



Mid-term Business Plan “IBI 18”

- 2016 Results and 2017 Outlook -

CHUGAI PHARMACEUTICAL CO., LTD.
President, COO
Tatsuro Kosaka

February 1/2, 2017

Forward-Looking Statements

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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



Overview of 2016

- Steady Start to Achieve IBI 18 -

- Achieved Core Operating Profit Target by 113.5%
- 3 Additional Indications and 1 Additional Dosage Form
- 4 Filings
- 2 Breakthrough Therapy Designations by the US FDA
- 10 New Project Initiation
- License-out of SA237 and nemolizumab
- Comprehensive Collaboration Agreement with IFRcC

2016 Results

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Increase of sales outperforming effects of NHI drug price revisions

Achieved core operating profit target by 113.5%, despite a decrease in YoY

billion JPY	2015 Jan -Dec actual	2016 Jan - Dec actual	Growth		2016年 Jan - Dec forecast	achiev. (%)
Revenues	498.8	491.8	▲7.0	▲1.4%	495.0	99.4%
Sales	468.4	472.7	+4.3	+0.9%	475.4	99.4%
Royalties and other operating income (ROOI)	30.4	19.1	▲11.3	▲37.2%	19.6	97.4%
Core Operating Profit	90.7	80.6	▲10.1	-11.1%	71.0	113.5%
Core EPS (yen)	116.42	102.5	▲13.92	▲12.0%	92.54	110.8%



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	Development	Pharmaceutical Technology	Sales/Medical Affairs/Safety
<ul style="list-style-type: none"> ● Continuous creation of engineered antibody projects ● Establishment of drug discovery technologies for middle molecules ● Research base for oncology/immunology 	<ul style="list-style-type: none"> ● emicizumab, atezolizumab ● Realization of early PoC with TCR ● Proof process for medical/economic value 	<ul style="list-style-type: none"> ● Enhancement of CMC development infrastructure for early PoC acquisition ● Strengthening competitive advantages from late development to initial commercial production ● QA, QC and Regulatory functions 	<ul style="list-style-type: none"> ● Growth driver products, emicizumab, atezolizumab ● Providing advanced solutions through a cross-functional system ● Establishment of system adapted to local characteristics
<p>Whole Company</p>	<ul style="list-style-type: none"> ● 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



Results and Progress of IBI 18

	Results/Progress
Drug Discovery	<ul style="list-style-type: none"> ● Initiated P1 study for 2 antibody engineered projects (ERY974, SKY59) ● Progress in establishment of drug discovery technologies for "middle molecules" ● Comprehensive collaboration agreement with Osaka university (IFReC) ● Joint research results with IFReC published in "Nature"
Development	<ul style="list-style-type: none"> ● emicizumab: <ul style="list-style-type: none"> ➢ Primary endpoint met in Global P3 study for inhibitor patients ➢ Started 3 Global P3 studies (HAVEN2, 3, 4) ● atezolizumab: <ul style="list-style-type: none"> ➢ Started Global P3 studies for 3 new projects ➢ Started P1 study in combination with a cancer immunotherapy agent ➢ 13 Global P3 studies on-going ● Out-licensing of main in-house projects: SA237, nemolizumab ● Steady progress in organizing the TCR system and in strengthening the proof of value process



Results and Progress of IBI 18

	Results/Progress
Pharmaceutical Technology	<ul style="list-style-type: none"> ● Steady progress in preparing the production for the launch of emicizumab ● Progress in enhancement of CMC development infrastructure ● Progress in capital investment plan
Sales/ Medical Affairs/ Safety	<ul style="list-style-type: none"> ● Increase in domestic sales outperforming effects of NHI drug price revision ● Steady growth in overseas sales of Alecensa ● Progress in preparing for a smooth transition to establish a system that provides solutions
Whole Company	<ul style="list-style-type: none"> ● Formulated the requirement definition, selection process and development plan for IDCP* core positions ● Maintenance of global compliance system

Domestic System to Provide Solutions



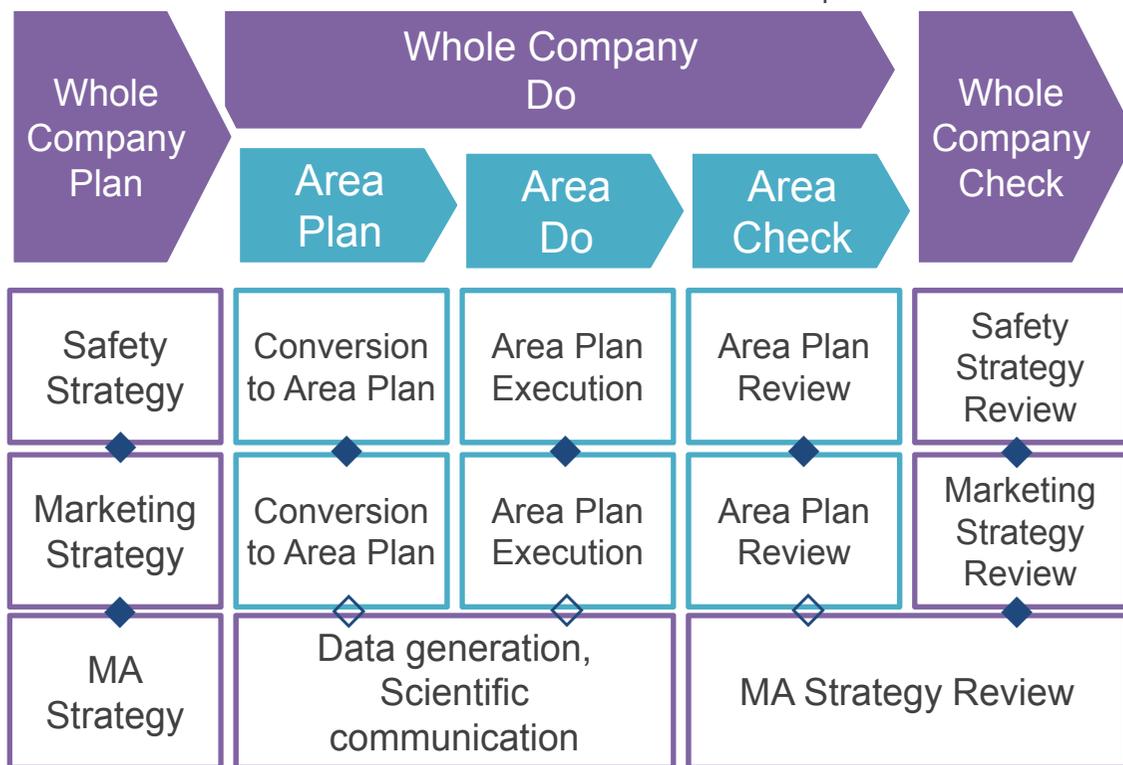
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Establish a system to provide advanced solutions adapted to local characteristics

- Provision of solutions to meet diverse and advanced customer needs through appropriate independence and cross-functional cooperation among Marketing & Sales, Drug Safety, and Medical Affairs divisions
- Establishment of a system to execute area-based strategies for each prefecture (Reorganization in April, 2017)

Strategy Plan-Do-Check cycle

◆ Cross-functional cooperation
◇ Independence



Area Strategy Execution System



2017 Outlook

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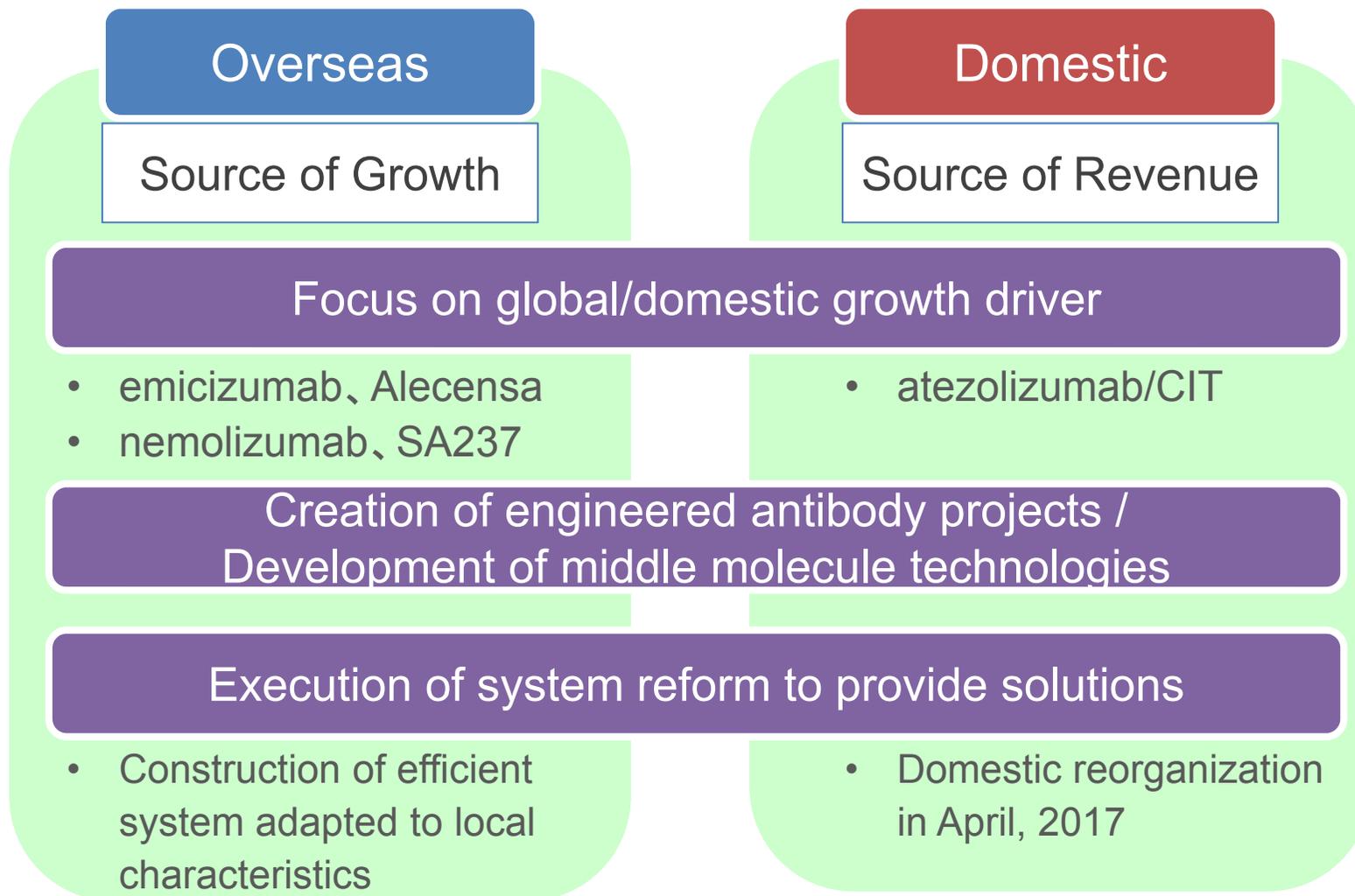
Increase in revenues and profit led by growth of new and mainstay products and ROOI

billion JPY	2016	2017	Growth	
	Jan - Dec	Jan - Dec forecast		
Revenues	491.8	520.5	+28.7	+5.8%
Sales	472.7	490.4	+17.7	+3.7%
Royalties and other operating income (ROOI)	19.1	30.0	+10.9	+57.1%
Core Operating Profit	80.6	92.0	+11.4	+14.1%
Core EPS (yen)	102.50	124.11	+21.61	+21.1%



