

FY2014 3Q Consolidated Financial Overview (IFRS based)

CHUGAI PHARMACEUTICAL CO., LTD.
Executive Vice President CFO
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October 24, 2014



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



Summary

■ Revenues: 333.4 billion JPY (+26.9, +8.8% YoY)

- Domestic sales excl. Tamiflu (+19.8, +8.4%): increase due to steady growth of mainstay products and new products
- Overseas sales (+8.4, +18.5%): increase due to yen depreciation and growth in Actemra export
- Royalties and other operating income (+0.5, +2.8%): increase due to Actemra-related income

■ Cost of sales / Operating expenses (Core basis)

- Cost of sales: the ratio to sales worsened due primarily to yen depreciation (+3.8% points, from 45.9% to 49.7%)
- Operating expenses: 1.9 billion JPY (+1.7%) increase in total expenses due to yen depreciation, an increase in research and development expenses resulting primarily from progress in in-house projects and increased activities at CPR, etc.

■ Profits

- IFRS results: operating profit 59.1 billion JPY (+0.9, +1.5%)
net income 40.6 billion JPY (+1.6, +4.1%)
- Core results: operating profit 60.1 billion JPY (+1.1, +1.9%)
- Core EPS: 73.85 JPY (+2.86 JPY, +4.0%)



IFRS and Core Results Jan – Sep

(Billion JPY)	IFRS results	Non-core items		Core results
	2014 Jan - Sep	Intangible assets and Business combinations	Other eliminated items	2014 Jan - Sep
Revenues	333.4			333.4
Sales	315.1			315.1
Royalties and other operating income	18.3			18.3
Cost of sales	-157.3	+0.8		-156.5
Gross profit	176.1	+0.8		176.9
Operating expenses	-117.0	+0.0	+0.1	-116.9
Marketing and distribution	-51.7	+0.0		-51.7
Research and development	-55.5	+0.0	+0.1	-55.4
General and administration	-9.7		+0.0	-9.7
Operating profit	59.1	+0.9	+0.1	60.1
Financing costs	-0.0			-0.0
Other financial income (expense)	0.3			0.3
Profit before taxes	59.4	+0.9	+0.1	60.4
Income taxes	-18.8	-0.3	-0.0	-19.2
Net income	40.6	+0.5	+0.0	41.2
Chugai shareholders	39.7	+0.5	+0.0	40.3
Non-controlling interests	0.8			0.8

Non-Core items

1. Intangible/Business combinations
Amortization of intangible assets: +0.9bn JPY
No business combinations
2. Other eliminated items
Restructuring expenses: +0.1bn JPY

(Billion JPY)

Core net income
attributable to Chugai
shareholders 40.3

(Millions of shares)

Weighted average
number of shares
and equity securities
in issue used to
calculate diluted
earnings per share 546

(JPY)

Core EPS 73.85

Year on Year (Core)

Financial Overview Jan – Sep



(Billion JPY)	2013 Jan - Sep vs. Rev*		2014 Jan - Sep vs. Rev*		Growth	
Revenues	306.5		333.4		+26.9	+8.8%
Sales	288.8		315.1		+26.3	+9.1%
excl. Tamiflu	279.7		308.0		+28.3	+10.1%
Domestic	234.4		254.2		+19.8	+8.4%
Export to Roche	31.3		39.5		+8.2	+26.2%
Other overseas	14.0		14.3		+0.3	+2.1%
Tamiflu	9.0		7.2		-1.8	-20.0%
Ordinary	8.2		7.0		-1.2	-14.6%
Stockpiling	0.8		0.2		-0.6	-75.0%
Royalties and other operating income	17.8		18.3		+0.5	+2.8%
Cost of sales	-132.5	43.2%	-156.5	46.9%	-24.0	+18.1%
Gross profit	174.0	56.8%	176.9	53.1%	+2.9	+1.7%
Operating expenses	-115.0	37.5%	-116.9	35.1%	-1.9	+1.7%
Operating profit	59.0	19.2%	60.1	18.0%	+1.1	+1.9%
Financing costs	-0.0		-0.0		+0.0	0.0%
Other financial income (expense)	-1.4		0.3		+1.7	-
Income taxes	-18.1		-19.2		-1.1	+6.1%
Net income	39.5	12.9%	41.2	12.4%	+1.7	+4.3%
EPS (JPY)	70.99		73.85		+2.86	+4.0%

