

New Mid-term Business Plan

"IBI 18"

CHUGAI PHARMACEUTICAL CO., LTD.
President, COO
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January 28/29, 2016



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



Review of 2013 – 2015 Mid-term Business Plan “ACCEL 15”

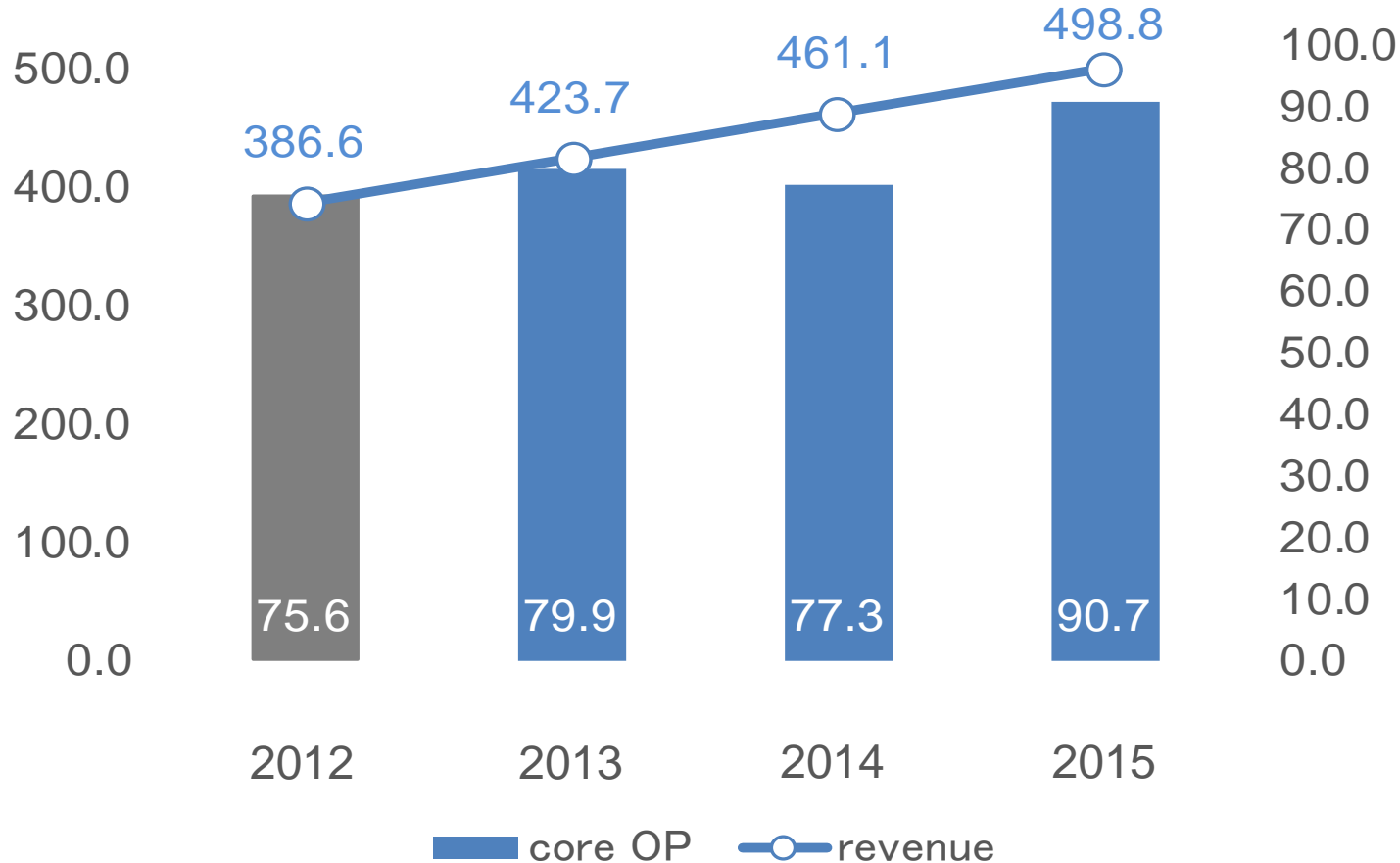
Business Performance during ACCEL 15



A member of the Roche group

Revenue (bn JPY)

Core OP (bn JPY)



2012-15
CAGR

Revenue
+8.9%

core OP
+6.3%

core EPS
+10.8%

core EPS

85.6 JPY

94.7 JPY

95.0 JPY

116.4 JPY



ACCEL 15 Achievements

	Initial Objective	Result	Status
Core EPS CAGR* (2012-15)	Mid to high single-digit growth **	+18.3% **	✓
Core EPS Payout ratio	Approx. in average 50%	5 yr average 50.3%	✓

* CAGR: compound annual growth rate (%)

** Core EPS growth rate: average constant exchange rate for 2012



Achievement of ACCEL 15 Strategic Themes

Status

Increase of marketing productivity

- Achieved above average market growth (Domestic, Actemra overseas)
- Domestic MR sales productivity up more than 22%, reached top-class level



Acceleration of global development

- Alecensa: out-licensed to Roche, approved in US, filed in EU
- ACE910: achieved PoC, out-licensed to Roche, P3 started
- 3 breakthrough therapy designations in US
- Developing 11 original global projects



Continuous generation of innovative projects

- PCO371 & EOS789 (P1 started), URC102 (Enter into P2)
- atezolizumab: in-licensed from Roche, P3 started
- In-licensed 15 new projects domestically and globally
- Pursuing 20 engineered antibody projects at CPR



Further strengthening of management infrastructure

- Established new global development scheme with Roche
- Enhancing global R&D functions with expanded CPR and establishment of TCR Division, strengthening supply system for clinical trial materials
- Strengthening Medical and Drug Safety information functions
- Non-Japanese staff up 49%, Women managers up 35%





Powerful Product Portfolio and Late-stage Development Projects (as of End of 2015)

Annual sales
over 20 bn JPY

New products
(2013-)

PoC – to be launched
(NMEs)

Oncology area

- Avastin (93.8bn)
- Herceptin* (32.7bn)
- Rituxan (29.0bn)

- Perjeta*
- Kadcyla*
- Alecensa*_(Japan)
- Alecensa*_(Overseas)

- GA101
- atezolizumab
- peretinoin

Non- oncology area

- Actemra (90.4bn)
- Mircera (23.8bn) **New**
- Edirol (23.1bn) **New**

- Bonviva
- Actemra SC_(Japan)
- Actemra SC_(overseas)
- tofogliflozin
(out-licensed)

- ACE910
(emicizumab)
- SA237
- CIM331
(nemolizumab)
- gantenerumab
- lebrikizumab

: increase from 2012 **New** : newly ranked during ACCEL 15

- **Blue**: Chugai originated products
- underlined: anti-body products
- asterisk*: PHC products (launched)

Projected Submissions (Post PoC NMEs and Products)



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NME **line extension**

in-house



in-licensed



Filed

**AVASTIN
(RG435)
Cervical Cancer**

**ALECENSA
(AF802/RG7853)
NSCLC [post-crizotinib]
(overseas)**

**ACTEMRA
(MRA)
Giant Cell Arteritis
(overseas)**

**ACTEMRA
(MRA)
Large-vessel Vasculitis**

**atezolizumab
(RG7446)
NSCLC**

**atezolizumab
(RG7446)
Bladder Cancer**

**GA101 / obinutuzumab
(RG7159)
Indolent NHL**

**GA101 / obinutuzumab
(RG7159)
Aggressive NHL**

**PERJETA
(RG1273)
Breast Cancer (adjuvant)**

**Edirol
(ED-71)
Osteoporosis (China)**

**emicizumab
(ACE910/RG6013)
Hemophilia A**

**lebrikizumab
(RG3637)
Asthma**

**ALECENSA
(AF802/RG7853)
NSCLC[1L] (overseas)**

**AVASTIN
(RG435)
Renal Cell Carcinoma**

**KADCYLA
(RG3502)
Breast Cancer (adjuvant)**

**PERJETA
(RG1273)
Gastric Cancer**

**atezolizumab
(RG7446)
Renal Cell Carcinoma**

**atezolizumab
(RG7446)
NSCLC (adjuvant)**

**atezolizumab
(RG7446)
MIBC (adjuvant)**

**ACTEMRA
(MRA)
Systemic Sclerosis**

**nemolizumab
(CIM331)
Atopic Dermatitis**

**nemolizumab
(CIM331)
Pruritus in
Dialysis Patients**

**lebrikizumab
(RG3637)
IPF**

**gantenerumab
(RG1450)
Alzheimer's Disease**

**SA237
Neuromyelitis Optica**

2016

2017

2018-



Business Environment and Vision for Growth



Environment Expected Around the Pharma Industry during the Next Mid-term Plan

【Globally】



Increasing importance of pharmaceutical drugs due to increase of global population and aging societies



Expansion of opportunities to create innovation based on advancements in life sciences and ICT



Further intensified competition among various players in the speed of creating innovation

【Japan】



Pressure to hold down rises in drug costs due to rapid aging and financial difficulties in the social security system



Introduction of additional (huge-seller) re-pricing rule in April 2016



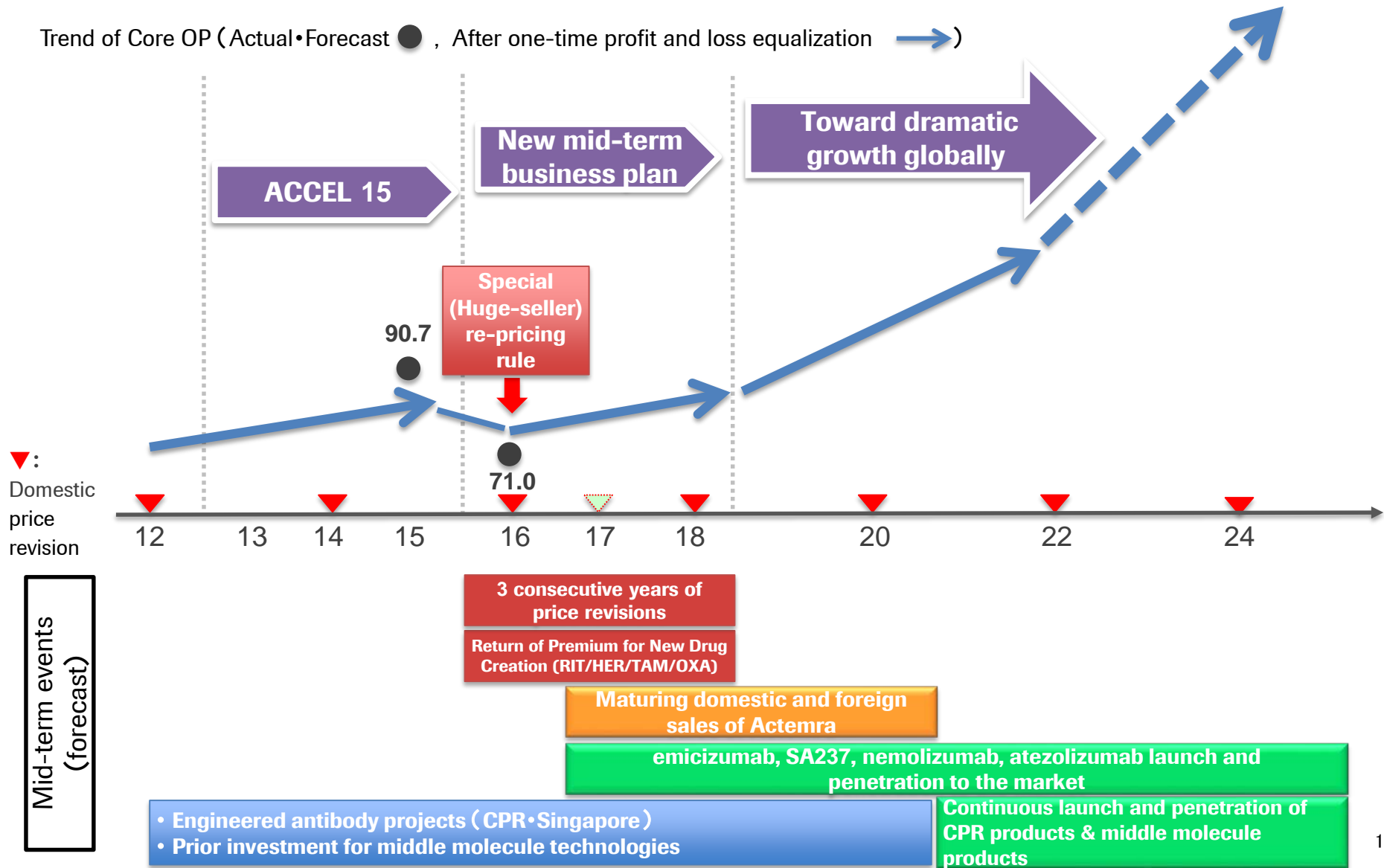
Possibility of NHI price revisions for 3 consecutive years (2016-2018) due to the hike in the consumption tax in 2017

Mid-term Events and Performance Trend



A member of the Roche group

Trend of Core OP (Actual•Forecast ● , After one-time profit and loss equalization →)





Potential of Projects after PoC (Outlook as of End of 2015)

	★ ★ ★	★ ★	★
Chugai original products	<ul style="list-style-type: none"> • <u>emicizumab</u> • <u>nemolizumab</u> 	<ul style="list-style-type: none"> • Alecensa 	<ul style="list-style-type: none"> • <u>SA237</u>
In-licensed products	<ul style="list-style-type: none"> • <u>atezolizumab</u> • <u>GA101</u> • <u>gantenerumab</u> 	<ul style="list-style-type: none"> • <u>lebrikizumab</u> • peretinoin 	

• Underline: Antibody drug

【Peak sales scale】



【Chugai】Global (local) Over 200 billion JPY 【Introduction】Domestic over 20 billion JPY

【Chugai】Global (local) Over 100 billion JPY 【Introduction】Domestic over 10 billion JPY

【Chugai】Global (local) Below 100 billion JPY



Realizing the Goal of "Top Pharmaceutical Company"

Corporate Vision

Company that focuses on first-in-class/best-in-class products and services, and continuously provides new solutions to patients and medical communities around the world.