Priority Agenda of 2017

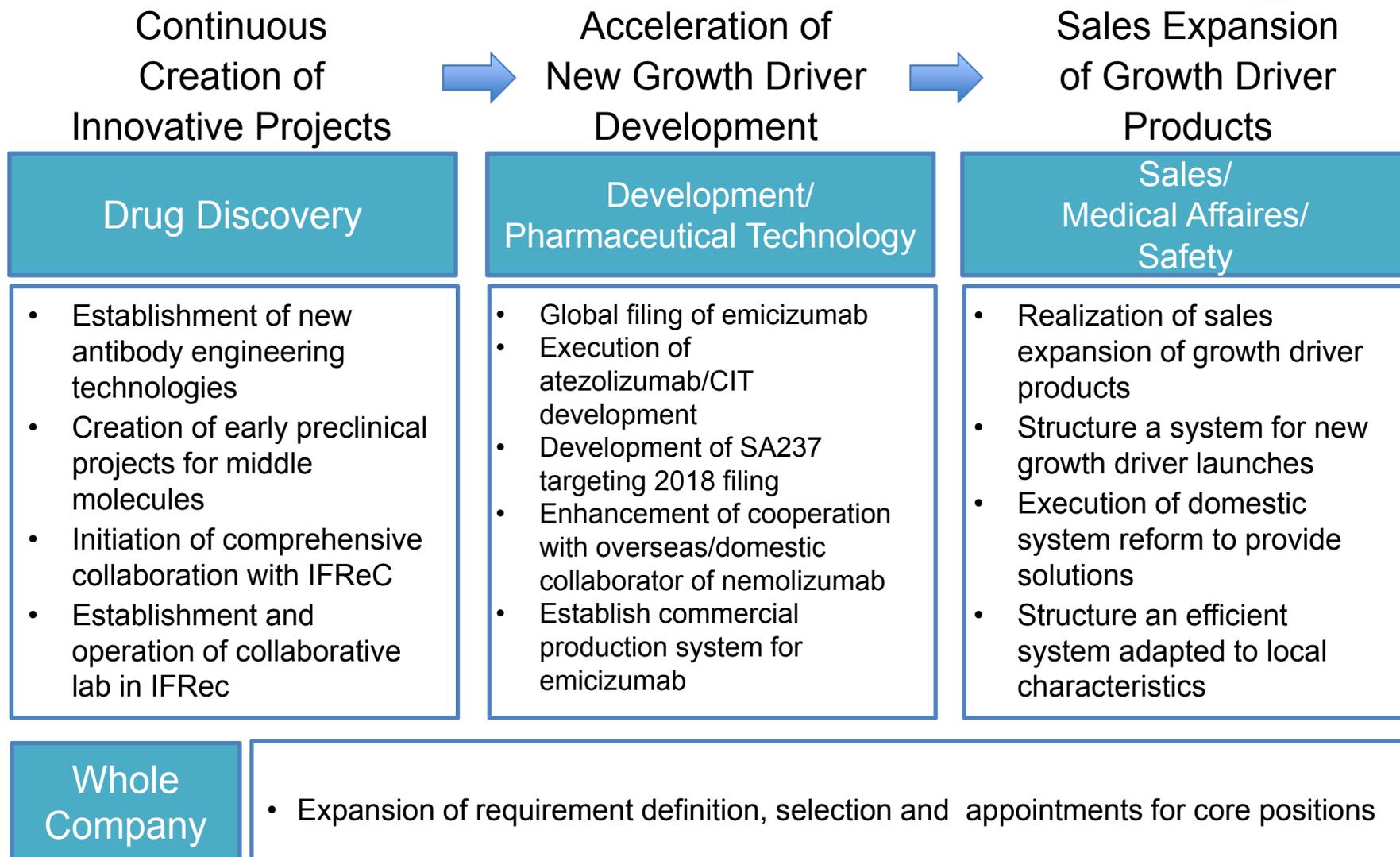
- Domestic sales as "Source of Revenue" and overseas expansion of in-house products as "Source of Growth"
- Strengthen the basis for dramatic growth in the future by enhancing the 2 core sources



2017 Target: Priority Agenda of IBI 18



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Projected Submissions (Post PoC NMEs and Products)

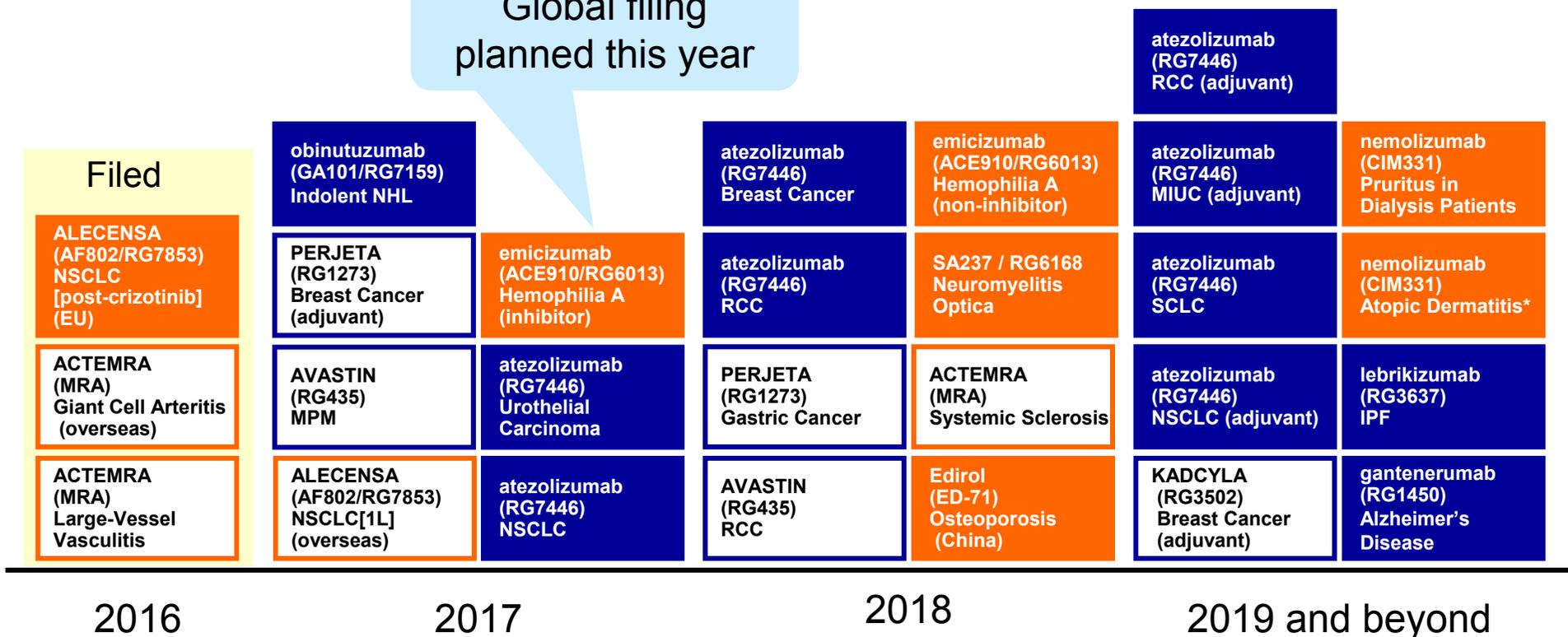
NME ■ **line extension**
in-house ■
in-licensed ■

NHL: non-Hodgkin's lymphoma
 MPM: malignant pleural mesothelioma
 NSCLC: non-small cell lung cancer
 SCLC: small cell lung cancer

RCC: renal cell carcinoma
 MIUC: muscle invasive urothelial carcinoma
 IPF: idiopathic pulmonary fibrosis

* Development out-licensed to
 - Galderma (overseas)
 - Maruho (Japan)

Global filing planned this year





FY2016 Consolidated Financial Overview (IFRS based)

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

February 1/2, 2017



Full Year Results Summary

■ Revenues: 491.8 billion yen (-7.0, -1.4% YoY)

- Domestic sales excl. Tamiflu: increase due to steady growth of new products and mainstay products (+1.7, +0.4%)
- Overseas sales: decrease of Actemra export due to supply price reduction, etc. (-2.7, -3.3%)
- Royalties and other operating income: decrease in milestone income (-11.3 -37.2%)

■ Cost of sales / Operating expenses (Core basis)

- Cost of sales: the ratio to sales worsened due to impact of weaker JPY, HIP revision and impact of supply price reduction on Actemra export, etc. (+1.2% points, from 51.0% to 52.2%)
- Operating expenses: overall decrease mainly due to the decrease of marketing and distribution expenses (-4.8, -2.8%)

■ Profits

- IFRS results: operating profit 76.9 billion yen (-9.9, -11.4%)
net income 54.4 billion yen (-8.0, -12.8%)
- Core results: operating profit 80.6 billion yen (-10.1 -11.1%)
net income 56.8 billion yen (-8.1, -12.5%)
- Core EPS (JPY): 102.50 (-13.92, -12.0%)



IFRS and Core Results Jan-Dec

(Billion JPY)	IFRS results		Non-core items		Core results 2016 Jan - Dec
	2016 Jan - Dec		Intangible assets	Others	
Revenues	491.8				491.8
Sales	472.7				472.7
Royalties and other operating income	19.1				19.1
Cost of sales	-247.9	+1.2			-246.7
Gross profit	243.8	+1.2			245.0
Operating expenses	-167.0	+2.4	+0.0		-164.5
Marketing and distribution	-69.8				-69.8
Research and development	-85.0	+2.4			-82.6
General and administration	-12.2		+0.0		-12.1
Operating profit	76.9	+3.7	+0.0		80.6
Financing costs	-0.1				-0.1
Other financial income (expense)	1.1				1.1
Other expenses	-3.5				-3.5
Profit before taxes	74.4	+3.7	+0.0		78.1
Income taxes	-20.1	-1.2	-0.0		-21.3
Net income	54.4	+2.5	+0.0		56.8
Chugai shareholders	53.6	+2.5	+0.0		56.1
Non-controlling interests	0.8				0.8

(Billions of JPY)

Non-Core items

- Intangible assets:
 - Amortization of intangible assets +1.3
 - Impairment +2.4
- Others
 - Environmental costs minimal

Core net income attributable to Chugai shareholders 56.1

(Millions of shares)

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

547

Core EPS (JPY) 102.50

Year on Year (Core)

Financial Overview Jan - Dec

FY2016 Consolidated Financial Overview

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(Billions of JPY)

(Billions of JPY)	2015		2016		Growth	
	Jan - Dec vs. Revenues		Jan - Dec vs. Revenues			
Revenues	498.8		491.8		-7.0	-1.4%
Sales	468.4		472.7		+4.3	+0.9%
excl. Tamiflu	460.2		459.2		-1.0	-0.2%
Domestic	378.0		379.7		+1.7	+0.4%
Export to Roche	63.1		62.8		-0.3	-0.5%
Other overseas	19.1		16.8		-2.3	-12.0%
Tamiflu	8.2		13.5		+5.3	+64.6%
Ordinary	8.2		12.0		+3.8	+46.3%
Govt. stockpiles, etc.	0.0		1.5		+1.5	-
Royalties and other operating income	30.4		19.1		-11.3	-37.2%
Cost of sales	-238.9	47.9%	-246.7	50.2%	-7.8	+3.3%
Gross profit	260.0	52.1%	245.0	49.8%	-15.0	-5.8%
Operating expenses	-169.3	33.9%	-164.5	33.4%	+4.8	-2.8%
Operating profit	90.7	18.2%	80.6	16.4%	-10.1	-11.1%
Financing costs	-0.1		-0.1		0.0	0.0%
Other financial income (expense)	0.6		1.1		+0.5	+83.3%
Other Expenses	-		-3.5		-3.5	-
Income taxes	-26.3		-21.3		+5.0	-19.0%
Net income	64.9	13.0%	56.8	11.5%	-8.1	-12.5%
EPS (JPY)	116.42		102.50		-13.92	-12.0%

Royalties and other operating income	-11.3
Decrease in milestone income	
Other financial income (expense)	+0.5
Exchange gains/losses	+1.0
Gains/Losses on derivatives (Gains/Losses on foreign exchange forward contracts)	-1.7
Gain on sales of securities for investment, etc.	+1.2
Other Expenses	-3.5
Adjustment from transfer pricing taxation	

Cost of sales ratio vs. Sales

2015 Jan - Dec	2016 Jan - Dec
51.0%	52.2%

Market average exchange rate (JPY)

