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CHUGAI

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Chugai Announces 2019 Full Year Results and Forecasts for 2020

- Record-high revenues and Core operating profit for the third consecutive year at ¥686.2 (+18.4%) billion and ¥224.9 billion (+72.6%), respectively
- Planned 2019 year-end dividends are ¥92 per share including special dividends of ¥44 (total dividends for the fiscal year: ¥140 per share)
- Revenues and Core operating profit are expected to grow in 2020 to ¥740.0 billion (+7.8%) and ¥275.0 billion (+22.3%), respectively. A clinical study for a switch antibody is planned to start
- The target three-year compound annual growth rate in Core EPS for the mid-term business plan IBI 21 is upgraded from “a high single-digit rate” to “around 30%”
- Dividend policy is revised with the target dividend payout ratio in comparison with Core EPS changed from “50% on average” to “45% on average”

TOKYO, January 30, 2020 -- Chugai Pharmaceutical Co., Ltd. (TOKYO: 4519) announced its financial results for the fiscal year ended December 31, 2019 and forecasts for the fiscal year ending December 31, 2020.

“In 2019, the initial year of our mid-term business plan IBI 21, Chugai posted strong results with record high revenues and profits for the third consecutive year mainly driven by the successful global rollout of Hemlibra. Another milestone in 2019 was the completion of global regulatory filings for satralizumab, a drug candidate we expect as our next growth driver. Reflecting our favorable results and expected growth in the future, we significantly raised the three-year Core EPS target in IBI 21 to a challenging goal of “around 30%*”. We also revised our dividend policy with a 45%* payout ratio to Core EPS on average in order to maintain a stable dividend and secure a financial base to support investment for innovation. In 2020, we will continue striving to realize advanced and sustainable patient-centric healthcare” said Tatsuro Kosaka, Chugai’s President and CEO.

*Amount excludes effect of the stock split. Ordinary share will be split with July 1, 2020 as the effective date.

<Full year results for 2019>

Chugai reported record high revenues, operating profit and net income for the third consecutive years (Core-basis). Revenues increased by 18.4% from the previous year due to increases both in sales and royalty and other operating income. Sales increased by a double-digit percentage driven by the contribution of new products and mainstay products including the hemophilia A treatment Hemlibra®, the immune checkpoint inhibitor Tecentriq®, and the treatment for HER-2 positive breast cancer Perjeta® and strong exports. The significant increase in royalties and other operating income was mainly due to Hemlibra-related income. Operating profit increased by 72.6% due to a better cost to sales ratio as the

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proportion of in-house products increased in the total product mix.

Reflecting the favorable results and based on our dividend policy, year-end dividends for the fiscal year 2019 are planned to be ¥92 per share including special dividends of ¥44. As a result, total dividends for the fiscal year will be ¥140 per share, and the Core dividend payout ratio is 47.4% on a five-year average basis (45.8% on a single fiscal year basis).

The Company also made good progress in research and development. In-house antibody projects have achieved major milestones including the global filings of satralizumab and the breakthrough therapy designation by the U.S. Food and Drug Administration for nemolizumab. The label extension of Tecentriq was achieved with two additional indications. In the area of personalized healthcare for cancer, Chugai launched FoundationOne® CDx Cancer Genomic Profile aiming to promote cancer genome medicine in Japan. Building the base for future growth, the company started construction of the new core research laboratory Chugai Life Science Park Yokohama, and the new manufacturing building for active pharmaceutical ingredients of middle molecule pharmaceuticals, the next modality to follow antibodies, for clinical studies.

<Full year forecast for 2020>

In 2020, the Company expects revenues and profits to mark a record high for the fourth consecutive year. Revenues, Core operating profit, and Core net income are all forecasted to increase by 7.8%, 22.3%, and 19.9%, respectively. Domestic sales are expected to decrease mainly due to the revision of the national health insurance reimbursement price and impact from biosimilars and generics, however, overseas sales are expected to increase. The increase in royalties and other operating income is driven by Hemlibra-related income. In research and development, the first clinical study for a switch antibody utilizing Chugai's proprietary antibody engineering technology is planned to start in 2020. A global phase III study of a recycling antibody crovalimab (development code: SKY59) for the treatment of paroxysmal nocturnal hemoglobinuria is also planned to initiate this year.
Chugai expects the annual dividends per share of ¥150 with the Core dividend payout ratio of 45.0% on a five-year average basis (41.0% in a single fiscal year basis)*.

