NOTICE: For the convenience of capital market participants, Chugai makes efforts to provide English translations of the information disclosed in Japanese, provided that the Japanese original prevails over its English translation in the case of any discrepancy found between documentation.

FASF MEMBERSHIP

CHUGAI PHARMACEUTICAL CO., LTD.

A member of the Roche group

CONSOLIDATED FINANCIAL STATEMENTS (Non-audited)

(through the second quarter of fiscal year 2012)

Name of Company: Chugai Pharmaceutical Co., Ltd. July 26, 2012

Stock Listing: Tokyo Stock Exchange

Security Code No.: 4519 (URL http://www.chugai-pharm.co.jp/english)

Representative: Osamu Nagayama, Representative Director, Chairman & CEO

Contact: Nobuyuki Chiba, General Manager of Corporate Communications Department

Phone: +81-(0) 3-3273-0881

Date of Submission of Quarterly Marketable Securities Filings: July 31, 2012

Date on which Dividend Payments to Commence: August 31, 2012

Supplementary Materials Prepared for the Quarterly Financial Statements: Yes

Presentation Held to Explain the Quarterly Financial Statements: Yes (for institutional investors and analysts)

(Note: Amounts of less than one million yen are omitted.)

1. Consolidated Operating Results through the Second Quarter of FY 2012 (January 1, 2012–June 30, 2012)

(1) Consolidated Operating Results (cumulative)

	Revenues	% change	Operating Income	% change	Ordinary Income	% change
First six months of FY 2012	¥185,263 million	1.8	¥34,328 million	(2.5)	¥34,347 million	(5.1)
First six months of FY 2011	¥181,938 million	(0.2)	¥35,191 million	27.7	¥36,182 million	38.3

	Net Income	% change	Net Income per Share (Basic)	Net Income per Share (Fully Diluted)
First six months of FY 2012	¥20,889 million	22.2	¥38.39	¥38.37
First six months of FY 2011	¥17,087 million	4.3	¥31.40	¥31.39

Notes: Comprehensive income through the second quarter ended June 30, 2012: ¥21,377 million (+13.0%)

Comprehensive income through the second quarter ended June 30, 2011: ¥18,913 million (—%)

Percentages represent changes compared with the same period of the previous fiscal year.

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2012	¥542,152 million	¥469,354 million	86.2%
As of Dec. 31, 2011	¥533,482 million	¥459,072 million	85.6%

Reference: Shareholders' equity at June 30, 2012: ¥467,078 million

Shareholders' equity at December 31, 2011: ¥456,848 million

2. Dividends

	Annual Dividends per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	End of Fiscal Year	Total
FY ended Dec. 2011	—	¥20.00	—	¥20.00	¥40.00
FY ending Dec. 2012	—	¥20.00			
FY ending Dec. 2012 (Forecast)			—	¥20.00	¥40.00

Note: Whether the most recent dividend forecast has been revised: No

3. Forecast of Consolidated Results for FY 2012 (January 1, 2012–December 31, 2012)

	Revenues	% Change	Operating Income	% Change	Ordinary Income	% Change
Full year	¥418,500 million	12.0	¥80,000 million	28.1	¥80,500 million	26.6

	Net Income	% Change	Net Income per Share (Basic)
Full year	¥49,000 million	39.1	¥90.04

Notes: 1. % change figures for revenues, operating income, ordinary income, and net income are presented in comparison with the same period of the previous fiscal year.

2. Whether the most recent forecasts for consolidated figures have been revised: No

Notes:

(1) Changes in the state of material subsidiaries during the period (Changes in the state of specific subsidiaries attendant with change in scope of consolidation): None

(2) Application of special accounting method for preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting principles, changes in accounting estimates, and restatements

(a) Changes in accounting principles accompanying revisions in accounting standards: Yes

(b) Changes in accounting principles other than those in (a) above: Yes

(c) Changes in accounting estimates: None

(d) Restatements: None

Note: For further details, please refer to the “2. Other Information” section of the attachment on page 5.