— Innovation all for patients —

Quantitative Targets (~Late 2010s)

Gain a position among the top 3 major Japanese pharmaceutical companies

- ✓ Domestic share
- ✓ Consolidated operating profit rate
- ✓ Consolidated operating profit per employee
- ✓ Domestic sales per MR

No.1 presence in strategic disease areas

- ✓ Oncology/Renal/Bone & Joint/RA: Sales share, Stakeholder satisfaction
- ✓ Establishment of top brand in hospital market by supporting medical liaison networks between medical professional

Expansion of global presence

- ✓ Raise overseas sales ratio
- ✓ Possession of large global projects
- ✓ Possession of global products in late-stage development
- ✓ Continuous portfolio-in of FIC and BIC in-house projects

Underline : Addition and revision from previous targets



Positioning of New Mid-term Business Plan

- ✓ **Transform Chugai into a globally successful company through our competitive advantage that leverages the Strategic Alliance with Roche and through the realization of the "Top Pharmaceutical Company" goal (late 2010's)**



FY2016-18 New Mid-term Business Plan "IBI 18"



FY2016-2018

Name of New Mid-term Business Plan

IBI 18



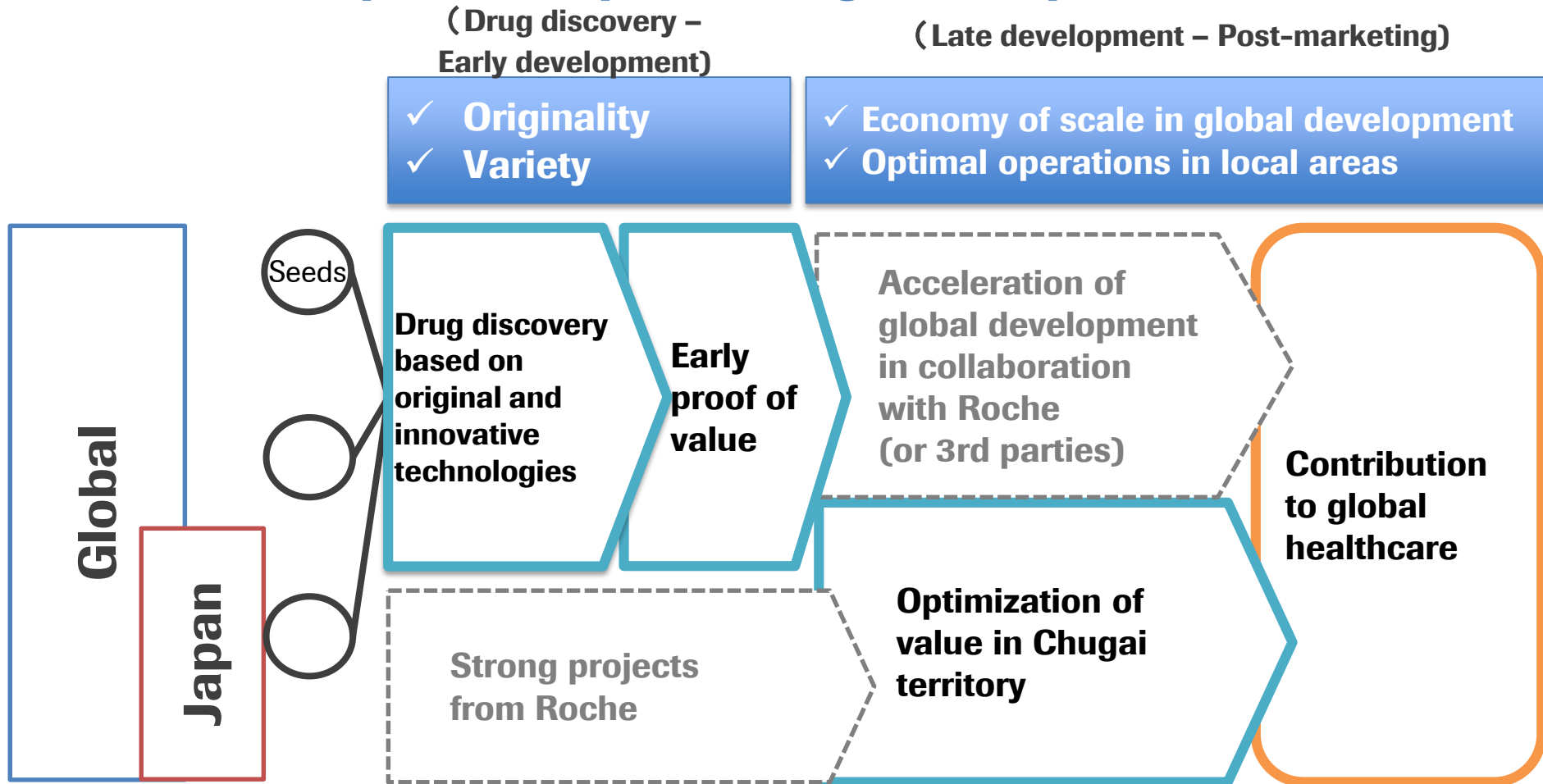
IBI: Innovation Beyond Imagination

Chugai Business Model



Roche A member of the Roche group

KSF: From Japanese top level to global top level





Priority Agenda of IBI 18

- ✓ Acquisition and implementation of competitiveness at a top global level
- ✓ Selection and Concentration strategy for acceleration of growth

Drug Discovery

- Continuous creation of engineered antibody projects
- Establishment of drug discovery technologies for middle molecules
- Research base for oncology/immunology

Development

- emicizumab, atezolizumab
- Realization of early PoC with TCR
- Proof process for medical/economic value

Pharmaceutical Technology

- Enhancement of CMC development infrastructure for early PoC acquisition
- Strengthening competitive advantages from late development to initial commercial production
- QA, QC and Regulatory functions

Sales/Medical Affairs/Safety

- Growth driver products, emicizumab, atezolizumab
- Providing advanced solutions through a cross-functional system
- Establishment of system adapted to local characteristics

Whole Company

- Acquisition, development and assignment of global top-class talents to lead value creation activities through innovation

● Expansion of achievements through selection and concentration utilizing competitive advantage

● Strengthening competitive foundation for global top-class level



Priority Agenda ①: Drug Discovery

Continuous creation of FIC, BIC projects utilizing innovative technologies

Strengthening of research foundation

Creation and utilization of proprietary core technologies

Drug discovery goal

Continuous creation of engineered antibody projects

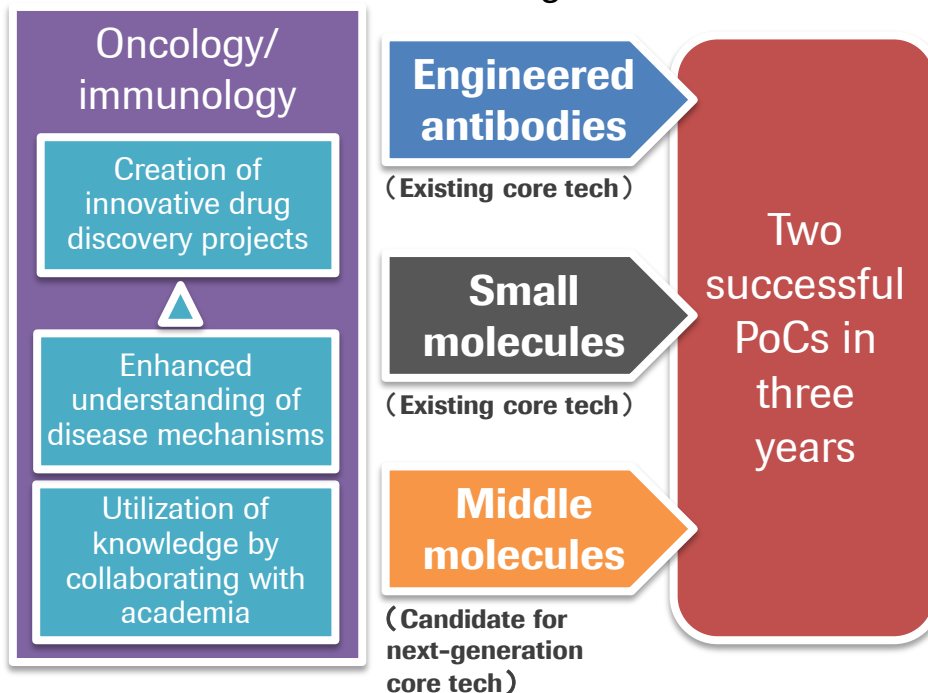
- Accelerate research projects created at CPR through prioritized investments
- Establish innovative technologies following SMART

Establishment of drug discovery technologies for middle molecules

- Focus on cyclic peptide etc. as candidates for next-generation technologies
- Fulfill UMN that cannot be solved with small molecules and antibodies

Strengthening of research foundation for oncology and immunology

- Acquire innovative seeds by collaborating with academia
- Strengthen biomarker discovery and utilize molecular information by cooperating with Roche

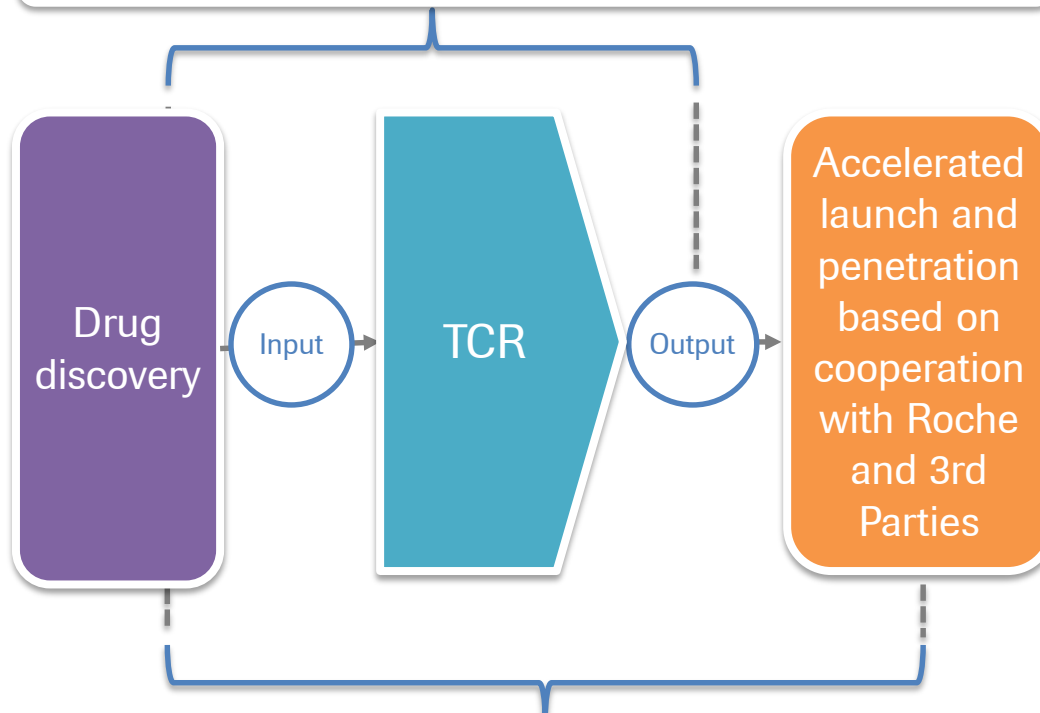




Priority Agenda ②: Development

Promotion of faster launch and quick market penetration based on global top-class TCR* and development activities

Execution of global top-class early development



Proof of medical and economic value from a global perspective

Acceleration of emicizumab and atezolizumab development as a top priority

- Prioritize resources for executing the clinical development plan and promoting the medical plan

Realization of early PoC through TCR

- Execute with global top-class quality and speed in Japan, US, and Europe
- Focus resources on early development to acquire PoC

Strengthening process to create medical and economic value proposition

- Develop and promote IDCP** which aims to maximize the product value in the market
- Accelerate late-stage development through the realization of smooth out-licensing to Roche or third parties
- Further enhance speed and efficiency in development in Japan

* TCR: Translational Clinical Research

** IDCP: Integrated Development and Commercialization Plan



Priority Agenda ③: Pharmaceutical Technology

Strengthening of PT system for "Multiple and simultaneous global development," "Fast global launch," and "Cost reductions"

Research ~ Early Development

Clinical trial materials supplied for multiple & simultaneous projects conducted at an accelerated pace

Late Development ~ Post-Launch

PoC

Seamless supply from late development to initial commercial production

Cost competitiveness

QC, QA, Regulatory

Global trend prediction and simultaneous action

Quality of activities and quest for efficiency at a global-top level

Enhancement of CMC development infrastructure for early PoC acquisition

- Develop a system for investigational new drug supply of antibodies and highly active small molecule compounds to execute "Multiple and simultaneous global development" and "Fast global launch"
- Establish highly difficult formulation technology corresponding to middle molecules, etc.