	2015 Jan - Dec	2016 Jan - Dec
1 CHF	125.74	110.46
1 EUR	134.36	120.42
1 USD	121.03	108.83
1 SGD	88.07	78.82

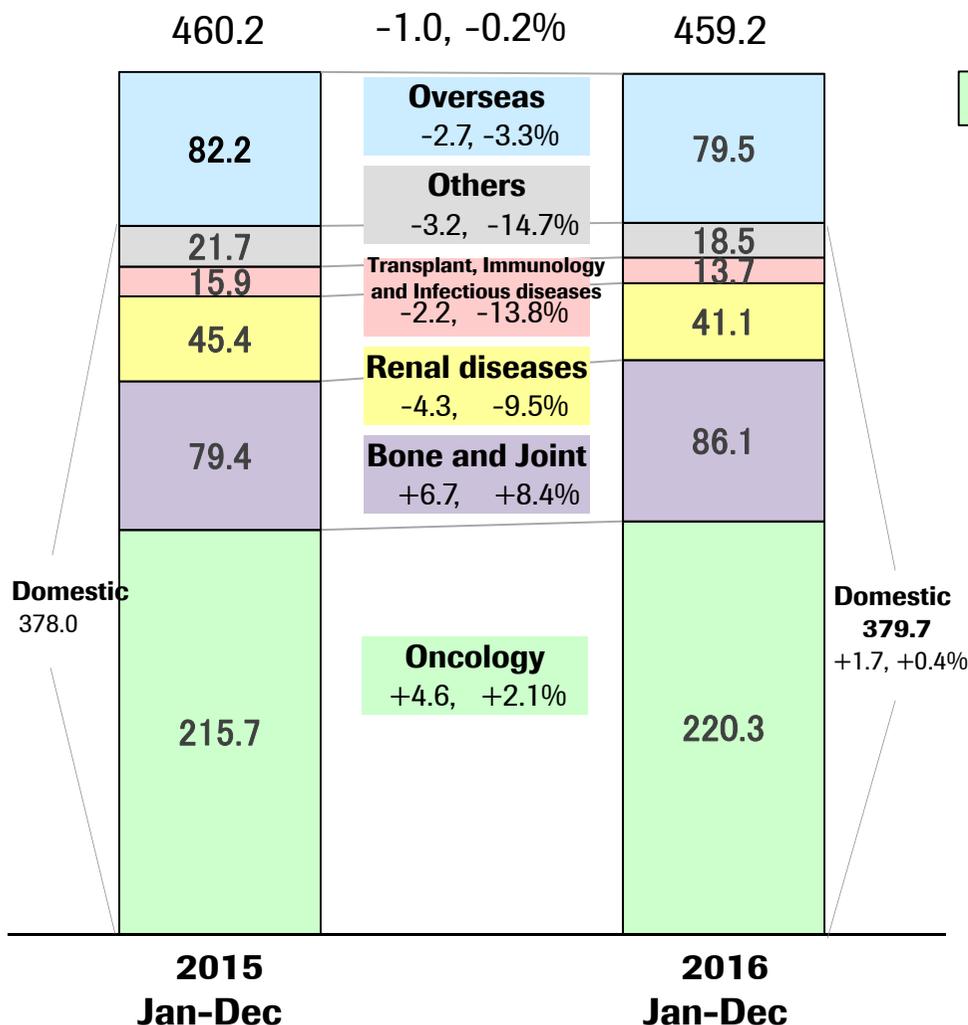


Year on Year

Sales (excl. Tamiflu) Jan - Dec

Sales by Disease Area, Year on Year Comparisons

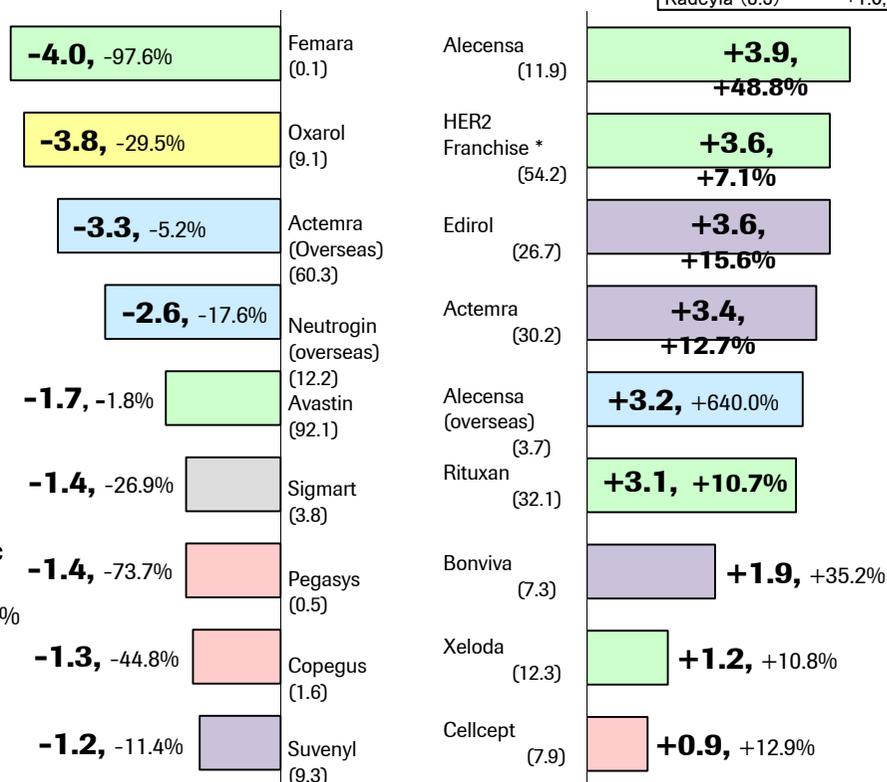
(Billions of JPY)



Sales by Products, Year on Year Changes

* Details of HER2 franchise

Herceptin (34.1)	+1.4	+4.3%
Perjeta (11.9)	+1.3	+12.3%
Kadcyla (8.3)	+1.0	+13.7%



(): FY2016 Actual

%: Year-on-year percentage change



Tamiflu Sales Trends

Fiscal Term Sales													Season	
(Billions of JPY)	FY2011		FY2012		FY2013		FY2014		FY2015		FY2016		(from the second half of FY to the first half of the next FY)	
	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	4.1												2010	4.3
		1.3	7.8										2011	9.1
				2.4	8.2								2012	10.6
						1.9	7.0						2013	9.0
								5.8	6.7				2014	12.6
										1.5	7.3		2015	8.7
												4.7	2016	-
	5.4 (+3.8)	10.2 (+4.8)	10.1 (-0.1)	12.9 (+2.8)	8.2 (-4.7)	12.0 (+3.8)								
Govt. Stockpiles etc.	0.5	2.8	0.4	1.5	0.8	0.1	0.1	0.1	0.0	0.0	0.0	1.5		
	3.3 (-13.3)	1.9 (-1.4)	0.9 (-1.0)	0.2 (-0.7)	0.0 (-0.2)	1.5 (+1.5)								
Total	4.6	4.1	8.1	3.9	9.0	2.0	7.1	5.9	6.7	1.5	7.3	6.2		
	8.7 (-9.5)	12.0 (+3.3)	11.0 (-1.0)	13.0 (+2.0)	8.2 (-4.8)	13.5 (+5.3)								

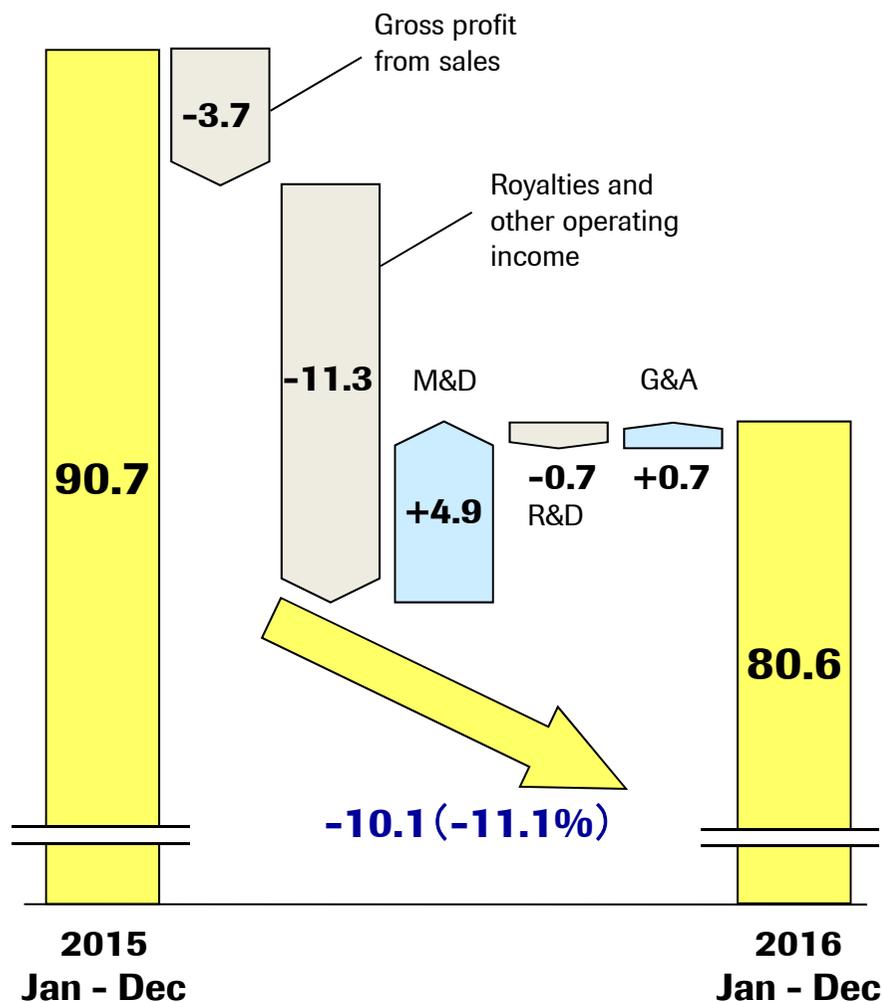
() Year on year



Year on Year (Core)

Operating Profit Jan - Dec

(Billion of JPY)



(Billions of JPY)	2015 Jan - Dec	2016 Jan - Dec	Growth
Revenues	498.8	491.8	-7.0
Cost of sales	-238.9	-246.7	-7.8
Gross profit	260.0	245.0	-15.0
<i>of which</i> Sales	229.6	225.9	-3.7
Royalties, etc.	30.4	19.1	-11.3
Marketing and distribution	-74.7	-69.8	+4.9
Research and development	-81.9	-82.6	-0.7
General and administration	-12.8	-12.1	+0.7
Operating profit	90.7	80.6	-10.1
Decrease in gross profit from sales			-3.7
Cost of sales ratio to sales worsened due to impact of weaker JPY, HIP revision and supply price reduction on Actemra export, etc.			
Decrease in royalties and other operating income			-11.3
Decrease in marketing and distribution			+4.9
FX impact and decrease in various expenses			
Increase in research and development expenses			-0.7
Progress of projects, etc.			
Decrease in general and administration, etc.			+0.7
Decrease in various expenses			

Year on Year (Core)

Financial Overview Oct – Dec

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(Billions of JPY)

(Billions of JPY)	2015		2016		Growth	
	Oct - Dec		Oct - Dec			
	vs. Revenues		vs. Revenues			
Revenues	131.1		130.3		-0.8	-0.6%
Sales	115.2		125.2		+10.0	+8.7%
excl. Tamiflu	113.7		120.2		+6.5	+5.7%
Domestic	102.6		102.4		-0.2	-0.2%
Export to Roche	6.7		13.6		+6.9	+103.0%
Other overseas	4.4		4.1		-0.3	-6.8%
Tamiflu	1.5		5.0		+3.5	+233.3%
Ordinary	1.5		4.7		+3.2	+213.3%
Govt. stockpiles, etc.	0.0		0.3		+0.3	-
Royalties and other operating income	15.9		5.1		-10.8	-67.9%
Cost of sales	-61.2	46.7%	-63.8	49.0%	-2.6	+4.2%
Gross profit	69.9	53.3%	66.5	51.0%	-3.4	-4.9%
Operating expenses	-49.5	37.8%	-45.5	34.9%	+4.0	-8.1%
Operating profit	20.4	15.6%	21.0	16.1%	+0.6	+2.9%
Financing costs	-0.0		-0.0		0.0	0.0%
Other financial income (expense)	0.2		0.6		+0.4	+200.0%
Other Expenses	-		-3.5		-3.5	-
Income taxes	-6.3		-5.6		+0.7	-11.1%
Net income	14.2	10.8%	12.5	9.6%	-1.7	-12.0%
EPS (JPY)	25.42		22.57		-2.85	-11.2%

Increase in gross profit from sales	+7.4
Increase in export to Roche and Tamiflu sales, etc.	
Decrease in royalties and other operating income	-10.8
Decrease in milestone income	
Decrease in operating expenses	+4.0
Decrease in marketing and distribution FX impact and decrease in various expenses	+2.7
Decrease in research and development FX impact, etc.	+0.7
Decrease in general and administration expenses	+0.5

Cost of sales ratio vs. Sales

2015 Oct - Dec	2016 Oct - Dec
53.1%	51.0%

vs. Forecast (Core)

Financial Overview Jan – Dec

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(Billions of JPY)	2016 Jan - Dec		+/-	Achievement
	Forecast	Actual		
Revenues	495.0	491.8	-3.2	99.4%
Sales	475.4	472.7	-2.7	99.4%
excl. Tamiflu	466.8	459.2	-7.6	98.4%
Domestic	379.0	379.7	+0.7	100.2%
Export to Roche	70.5	62.8	-7.7	89.1%
Other overseas	17.3	16.8	-0.5	97.1%
Tamiflu	8.6	13.5	+4.9	157.0%
Royalties and other operating income	19.6	19.1	-0.5	97.4%
Cost of sales	-254.0	-246.7	+7.3	97.1%
Gross profit	241.0	245.0	+4.0	101.7%
Operating expenses	-170.0	-164.5	+5.5	96.8%
Operating profit	71.0	80.6	+9.6	113.5%
EPS (JPY)	92.54	102.50	+9.96	110.8%

Cost of sales ratio vs. Sales

2016 Jan - Dec Forecast	2016 Jan - Dec Actual
53.4%	52.2%

Exchange rate (JPY)

	2016 Jan - Dec Forecast	2016 Jan - Dec Actual *
1CHF	127.00	110.46
1EUR	134.00	120.42
1USD	120.00	108.83
1SGD	87.00	78.82

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

vs. Forecast (Core)

