



Chugai Announces 2018 Full Year Results and Forecasts for 2019

- Record-high revenues and Core operating profit for two consecutive years at ¥579.8 billion and ¥130.3 billion, respectively
- Planned 2018 year-end dividends ¥55 per share (total dividends for the fiscal year: ¥86 per share), ¥24 higher than the forecast at the beginning of the year
- Revenues and profits expected to grow in 2019 due to increases in overseas sales, and royalty and profit-sharing income

TOKYO, January 31, 2019 -- [Chugai Pharmaceutical Co., Ltd.](#) (TOKYO: 4519) announced its financial results for the fiscal year ended December 31, 2018 and forecasts for the fiscal year ending December 31, 2019.

In 2018, both revenues and profits increased driven by: contribution from new products including the hemophilia A treatment Hemlibra[®] and the immune checkpoint inhibitor Tecentriq[®]; steady growth of mainstay products in Japan and overseas; and an increase in royalties and other operating income primarily due to one-time income from the transfer of long-term listed products and out-licensing of an investigational drug for diabetes. Revenues, operating profit and net income achieved record-high for two consecutive years. Reflecting the favorable results and based on our dividend policy, year-end dividends for the fiscal year 2018 are planned to be ¥55 per share, which is higher by ¥10 as increased regular dividend and ¥14 as special dividends than the forecast at the beginning of the fiscal year. As a result, total dividends for the fiscal year will be ¥86 per share, and the Core dividend payout ratio is 48.7%.

Billion JPY	2018	2017	% change
Core results			
Revenues	579.8	534.2	+8.5%
Sales	527.8	499.3	+5.7%
Royalties and other operating income	51.9	34.9	+48.7%
Operating profit	130.3	103.2	+26.3%
Net income	97.3	76.7	+26.9%
IFRS results			
Revenues	579.8	534.2	+8.5%
Operating profit	124.3	98.9	+25.7%
Net income	93.1	73.5	+26.7%

For the fiscal year 2019, Chugai expects growth in both revenues and profits owing to increases in overseas sales with a steady growth in Alecensa[®] export to Roche and the continued growth in sales quantity of Actemra[®], and increases in royalties mainly for Hemlibra, while domestic sales are expected to decrease due to the negative impact from competition including generic competition and the NHI drug

price revisions. Chugai expects total estimated dividends of ¥96. Accordingly, the forecast for the Core dividend payout ratio is 48.5%.

Billion JPY	2019 Forecast	2018 Actual	% change
Revenues	592.5	579.8	+2.2%
Core operating profit	143.0	130.3	+9.7%

● Consolidated results for the fiscal year ended December 31, 2018

[Revenues]

- Domestic sales excluding Tamiflu[®] were almost steady at ¥389.2 billion (+0.2%). Contribution from new products including the hemophilia A treatment Hemlibra created by Chugai and the immune checkpoint inhibitor Tecentriq, and the steady growth of mainstay products in bone and joint diseases area have offset the negative impact of the NHI drug price revisions. However, overall domestic sales slightly decreased to ¥399.9 billion (-1.3%) because Tamiflu sales for government stockpiles decreased remarkably.
 - Oncology: Sales were almost flat compared with the previous year. Sales of Tecentriq that was launched in April totaled ¥9.1 billion and sales of the mainstay product ALK inhibitor Alecensa reported steady growth. However, sales of Herceptin[®] and Rituxan[®] decreased mainly due to the NHI drug price revisions in April.
 - Bone and joint diseases: Sales increased due to the robust sales of mainstay products such as the anti-rheumatic agent Actemra and the osteoporosis agent Ediol[®].
 - Renal diseases: Sales declined mainly due to decreases in sales of the secondary hyperparathyroidism treatment Oxarol[®] and the renal anemia agent Mircera[®], primarily as a result of the NHI drug price revisions in April.
 - Others: Sales recorded a double-digit decline due primarily to the long-term listed products transferred to Taiyo Pharma Co., Ltd., despite sales of ¥3.0 billion for Hemlibra launched in May experienced favorable market penetration.
- Overseas sales increased to ¥127.9 billion (+36.1%) due to increases in exports of Alecensa and Actemra to Roche
- Royalties and other operating income increased remarkably to ¥51.9 billion (+48.7%) due to one-time income primarily from the transfer of long-term listed products to Taiyo Pharma Co., Ltd. and out-licensing of an investigational drug for diabetes OWL833 to Eli Lilly and Company.

Billion JPY	2018	2017	% change
Sales	527.8	499.3	+5.7%
Domestic sales	399.9	405.3	-1.3%
Excl. Tamiflu	389.2	388.4	+0.2%
Oncology	225.7	225.9	-0.1%
Bone and joint diseases	100.5	93.3	+7.7%
Renal diseases	36.3	39.3	-7.6%
Others	26.8	29.9	-10.4%
Tamiflu	10.7	16.9	-36.7%
Ordinary use	10.1	11.9	-15.1%
Government stockpiles	0.5	5.0	-90.0%
Overseas sales	127.9	94.0	+36.1%

[Core operating profit]

- Cost of sales ratio to revenues improved mainly due to a change in product mix and increases in royalties and other operating income. As a result, Core gross profit totaled ¥317.9 billion (+13.0%), achieving a double-digit growth.
- Core operating expenses amounted to ¥187.6 billion (+5.3%) with a single-digit growth rate, contrary to Core gross profit. The increase in Core operating expenses was mainly driven by R&D expenses. As a result, Core operating profit totaled ¥130.3 billion (+26.3%). Core operating profit ratio to revenues was 22.5%, improved by 3.2 percentage points from the previous year.

● Forecast for the fiscal year ending December 31, 2019

[Revenues]

- Domestic sales are forecasted to decrease to ¥389.1 billion (-2.7%) compared to the previous year. The negative impact from competition including generic competition and the NHI drug price revisions will exceed the sales growth in new products including Hemlibra and Tecentriq.
- Overseas sales are expected to increase to ¥138.9 billion (+8.6%), reflecting the steady growth in Alecensa export to Roche and the continued growth in sales quantity of Actemra.
- Royalties and other operating income is expected to increase to ¥64.5 billion (+24.3%). Royalty and profit-sharing income is forecasted to rise to ¥53.5 billion (+122.0%) because of increases in royalties from Roche mainly for Hemlibra. Other operating income is expected to decrease to ¥11.0 billion (-60.6%) mainly because one-time income was recorded in the previous year from the transfer of long-listed products.

[Core operating profit]

- Core gross profit is expected to rise to ¥340.0 billion (+7.0%) mainly due to the increase in revenues.
- Core operating expenses are expected to amount to ¥197.0 billion (+5.0%). Particularly, R&D expenses are expected to increase to ¥102.0 billion (+8.3%).
- As a result, Core operating profit is expected to be ¥143.0 billion (+9.7%).

About Core results

Chugai discloses its results on a Core basis from 2013 in conjunction with its decision to apply IFRS. Core results are the results after adjusting non-Core items to IFRS results, and are consistent with the Core concept disclosed by Roche. Core results are used by Chugai as an internal performance indicator, for explaining the underlying business performance both internally and externally, and as the basis for payment-by-results such as a return to shareholders.

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