(Billion JPY)

Royalties and other operating income +0.5

Actemra-related income increased

Other financial income (exp.) +1.7

Exchange gains/losses +3.8

Gains/Losses on derivatives -2.2

Cost of sales ratio vs. Sales

	2013 Jan– Sep	2014 Jan–Sep
	45.9%	49.7%

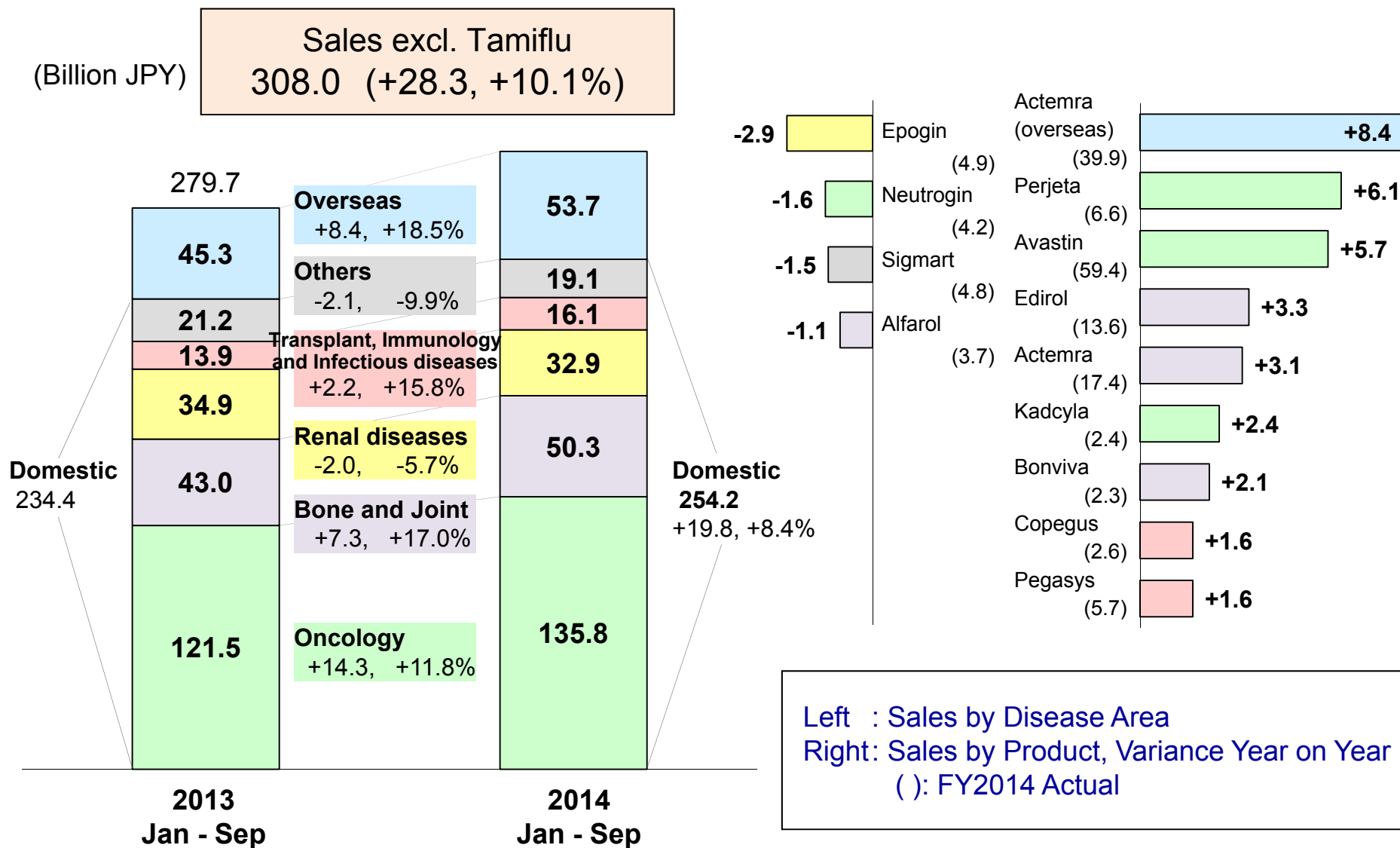
Average exchange rate (JPY)