FY2016 Consolidated Financial Overview

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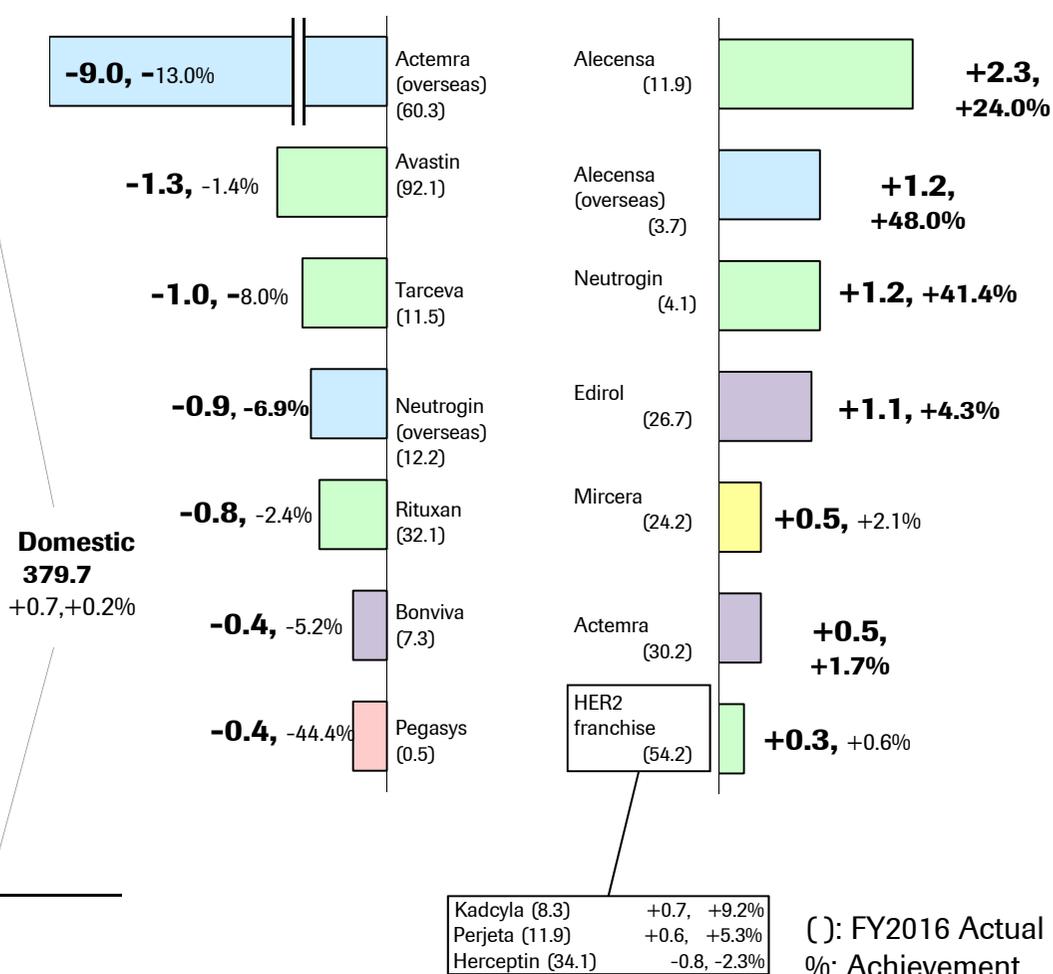
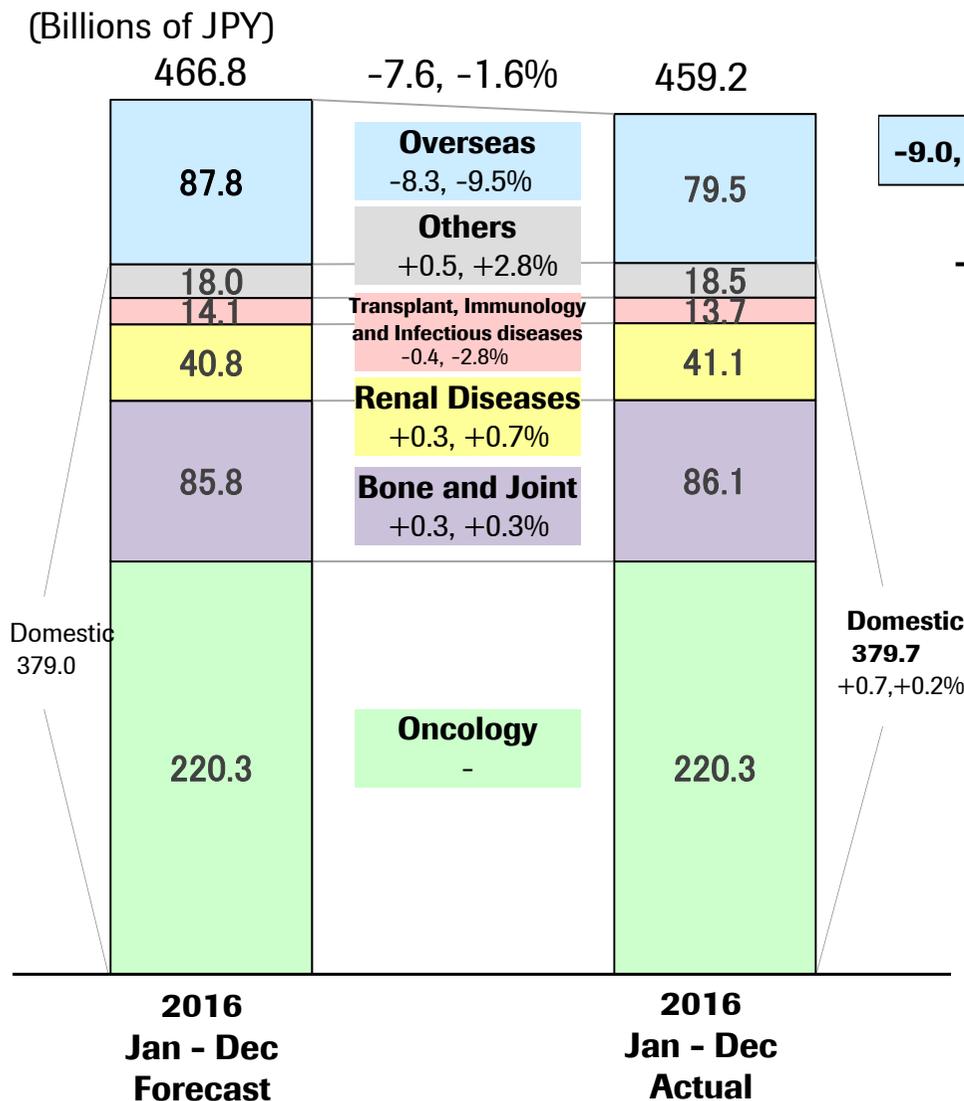


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Sales Progress (excl. Tamiflu) Jan – Dec

Sales by Disease Area,
Actual vs. Forecast

Sales by Products,
Actual vs. Forecast



(): FY2016 Actual %: Achievement

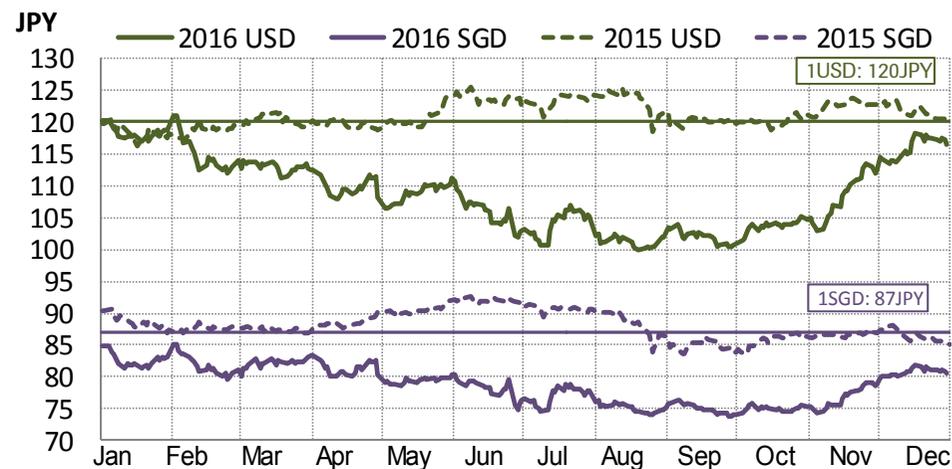
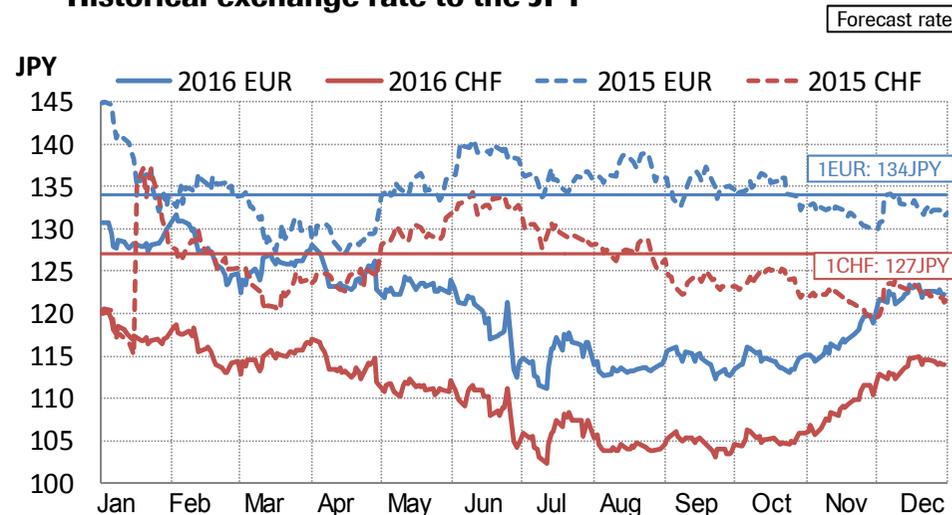


vs. Forecast (Core)

Impact from Foreign Exchange

(Billions of JPY)	FX impact Jan – Dec 2016 (FX impact vs. Forecast)	
Revenues	-4.6	
	Sales	-2.9
	Royalties and other operating income	-1.7
Cost of sales	Cost of sales	+1.5
Operating expenses	Expenses	+3.2
Operating profit	+0.1	

[Reference]
Historical exchange rate to the JPY



Actual / Forecast rate* (JPY)	2015 Jan - Dec Actual	2016 Jan - Dec Forecast	2016 Jan - Dec Actual
1CHF	125.74	127.00	110.46
1EUR	134.36	134.00	120.42
1USD	121.03	120.00	108.83
1SGD	88.07	87.00	78.82

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

vs. 2015 Year End

Balance Sheet Items

< Assets, Liabilities, and Net Assets >

(Billions of JPY)	2015 Dec	2016 Dec	Change
Trade accounts receivable	134.5	140.7	+ 6.2
Inventories	161.1	185.4	+ 24.3
Trade accounts payable	-41.2	-42.5	- 1.3
Other net working capital *1	-39.8	-25.2	+ 14.6
Net working capital	214.6	258.5	+ 43.9
Property, plant and equipment	153.5	157.1	+ 3.6
Intangible assets	13.5	19.3	+ 5.8
Other long-term assets - net *2	-1.3	-3.7	- 2.4
Long-term net operating assets	165.8	172.7	+ 6.9
Net operating assets	380.4	431.1	+ 50.7
Debt	-0.7	-0.6	+ 0.1
Marketable securities	134.4	110.2	- 24.2
Cash and cash equivalents	101.7	95.4	- 6.3
Net cash	235.4	204.9	- 30.5
Other non-operating assets - net *3	11.5	10.5	- 1.0
Net non-operating assets	246.8	215.4	- 31.4
Total net assets	627.3	646.5	+ 19.2
Total assets	787.4	806.3	+ 18.9
Total liabilities	-160.1	-159.8	+ 0.3