(4) Number of shares issued (common stock):

(Shares)

(a) Number of shares at the end of the period (including treasury stock)	Second quarter of FY 2012	559,685,889	FY 2011	559,685,889
(b) Number of treasury stock at the end of the period	Second quarter of FY 2012	15,469,916	FY 2011	15,494,118
(c) Average number of shares issued during the period (three months)	Second quarter of FY 2012	544,199,915	Second quarter of FY 2011	544,193,784

Items related to the status of the implementation of quarterly reviews

At the time of disclosure of these quarterly consolidated financial statements, review procedures were in progress for the quarterly financial statements based on the Financial Instruments and Exchange Act.

Explanation of the appropriate use of performance forecasts and other related items

Portions of this report that refer to performance forecasts or any other future events are believed to be reasonable under information available at the time of the forecasts. Actual financial results may materially differ from these forecasts due to potential risks and uncertainties.

For the specifics of the above forecasts, please refer to the item “1. Qualitative Information, (3) Qualitative Information Regarding the Forecast for Consolidated Performance” in the attachment on page 4.

The Company is scheduled to hold a presentation for investors as noted below. The materials used for the presentation, the streaming video, the Q&A, and other related documents will be posted on the Company’s website immediately following the conclusion of the presentation.

Presentation for institutional investors and analysts: July 27, 2012, Friday (Japan time)

Index of the Attachment

1. Qualitative Information

(1) Qualitative Information Regarding Operating Results (Consolidated)

(Billions of Yen)

	First six months of FY 2011.12 (Jan. 1, 2011–June 30, 2011)	First six months of FY 2012.12 (Jan. 1, 2012–June 30, 2012)	% Change
Revenues	181.9	185.3	+1.9
Sales (excluding Tamiflu)	170.2	171.9	+1.0
Cost of sales	74.5	81.7	+9.7
Gross profit	107.4	103.5	(3.6)
SG&A (excl. R&D) expenses	45.3	43.0	(5.1)
R&D expenses	26.9	26.2	(2.6)
Operating income	35.2	34.3	(2.6)
Ordinary income	36.2	34.3	(5.2)
Net income	17.1	20.9	+22.2

Consolidated revenues through the second quarter under review were ¥185.3 billion (an increase of 1.9% year on year).

Sales, after exclusion of sales of Tamiflu (an anti-influenza agent), which vary widely from year to year, and other operating revenues amounted to ¥171.9 billion (an increase of 1.0% year on year). Sales of Tamiflu alone were ¥8.1 billion (an increase of 76.1% year on year), and other operating revenues amounted to ¥5.3 billion (a decrease of 26.4% year on year).

Domestic Sales (Excluding Tamiflu)

Domestic sales through the second quarter under review, excluding Tamiflu, amounted to ¥150.4 billion (a decrease of 0.3% year on year). Sales in the oncology field, where growth is steady, and sales of Edirol (an active vitamin D3 derivative) and Mircera (a long-acting erythropoietin-stimulating agent), both of which were introduced in 2011, contributed to sales growth. However, the double-digit decline in sales of the transplant, immunology, and infectious disease fields owing to the shrinkage in the interferon market and the launching of competitive products; the decrease in sales of Epogin (a recombinant human erythropoietin), a major product in the Company's product lineup for many years; and the effects of the NHI reimbursement price revision resulted in domestic sales at about the same level as in the previous year.