	2013 Jan–Sep	2014 Jan–Sep
CHF	103.34	114.59
EUR	127.21	139.58

*Revenues

Year on Year

Sales (excl. Tamiflu) Jan – Sep





Tamiflu Sales Performance

(Billion JPY)		Fiscal Term Sales												Forecast		Seasonal Sales	Cases per sentinel* (millions)
		FY2009.12		FY2010.12		FY2011.12		FY2012.12		FY2013.12		FY2014.12					
		Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Sep	Oct-Dec				
Ordinary	2008-09	11.0													16.7	1.27	
	2009-10		25.2	1.4											26.6	2.02	
	2010-11				0.2	4.1									4.3	1.26	
	2011-12						1.3	7.8							9.1	1.63	
	2012-13								2.4	8.2					10.6	1.11	
	2013-14										1.9	7.0			9.0	1.44	
	2014-15												1.7		-	-	
Ordinary		36.2 (+29.1)		1.6 (-34.6)		5.4 (+3.8)		10.2 (+4.8)		10.1 (-0.1)		8.8 (-1.3)					

Govt. Stockpile 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	0.2			0.3	
	2014-15												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)		0.1 (-0.8)				

Total		25.4	50.8	12.0	6.1	4.6	4.1	8.1	3.9	9.0	2.0	7.2	1.7			
		76.2 (+67.8)		18.2 (-58.0)		8.7 (-9.5)		12.0 (+3.3)		11.0 (-1.0)		8.8 (-2.2)				

*Total patient number of the controlled samples in the "Infectious Diseases Weekly Report," period between late October and mid-April (between early July 2009 and mid-March 2010 for 2009/2010), published by Japan's National Institute of Infectious Diseases.

