically binds to CD137 and activates T cells using ATP as a switch molecule to produce an anti-tumor effect
- Several pharmaceutical companies have been developing CD137 as a target, but faced safety issues such as hepatotoxicity
- By overcoming the safety challenges, STA551 is highly expected as an antibody that acts specifically on cancer tissues

### **Digital Transformation (DX)**

- Until now, innovation has been driven by the passion of researchers, science, and technology (drug discovery and production technology), but from now on, we will accelerate innovation by adding "Digital" to these
- Keys to the success of DX are human assets and organization, as well as a clear vision and commitment from top management. In March 2019, the company invited a woman executive from outside the company as the head of the Digital and IT Supervisory Division to lead DX
- Our digital vision with a view to 2030 is to become a top innovator in providing healthcare solutions that revolutionize Chugai's business and change society through digital technologies
- The roadmap for achieving the vision is to firstly establish a robust digital platform. The second is to optimize all value chain, and the third, most importantly, is the AI drug discovery (deep learning). Drug discovery is a process that requires trial and error through experimentation and matches deep learning in this respect. We want to use AI drug discovery to dramatically improve the probability of success and speed of drug discovery
- We expect that DX will lead to the development of other roles and services that complement pharmaceuticals and disease control, such as wearable devices. While

continuing to provide services that contribute to the development of medical care and treatment through DX, we also believe that our core business will remain to be the creation of innovative pharmaceuticals

### **Human Resources**

- Business development is closely related to innovation in everything from drug discovery to early clinical development and is expected to become increasingly important in the medium to long term. Reinforcement of business development for our company and the development of human resources at the global level are required
- In April, we invited a foreign national who formerly held a key position in Roche's partnering division to our Business Development Department. By absorbing a wide range of expertise, we are making steady progress toward global-level business development
- The most important factor in the creation of innovation is human resources. For Chugai to prosper further, it is necessary to consider both women's activities and nationalities from the perspective of diversity, and we will continue to actively invest resources in this area

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