In the oncology field, sales were ¥72.4 billion (an increase of 6.6% year on year). This growth was due to continued expansion in sales of mainstay products, including Avastin (an anti-vascular endothelial growth factor (VEGF) receptor humanized monoclonal antibody, anti-cancer agent), Rituxan (an anti-CD20 monoclonal antibody, anti-cancer agent), and Tarceva (an epidermal growth factor receptor (EGFR) tyrosine kinase inhibitor, anti-cancer agent). Factors accounting for the growth in sales of Avastin are the maintenance of a high market share in the treatment of colorectal cancer, its accelerating penetration of the lung cancer treatment market along with the implementation of a more-active market promotion program, and this drug's receipt of an expanded indication for the treatment of breast cancer in September 2011. As a result of these factors, sales of Avastin rose at double-digit levels and fully offset the impact of the NHI reimbursement price revision. On the other hand, sales of Kytril (a 5-HT3 receptor antagonist antiemetic agent) declined owing to the effects of the emergence of many competing products, including generic products.

In the bone and joint disease field, sales were virtually the same as in the same period of the previous year and amounted to ¥30.3 billion (a decline of 0.3% year on year). Market penetration of Edirol (a second-generation vitamin D_3 derivative), which was launched in April 2011, proceeded steadily, owing to the removal of long-term prescription restrictions in April 2012; accompanying this, sales of Alfarol (a calcium bone metabolism stimulator 1α-OH-D_3 derivative) decreased, and sales of Evista (an agent for the treatment of osteoporosis) declined because of more-intense competition. In addition, although sales of Actemra (a humanized anti-human IL-6 receptor monoclonal antibody) in unit terms increased at a high pace, as a result of the NHI reimbursement price revision (a reduction rate of 25%), growth in sales weakened.

In the renal diseases field, sales amounted to ¥22.9 billion (a decrease of 5.8% year on year). Factors accounting for this were the substantial decline in sales of Epogin (a recombinant human erythropoietin) because of the shift to usage of Mircera, which was launched in July 2011, and increased competition. Increasing awareness among medical professionals of the special characteristics of Mircera is taking more time than expected, and market penetration has lagged behind initial expectations.

In the transplant, immunology, and infectious disease fields (excluding Tamiflu), sales were ¥9.8 billion (a decrease of 14.8% year on year). This decline was due to lower sales of Pegasys (a peginterferon-α-2a) and Copegus (an anti-viral agent), owing to the shrinkage in the market for interferon agents and the launching of competing products.

Tamiflu (an Anti-influenza Agent)

Sales of Tamiflu for ordinary use through the second quarter amounted to ¥7.8 billion (an increase of 90.2% year on year), due to the rise in the number of influenza cases compared with the previous year. Sales to government stockpiles through the second quarter were ¥0.4 billion (a decrease of 20.0% year on year).

Overseas Sales

Overseas sales amounted to ¥21.5 billion (an increase of 11.4% year on year). This increase was due to higher exports of Actemra to Roche.

Profit (Loss) Condition

The ratio of cost of goods sold deteriorated because of the effects of the NHI reimbursement price revision, changes in the mix of products sold, and other factors. In addition, temporary revenues, which were at a relatively high level in the previous fiscal year, diminished, resulting in a decline in other operating revenues. As a result, gross profit amounted to ¥103.5 billion (a decrease of 3.6% year on year)

Among selling, general and administrative (SG&A) expenses, as a result of activities to improve cost performance, SG&A expenses (excluding R&D expenses) were ¥43.0 billion (a decline of 5.1% year on year), and R&D expenses amounted to ¥26.2 billion (a decrease of 2.6% year on year).

As a result, operating income amounted to ¥34.3 billion (a decline of 2.6% year on year) and ordinary income totaled ¥34.3 billion (a decrease of 5.2% year on year). Net income through the second quarter was ¥20.9 billion (an increase of 22.2%), substantially higher than in the same period of the previous year because of the reporting of an extraordinary loss of ¥6.5 billion last year in connection with the earthquake.

Note: In this item, amounts less than ¥100 million have been rounded off. Figures for changes in amounts and percentage increases and decreases have been calculated using data denominated in ¥100 million units.