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

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

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

FY2016 Consolidated Financial Overview

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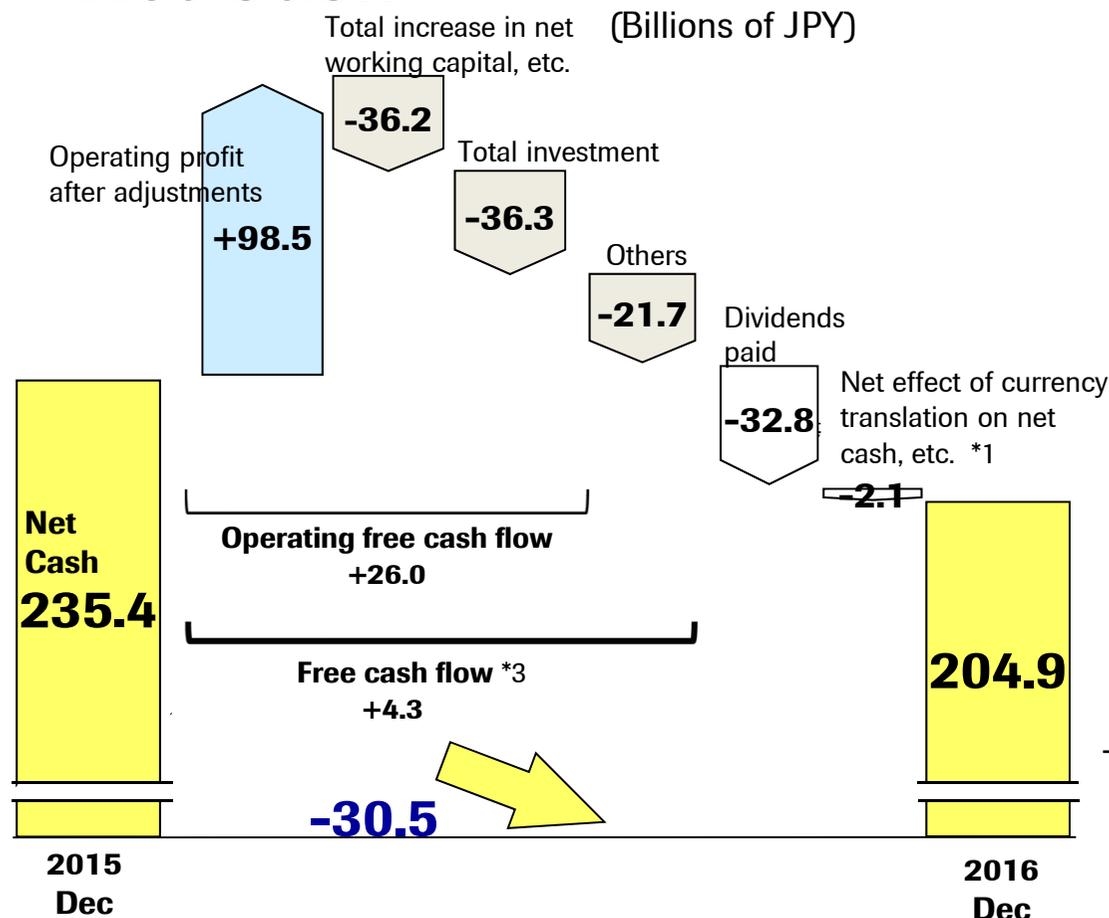
● Increase in net working capital	+43.9
Increase in trade accounts receivable	+6.2
Increase in inventories	+24.3
Increase in other net working capital	+14.6
Decrease in accounts payable for property, plant and equipment relating to plant for bio antibody API production (UK3), etc.	
● Increase in long-term net operating assets	+6.9
Increase in Property, plant and equipment	+3.6
Purchase of land for business and investment expenditure in production facilities, etc.	
Increase in intangible assets	+5.8
Investment in new products	
● Decrease in net cash	-30.5
● Decrease in other non-operating assets	-1.0
● Equity ratio attributable to Chugai shareholders	+0.6% pts.
2016 Dec	80.1%
2015 Dec	79.5%

FX rate to the JPY (end of period)

	2015 Dec	2016 Dec
1 CHF	121.89	113.94
1 EUR	131.75	122.27
1 USD	120.52	116.55
1 SGD	85.20	80.47

vs. 2015 Year End

Net Cash



FY2016 Consolidated Financial Overview

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● Operating profit after adjustments	+98.5
Operating profit	+76.9
Depreciation and amortization, etc.	+21.6
● Total increase in net working capital, etc.	-36.2
Increase in trade accounts receivable	-6.4
Increase in inventories	-26.3
Increase in trade accounts payable	+1.5
Change in other net working capital, etc.	-5.0
● Total investment	-36.3
Investment in Property, plant and equipment	-30.1
Investment in plant for bio antibody APA production (UK3) and purchase of land for business, etc.	-6.2
Investment in intangible assets	-6.2
Operating free cash flow	+26.0
● Others	-21.7
Treasury activities (interest income/expenses, foreign exchange gains/losses, etc.)	+3.7
Sales of securities for investment	+2.7
Tax paid	-25.3
Free cash flow *3	+4.3

*1 Net effect of currency transactions on net cash, etc. = Transaction in own equity instruments + Net effect of currency translation on net cash(*2)

*2 It result from using different exchange rate types 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)

*3 Our free cash flow (FCF) was calculated by taking operating free cash flow and subtracting dividends paid out. Due to the change in the definition used by Roche, our FCF from 2Q FY2016 is the cash flow before paid dividends are subtracted from operating cash flow. This is identical with the standard definition.

vs. 2015 Year End

Free Cash Flow Jan - Dec

(Billions of JPY)	2015 Jan-Dec	2016 Jan-Dec	Change
Operating profit - IFRS basis	86.8	76.9	-9.9
Depreciation and impairment of Property, plant and equipment	14.2	14.8	+0.6
Amortization and impairment of intangible assets	3.5	4.0	+0.5
Other cash adjustment on operating profit	1.0	2.8	+1.8
Operating profit, net of operating cash adjustments	105.4	98.5	-6.9
Increase (-) / decrease in trade accounts receivable	6.7	-6.4	-13.1
Increase (-) / decrease in inventories	-23.3	-26.3	-3.0
Increase / decrease (-) in trade accounts payable	5.9	1.5	-4.4
Change in other net working capital, etc.	-5.2	-5.0	+0.2
Total increase (-) / decrease in net working capital, etc.	-15.9	-36.2	-20.3
Investment in Property, plant and equipment	-18.4	-30.1	-11.7
Investment in intangible assets	-6.5	-6.2	+0.3
Total investment	-24.8	-36.3	-11.5
Operating free cash flow	64.6	26.0	-38.6
as % of revenues	13.0%	5.3%	-7.7%pts
Treasury activities (interest income/expenses, foreign exchange gains/losses, etc.)	1.6	3.7	+2.1
Tax paid	-29.1	-25.3	+3.8
Free cash flow *3	37.0	4.3	-32.7
Dividends paid	-29.4	-32.8	-3.4
Transaction in own equity instruments *2	1.4	0.5	-0.9
Net effect of currency translation on net cash, etc. } *1	-3.5	-2.6	+0.9
Net change in net cash	5.5	-30.5	-36.0

FY2016 Consolidated Financial Overview

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● Operating profit after adjustment	-6.9
● Total increase (-) / decrease in net working capital, etc.	-20.3
Increase (-) / decrease in trade accounts receivable	-13.1
Increase (-) / decrease in inventories	-3.0
Increase / decrease (-) in trade accounts payable	-4.4
Change in other net working capital, etc.	+0.2
● Total investment	-11.5
Investment in Property, plant and equipment	-11.7
Investment in plant for bio antibody APA production (UK3) and purchase of land for business, etc.	
● Operating free cash flow	-38.6
● Operating free cash flow as % of revenues	-7.7%pts.
Revenues	-7.0

Market average exchange rate (JPY)

	2015 Jan - Dec	2016 Jan - Dec
1 CHF	125.74	110.46
1 EUR	134.36	120.42
1 USD	121.03	108.83
1 SGD	88.07	78.82

*1 Net effect of currency transactions on net cash, etc. = Transaction in own equity instruments + Net effect of currency translation on net cash(*2)

*2 It result from using different exchange rate types 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)

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2017 Forecast (Core)

FY2016 Consolidated Financial Overview

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Forecast 2017 Jan – Dec

(Billions of JPY)	Actual		Forecast		Growth	
	2016 Jan - Dec vs. Revenues		2017 Jan - Dec vs. Revenues			
Revenues	491.8		520.5		+28.7	+5.8%
Sales	472.7		490.4		+17.7	+3.7%
excl. Tamiflu	459.2		482.2		+23.0	+5.0%
Domestic	379.7		393.9		+14.2	+3.7%
Export to Roche	62.8		67.4		+4.6	+7.3%
Other overseas	16.8		20.9		+4.1	+24.4%
Tamiflu	13.5		8.2		-5.3	-39.3%
Ordinary	12.0		6.5		-5.5	-45.8%
Govt. stockpiles etc.	1.5		1.6		+0.1	+6.7%
Royalties and other operating income	19.1		30.0		+10.9	+57.1%
Cost of Sales	-246.7		-252.0		-5.3	+2.1%
Gross Profit	245.0	49.8%	268.5	51.6%	+23.5	+9.6%
Operating Expenses	-164.5	33.4%	-176.5	33.9%	-12.0	+7.3%
Operating Profit	80.6	16.4%	92.0	17.7%	+11.4	+14.1%
EPS (JPY)	102.50		124.11		+21.61	+21.1%

Cost of sales ratio vs. Sales

2016 Jan - Dec	2017 Jan - Dec
52.2%	51.4%

Exchange rate (JPY)

	2016 Jan - Dec Actual *	2017 Jan - Dec Forecast
1CHF	110.46	106.00
1EUR	120.42	122.00
1USD	108.83	115.00
1SGD	78.82	80.00

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

2017 Forecast (Core)

FY2016 Consolidated Financial Overview

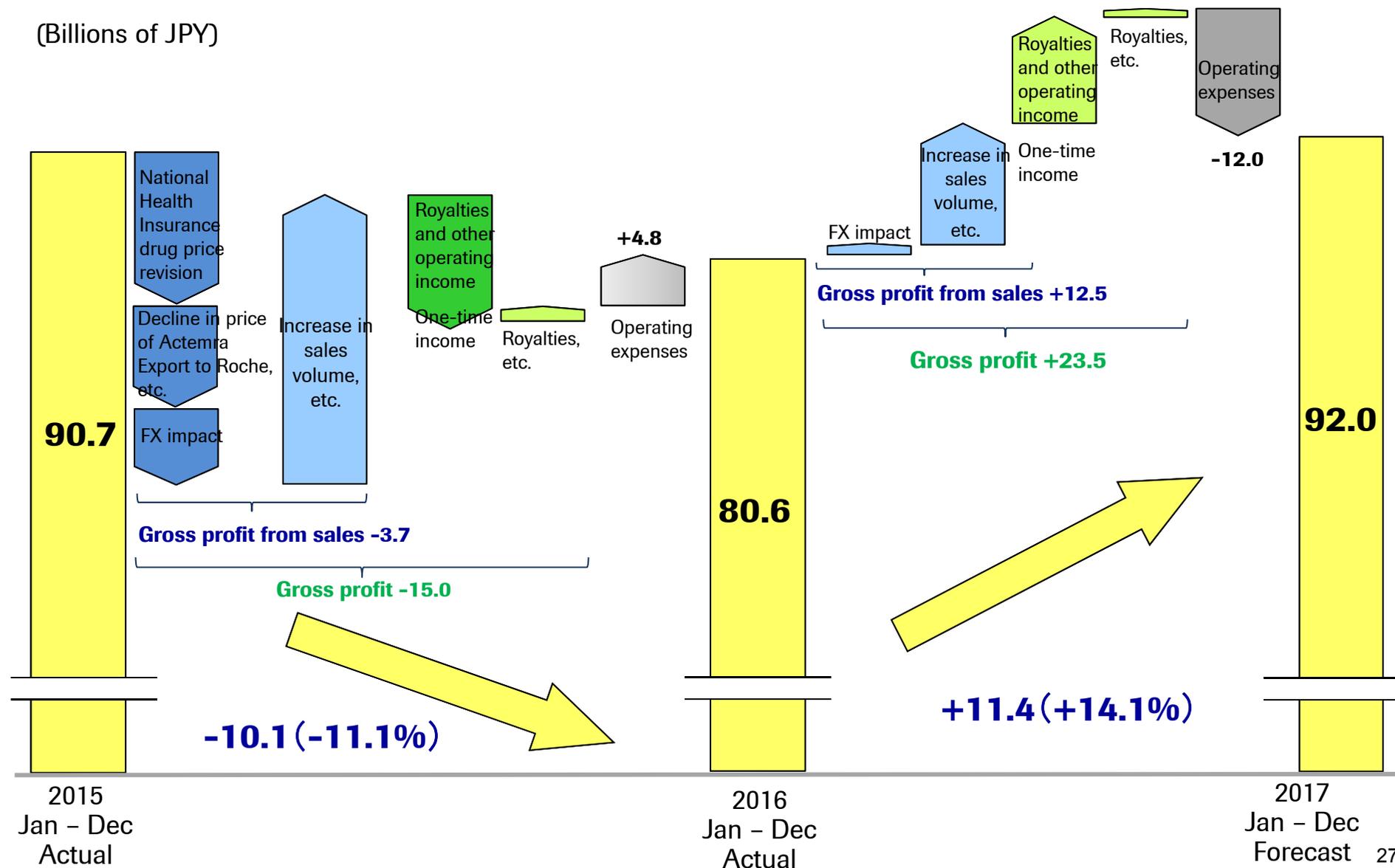
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Movement of Operating Profit 2015 – 2017

(Billions of JPY)