Forecast on Jan 30

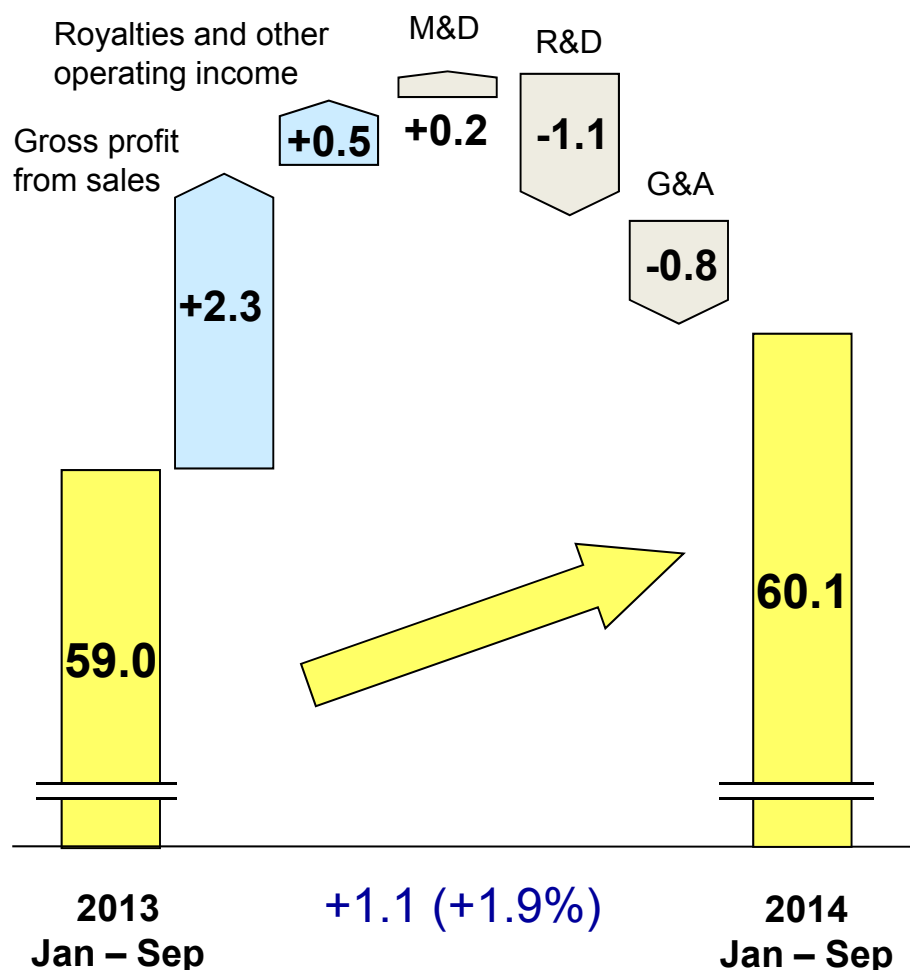
() Year on year

Year on Year (Core)



Operating Profit Jan – Sep

(Billion JPY)



(Billion JPY)	2013 Jan - Sep	2014 Jan - Sep	Growth
Revenues	306.5	333.4	+26.9
Cost of sales	-132.5	-156.5	-24.0
Gross profit	174.0	176.9	+2.9
of which Sales	156.3	158.6	+2.3
Royalties, etc.	17.8	18.3	+0.5
Marketing and distribution	-51.9	-51.7	+0.2
Research and development	-54.3	-55.4	-1.1
General and administration	-8.9	-9.7	-0.8
Operating profit	59.0	60.1	+1.1

Increase in gross profit from sales	+2.3
Increase in mainstay products, new products and Actemra overseas	
Increase in royalties and other operating income	+0.5
Decrease in marketing and distribution	+0.2
Increase in research and development	-1.1
Negative foreign exchange impact, progress in in-house projects, increased activities at CPR*, etc.	
Increase in general and administration	-0.8
Expenses for building renewal	

*Chugai Pharmabody Research: antibody research center in Singapore

Year on Year (Core)

Financial Overview Jul – Sep



(Billion JPY)	2013 Jul - Sep vs. Rev*		2014 Jul - Sep vs. Rev*		Growth	
Revenues	105.5		111.4		+5.9	+5.6%
Sales	99.9		107.0		+7.1	+7.1%
excl. Tamiflu	99.9		106.9		+7.0	+7.0%
Domestic	82.4		88.9		+6.5	+7.9%
Export to Roche	12.9		13.2		+0.3	+2.3%
Other overseas	4.6		4.8		+0.2	+4.3%
Tamiflu	0.0		0.1		+0.1	-
Ordinary	0.0		0.0		+0.0	0.0%
Stockpiling	-		0.1		+0.1	-
Royalties and other operating income	5.6		4.4		-1.2	-21.4%
Cost of sales	-44.6	42.3%	-54.4	48.8%	-9.8	+22.0%
Gross profit	60.9	57.7%	57.0	51.2%	-3.9	-6.4%
Operating expenses	-40.6	38.5%	-40.7	36.5%	-0.1	+0.2%
Operating profit	20.3	19.2%	16.3	14.6%	-4.0	-19.7%
Financing costs	0.0		0.0		+0.0	0.0%
Other financial income (expense)	-0.3		-0.0		+0.3	-100.0%
Income taxes	-6.2		-5.0		+1.2	-19.4%
Net income	13.9	13.2%	11.3	10.1%	-2.6	-18.7%
EPS (JPY)	24.93		20.19		-4.74	-19.0%