(2) Qualitative Information Regarding Financial Condition (Consolidated)

Assets, Liabilities, and Net Assets

At the end of the second quarter under review, total assets on a consolidated basis amounted to ¥542.2 billion, representing an increase of ¥8.7 billion in comparison with the end of the previous fiscal year. Principal factors accounting for this increase were a gain in cash and deposits of ¥22.8 billion and an increase in marketable securities of ¥10.0 billion, which were partially offset by a decrease in trade notes and accounts receivable of ¥11.4 billion and a decline in merchandise and finished goods of ¥7.3 billion.

Total liabilities on a consolidated basis stood at ¥72.8 billion (a decrease of ¥1.6 billion year on year). Principal factors accounting for this decrease were an increase in trade notes and accounts payable of ¥9.4 billion, which was more than offset by a decrease in income taxes payable of ¥4.0 billion, and a decline in other current liabilities of ¥6.0 billion that was due to a decrease in accrued expenses and other items.

Total net assets on a consolidated basis at the end of the second quarter were ¥469.4 billion, representing an increase of ¥10.3 billion over the end of the previous fiscal year. The principal factors accounting for this increase were an increase in retained earnings of ¥10.1 billion due to the reporting of ¥20.9 billion in net income through the second quarter, which was partially offset by the payment of dividends from retained earnings of ¥10.9 billion.

As a result, the consolidated shareholders' equity ratio stood at 86.2% at the end of the second quarter, compared with 85.6% at the end of the previous fiscal year.

Cash Flows

Cash and cash equivalents at the end of the second quarter under review amounted to ¥117.5 billion (compared with ¥99.1 billion at the end of the previous fiscal year).

Net cash provided by operating activities through the second quarter amounted to ¥50.3 billion (compared with ¥50.2 billion provided by operating activities for the same period of the previous fiscal year). Principal components of operating cash flows included income before income taxes and minority interests of ¥34.4 billion, a decrease in notes and accounts receivable of ¥11.5 billion, and an increases in notes and accounts payable of ¥9.4 billion.

Net cash used in investing activities was ¥15.9 billion (compared with ¥3.7 billion used in investing activities for the same period of the previous fiscal year). Principal components of investing cash flows included net purchases of marketable securities of ¥8.5 billion and purchase of noncurrent assets amounting to ¥7.2 billion.

Net cash used in financing activities amounted to ¥11.3 billion (compared with ¥13.2 billion used in financing activities for the same period of the previous fiscal year). Cash dividends paid for the end of the previous fiscal year amounted to ¥10.9 billion.

Note: In this item, amounts less than ¥100 million have been rounded off. Figures for changes in amounts and percentage increases and decreases have been calculated using data denominated in ¥100 million units.

(3) Qualitative Information Regarding the Forecast for Consolidated Performance

The Company has not made any changes in its forecast of consolidated results for the fiscal year ending December 2012 since the announcement regarding the forecast issued on February 1, 2012.

2. Other Information

(1) Changes in Accounting Principles, Changes in Accounting Estimates, and Restatements

(Application of "Accounting Standard for Earnings Per Share")

Beginning with the first quarter of FY 2012, "Accounting Standard for Earnings Per Share" (Accounting Standards Board of Japan (ASBJ) Statement No. 2, revised on June 30, 2010) and "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, revised on June 30, 2010) have been applied.

When calculating net income per share for the quarter after adjustment for latent shares, the Company has changed its method for computing the amount that is assumed to be paid into the Company due to the exercise of stock options rights, which require a specified term of service before holders can secure exercise rights, to take account of the amount for services that will be provided to the Company in the future, in the fairly assessed value of the stock options.

If these changes in accounting standards had not been applied, the net income per share through the end of the second quarter of the previous fiscal year after adjustment for latent shares would have been ¥31.39 per share.