2017 Forecast (Core)

FY2016 Consolidated Financial Overview

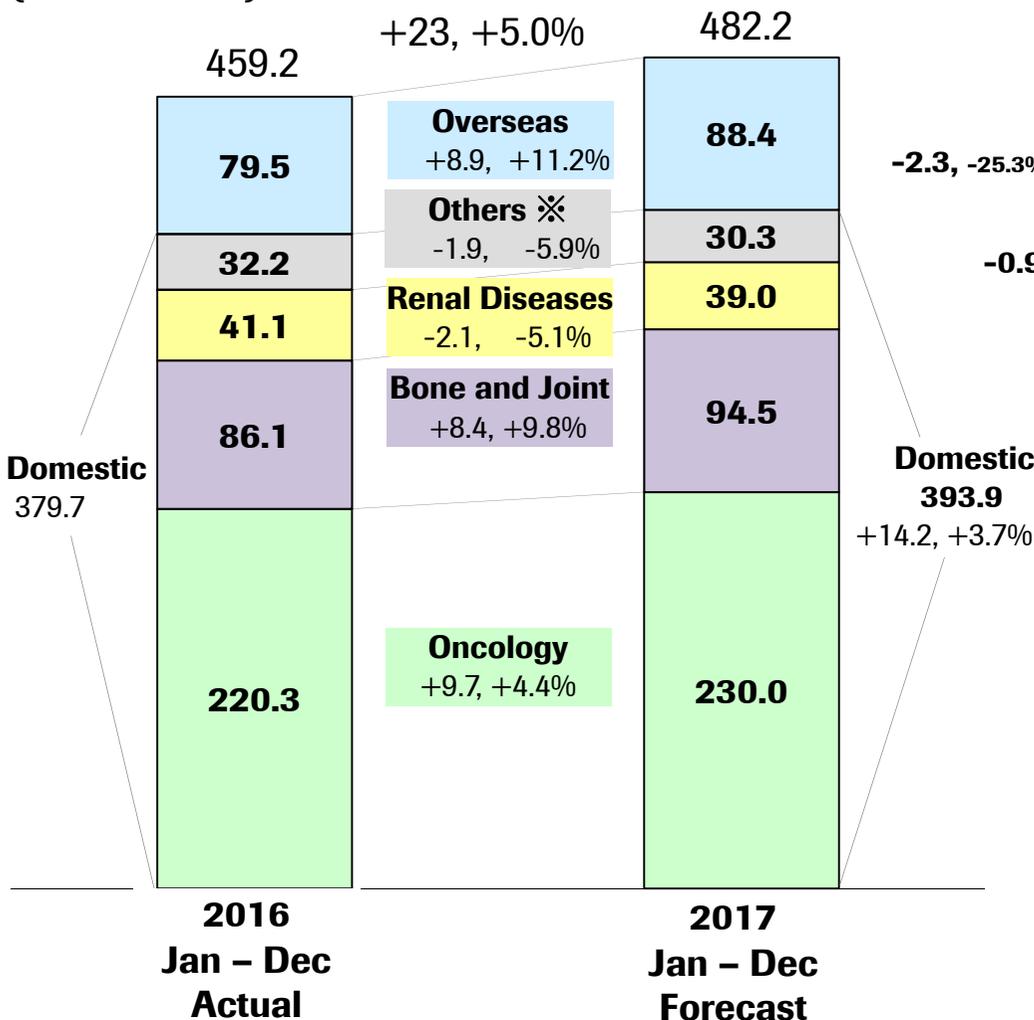
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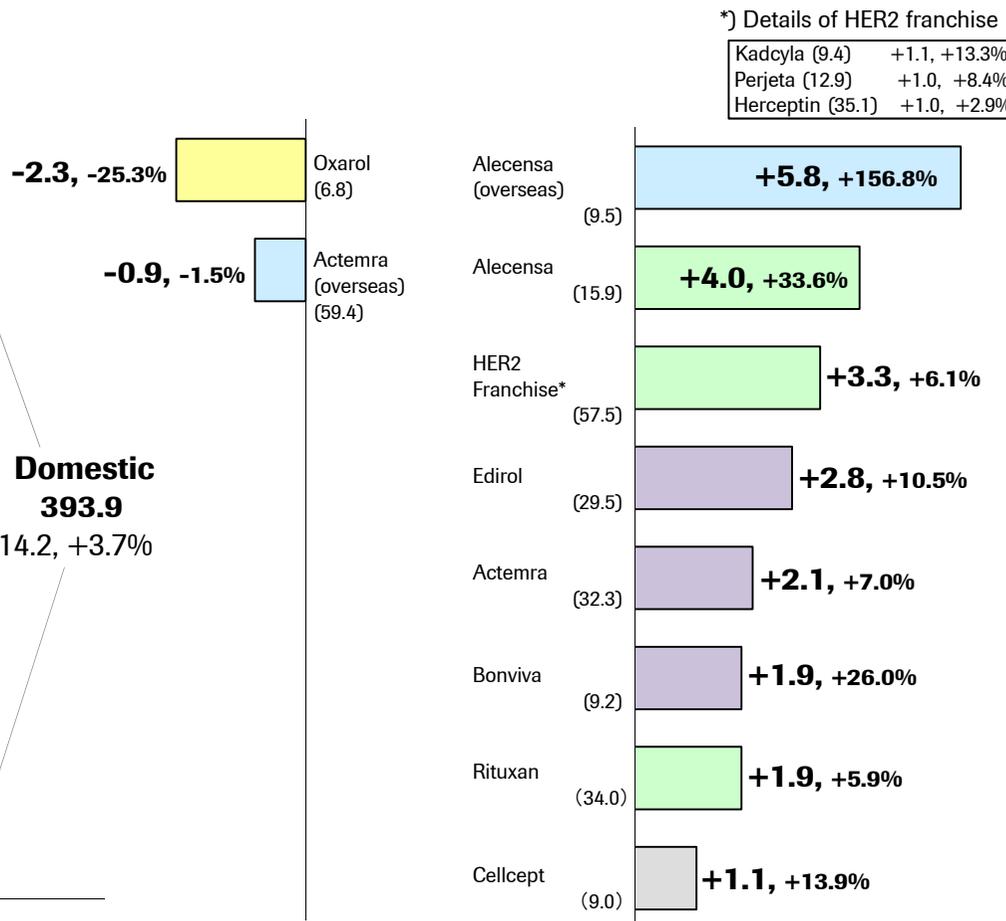
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Sales (excl. Tamiflu) Forecast vs. 2016 Actual

Sales by Disease Area, Year on Year Comparisons
(Billions of JPY)



Sales by Products, Year on Year Changes



*) Details of HER2 franchise

Kadcyla (9.4)	+1.1, +13.3%
Perjeta (12.9)	+1.0, +8.4%
Herceptin (35.1)	+1.0, +2.9%

(): FY2017 forecast
%: Year-on-year percentage change

※Sales in transplant, immunology and infectious diseases area are included in "Others" from FY2017 forecast. It was disclosed separately until FY2016.



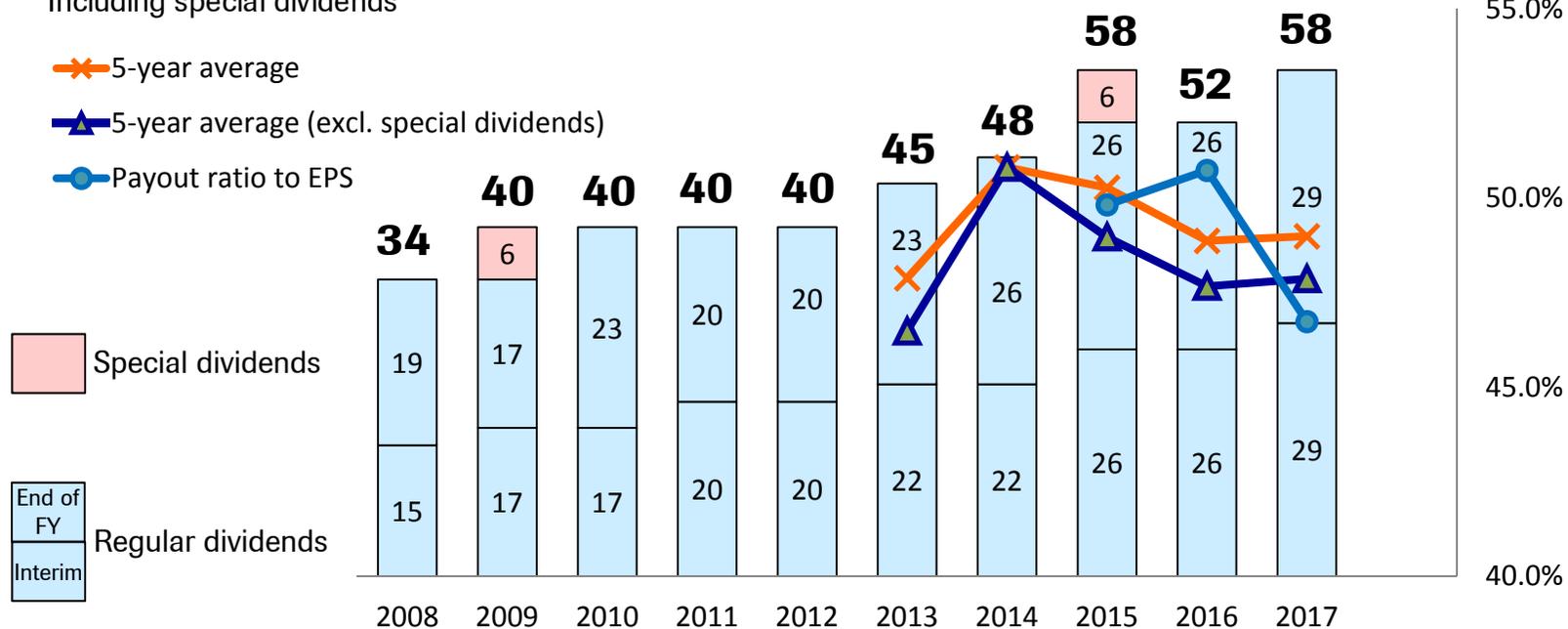
Dividend Policy

➤ 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 FY2016 (Plan)	26	26	-	52	50.7	48.9
Dividends for FY2017 (Forecast)	29	29	-	58	46.7	49.0

*Including special dividends



Current Status / Plan for Major Capital Investments



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Main Objective

- Building of state-of-the art R&D site to create innovative new drug candidates
- Simultaneous development and quick launch of therapeutic antibodies, etc.
- Reduction of manufacturing costs for in-house products



C P R

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



2012-21: 476 million SGD / (138 million SGD), incl. capital investments of 61 million SGD / (46 million SGD)

Domestic

Yokohama site: Purchase of land for business



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



Ukima Plant: Step 2, Enhancement of high-mix low-volume production of antibody API for initial commercial products (Expansion of production capability by newly-building of UK3)



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



(): Cumulative amount at the end of Dec., 2016



Overview of Development Pipeline

CHUGAI PHARMACEUTICAL CO., LTD.
Senior Vice President
Head of Project & Lifecycle Management Unit
Yasushi Ito

February 1/2, 2017

Oncology Field Projects under Development (as of 1 Feb., 2017)

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	Phase I	Phase II	Phase III	Filed
Oncology	<p>CKI27 (Japan / overseas) - solid tumors</p> <p>RG7596 / polatuzumab vedotin - NHL</p> <p>RG7604 / taselisib - solid tumors</p> <p>RG7440 / ipatasertib - solid tumors</p> <p>GC33 (RG7686) / codrituzumab - HCC★</p> <p>ERY974 (overseas) - solid tumors</p> <p>RG6078 - solid tumors</p>	<p>RG435 / Avastin - MPM</p>	<p>AF802 (RG7853) / Alecensa (overseas) - NSCLC [1L]</p> <p>RG1273 / Perjeta - breast cancer (adjuvant) - gastric cancer</p> <p>RG3502 / Kadcyca -breast cancer (adjuvant)</p> <p>GA101 (RG7159) / obinutuzumab - indolent NHL</p> <p>RG7446 / atezolizumab - NSCLC - NSCLC (adjuvant) - SCLC - urothelial carcinoma - MIUC (adjuvant) - RCC - RCC (adjuvant)★ - breast cancer</p> <p>RG435 / Avastin - RCC</p>	<p>AF802 (RG7853) / Alecensa (EU) - NSCLC [post-crizotinib]</p>

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

NHL: non-Hodgkin's lymphoma
HCC: hepatocellular carcinoma
MPM: malignant pleural mesothelioma
NSCLC: non-small cell lung cancer
SCLC: small cell lung cancer

MIUC: muscle invasive urothelial carcinoma
RCC: renal cell carcinoma

Letters in orange: in-house projects

★: Projects with advances in stages since 25 Oct., 2016

★: Multinational study managed by Chugai

Primary Field Projects under Development (as of 1 Feb., 2017)

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	Phase I	Phase II	Phase III	Filed
Bone & Joint			ED-71 / Ediolol (China) - osteoporosis	
Renal	EOS789 - hyperphosphatemia			
Autoimmune			MRA / Actemra - systemic sclerosis SA237 / RG6168 - neuromyelitis optica★	MRA / Actemra - large-vessel vasculitis★ - giant cell arteritis★
CNS	RG7412 / crenezumab - Alzheimer's disease RG7916 - spinal muscular atrophy★		RG1450 / gantenerumab - Alzheimer's disease	
Others	PCO371 (overseas) - hypoparathyroidism	RG3637 / lebrikizumab - IPF CIM331 / nemolizumab - atopic dermatitis* ★ - pruritus in dialysis patients URC102 (South Korea) - gout SKY59 (RG6107) - paroxysmal nocturnal hemoglobinuria (PI/II) ★	ACE910 (RG6013) / emicizumab - hemophilia A (inhibitor) - hemophilia A (non-inhibitor)	

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

IPF: idiopathic pulmonary fibrosis

* Development out-licensed to

- Galderma (overseas)
- Maruho (Japan)

Letters in orange: in-house projects

★: Projects with advances in stages since 25 Oct., 2016

★: Multinational study managed by Chugai



Development Status

In-
licensed

RG7446 / atezolizumab

Renal cell carcinoma (adjuvant)

Started global P3 in January 2017

In-
house

MRA / Actemra®

Large-vessel vasculitis

Filed in November 2016

Giant cell arteritis

Filed in November 2016 (overseas)