Strengthening competitive advantages from late development to initial commercial production

- Strengthen the system for seamless supply promptly after PoC
- Realize the development and supply of high-value-added and low-cost formulations
- Plan and promote a future production system concept aiming for a global competitive advantage

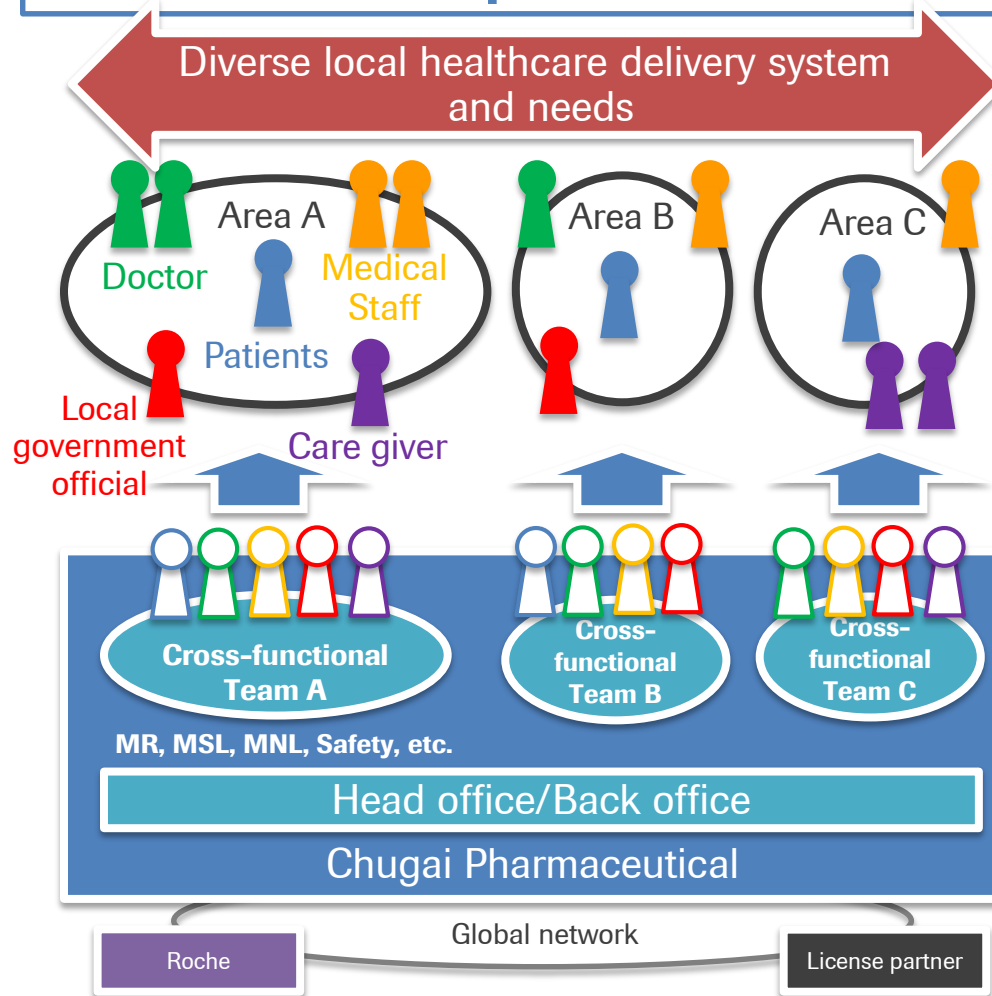
Strengthening QC, QA and Regulatory functions

- Implement QC/QA activities at a global top level
- Realize a strategic regulatory promotion system to accelerate development and submission of NDA



Priority Agenda ④: Sales/Medical Affairs/Safety

Provision of advanced and diverse solutions through both independent roles and cross-functional cooperation



Realization of sales growth by concentrating on sales drivers (Avastin and Actemra etc.) & emicizumab, atelolizumab

- Focus on growth products and promising new products

Delivery of advanced solutions through cross-functional teams

- Resolve medical issues through the cooperation of experts by breaking divisional silos
- Provide highly specialized information in specialty care and assistance for healthcare network

Establishment of system adapted to local characteristics

- Organize cross-functional teams and formulate/implement strategies adapted to local characteristics and needs
- Support from head office, back office and global network



Priority Agenda ⑤: Global Top-level Talent

Accelerate acquisition, development, and assignment of talents who are key for creating innovation and responding to environmental changes

Acquisition and implementation of competitiveness at a global-top level



Selection of critical positions to accelerate innovation

- Identify critical positions/roles in creating innovation and responding to environmental changes at a global-top level, and establish their talent profiles
- Review positions and roles in conjunction with PDCA cycle of strategy

Planned and speedy acquisition, development, and deployment of human resources with "the right position filled by the right person"

- Select candidates for important positions and early development into global top level talents through tough assignments, etc.
- Make timely appointments from both internal and external talent pools with "the right position filled by the right person"



IBI 18 Quantitative Outlook

Content	Mid-term outlook
Core EPS CAGR* (2015-18)	Low single digit **

* CAGR: compound annual growth rate (%)

** Core EPS growth rate: constant average exchange rate for 2015, ~3% growth range



Basic Principles of Increasing Corporate Value and Shareholder Returns

Basic Strategy → Achievement → Increase in corporate value → Shareholder returns

Realization of high capital efficiency by growth being the driver

Reinvestment

Quest for contributing to global healthcare through innovation

Mid-term profit growth

Enhance R&D portfolio

Strengthen management infrastructure

Increase in value by profit generation

Increase in value by enlarging future leaping opportunities

Current corporate value

Dividend

(Core EPS payout ratio: avg. 50%)

Highly regarded from the market

FY2015 Consolidated Financial Overview (IFRS based)

CHUGAI PHARMACEUTICAL CO., LTD.
Executive Vice President, CFO
Yoshio Itaya

January 28/29, 2016



Full Year Results Summary

■ Revenues: 498.8 billion yen (+37.7, +8.2% YoY)

- Domestic sales excl. Tamiflu: increase due to steady growth of new products and mainstay products (+28.5, +8.2%)
- Overseas sales: increase due to growth in Actemra export driven by both yen depreciation and volume expansion (+7.9, +10.6%)
- Royalties and other operating income: increase due to milestone income, etc. (+6.2, +25.6%)

■ Cost of sales / Operating expenses (Core basis)

- Cost of sales: the ratio to sales worsened due primarily to yen depreciation (+1.3% points, from 49.7% to 51.0%)
- Operating expenses: slight increase due to yen depreciation and increased research and development activity, etc. (+2.5, +1.5%)

■ Profits

- IFRS results:

operating profit	86.8 billion yen (+10.9, +14.4%)
net income	62.4 billion yen (+10.3, +19.8%)
- Core results:

operating profit	90.7 billion yen (+13.4, +17.3%)
net income	64.9 billion yen (+11.9, +22.5%)
EPS	116.42 yen (+21.38, +22.5%)



IFRS and Core Results Jan – Dec

(Billions of JPY)	IFRS results	Non-core items		Core results
	2015 Jan - Dec	Intangible assets	Others	2015 Jan - Dec
Revenues	498.8			498.8
Sales	468.4			468.4
Royalties and other operating income	30.4			30.4
Cost of sales	-240.2	+1.4		-238.9
Gross profit	258.6	+1.4		260.0
Operating expenses	-171.8	+2.1	+0.5	-169.3
Marketing and distribution	-74.8	+0.2		-74.7
Research and development	-83.8	+1.9		-81.9
General and administration	-13.2		+0.5	-12.8
Operating profit	86.8	+3.5	+0.5	90.7
Financing costs	-0.1			-0.1
Other financial income (expense)	0.6			0.6
Profit before taxes	87.3	+3.5	+0.5	91.2
Income taxes	-24.9	-1.2	-0.2	-26.3
Net income	62.4	+2.2	+0.3	64.9
Chugai shareholders	61.1	+2.2	+0.3	63.7
Non-controlling interests	1.2			1.2

(Billions of JPY)

Non-Core items

1. Intangible assets	
Amortization	+1.6
Impairment	+1.9
2. Others	
Environmental costs	+0.5

Core net income
attributable to Chugai
shareholders 63.7 ①

(Millions of shares)

Weighted average number
of shares and equity
securities in issue used to
calculate diluted earnings
per share 547 ②

(JPY)

Core EPS 116.42 ①/②

Year on Year (Core)

Financial Overview Jan – Dec



Roche A member of the Roche group

(Billions of JPY)	2014		2015		Growth	
	Jan - Dec		Jan - Dec			
	vs. Revenues		vs. Revenues			
Revenues	461.1		498.8		+37.7	+8.2%
Sales	436.9		468.4		+31.5	+7.2%
excl. Tamiflu	423.8		460.2		+36.4	+8.6%
Domestic	349.5		378.0		+28.5	+8.2%
Export to Roche	55.1		63.1		+8.0	+14.5%
Other overseas	19.3		19.1		-0.2	-1.0%
Tamiflu	13.0		8.2		-4.8	-36.9%
Ordinary	12.9		8.2		-4.7	-36.4%
Govt. stockpiles etc.	0.2		0.0		-0.2	-100.0%
Royalties and other operating income	24.2		30.4		+6.2	+25.6%
Cost of sales	-217.0	47.1%	-238.9	47.9%	-21.9	+10.1%
Gross profit	244.2	53.0%	260.0	52.1%	+15.8	+6.5%
Operating expenses	-166.8	36.2%	-169.3	33.9%	-2.5	+1.5%
Operating profit	77.3	16.8%	90.7	18.2%	+13.4	+17.3%
Financing costs	-0.0		-0.1		-0.1	-
Other financial income (expense)	0.3		0.6		+0.3	+100.0%
Income taxes	-24.6		-26.3		-1.7	+6.9%
Net income	53.0	11.5%	64.9	13.0%	+11.9	+22.5%
EPS (JPY)	95.04		116.42		+21.38	+22.5%

(Billions of JPY)

Royalties and other operating income +6.2
Increase in milestone income, etc.

Other financial income (expense) +0.3

Exchange gains/losses +0.1

Gains/Losses on derivatives +0.4

(Gains/Losses on foreign exchange forward contracts)

Cost of sales ratio vs. Sales

2014 Jan - Dec	2015 Jan - Dec
49.7%	51.0%

Average exchange rate (JPY)

	2014 Jan - Dec	2015 Jan - Dec
1CHF	115.69	125.74
1EUR	140.49	134.36
1USD	105.84	121.03
1SGD	83.54	88.07



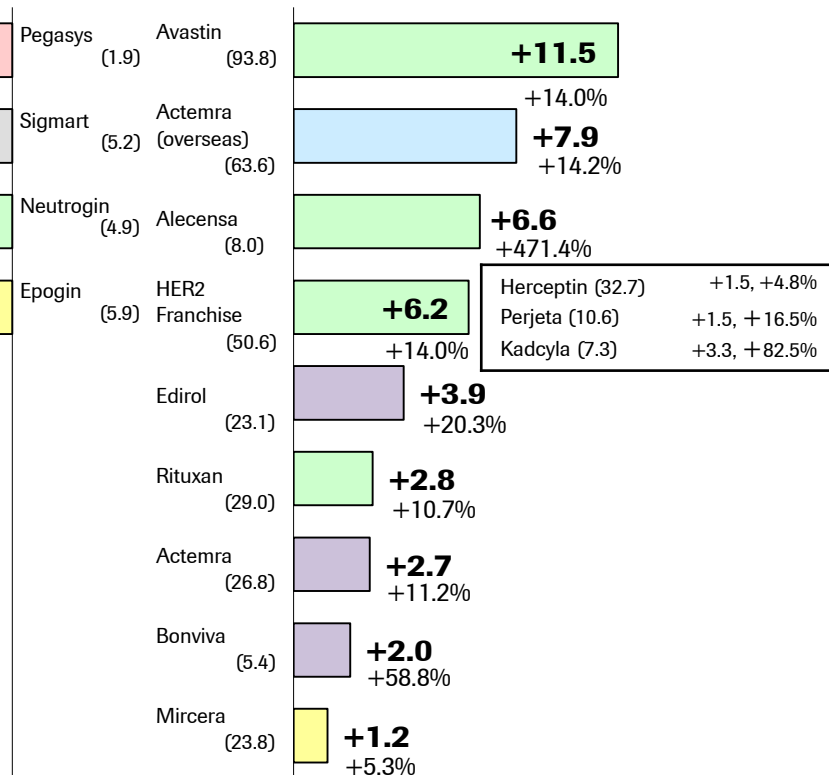
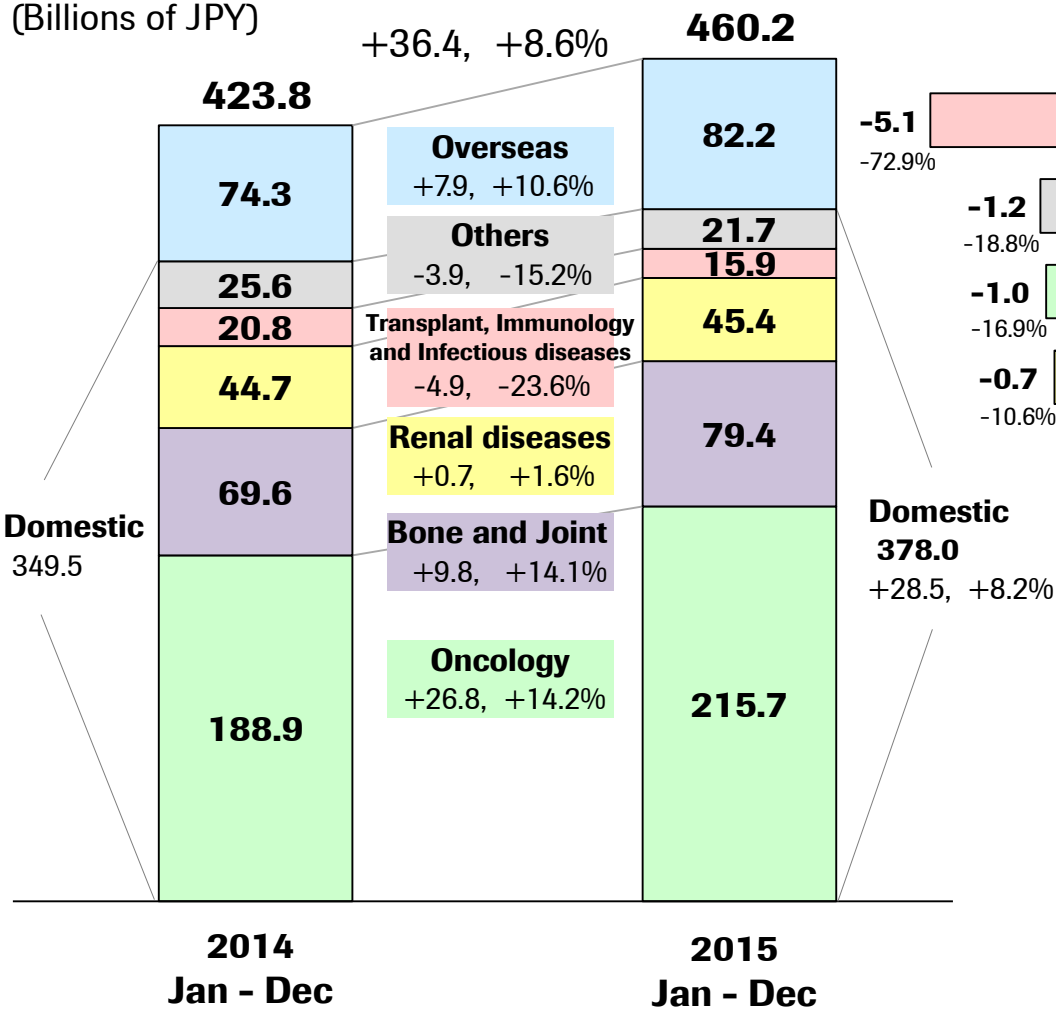
Year on Year