(Accounting method for foreign exchange forward contracts related to scheduled foreign currency denominated transactions)

Previously, the Company applied the mark-to-market valuation method for foreign exchange forward contracts related to scheduled foreign currency denominated transactions and reported valuation differences in the consolidated statements of income. However, in view of major fluctuations in foreign exchange rates in recent years and the rise in the Company's transactions denominated in foreign currencies, the Company has made further changes in its risk management regulations regarding the accounting treatment of foreign exchange forward contracts and now reflects the effects of hedge accounting in the consolidated financial statements. To report consolidated income for the period more accurately, beginning with the first quarter of FY 2012, the Company has applied hedge accounting principles to a portion of foreign exchange forward contracts and adopted deferred hedge treatment.

This change in accounting policy accompanies further changes in the Company's risk management regulations regarding foreign exchange forward contracts beginning with the first quarter of FY 2012, and it has no effect on the second quarter of the previous fiscal year.

In comparison with the case where this accounting policy has not been applied, operating income through the end of the second quarter under review was ¥203 million lower, and ordinary income and income before income taxes and minority interests were ¥560 million higher, respectively, than they would have been otherwise.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of December 31, 2011	As of June 30, 2012
Assets		
Current assets		
Cash and deposits	107,163	129,971
Trade notes and accounts receivable	110,913	99,451
Marketable securities	60,995	70,992
Merchandise and finished goods	87,240	79,891
Work in process	24	161
Raw materials and supplies	17,719	19,367
Deferred tax assets	22,742	20,632
Other	12,634	10,346
Reserve for doubtful accounts	(3)	(2)
Total current assets	419,429	430,812
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	47,846	46,446
Other (net)	35,089	35,419
Total property, plant and equipment	82,935	81,865
Intangible assets	1,961	1,729
Investments and other assets		
Investment securities	6,431	6,002
Deferred tax assets	14,033	12,870
Other	8,862	9,042
Reserve for doubtful accounts	(172)	(168)
Total investments and other assets	29,156	27,745
Total noncurrent assets	114,053	111,340
Total assets	533,482	542,152

(Millions of Yen)

	As of December 31, 2011	As of June 30, 2012
Liabilities		
Current liabilities		
Trade notes and accounts payable	17,350	26,759
Income taxes payable	14,156	10,196
Reserve for bonuses to employees	5,277	4,955
Other reserves	2,267	1,636
Other	29,769	23,762
Total current liabilities	68,822	67,311
Noncurrent liabilities		
Reserves	3,502	3,373
Other	2,085	2,112
Total noncurrent liabilities	5,587	5,486
Total liabilities	74,410	72,797
Net assets		
Shareholders' equity		
Common stock	72,966	72,966
Capital surplus	92,815	92,815
Retained earnings	339,476	349,560
Treasury stock, at cost	(36,260)	(36,202)
Total shareholders' equity	468,998	479,139
Accumulated other comprehensive income		
Net unrealized gain or loss on securities	842	1,443
Deferred gains or losses on hedges	—	(228)
Foreign currency translation adjustments	(12,992)	(13,275)
Total accumulated other comprehensive income	(12,150)	(12,061)
Subscription rights to shares	1,015	1,098
Minority interests	1,208	1,178
Total net assets	459,072	469,354
Total liabilities and net assets	533,482	542,152

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of Yen)