(Billion JPY)

Decrease in gross profit from sales -2.7
 Cost of sales increased due to yen depreciation and expenses incurred for building and facility renewals
 Decrease in royalties and other operating income -1.2
 Milestone income decreased, etc.
 Increase in operating expenses -0.1
 Decrease in marketing and distribution +0.5
 Decrease in research and development +0.7
 Increase in general and administration -1.3
 Expenses for building renewal

Cost of sales ratio vs. Sales

2013 Jul-Sep	2014 Jul-Sep
44.6%	50.8%

*Revenues

vs. Forecast (Core)



Financial Overview Jan – Sep

(Billion JPY)	Actual	Forecast on Jan 30		2013
	2014 Jan - Sep	2014 Jan - Dec	Progress	Progress*
Revenues	333.4	451.0	73.9%	72.3%
Sales	315.1	427.0	73.8%	72.0%
excl. Tamiflu	308.0	418.2	73.6%	71.7%
Domestic	254.2	335.7	75.7%	71.2%
Export to Roche	39.5	64.6	61.1%	73.0%
Other overseas	14.3	17.9	79.9%	77.3%
Tamiflu	7.2	8.8	81.8%	81.8%
Royalties and other operating income	18.3	24.0	76.3%	79.5%
Cost of sales	-156.5	-213.0	73.5%	71.2%
Gross profit	176.9	238.0	74.3%	73.2%
Operating expenses	-116.9	-167.0	70.0%	72.9%
Operating profit	60.1	71.0	84.6%	73.8%
EPS (JPY)	73.85	82.62	89.4%	75.0%

*Jan - Sep progress versus Jan - Dec

vs. Forecast (Core)



Domestic Sales (excl. Tamiflu) Jan – Sep

(Billion JPY)	Actual 2014 Jan - Sep	Full-year forecast 2014 Jan - Dec		2013 Progress*
			Progress	
Domestic sales excl. Tamiflu	254.2	335.7	75.7%	71.2%
Oncology	135.8	180.3	75.3%	70.5%
Avastin	59.4	81.2	73.2%	71.2%
Herceptin	22.9	30.0	76.3%	70.9%
Tarceva	8.4	11.3	74.3%	69.2%
Xeloda	7.6	10.8	70.4%	73.5%
Perjeta	6.6	4.7	140.4%	20.8%
Kadcyla	2.4	1.9	126.3%	-
Alecensa	0.2	1.3	15.4%	-
Bone and Joint	50.3	67.3	74.7%	71.0%
Actemra	17.4	22.4	77.7%	70.1%
Edirol	13.6	17.6	77.3%	68.7%
Bonviva	2.3	3.9	59.0%	40.0%
Renal	32.9	45.8	71.8%	71.4%
Mircera	16.5	24.6	67.1%	69.8%
Epogin	4.9	6.7	73.1%	74.3%
Transp., Immun., Infectious	16.1	17.3	93.1%	73.9%
Pegasys	5.7	5.1	111.8%	74.5%
Copegus	2.6	1.8	144.4%	76.9%
Others	19.1	25.0	76.4%	74.1%

*Jan - Sep progress versus Jan – Dec. Forecasts for Kadcyla and Alecensa were disclosed on Apr. 24 and Oct. 24, respectively.

vs. Forecast (Core)