Priority review designation in January 2017 (US)

In-
licensed

RG7916 / SMN2 splicing modifier

Spinal muscular atrophy

Started P1 in January 2017

In-
house

SKY59 / RG6107

Paroxysmal nocturnal hemoglobinuria

Started global P1/2 in November 2016



Other Progress (1/2)

In-house

AF802 / Alecensa®

ALK positive, advanced NSCLC who have progressed on crizotinib
Positive CHMP recommendation in December 2016 (EU)

In-licensed

Copegus®

Hepatitis C / liver cirrhosis except genotype 1 (combination with sofosbuvir)
Filed in November 2016

In-licensed

Tamiflu®

Influenza (additional dosage and administration for newborns and infants)
Filed in December 2016 (public knowledge-based application)

In-licensed

RG7446 / atezolizumab

Urothelial carcinoma first-line therapy
Started global P3 in December 2016

In-house

ACE910 / emicizumab

Hemophilia A (inhibitor / non-inhibitor) every 4 weeks dosing
Started global P3 (HAVEN 4) in January 2017

Other Progress (2/2)

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In-
house

PA799 (PI3K inhibitor)

Out-licensed exclusive rights for worldwide manufacturing, development and marketing to Menarini Group in November 2016

In-
licensed

PM1183 / lurbinectedin (RNA polymerase II inhibitor)

In-licensed exclusive rights for development and marketing in Japan from PharmaMar in December 2016

In-
house

CKI27 (Raf/MEK inhibitor)

Development and marketing rights returned from Roche in January 2017

Results of Clinical Trials

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In-
house

ACE910 / emicizumab Hemophilia A (inhibitors)

Global P3 (HAVEN 1) study met primary endpoint

- A statistically significant reduction in the number of bleeds was confirmed in patients treated with emicizumab prophylaxis compared to those receiving no prophylactic treatment

In-
licensed

Peretinoin Prevention of recurrence of hepatocellular carcinoma

(In-licensed exclusive rights for marketing in Japan from Kowa in July 2015)

P3 study did not meet primary endpoint

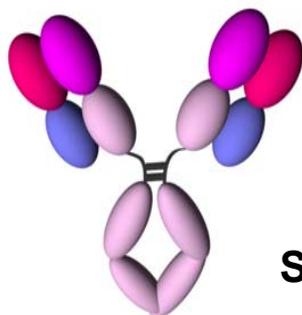
Paroxysmal Nocturnal Hemoglobinuria (PNH)



- An acquired hematopoietic stem cell disease associated with intravascular hemolysis by the complement, which results from clonal expansion of hematopoietic stem cells with PIG-A mutations.
- Characteristic symptoms caused by hemolysis such as hemoglobinuria and thrombosis; and hematopoietic failures including aplastic anemia. Symptoms may differ between patients.
- A progressive disease with a high risk of mortality. Major causes of death are thrombosis, infections and bleeding.
- Hemolytic episodes often result in hemoglobinuria in the morning.
 - Major complications: chronic kidney diseases, pulmonary hypertension, etc.
 - Estimated prevalence in Japan: 430 (3.6 patients per 1 million population, research group of the Ministry of Health, Labour and Welfare 1998)
 - Mean survival time after diagnosis in Japan: 32.1 years, Mortality within 10 years after diagnosis: approximately 20%*



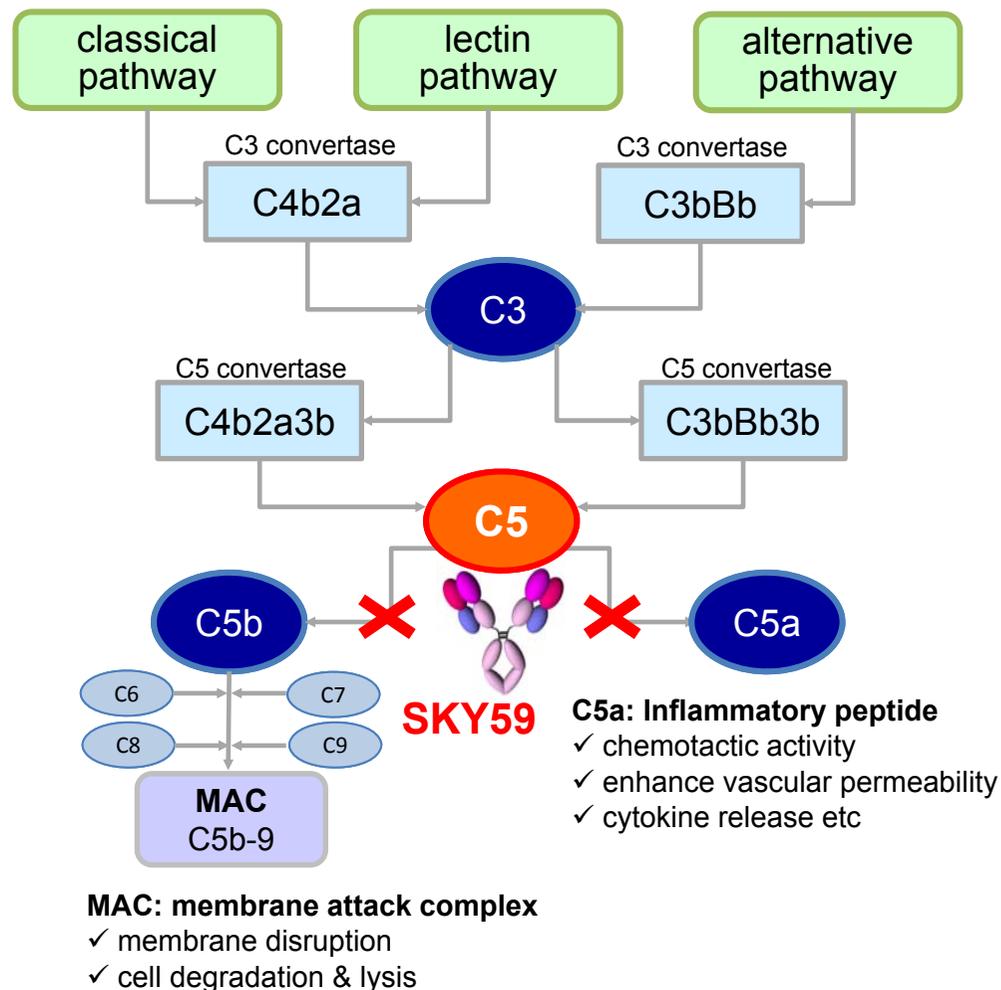
SKY59: anti-C5 Recycling Antibody



SKY59

- Recycling antibody with a high affinity and sufficient pH-dependency
- Improved pharmacokinetics and longer half-life enabled by multiple antibody technologies (shown in preclinical studies)
- Inhibit MAC formation by blocking C5 cleavage to C5a and C5b, preventing hemolysis

SKY59 and C5 in Complement Cascade





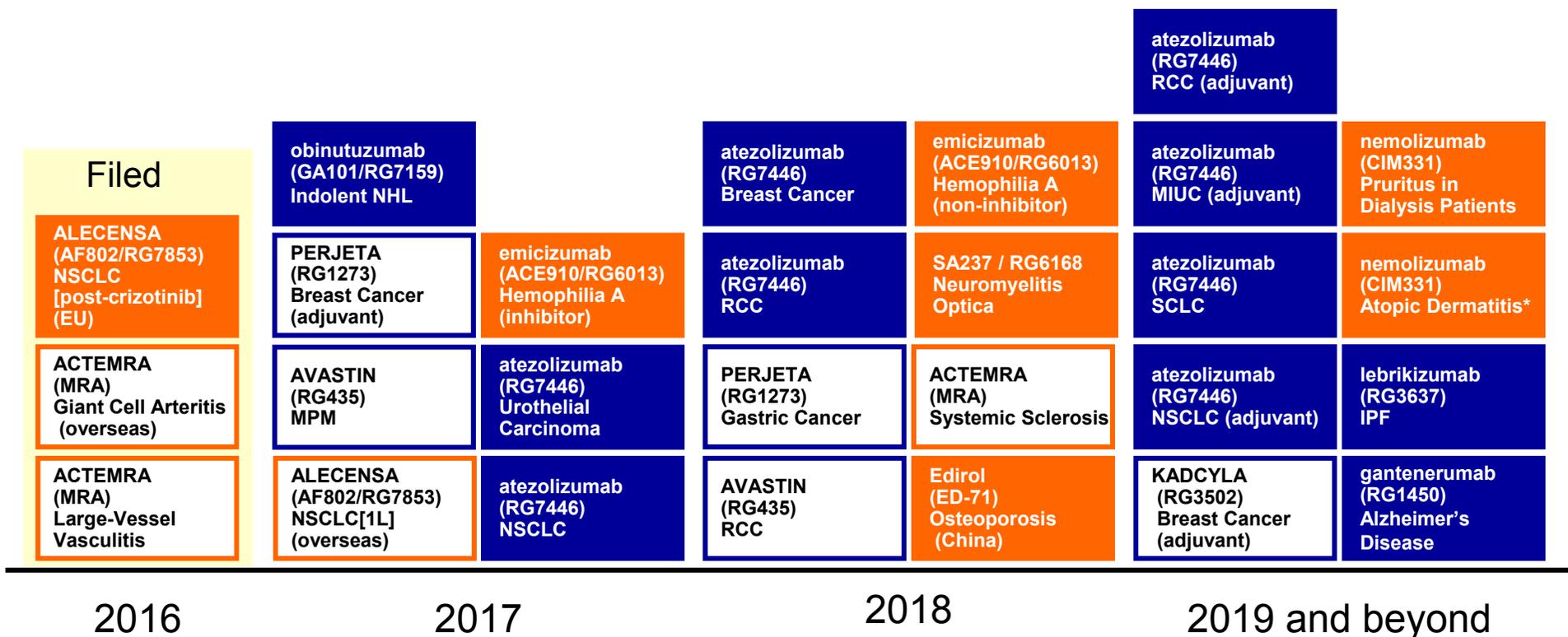
Projected Submissions (Post PoC NMEs and Products)

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

NHL: non-Hodgkin's lymphoma
 MPM: malignant pleural mesothelioma
 NSCLC: non-small cell lung cancer
 SCLC: small cell lung cancer

RCC: renal cell carcinoma
 MIUC: muscle invasive urothelial carcinoma
 IPF: idiopathic pulmonary fibrosis

* Development out-licensed to
 - Galderma (overseas)
 - Maruho (Japan)



Updates on the Development Requests for Unapproved Drugs/Indications



Review Committee of Development Requests for Unapproved Drugs/Indication

- 1st round requests: all approved (ten indications, including additional dosages and administrations, of eight products)
- 2nd round requests: all approved (three indications of three products)
- 3rd round requests: requests were made for two indications of two products

Product	Indication	Current Status
Tamiflu®	Additional dosage and administration for newborn and infant	Application under review [Public Knowledge-based application was filed on December 16, 2016]
Xeloda®	Adjuvant chemotherapy for rectal cancer	Approved [August 26, 2016]

- 4th round requests: requests were made for two indications of two products

Product	Indication	Current Status
Copegus®	Improvement of viraemia associated with genotype 3 chronic hepatitis C or compensated cirrhosis related to genotype 3 hepatitis C when administered in combination with sofosbuvir	Application under review [Filed on November 18, 2016]
Xeloda®	Neuroendocrine tumor	Submitted company opinion and waiting for evaluation by the committee

Letters in orange: projects with advances in status since July 21, 2016



Reorganization to Provide a New Solution

CHUGAI PHARMACEUTICAL CO., LTD.
Senior Vice President, General Manager of
Marketing & Sales Div.
Susumu Kato