	First six months of FY 2011 (Jan. 1, 2011 – June 30, 2011)	First six months of FY 2012 (Jan. 1, 2012 – June 30, 2012)
Revenues		
Sales	174,760	180,004
Other operating revenues	7,177	5,259
Total revenues	181,938	185,263
Cost of sales	74,542	81,733
Gross profit	107,395	103,530
Selling, general and administrative expenses		
Sales promotion expenses	6,153	6,071
Salaries and allowances	14,538	14,353
Reserve for bonuses	2,913	2,914
R&D expenses	26,941	26,240
Retirement benefits	1,191	1,248
Other	20,464	18,373
Total selling, general and administrative expenses	72,204	69,202
Operating income	35,191	34,328
Non-operating income		
Interest income	169	206
Life insurance dividend income	341	341
Gain on valuation of derivatives	107	—
Other	729	489
Total non-operating income	1,347	1,038
Non-operating expenses		
Interest expenses	1	1
Loss on valuation of derivatives	—	462
Loss on retirement of noncurrent assets	95	120
Loss on abandonment of noncurrent assets	18	32
Loss on foreign exchange	54	154
Other	186	246
Total non-operating expenses	357	1,018
Ordinary income	36,182	34,347
Extraordinary gain		
Gain on sales of noncurrent assets	—	1
Subsidy income	—	38
Total extraordinary gain	—	40
Extraordinary loss		
Loss on sales of noncurrent assets	0	—
Impairment loss	17	28
Loss on disaster	6,532	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,018	—
Loss on valuation of investment securities	20	—
Loss on valuation of golf club membership	6	—
Total extraordinary loss	7,594	28
Income before income taxes and minority interests	28,587	34,359
Income taxes–current	9,526	9,939
Income taxes–deferred	1,422	3,138
Total income taxes	10,949	13,077
Income before minority interests	17,638	21,281
Minority interests in income	551	392
Net income	17,087	20,889

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	First six months of FY 2011 (Jan. 1, 2011 – June 30, 2011)	First six months of FY 2012 (Jan. 1, 2012 – June 30, 2012)
Income before minority interests	17,638	21,281
Other comprehensive income		
Net unrealized gain or loss on securities	(392)	600
Deferred gains or losses on hedges	—	(228)
Foreign currency translation adjustments	1,667	(275)
Total other comprehensive income	1,274	95
Comprehensive income	18,913	21,377
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	18,274	20,977
Comprehensive income attributable to minority interests	639	399

(3) Consolidated Statements of Cash Flows

(Millions of Yen)

	First six months of FY 2011 (Jan. 1, 2011 – June 30, 2011)	First six months of FY 2012 (Jan. 1, 2012 – June 30, 2012)
Cash flows from operating activities:		
Income before income taxes and minority interests	28,587	34,359
Depreciation and amortization	7,231	7,060
Impairment loss	17	28
Interest and dividend income	(229)	(268)
Interest expense	1	1
Loss on retirement of noncurrent assets	95	120
Gain (loss) on sales of noncurrent assets	0	(1)
Loss on sales and valuation of investment securities	20	—
Loss on disaster	6,532	—
Decrease in notes and accounts receivable	7,668	11,452
Decrease (increase) in inventories	(6,460)	5,535
Increase in notes and accounts payable	8,951	9,409
Other	2,584	(2,614)
Subtotal	55,000	65,084
Interest and dividends received	229	250
Interest paid	(1)	(1)
Payments for loss on disaster	(2,047)	(1,133)
Income taxes paid	(2,948)	(13,893)
Net cash provided by operating activities	50,232	50,306
Cash flows from investing activities:		
Payments into time deposits	(9,104)	(12,132)
Proceeds from withdrawal of time deposits	10,836	12,191
Purchase of marketable securities	(58,993)	(69,995)
Proceeds from sales of marketable securities	59,700	61,500
Purchase of investment securities	(2)	(154)
Purchases of noncurrent assets	(6,109)	(7,180)
Proceeds from sales of noncurrent assets	4	4
Other	(21)	(109)
Net cash (used in) investing activities	(3,690)	(15,876)
Cash flows from financing activities:		
Net (increase) in treasury stock	(1)	(1)
Cash dividends paid	(12,509)	(10,886)
Cash dividends paid to minority interests	(630)	(429)
Other	(13)	(27)
Net cash (used in) financing activities	(13,156)	(11,344)
Effect of exchange rate changes on cash and cash equivalents	619	(93)
Net (decrease) increase in cash and cash equivalents	34,004	22,991
Cash and cash equivalents at beginning of year	65,143	94,474
Increase in cash and cash equivalents from newly consolidated subsidiary	—	39
Cash and cash equivalents at end of the period	99,148	117,504

(4) Notes Regarding Assumptions as a Going Concern

None

(5) Notes Regarding Major Changes in Shareholders' Equity

None