*Amount excludes effect of the stock split. Ordinary share will be split three-for-one, with July 1, 2020 as the effective date. After taking into account of the stock split, Chugai expects interim dividends payment of ¥75 (prior to the stock split) and year-end dividends payment of ¥25 (after the stock split).

<Mid-term business plan IBI 21: target level upgraded>

In light of the favorable results for 2019 and expected business expansion over the coming years, Chugai upgraded its target of the three-year compound annual growth rate in Core EPS from "a high single-digit rate" to "around 30%", both assuming a constant exchange rate and excluding effect of the stock split.

<Revision in dividend policy>

Chugai decided to revise its dividend policy by changing the target dividend payout ratio in comparison with Core EPS from "50% on average" to "45% on average" excluding the effect of the stock split. The Company maintains the objective of continuing a stable dividend considering the strategic funding needs and earnings prospects. On the other hand, it is required to secure a financial base solid enough to support flexible and focused strategic investment in order to take bold challenges for innovation amid the rapid development of life science and digital technologies. In light of investment opportunities in the future and

financing plans, Chugai decided to revise its dividend policy to continue providing stable dividend payments.

[2019 full year results]

Billion JPY	2019	2018	% change
Core results			
Revenues	686.2	579.8	+18.4%
Sales	588.9	527.8	+11.6%
Royalties and other operating income	97.3	51.9	+87.5%
Operating profit	224.9	130.3	+72.6%
Net income	167.6	97.3	+72.3%
IFRS results			
Revenues	686.2	579.8	+18.4%
Operating profit	210.6	124.3	+69.4%
Net income	157.6	93.1	+69.3%

[2020 full year forecast]

Billion JPY	2020 Forecast	2019 Actual	% change
Core-basis			
Revenues	740.0	686.2	+7.8%
Operating profit	275.0	224.9	+22.3%
Net income	201.0	167.6	+19.9%

[Progress in R&D activities for Oct 24th, 2019-Jan 30th, 2020]

Launched	**Hemlibra** **Tecentriq**	Hemophilia A with inhibitors (Taiwan) Optimal formulation for TNBC (iv 840 mg)	November, 2019 November, 2019
Approved	**Hemlibra** **Tecentriq** **F1 CDx**	Hemophilia A without inhibitors (Taiwan) NSCLC 1st line (with other antitumor agents) CDx for Rozlytrek (*ROS1*+ NSCLC)	October, 2019 November, 2019 December, 2019
Filed	**satralizumab**	NMOSD (JP)	November, 2019
New to Pipeline	**Tecentriq + Avastin** **Tecentriq + Avastin** **tiragolumab** **FAP-IL2v**	Hepatocellular carcinoma (adjuvant) Small cell lung cancer Solid tumors Solid tumors	P3 study P3 study P1 study P1 study
Removed from Pipeline	**CKI27** **anti-myostatin adnectin** **nemolizumab**	Verastem Oncology Duchenne muscular dystrophy Pruritus in dialysis patients	Out-licensed (January, 2020) Development discontinued Temporary suspension of development
Designation	**nemolizumab** **polatuzumab vedotin**	Pruritus associated with prurigo nodularis Diffuse large B-cell lymphoma	BTD ODD
Late-stage Readouts	**risdiplam** **risdiplam** **Tecentriq**	Type 2 or 3 spinal muscular atrophy Type 1 spinal muscular atrophy Muscle invasive urothelial carcinoma (adjuvant)	P2/3 study (SUNFISH) P2/3 study (FIREFISH) P3 study (IMvigor010)
Medical Conference	**Tecentriq + Avastin** **Perjeta / Herceptin** **crovalimab** **Perjeta**	Hepatocellular carcinoma / IMbrave150 study Fixed-dose combination, sc / FeDeriCa study PNH / P1/P2 COMPOSER study HER2+ eBC (adjuvant) / APHINITY study	ESMO ASIA2019 SABCS2019 ASH2019 SABCS2019
Others	**satralizumab**	NMOSD / SAkuraSky study (Add-on)	Published in NEJM

TNBC: triple negative breast cancer
iv: intravenous infusion
NSCLC: non-small cell lung cancer
F1 CDx: FoundationOne CDx Cancer Genomic Profile
sc: subcutaneous injection
PNH: paroxysmal nocturnal hemoglobinuria
eBC: early breast cancer

CDx: companion diagnostics
NMOSD: neuromyelitis optica spectrum disorder
BTD: breakthrough therapy designation
ODD: orphan drug designation
ESMO: European Society for Medical Oncology
SABCS: San Antonio Breast Cancer Symposium
ASH: American Society of Hematology

Letters in orange: in-house projects

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 the basis for payment-by-results such as a return to shareholders.

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