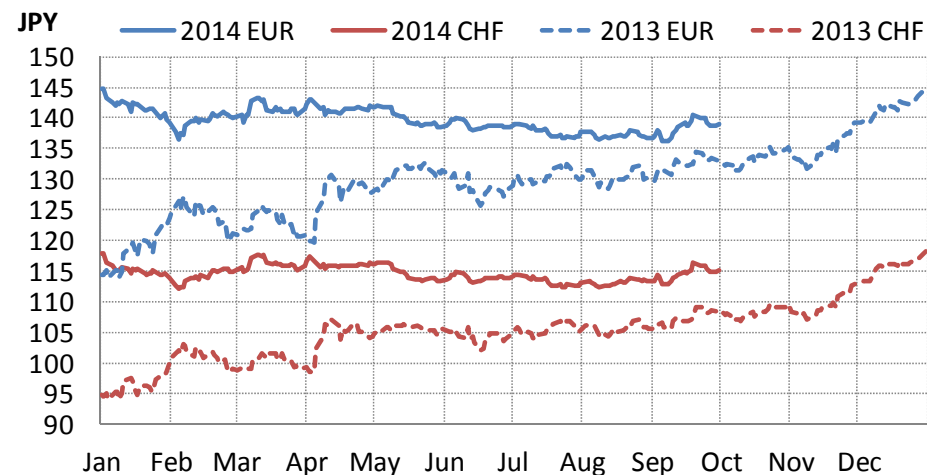
Impact from Foreign Exchange

(Billion JPY)	FX impact Jan - Sep (vs. Forecast on Jan. 30)	
Revenues	-0.9	
	Sales	-0.7
	Royalties and other operating income	-0.1
Cost of sales	Cost of sales	+0.4
Operating expenses	Expenses	+0.2
Operating profit	-0.3	

FX rate to the JPY*	Assumption Jan - Dec (as of Jan. 30)	Actual Jan - Sep avg.	Reference Actual Jan - Sep avg. (2013)
1CHF	116.00	114.59	103.34
1EUR	142.00	139.58	127.21

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

[Reference] Historical exchange rates to the JPY (Jan - Sep)





Roche Roche Group

Aiming to become a “top pharmaceutical company”

Overview of Development Pipeline

CHUGAI PHARMACEUTICAL CO., LTD.
Executive Vice President
Head of Project & Lifecycle Management Unit
Yutaka Tanaka

October 24, 2014

Oncology Field

Projects under Development (as of 24 October, 2014)



	Phase I	Phase II	Phase III	Filed
Oncology	CKI27 / RG7304 (Japan / Overseas) - solid tumors RG7321 / pictilisib - solid tumors RG7596 / polatuzumab vedotin - NHL RG7604 / taselisib - solid tumors★	GC33 / RG7686 - HCC RG340 / Xeloda - aGC	AF802 (RG7853) / alectinib (overseas) - NSCLC ★ RG3502 / Kadcyla - aBC - GC (PII/III) RG1273 / Perjeta - aBC - GC GA101 (RG7159) / obinutuzumab - NHL RG7446 / MPDL3280A - NSCLC	RG7204 / vemurafenib - melanoma

Letters in orange: in-house projects

★: Projects with advances in stages since 24 July, 2014

Primary Field Projects under Development (as of 24 October, 2014)



	Phase I	Phase II	Phase III	Filed
Bone & Joint			RG484 / Bonviva (oral) - osteoporosis	
Autoimmune		MRA / Actemra (overseas) - systemic sclerosis	MRA / Actemra - large-vessel vasculitis★ MRA / Actemra (overseas) - giant cell arteritis SA237 - neuromyelitis optica★	
CNS	RG1577 - Alzheimer's disease RG1662 - improvement of intellectual ability in individuals with Down syndrome	RG7090 / basimglurant - major depressive disorder	RG1450 / gantenerumab - Alzheimer's disease	
Others		CIM331 - atopic dermatitis★ URC102 (overseas) - gout★ ACE910 / RG6013 - hemophilia A (PI/II)	RG3637 / lebrikizumab - asthma	