Sales (excl. Tamiflu) Jan - Dec

Sales by Disease Area,
Year on Year Comparisons

Sales by Products,
Year on Year Changes

(Billions of JPY)



(): FY2015 Actual

%: Year-on-year percentage change



Tamiflu Sales Performance

(Billions of JPY)		Fiscal Term Sales														Seasonal Sales
		FY2009.12		FY2010.12		FY2011.12		FY2012.12		FY2013.12		FY2014.12		FY2015.12		
		Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	
Ordinary	2008-09	11.0														16.7
	2009-10		25.2	1.4												26.6
	2010-11				0.2	4.1										4.3
	2011-12						1.3	7.8								9.1
	2012-13								2.4	8.2						10.6
	2013-14										1.9	7.0				9.0
	2014-15												5.8	6.7		12.6
	2015-16														1.5	-
Ordinary		36.2	(+29.1)	1.6	(-34.6)	5.4	(+3.8)	10.2	(+4.8)	10.1	(-0.1)	12.9	(+2.8)	8.2	(-4.7)	
Govt. Stockpiles etc.	2008-09	14.4														15.5
	2009-10		25.6	10.6												36.2
	2010-11				5.9	0.5										6.4
	2011-12						2.8	0.4								3.2
	2012-13								1.5	0.8						2.3
	2013-14										0.1	0.1				0.2
	2014-15												0.1	0.0		0.1
	2015-16														0.0	-
Govt. Stockpile etc.		40.0	(+38.7)	16.6	(-23.4)	3.3	(-13.3)	1.9	(-1.4)	0.9	(-1.0)	0.2	(-0.7)	0.0	(-0.2)	
Total		25.4	50.8	12.0	6.1	4.6	4.1	8.1	3.9	9.0	2.0	7.1	5.9	6.7	1.5	
		76.2	(+67.8)	18.2	(-58.0)	8.7	(-9.5)	12.0	(+3.3)	11.0	(-1.0)	13.0	(+2.0)	8.2	(-4.8)	

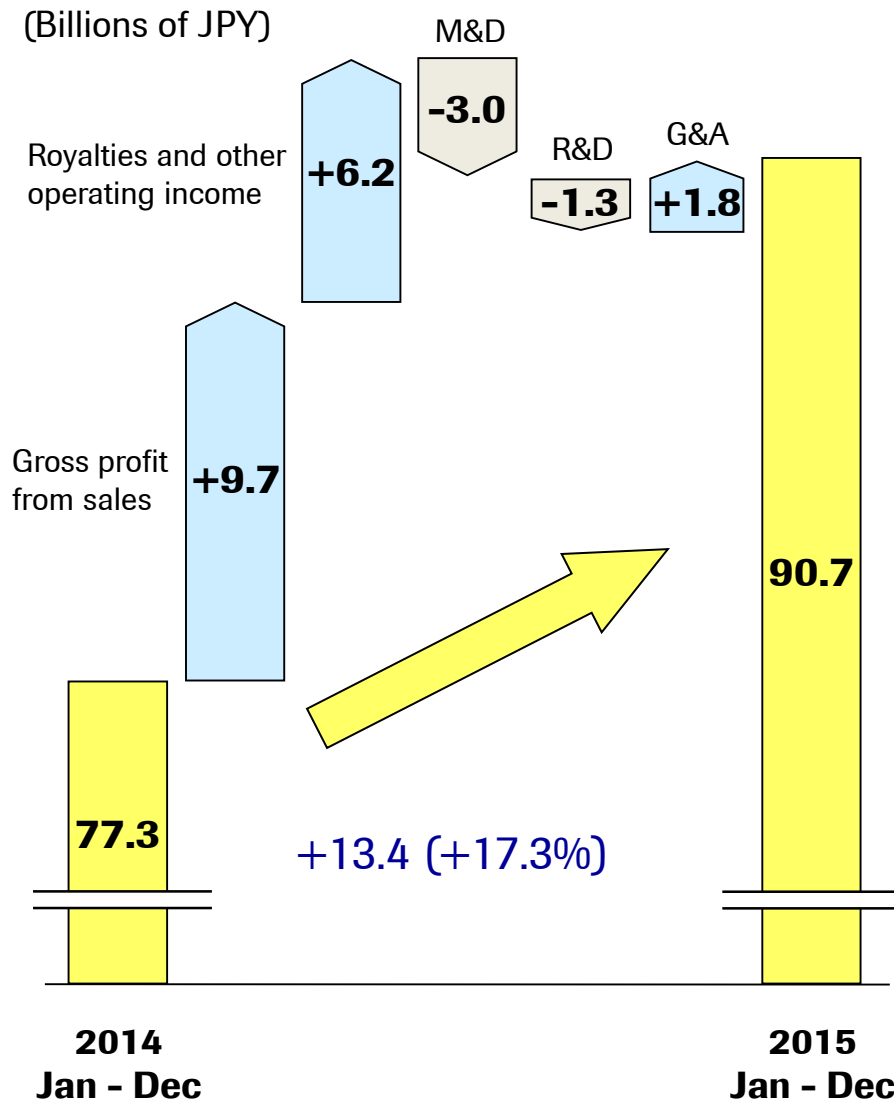
() Year on year



Year on Year (Core)

Operating Profit Jan - Dec

(Billions of JPY)



(Billions of JPY)	2014 Jan - Dec	2015 Jan - Dec	Growth
Revenues	461.1	498.8	+37.7
Cost of sales	-217.0	-238.9	-21.9
Gross profit	244.2	260.0	+15.8
of which Sales	219.9	229.6	+9.7
Royalties, etc.	24.2	30.4	+6.2
Marketing and distribution	-71.7	-74.7	-3.0
Research and development	-80.6	-81.9	-1.3
General and administration	-14.6	-12.8	+1.8
Operating profit	77.3	90.7	+13.4

Increase in gross profit from sales	+9.7
Steady growth of new products and mainstay products	
Increase in royalties and other operating income	+6.2
Increase in Marketing and distribution	-3.0 (-0.6)
Increase in various expenses related to sales activity, etc.	
Increase in research and development	-1.3 (-3.0)
Increased activity in research and development with the advance of projects, negative foreign exchange impact, etc.	
Decrease in general and administration	+1.8 (+1.1)
One-time increase in the previous year due to cost of building demolition, etc.	



Year on Year (Core)

Financial Overview Oct – Dec

(Billions of JPY)	2014		2015		Growth	
	Oct - Dec		Oct - Dec			
	vs. Revenues		vs. Revenues			
Revenues	127.7		131.1		+3.4	+2.7%
Sales	121.7		115.2		-6.5	-5.3%
excl. Tamiflu	115.9		113.7		-2.2	-1.9%
Domestic	95.3		102.6		+7.3	+7.7%
Export to Roche	15.6		6.7		-8.9	-57.1%
Other overseas	5.0		4.4		-0.6	-12.0%
Tamiflu	5.8		1.5		-4.3	-74.1%
Ordinary	5.8		1.5		-4.3	-74.1%
Govt. stockpiles etc.	0.0		0.0		0.0	0.0%
Royalties and other operating income	5.9		15.9		+10.0	+169.5%
Cost of sales	-60.5	47.4%	-61.2	46.7%	-0.7	+1.2%
Gross profit	67.2	52.6%	69.9	53.3%	+2.7	+4.0%
Operating expenses	-50.0	39.2%	-49.5	37.8%	+0.5	-1.0%
Operating profit	17.2	13.5%	20.4	15.6%	+3.2	+18.6%
Financing costs	0.0		-0.0		0.0	-
Other financial income (expense)	0.0		0.2		+0.2	-
Income taxes	-5.4		-6.3		-0.9	+16.7%
Net income	11.8	9.2%	14.2	10.8%	+2.4	+20.3%
EPS (JPY)	21.19		25.42		+4.23	+20.0%

(Billions of JPY)

Decrease in gross profit from sales	-7.3
Decrease in export to Roche and Tamiflu sales	
Increase in royalties and other operating income	+10.0
Increase in milestone income, etc.	
Decrease in operating expenses	+0.5
Increase in marketing and distribution	-2.6 (-0.5)
Decrease in research and development	+2.0 (+0.4)
Increase in compensation received under co-development agreements, etc.	
Decrease in general and administration	+1.1(+0.6)
Decrease in various expenses such as public relations, etc.	

(): Changes excluding the impact of donation reclassification

Cost of sales ratio vs. Sales

2014 Oct - Dec	2015 Oct - Dec
49.7%	53.1%



vs. Forecast (Core)

Financial Overview Jan – Dec

(Billions of JPY)	2015 Jan - Dec		+/-	Achievement
	Forecast	Actual		
Revenues	486.5	498.8	+12.3	102.5%
Sales	460.8	468.4	+7.6	101.6%
excl. Tamiflu	453.4	460.2	+6.8	101.5%
Domestic	360.9	378.0	+17.1	104.7%
Export to Roche	74.9	63.1	-11.8	84.2%
Other overseas *	17.6	19.1	+1.5	108.5%
Tamiflu	7.4	8.2	+0.8	110.8%
Royalties and other operating income	25.6	30.4	+4.8	118.8%
Cost of sales	-230.2	-238.9	-8.7	103.8%
Gross profit	256.3	260.0	+3.7	101.4%
Operating expenses	-171.3	-169.3	+2.0	98.8%
Operating profit	85.0	90.7	+5.7	106.7%
EPS (JPY)	104.42	116.42	+12.0	111.5%

Cost of sales ratio vs. Sales

2015 Jan – Dec Forecast	2015 Jan – Dec Actual
50.0%	51.0%

Exchange rate (JPY)

	2015 Jan – Dec Forecast	2015 Jan – Dec Actual *
1CHF	116.00	125.74
1EUR	142.00	134.36
1USD	119.00	121.03
1SGD	91.00	88.07

* Including Alecensa (Forecast 2015 Jan – Dec: 0.2 billion yen, Actual 2015 Jan – Dec: 0.5 billion yen)

* Average exchange rate for the period of Jan – Dec.