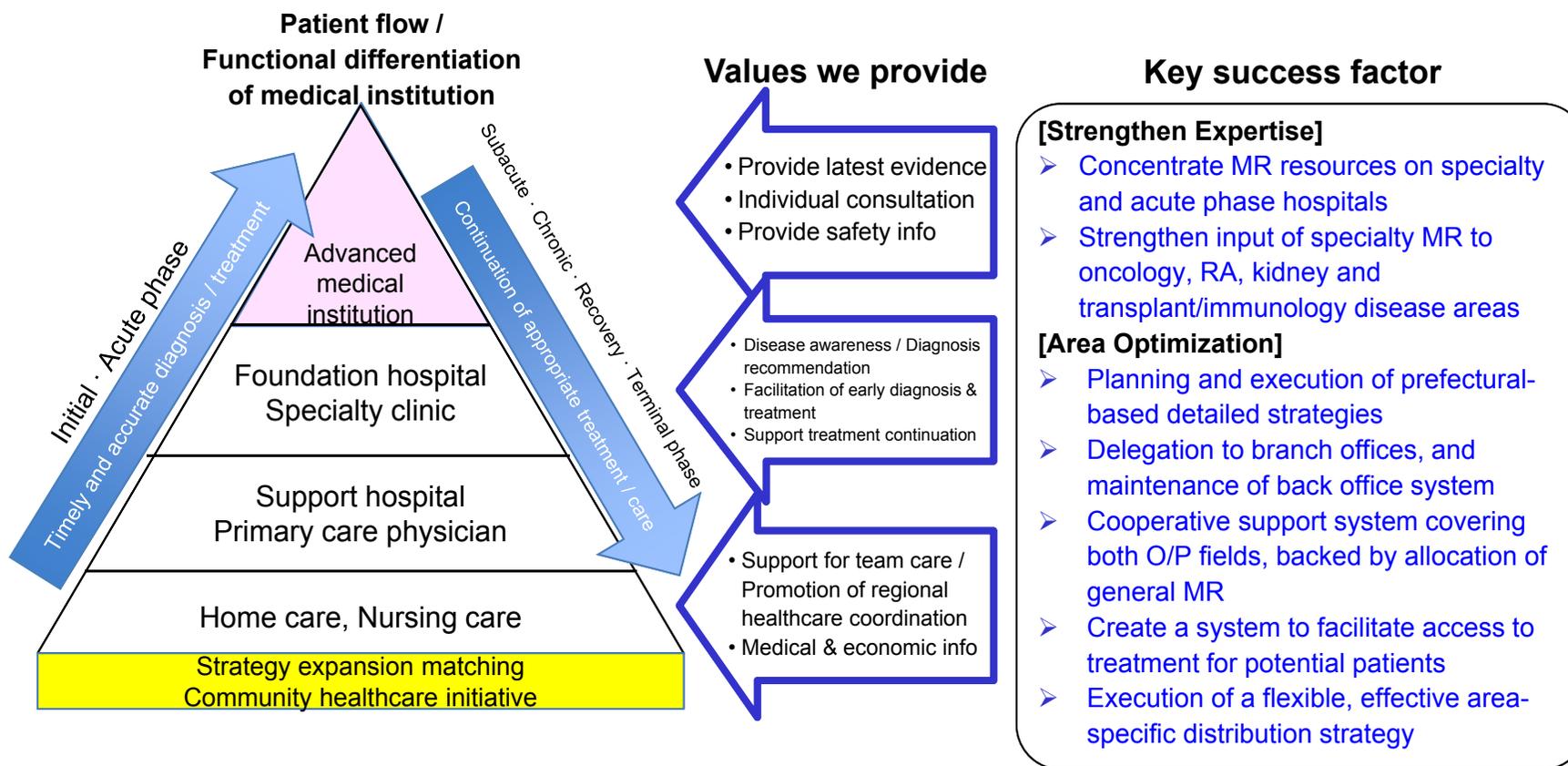
February 1/2, 2017

Strategic Approach to Domestic Market



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Spread and penetrate innovative new drugs into advanced medical institution, and expand individual strategy adopted to regional healthcare environment



Organization System of Marketing & Sales Division from April, 2017



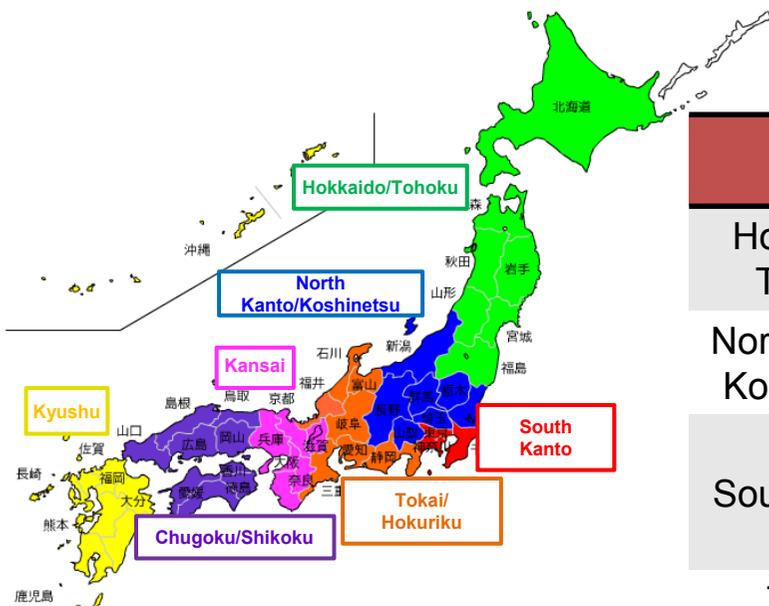
- Current 11 branches will be subdivided into 36 branches, and 7 Regional Management Offices (RMO) will be newly established
- The current Primary Unit (PU) and Oncology Unit (OU) will be abolished
- Each RMO will be equipped with an Area Strategy Execution Group responsible for back-office functions

- Capable to expand prefectural-based area strategy covering all (Oncology and Primary) fields
- Capable to carry out strategies in a flexible way that could be promptly adopted to environmental change in each area
- Capable to operate flexible budget/personnel management and back-office systems in each RMO



New Organization System for Market & Sales Division (from April, 2017)

Current 11 branches will be subdivided into 36 branches, and managed under 7 RMOs to strengthen area management

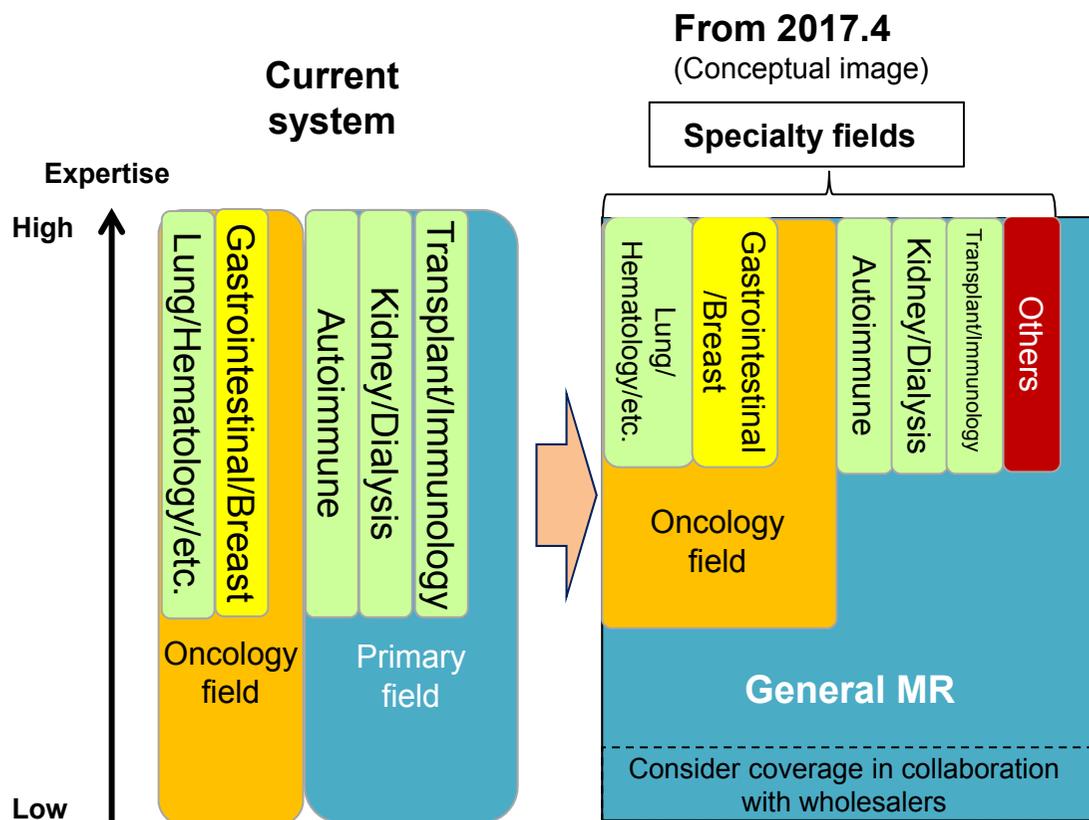


RMO	No. of Branch	Branch Area
Hokkaido/Tohoku	4	Hokkaido, <u>Aomori+Iwate+Akita (North Tohoku)</u> , <u>Miyagi+Yamagata</u> , Fukushima
North Kanto/Koshinetsu	5	Ibaraki, <u>Gunma+Tochigi</u> , Saitama, Niigata, <u>Nagano+Yamanashi</u>
South Kanto	7	Tokyo Branch 1 (23-wards, hospital (1)), Tokyo Branch 2 (23-wards, hospital (2)), Tokyo Branch 3 (23-wards, area), Tama, Chiba, <u>Kawasaki+Yokohama</u> , Atsugi
Tokai/Hokuriku	4	<u>Toyama+Ishikawa+Fukui (Hokuriku)</u> , <u>Gifu+Mie</u> , Shizuoka, Aichi
Kansai	5	<u>Kyoto+Shiga</u> , North Osaka, South Osaka, Hyogo, <u>Nara+Wakayama</u>
Chugoku/Shikoku	6	<u>Tottori+Shimane</u> , Okayama, Hiroshima, Yamaguchi, <u>Tokushima+Kagawa</u> , <u>Ehime+Kouchi</u>
Kyushu	5	<u>Fukuoka+Oita</u> , <u>Nagasaki+Saga</u> , Kumamoto, <u>Kagoshima+Miyazaki</u> , Okinawa
Total	36	



Strategic Resource Shift including MR Allocations

MR for specialty fields will be shifted further to facilities with high expertise
 Allocate General MR to cover all fields

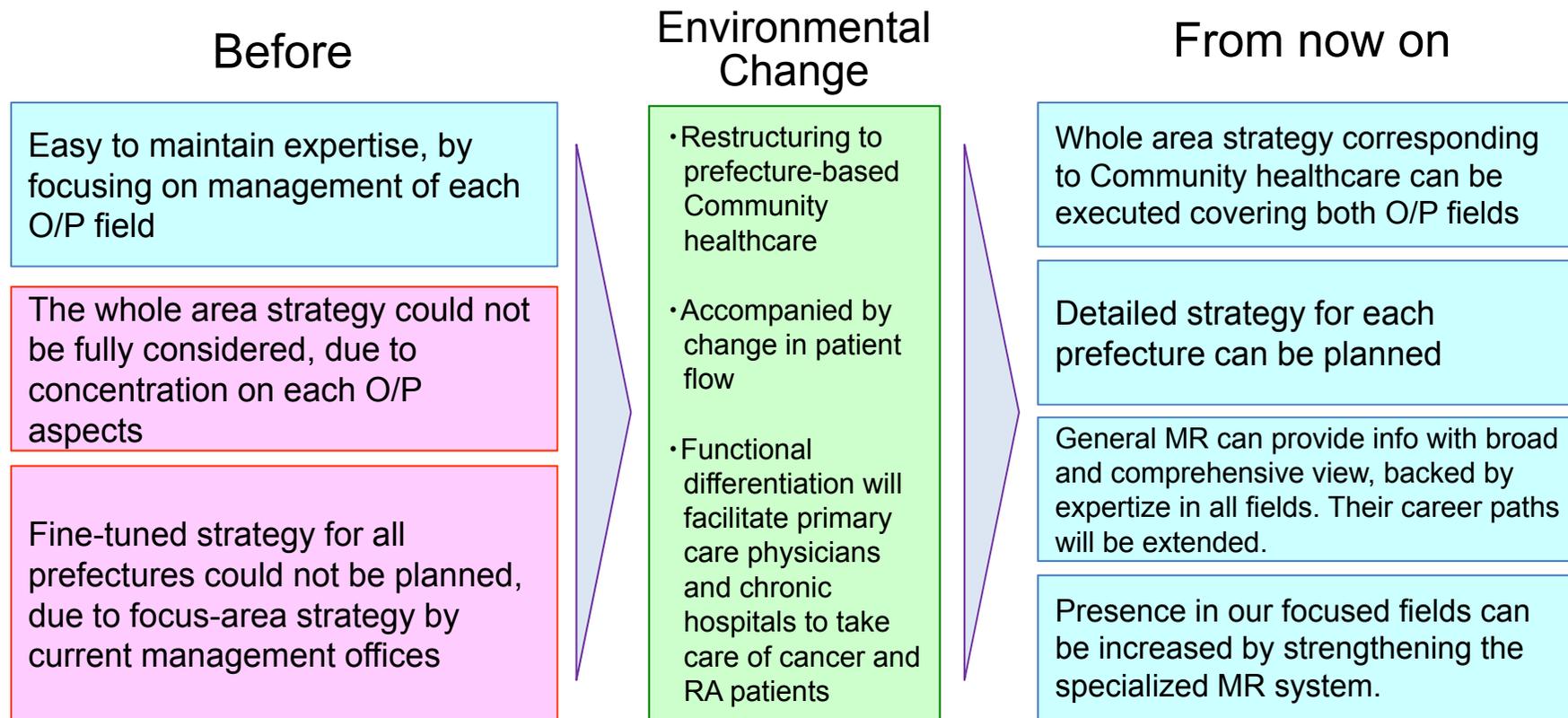


<MR Resource Shift>

- ✓ Changed function from Primary MR to General MR, in order to cover the whole "disease flow" and "customer flow" within the area
- ✓ Focus resources of Oncology specialized MR to facilities/customers with high expertise
- ✓ Primary Specialized MR will also be allocated, in order to strengthen expertise



Change in Chugai's Marketing & Sales System



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