Letters in orange: in-house projects

★: Projects with advances in stages since 24 July, 2014

★: Global study managed by Chugai



Development Status: Oncology

In-house

AF802 (RG7853) / Alecensa®

ALK fusion gene positive unresectable, recurrent/advanced non-small cell lung cancer

- Started overseas P3 in August 2014
- Launched in Japan in September 2014
- Applied for approval of the 150mg capsules in September 2014

In-licensed

RG7604 / GDC-0032 / taselisib (PI3K inhibitor)

Solid tumors

Started P1 in Japan in September 2014



Development Status: Primary

In-house

MRA / Actemra®

Early Rheumatoid Arthritis

Approved for additional indication in EU in September 2014

Large-Vessel Vasculitis

Started Japanese P3 for Takayasu Arteritis in October 2014

In-house

URC102 (URAT1 inhibitor)

Gout

Started overseas P2 in July 2014 (South Korea)

Co-development with JW Pharmaceutical Corporation

In-house

NRD101 / Suvenyl®

Enthesopathy

Development discontinued in September 2014

In-licensed

RG1678 (Glycine reuptake inhibitor)

Schizophrenia

Development discontinued in October 2014



Other Progress

In-house

AF802 (RG7853) / Alecensa[®]

The results of the U.S. phase I clinical trial for *ALK* fusion gene positive non-small cell lung cancer was published online on "The Lancet Oncology" in September 2014

In-licensed

Combination therapy with Tarceva[®] and Avastin[®]

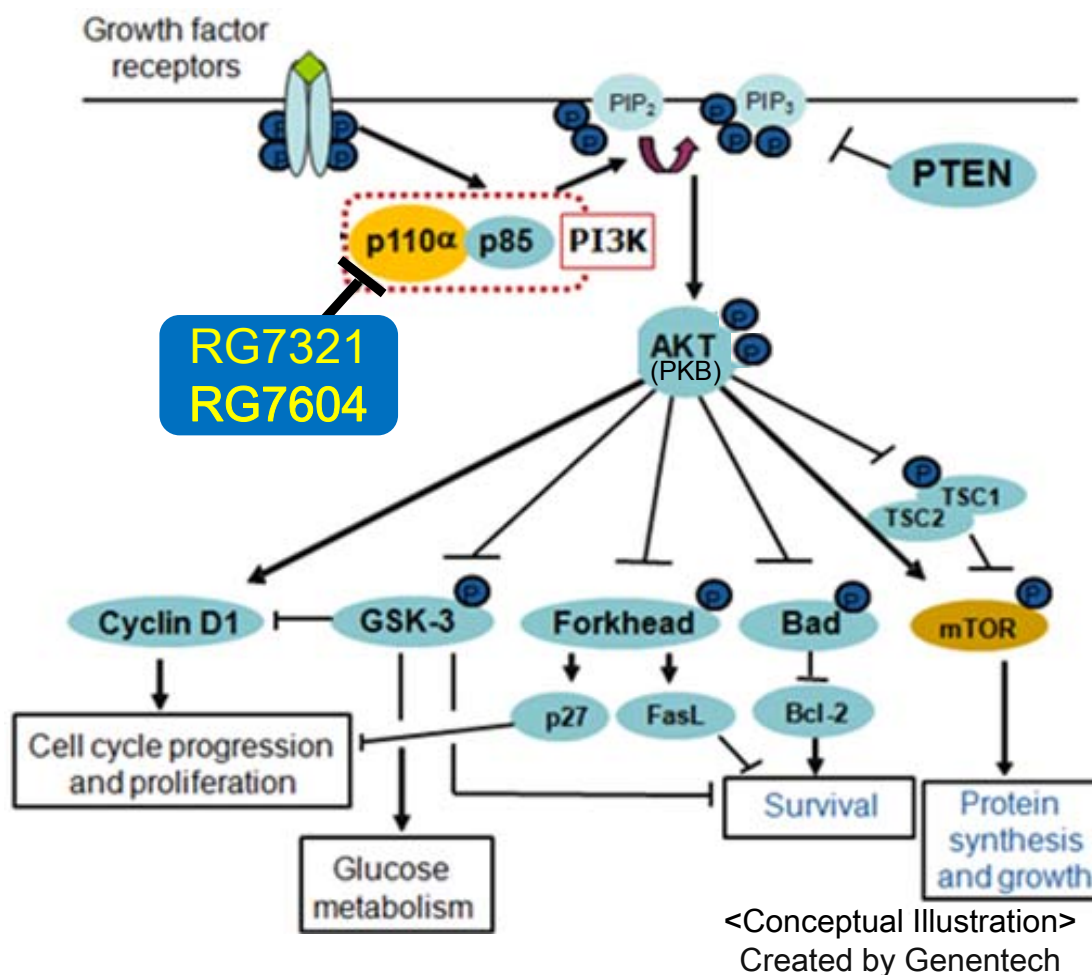
The results of Japanese phase II clinical trial for non-small cell lung cancer with *EGFR* mutations was published online on "The Lancet Oncology" in August 2014