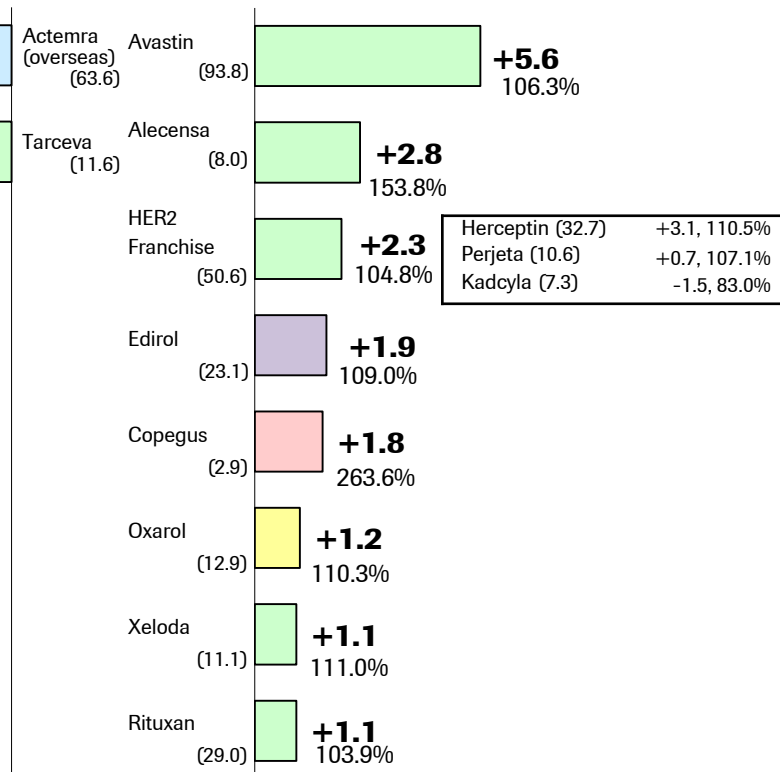
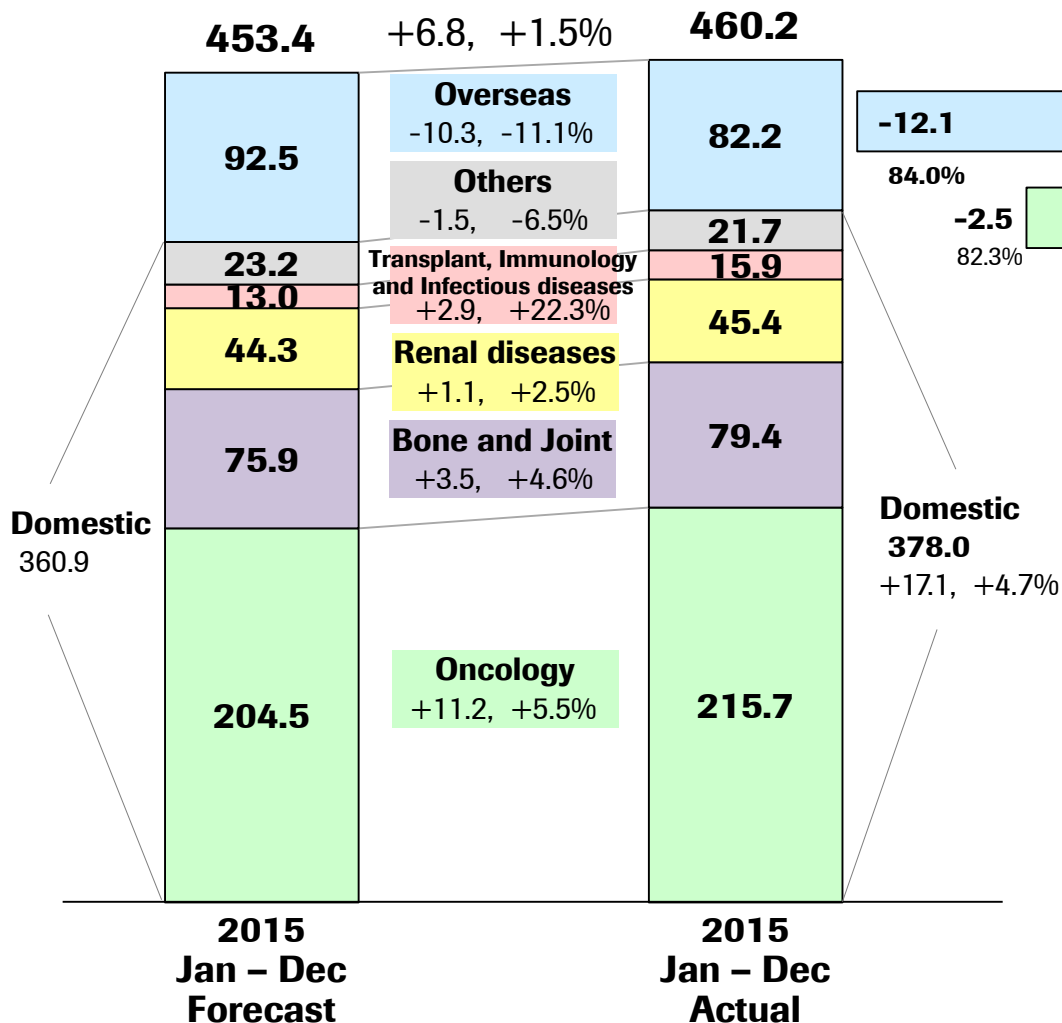
vs. Forecast (Core)

Sales Progress (excl. Tamiflu) Jan – Dec

Sales by Disease Area,
Actual vs. Forecast

Sales by Products,
Actual vs. Forecast

(Billions of JPY)



Herceptin (32.7)	+3.1, 110.5%
Perjeta (10.6)	+0.7, 107.1%
Kadcyla (7.3)	-1.5, 83.0%

(): FY2015 Actual
%: Achievement



vs. Forecast (Core)

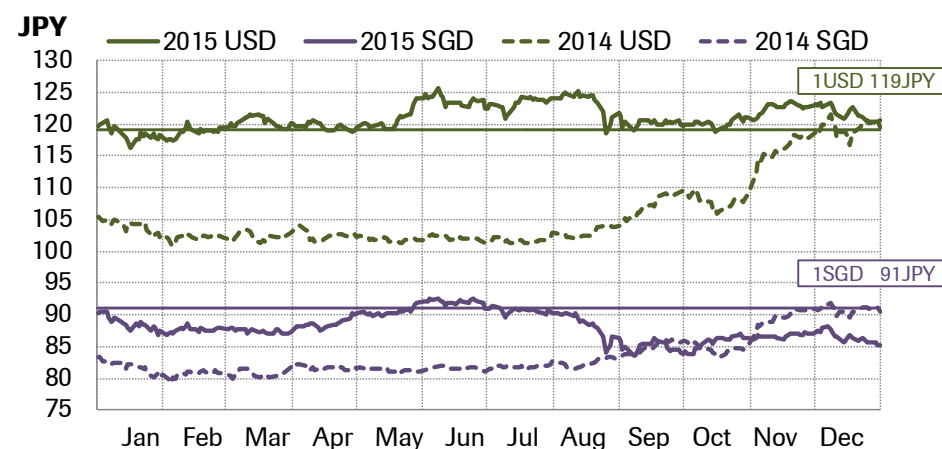
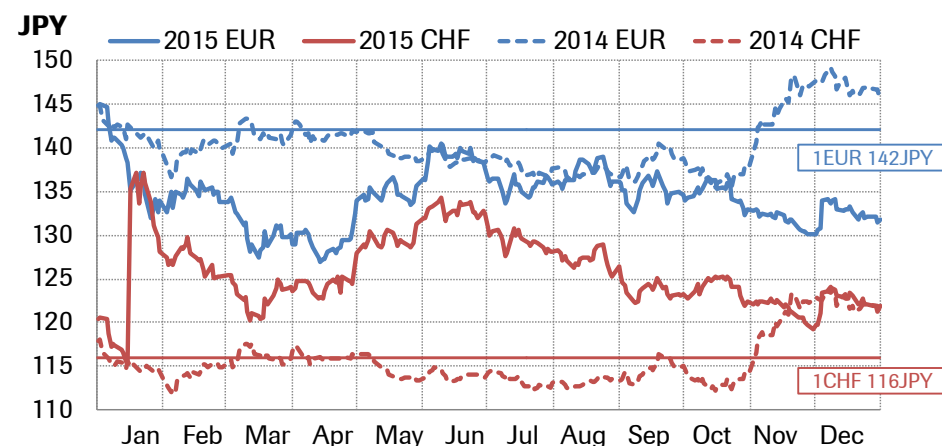
Impact from Foreign Exchange

(Billions of JPY)	2015 Jan - Dec (FX impact vs. forecast rate)	
Revenues	+4.0	
	Sales	+3.6
	Royalties and other operating income	+0.3
Cost of sales	Cost of sales	-5.4
Operating expenses	Operating Expenses	-0.0
Operating profit	-1.5	

Actual / Forecast rate* (JPY)	2014 Jan - Dec Actual	2015 Jan -Dec Forecast	2015 Jan - Dec Actual
1CHF	115.69	116.00	125.74
1EUR	140.49	142.00	134.36
1USD	105.84	119.00	121.03
1SGD	83.54	91.00	88.07

* Actual: average exchange rate for the period of Jan - Dec.

[Reference] Historical exchange rate to the JPY

Forecast rate
(as of Jan. 28, 2015)



vs. 2014 Year End

Balance Sheet Items

< Assets, Liabilities, and Net Assets >

(Billions of JPY)

(Billions of JPY)	2014 Dec	2015 Dec	Change
Trade accounts receivable	141.3	134.5	- 6.8
Inventories	139.6	161.1	+ 21.5
Trade accounts payable	-35.4	-41.2	- 5.8
Other net working capital *1	-36.2	-39.8	- 3.6
Net working capital	209.4	214.6	+ 5.2
Property, plant and equipment	140.2	153.5	+ 13.3
Intangible assets	11.3	13.5	+ 2.2
Other long-term assets - net *2	-3.2	-1.3	+ 1.9
Long-term net operating assets	148.4	165.8	+ 17.4
Net operating assets	357.7	380.4	+ 22.7
Debt	-0.2	-0.7	- 0.5
Marketable securities	116.0	134.4	+ 18.4
Cash and cash equivalents	114.0	101.7	- 12.3
Net cash	229.9	235.4	+ 5.5
Other non-operating assets - net *3	10.2	11.5	+ 1.3
Net non-operating assets	240.0	246.8	+ 6.8
Total net assets	597.8	627.3	+ 29.5

*1 Accrued receivable, accrued payable, accrued expenses, etc.

*2 Long-term prepaid expenses, long-term provisions, etc.

*3 Deferred income tax assets, accrued corporate tax, etc.

Increase in net working capital	+5.2
Decrease in trade accounts receivable	-6.8
Increase in inventories	+21.5
Negative foreign exchange impact and timing of purchase, etc.	
Increase in trade accounts payable	-5.8
Timing of purchase, etc.	
Decrease in other net working capital	-3.6
Increase in accrued payable for property, plant and equipment, etc.	
Increase in long-term net operating assets	+17.4
Increase in property, plant and equipment	+13.3
Investment related to antibody API manufacturing plant	
Increase in net cash	+5.5
Increase in other non-operating assets - net	+1.3
Equity ratio attributable to Chugai shareholders	-1.1% pts.
2015 Dec	79.5%
2014 Dec	80.6%

FX rate to the JPY (end of period)

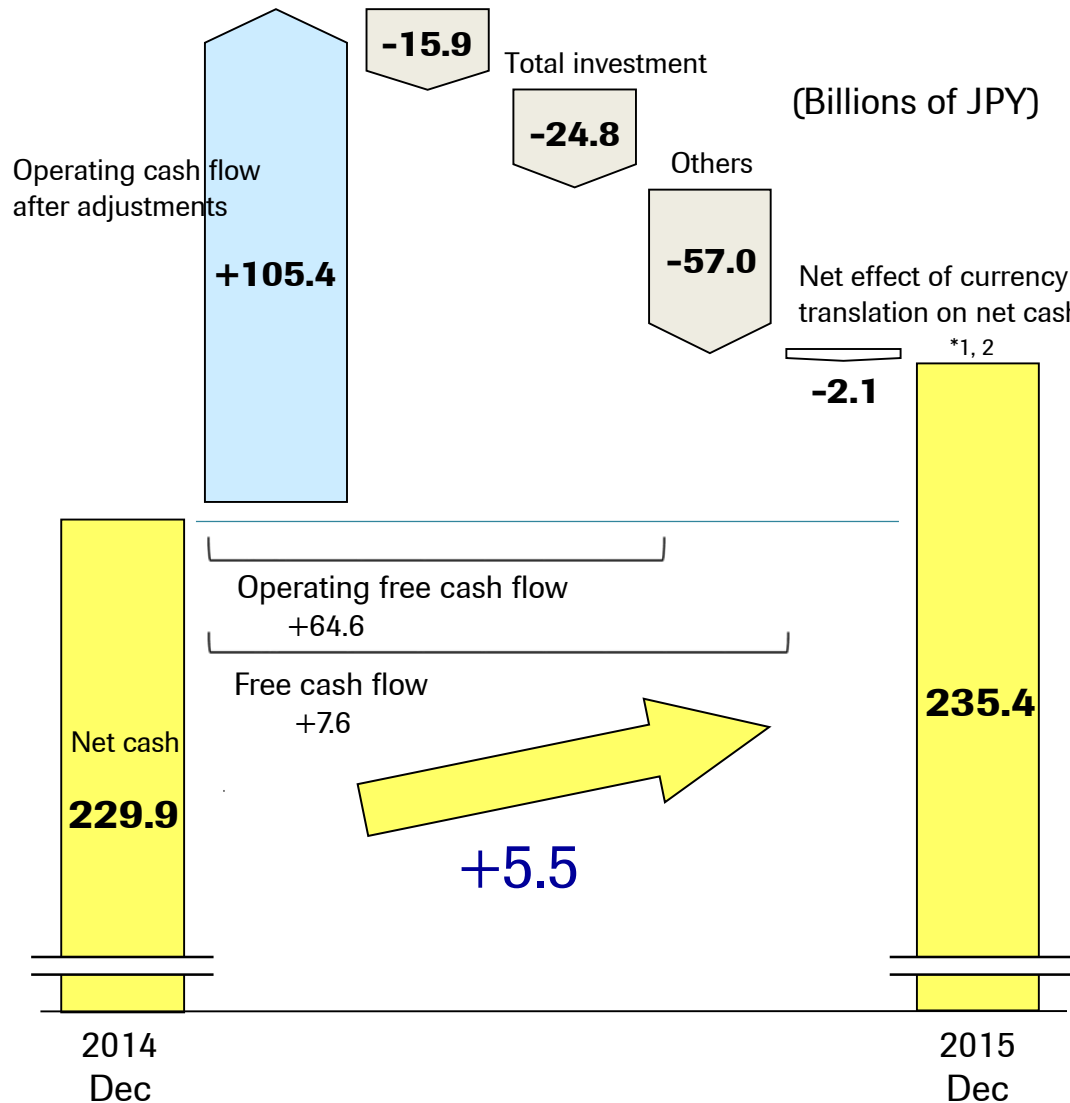
	2014 Dec	2015 Dec
1CHF	120.81	121.89
1EUR	145.26	131.75
1USD	119.48	120.52
1SGD	90.41	85.20



vs. 2014 Year End

Net Cash

Total increase in net working capital, etc.



Operating cash flow after adjustments	+105.4
Operating profit	+86.8
Depreciation and amortization, etc.	+18.6
Total increase in net working capital, etc.	-15.9
Decrease in trade accounts receivable	+6.7
Increase in inventories	-23.3
Increase in trade accounts payable	+5.9
Change in other net working capital, etc.	-5.2
Total investment	-24.8
Expenses for the acquisition of property, plant and equipment	-18.4
Payments for investment in production facilities, etc.	
Expenses for the acquisition of intangible assets	-6.5
Operating free cash flow	+64.6
Others	-57.0
Tax paid	-29.1
Dividends paid	-29.4
Free cash flow	+7.6

*1 Net effect of currency translation on net cash, etc.: Transaction in own equity instruments + Net effect of currency translation on net cash

*2 Net effect on currency translation is a result of using different types of exchange rates when consolidating overseas subsidiaries in financial statements, i.e. net cash using end of period exchange rate and free cash flow using average exchange rate. (Chugai defines this term based on International Accounting Standard (IAS) 7 and IAS 21).

Year on Year

Free Cash Flow Jan - Dec

FY2015 Consolidated Financial Overview

Innovation all for the patients



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(Billions of JPY)

(Billions of JPY)	2014 Jan-Dec	2015 Jan-Dec	Change
Operating profit - IFRS basis	75.9	86.8	+10.9
Depreciation and impairment of Property, plant and equipment	15.5	14.2	-1.3
Amortization and impairment of intangible assets	1.4	3.5	+2.1
Other cash adjustment on operating profit	3.7	1.0	-2.7
Operating profit, net of operating cash adjustments	96.4	105.4	+9.0
Increase (-) / decrease in trade accounts receivable	-30.2	6.7	+36.9
Increase (-) / decrease in inventories	-12.2	-23.3	-11.1
Increase / decrease (-) in trade accounts payable	-0.6	5.9	+6.5
Change in other net working capital, etc.	9.7	-5.2	-14.9
Total increase (-) / decrease in net working capital, etc.	-33.3	-15.9	+17.4
Investment in Property, plant and equipment	-16.2	-18.4	-2.2
Investment in intangible assets	-2.9	-6.5	-3.6
Total investment	-19.2	-24.8	-5.6
Operating free cash flow	43.9	64.6	+20.7
as % of revenues	9.5%	13.0%	+3.5%pts.
Treasury activities (interest income/expenses, foreign exchange gains/losses, etc.)	0.3	1.6	+1.3
Tax paid	-25.2	-29.1	-3.9
Dividends paid	-25.5	-29.4	-3.9
Free cash flow	-6.5	7.6	+14.1
Transaction in own equity instruments	1.2	1.4	+0.2
Net effect of currency translation on net cash, etc.*2	0.7	-3.5	-4.2
Net change in net cash	-4.5	5.5	+10.0

Operating profit, net of operating cash adjustments	+9.0
Total increase (-) / decrease in net working capital, etc.	+17.4
Increase (-) / decrease in trade accounts receivable	+36.9
Impact of advance payments received at the end of previous fiscal year, etc.	
Increase (-) / decrease in inventories	-11.1
Increase / decrease (-) in trade accounts payable	+6.5
Change in other net working capital, etc.	-14.9
Total investment	-5.6
Operating free cash flow	+20.7
Special factors in 2014 fiscal year, such as payment for trade accounts receivable partly made in advance in 2013 Dec., had an impact on changes in operating free cash flow in this fiscal year compared to the previous year	
Operating free cash flow as % of revenues	+3.5% pts.
Revenues	+20.7

Average exchange rate (JPY)

	2014 Jan - Dec	2015 Jan - Dec
1CHF	115.69	125.74
1EUR	140.49	134.36
1USD	105.84	121.03
1SGD	83.54	88.07

*1 Net effect of currency translation on net cash, etc.: Transaction in own equity instruments + Net effect of currency translation on net cash

*2 Net effect on currency translation is a result of using different types of exchange rates when consolidating overseas subsidiaries in financial statements, i.e. net cash using end of period exchange rate and free cash flow using average exchange rate. (Chugai defines this term based on International Accounting Standard (IAS) 7 and IAS 21).

2016 Forecast (Core)

Forecast 2016 Jan – Dec



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(Billions of JPY)	Actual		Forecast		Growth	
	2015 Jan - Dec		2016 Jan - Dec			
		vs. Revenues		vs. Revenues		
Revenues	498.8		495.0		-3.8	-0.8%
Sales	468.4		475.4		+7.0	+1.5%
excl. Tamiflu	460.2		466.8		+6.6	+1.4%
Domestic	378.0		379.0		+1.0	+0.3%
Export to Roche	63.1		70.5		+7.4	+11.7%
Other overseas	19.1		17.3		-1.8	-9.4%
Tamiflu	8.2		8.6		+0.4	+4.9%
Ordinary	8.2		7.6		-0.6	-7.3%
Govt. stockpiles etc.	0.0		1.0		+1.0	-
Royalties and other operating income	30.4		19.6		-10.8	-35.5%
Cost of Sales	-238.9		-254.0		-15.1	+6.3%
Gross Profit	260.0	52.1%	241.0	48.7%	-19.0	-7.3%
Operating Expenses	-169.3	33.9%	-170.0	34.3%	-0.7	+0.4%
Operating Profit	90.7	18.2%	71.0	14.3%	-19.7	-21.7%
EPS (JPY)	116.42		92.54		-23.88	-20.5%

Cost of sales ratio vs. Sales

2015 Jan – Dec	2016 Jan – Dec
51.0%	53.4%

Exchange rate (JPY)

	2015 Jan – Dec Actual *	2016 Jan – Dec Forecast
1CHF	125.74	127.00
1EUR	134.36	134.00
1USD	121.03	120.00
1SGD	88.07	87.00

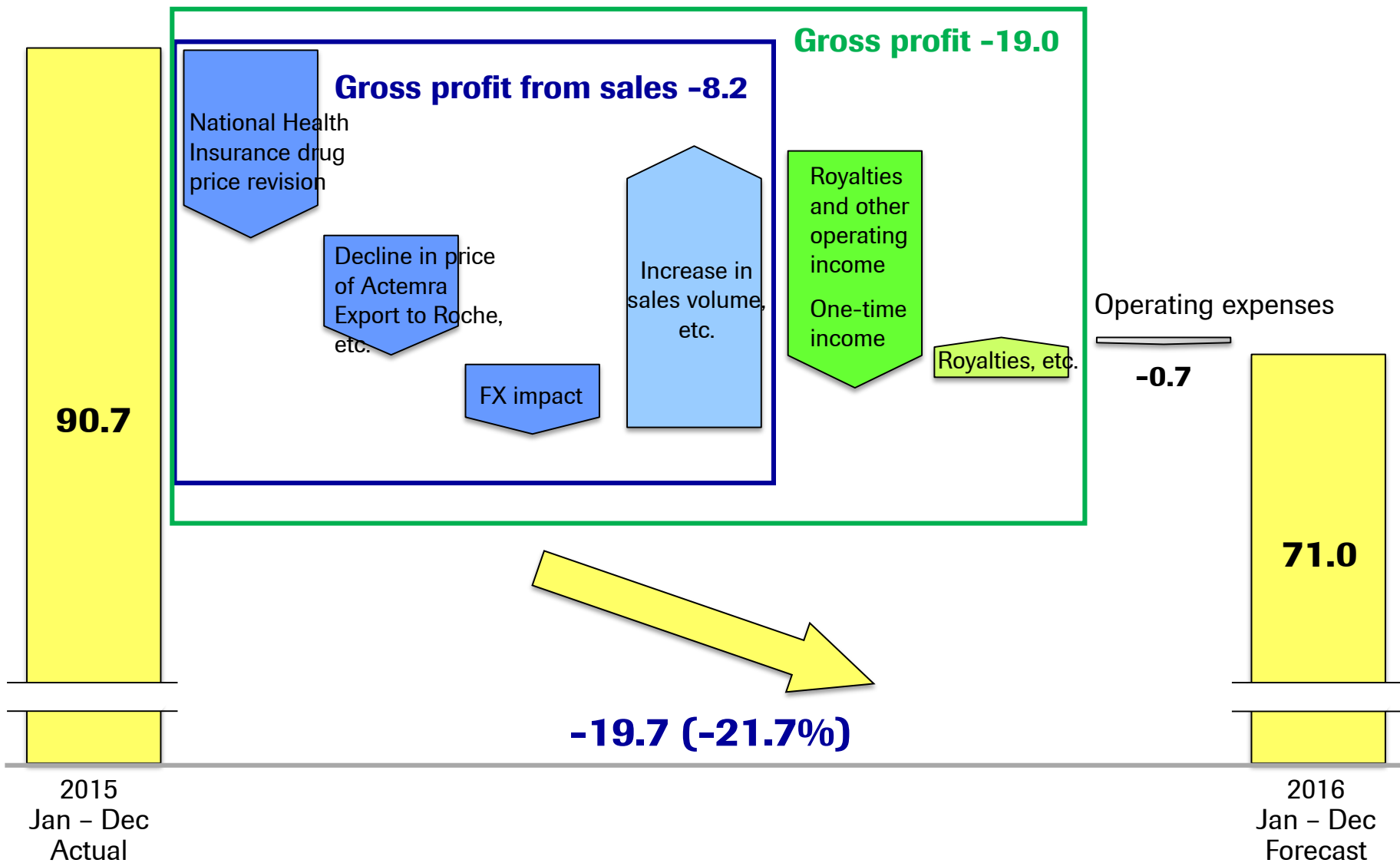
* Actual: average exchange rate for the period of Jan – Dec.



2016 Forecast (Core)

Operating Profit 2016 Jan – Dec

(Billions of JPY)



Foreign Exchange Impact on Cost of Sales

Note: Figure and numbers below are for illustrative purposes

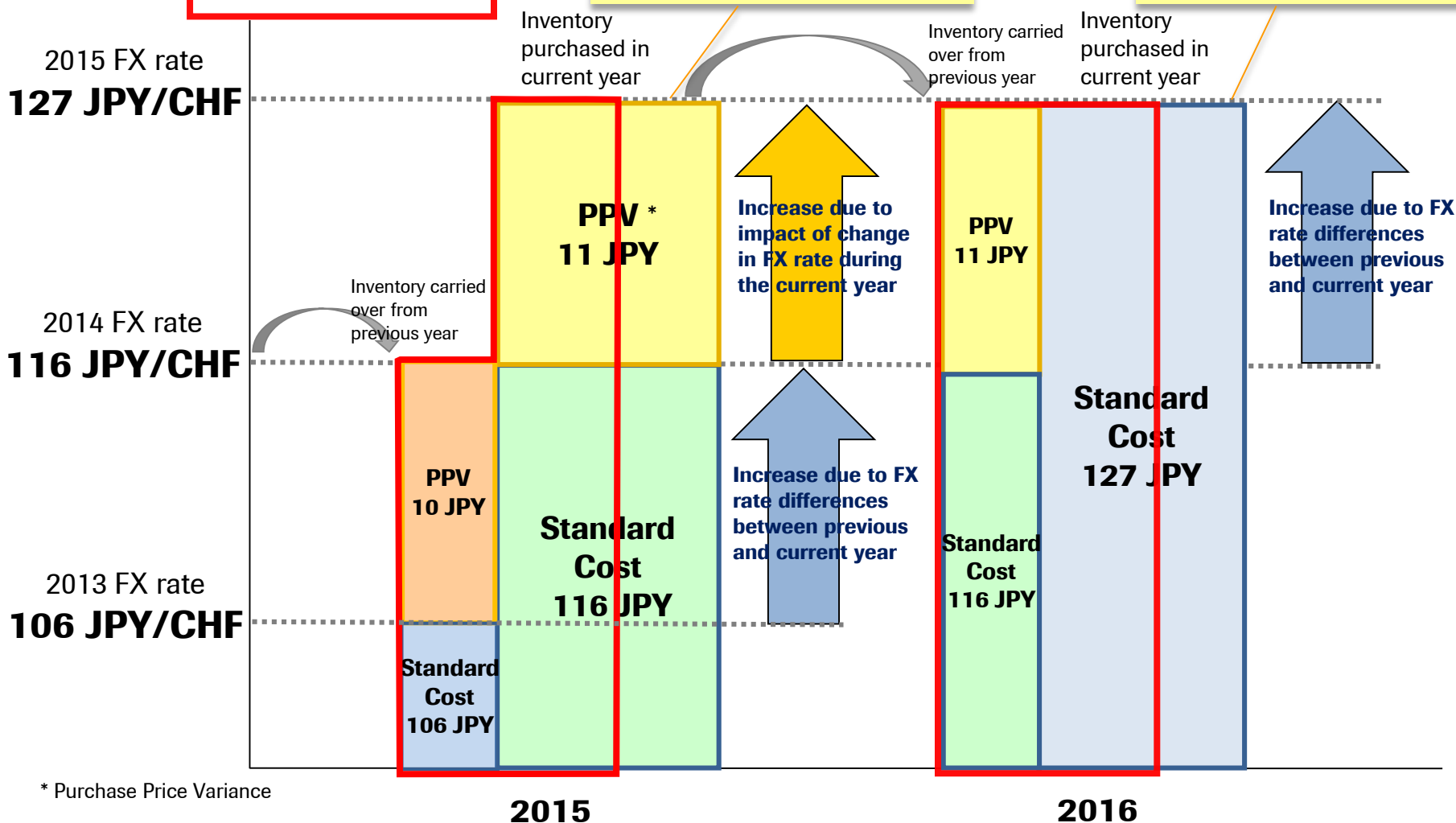


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Cost of sales for the year is enclosed by red frames below

Cost of sales depends on FX rate at the time of purchase without hedging exchange risks