In-licensed

RG484 / Bonviva[®] Oral agent

RG484 oral agent demonstrated non-inferiority in efficacy of increasing the bone mass of the lumbar spine compared to a comparator, Bonviva[®] IV injection in September 2014

RG7604 (PI3K Inhibitor): Mode of Action



PI3K: Phosphoinositide 3-kinase

AKT (PKB): Protein kinase B

mTOR: mammalian target of rapamycin

- PI3K transmits intracellular signaling from the receptor through the PI3K-AKT-mTOR pathway
- PI3K participates in growth and invasion of cancer cells, and acquisition of resistance to anti-cancer drugs^{1, 2)}
- RG7604 is a novel small-molecule anti-cancer agent with potent and selective PI3K inhibitory activity
- RG7604 shows strong inhibitory activity against PI3K α mutant as compared to RG7321

1) Liu P *et al.*, *Nat Rev Drug Discov* 2009

2) Berns K *et al.*, *Cancer Cell* 2007



Large-Vessel Vasculitis

- No major histopathological differences observed between TAK and GCA
- Differential diagnosis is required in clinical practice to check the site of disturbance and the age of onset.

Takayasu Arteritis (TAK)

- Prevalent in Asia and Middle East (esp. Japan)
- Age of onset: under the age of 50 (esp. 15-35)
- No. of patients: 5,000-6,000 in Japan
- Clinical features: mesenteric arterial involvement, aortic narrowing or occlusion
- Designated as The Specified Disease Treatment Research Program by the MHLW (copay partially covered by gov.)

Giant Cell Arteritis (GCA)

- Belong to the category of large-vessel vasculitis
- Reports indicate the involvement of IL-6 in the pathology and also potential effectiveness of tocilizumab
- Designated as refractory diseases by the MHLW
- Prevalent in Caucasian population
- Age of onset: over the age of 50
- No. of patients: approx. 690 in Japan
- Clinical features: temporal artery abnormalities, headache, jaw claudication, vision loss

Amendment in Chugai-Roche Business Arrangements



■ Business arrangements originally agreed in 2001

- Roche products: Chugai has first refusal rights to develop/sell Roche products in Japan
- Chugai products: Roche has first refusal rights to develop/sell Chugai products whenever Chugai seeks for a partner in any countries of the world excluding Japan and South Korea



■ Amendment of business arrangements in August 2014

- Roche products: no changes in agreement
- Chugai products: Roche has first refusal rights to develop/sell Chugai products in all countries of the world
 - excl. Japan, South Korea, Taiwan
 - All products will be offered to Roche at the achievement of early PoC
 - Chugai will retain co-promotion rights in the UK, Germany, France (a co-promotion right in China to be discussed for each product)

Overseas expansion of Chugai products can be accelerated through efficient use of resources

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