Cost of sales will be fixed even if FX rate change when hedging exchange risks

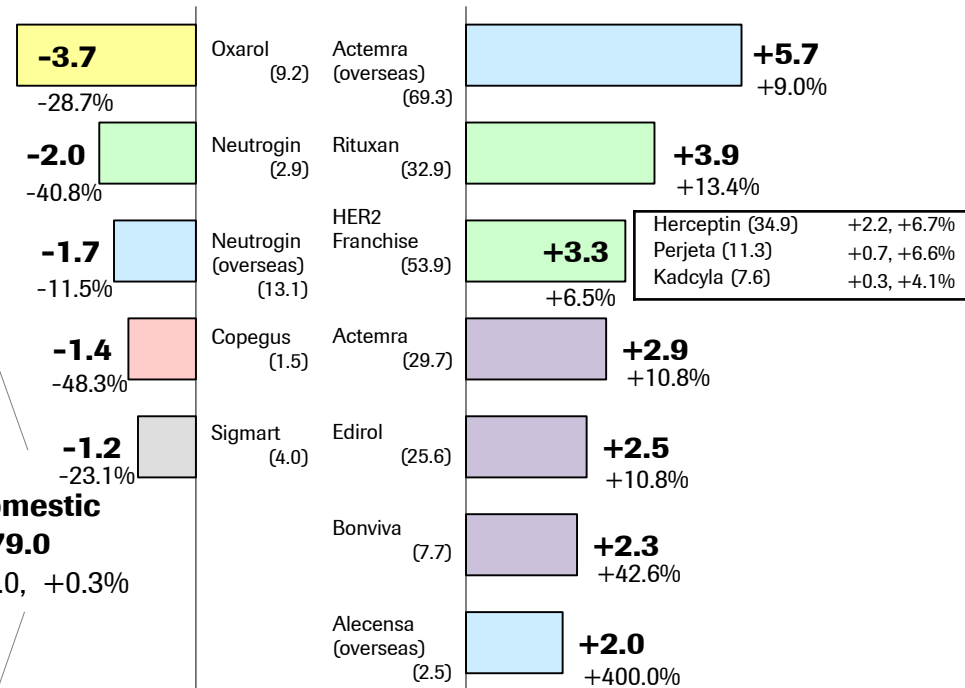
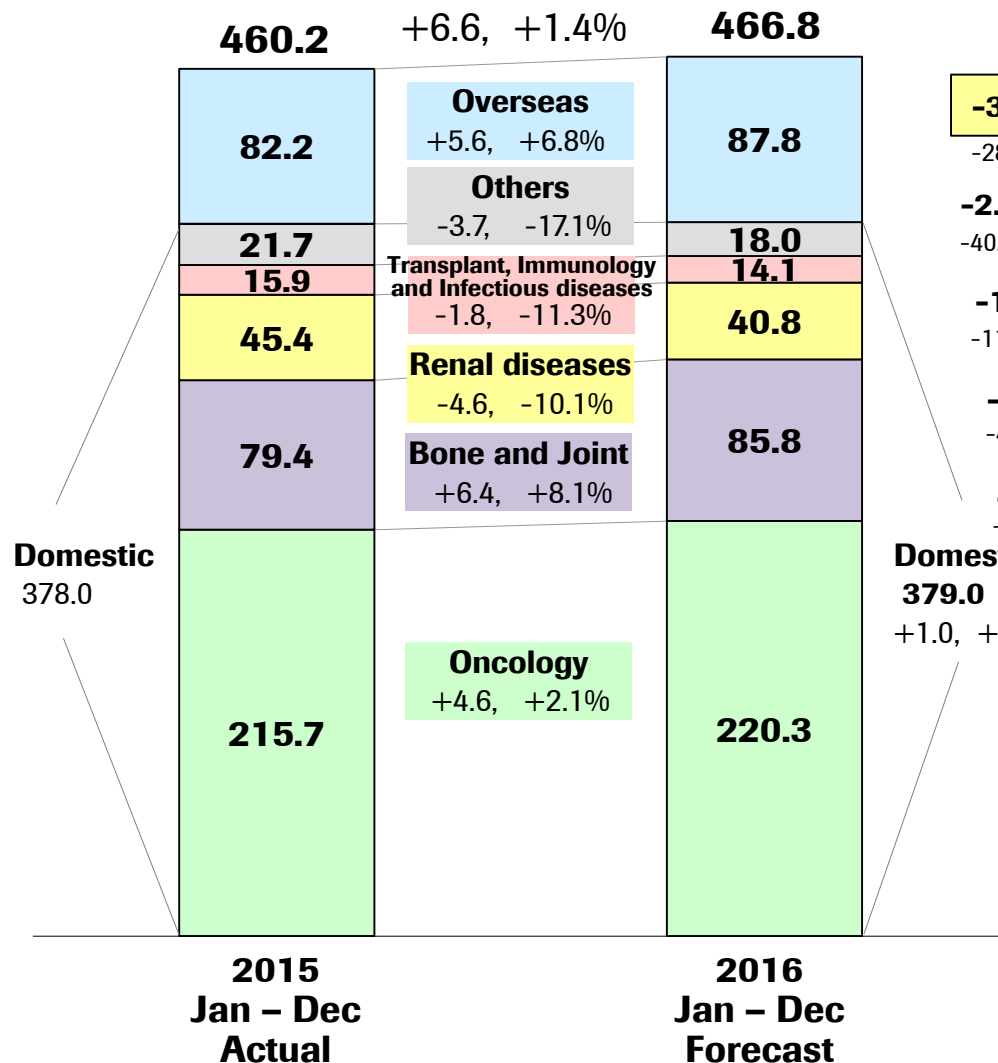


2016 Forecast (Core)



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Sales (excl. Tamiflu) Forecast vs. 2015 Actual

Sales by Disease Area,
Year on Year ComparisonsSales by Products,
Year on Year Changes

(): FY2016 Forecast

%: Year-on-year percentage change



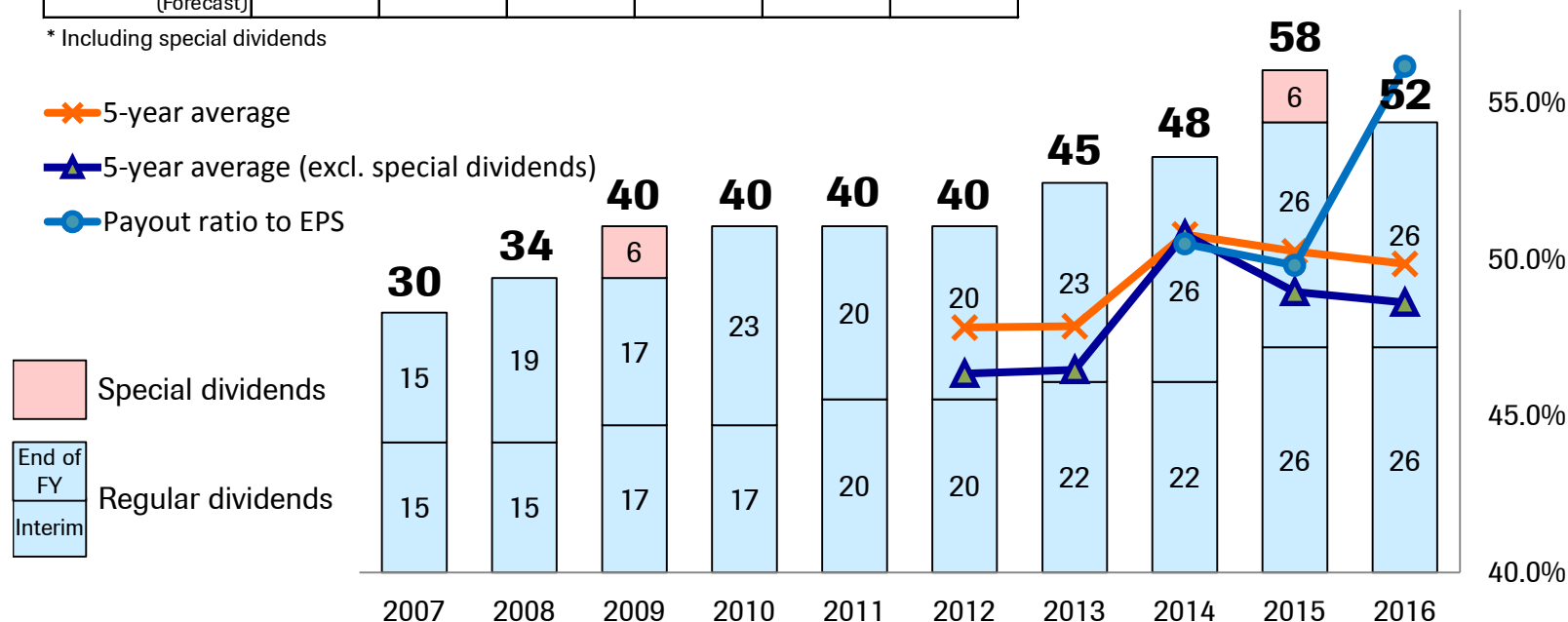
Dividend Policy

➤ Policy

Aiming to ensure stable profit for all shareholders and a consolidated dividend payout ratio of 50% on average to Core EPS, taking account of strategic funding needs and earnings prospects.

	Annual dividends per share (JPY)				Core payout ratio (%)	
	Interim	End of FY	Special	Total	Single FY	5-year average*
Dividends for FY2015 (Plan)	26	26	6	58	49.8	50.3
Dividends for FY2016 (Forecast)	26	26	-	52	56.2	49.9

* Including special dividends



Current Status / Plan for Major Capital Investments



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Objective

- Simultaneous development and quick launch of therapeutic antibodies, etc.
- Reduction of manufacturing costs for in-house products

2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

C P R

CPR (Singapore): Accelerate creation of clinical candidates utilizing proprietary antibody technologies

2012-21: 476 million SGD / approx. 40.0 billion JPY* (2015 Year-end cumulative: 11.6 billion JPY), incl. capital investments of 61 million SGD / approx. 5.0 billion JPY* (2015 Year-end cumulative : 3.2 billion JPY)

Capital Investments

Utsunomiya Plant: Yield improvement of Actemra SC drug substance and ensuring steady supply by dual sourcing production, in Japan and the U.S.



2013-15: 4.6 billion JPY (2015 Year-end cumulative: 4.6 billion JPY)

Utsunomiya Plant: Enhancement of high-mix low-volume production capability for pre-filled syringe form products (Installment of tray filler)



2013-17: 6.0 billion JPY (2015 Year-end cumulative: 3.3 billion JPY)

Ukima Plant: Step 1, Doubling of manufacturing capacity for investigational biologics (For responding to simultaneous development of multiple drugs)



2013-15: 2.9 billion JPY (2015 Year-end cumulative: 2.9 billion JPY)

Ukima Plant: Step 2, Enhancement of high-mix low-volume production of antibody API for initial commercial products (Expansion of production capability)



2015-19: 37.2 billion JPY (2015 Year-end cumulative: 10.0 billion JPY)

Fujieda Plant: Strengthening of solid formulation manufacturing facility, etc. (React to quick launch and steady supply)



2015-18: 6.0 billion JPY (2015 Year-end cumulative: 0.9 billion JPY)

Research

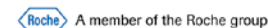
Manufacturing

* Actual rate for 2012 - 14, converted at 90.0 JPY/SGD from 2015 onward

Overview of Development Pipeline

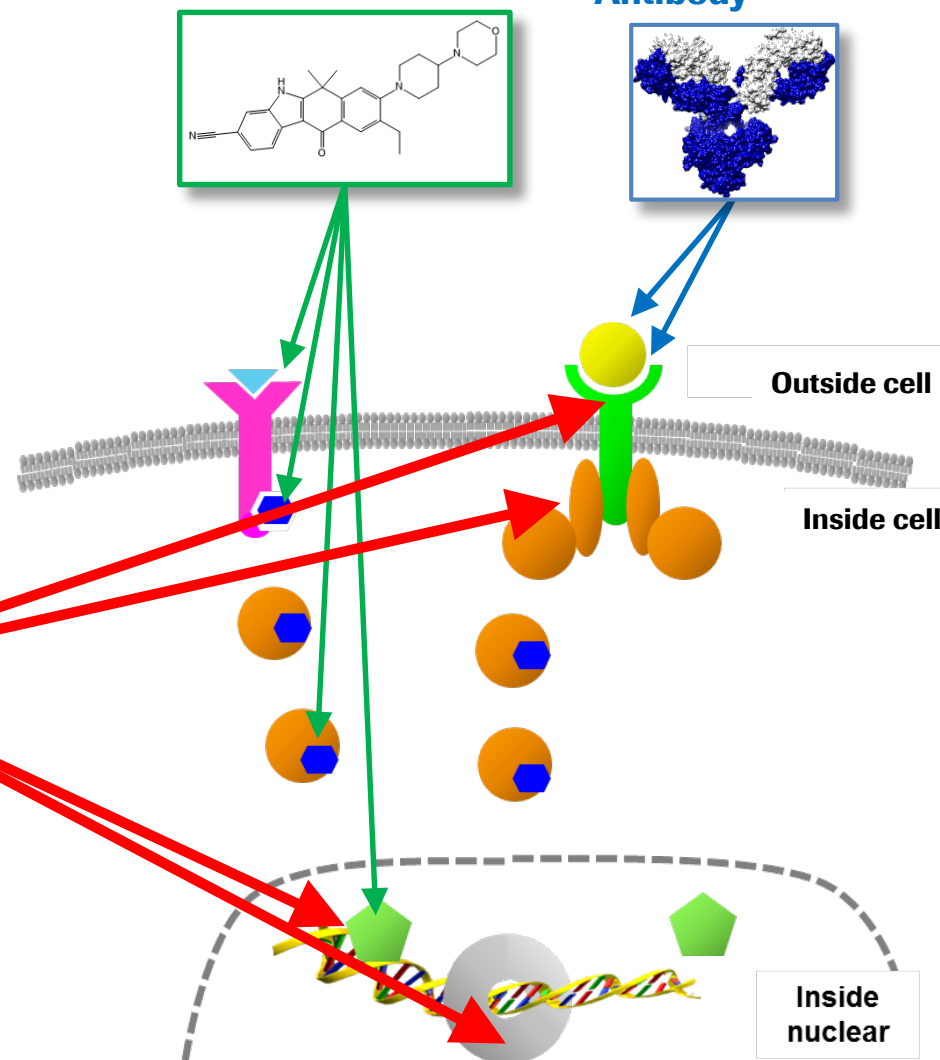
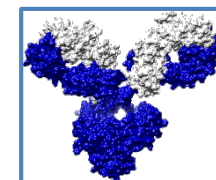
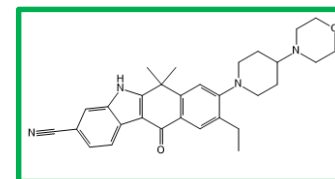
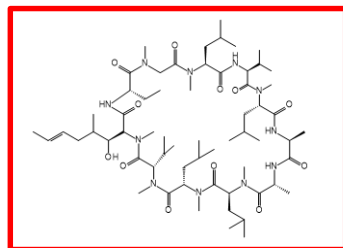
CHUGAI PHARMACEUTICAL CO., LTD.
Executive Vice President
Yutaka Tanaka

January 28/29, 2016



Middle molecules ex) cyclic peptide

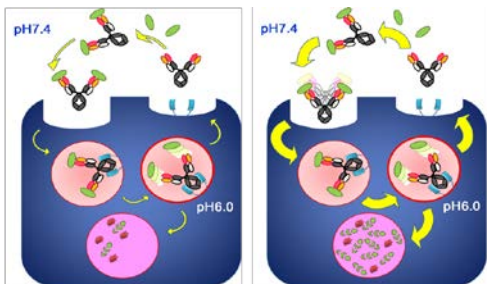
- Encompassing advantages of small-molecule and antibody drugs
- Target
 - intercellular molecules which require high specificity
 - protein-protein interaction
 - protein-nucleic acid interaction





Acceleration in Antibody Discovery

SMART-Ig



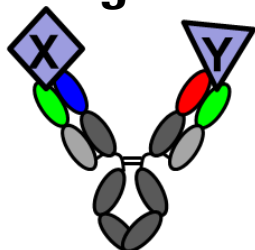
Recycling Antibody

Sweeping Antibody

Neuromyelitis optica

SA237

ART-Ig



Hemophilia A

ACE910

New technologies

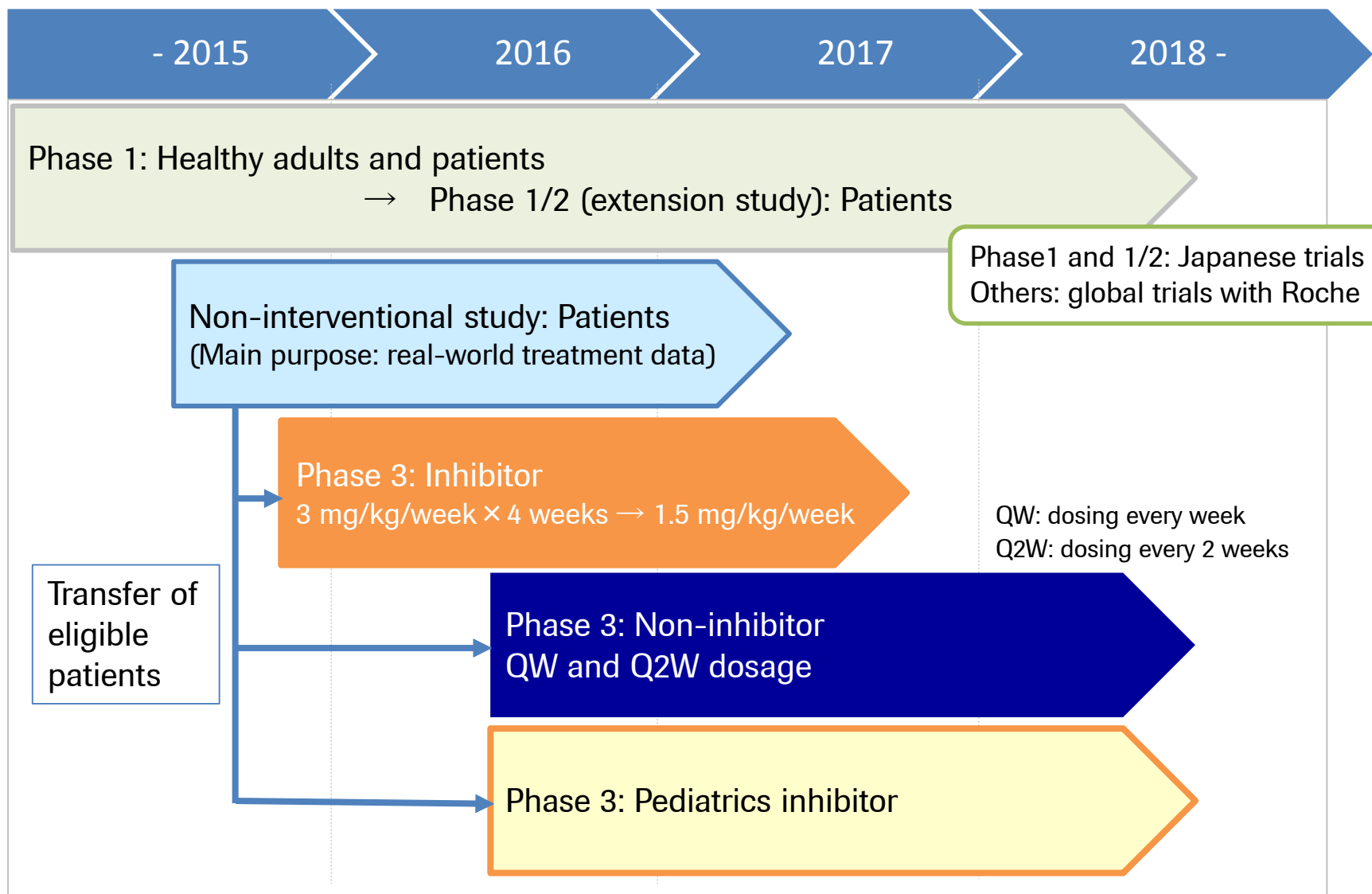
Research

Non-clinical

Clinical



ACE910 (emicizumab) Development Programs





RG7446 (atezolizumab)

Phase 3 Development Programs

 PDL1 selected
 All comer
 1L: 1st line
 2L: 2nd line
 *muscle invasive cancer

Cancer	Treatment line (planned filing year)		Study	
Bladder	Adjuvant* (2018 and beyond)		IMvigor 010	atezolizumab vs. observation
	Advanced/metastatic (2017)	2L	IMvigor 211	atezolizumab vs. chemotherapy
Lung	Adjuvant (2018 and beyond)		IMpower 010	atezolizumab vs. supportive care
	Advanced/metastatic (2017)	1L	IMpower 131	Squamous atezolizumab ± chemotherapy
			IMpower 150	Non-squamous atezolizumab + chem ± Avastin vs. chem + Avastin
			IMpower 110	Non-squamous atezolizumab vs. chemotherapy
		2L	OAK	atezolizumab vs. chemotherapy
RCC	Advanced/metastatic (2018 and beyond)	1L	IMmotion 151	atezolizumab + Avastin vs. sunitinib

Oncology Field

Projects under Development (as of 28 January, 2016)



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	Phase I	Phase II	Phase III	Filed
Oncology	CKI27 (RG7304) (Japan / overseas) - solid tumors RG7596 / polatuzumab vedotin - NHL RG7604 / taselisib - solid tumors RG7440 / ipatasertib - solid tumors	GC33 (RG7686) / codrituzumab - hepatocellular carcinoma	AF802 (RG7853) / Alecensa (overseas) - NSCLC [1L] RG1273 / Perjeta - breast cancer (adjuvant) - gastric cancer RG3502 / Kadcyla - breast cancer (adjuvant) GA101 (RG7159) / obinutuzumab - aggressive NHL - indolent NHL RG7446 / atezolizumab - NSCLC - NSCLC (adjuvant) ★ - bladder cancer - MIBC (adjuvant) ★ - renal cell carcinoma RG435 / Avastin - renal cell carcinoma	RG435 / Avastin - cervical cancer AF802 (RG7853) / Alecensa (overseas) - NSCLC [post-crizotinib] ★

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

NHL: non-Hodgkin's lymphoma

NSCLC: non-small cell lung cancer

MIBC: muscle invasive bladder cancer

Letters in orange: in-house projects

★: Projects with advances in stages since 22 October, 2015



Primary Field Projects under Development (as of 28 January, 2016)

	Phase I	Phase II	Phase III	Filed
Bone & Joint			ED-71 / Ediolol (China) - osteoporosis	
Renal	EOS789 - hyperphosphatemia			
Autoimmune			MRA / Actemra - large-vessel vasculitis - giant cell arteritis (overseas) - systemic sclerosis★ SA237 - neuromyelitis optica★	
CNS	RG1662 / basmisanil - improvement of intellectual ability in individuals with Down syndrome		RG1450 / gantenerumab - Alzheimer's disease	
Others	PC0371 (overseas) - hypoparathyroidism	RG3637 / lebrikizumab - IPF CIM331 / nemolizumab - atopic dermatitis - pruritus in dialysis patients URC102 (South Korea) - gout	RG3637 / lebrikizumab - asthma ACE910 (RG6013) /emicizumab - hemophilia A ★	

In principle, completion of first dose is regarded as the start of clinical studies in each phase.
IPF: idiopathic pulmonary fibrosis

Letters in orange: in-house projects

★: Projects with advances in stages since 22 October, 2015

★: Multinational study managed by Chugai



Development Status

In-
licensed

RG340 / Xeloda®

Gastric cancer (adjuvant indication added)
Approved in November 2015

In-
house

AF802 / Alecensa®

ALK positive, metastatic NSCLC who have progressed on or
those intolerant to crizotinib
Approved in December 2015 (US)

In-
licensed

RG7446 / atezolizumab

MIBC (adjuvant)
Participated in global P3 in November 2015
NSCLC (adjuvant)
Participated in global P3 in December 2015



Development Status

In-
licensed

RG484 / Bonviva® (oral)

Osteoporosis

Approved in January 2016

In-
house

MRA / Actemra®

Systemic sclerosis

Started global P3 in November 2015

In-
house

ACE910 / emicizumab

Hemophilia A

Started global P3 in November 2015 (inhibitor)

In-
licensed

RG3502 / Kadcyla®

Gastric cancer

Development discontinued



Other Progress

In-
house

AF802 / Alecensa[®]

150mg capsule (new dosage form)

Launched in December 2015

In-
house

CSG452 / DEBERZA[®]

Type 2 diabetes

Licensed rights for development and marketing
in the US and EU to Kowa Company in November 2015

In-
licensed

RG3502 / lebrikizumab

Asthma

Participated in the global P3 ACOUSTICS Study
for adolescent patients in December 2015

Projected Submissions (Post PoC NMEs and Products)



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NME **line extension**

in-house



in-licensed



Filed

**AVASTIN
(RG435)
Cervical Cancer**

**ALECENSA
(AF802/RG7853)
NSCLC [post-crizotinib]
(overseas)**

**atezolizumab
(RG7446)
NSCLC**

**atezolizumab
(RG7446)
Bladder Cancer**

**GA101 / obinutuzumab
(RG7159)
Indolent NHL**

**GA101 / obinutuzumab
(RG7159)
Aggressive NHL**

**PERJETA
(RG1273)
Breast Cancer (adjuvant)**

**Edirol
(ED-71)
Osteoporosis (China)**

**emicizumab
(ACE910/RG6013)
Hemophilia A**

**lebrikizumab
(RG3637)
Asthma**

**ALECENSA
(AF802/RG7853)
NSCLC[1L] (overseas)**

**AVASTIN
(RG435)
Renal Cell Carcinoma**

**KADCYLA
(RG3502)
Breast Cancer (adjuvant)**

**PERJETA
(RG1273)
Gastric Cancer**

**atezolizumab
(RG7446)
Renal Cell Carcinoma**

**atezolizumab
(RG7446)
NSCLC (adjuvant)**

**atezolizumab
(RG7446)
MIBC (adjuvant)**

**ACTEMRA
(MRA)
Systemic Sclerosis**

**nemolizumab
(CIM331)
Atopic Dermatitis**

**nemolizumab
(CIM331)
Pruritus in
Dialysis Patients**

**lebrikizumab
(RG3637)
IPF**

**gantenerumab
(RG1450)
Alzheimer's Disease**

**SA237
Neuromyelitis Optica**

2016

2017

2018-



Updates on the Development Requests for Unapproved Drugs/Indications

Review Committee of Development Requests for Unapproved Drugs/Indication

- Ten indications (including additional dosages and administrations) of eight products from the first round requests have been approved
- Two indications of two products among three indications of three products from the second round requests have been approved

	Product	Indication	Current Situation
2nd round requests	CellCept	Lupus nephritis	Filed (Public Knowledge-based application (Kouchi submission) on August 24, 2015)

- Among candidates at the third round, **two** products were requested for development.

	Product	Indication	Current Situation
3rd round requests	Tamiflu	Addition of dosage and administration for newborn and infant	Submitted company opinion and waiting for evaluation by the committee
	Xeloda	Adjuvant chemotherapy for rectal cancer	Submitted company opinion and waiting for evaluation by the committee

Letters in red: projects with change in status since July 23, 2015

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