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.*

CHUGAI PHARMACEUTICAL CO., LTD.

A member of the Roche group

CONSOLIDATED FINANCIAL STATEMENTS (Non-audited)

(for the fiscal year 2009.12 ended December 31, 2009)

Name of Company: **Chugai Pharmaceutical Co., Ltd.** February 3, 2010
Address of the Head Office: 1-1, Nihonbashi-Muromachi 2-Chome, Chuo-ku, Tokyo 103-8324, Japan
Stock Listing: Tokyo Stock Exchange, First Section
Security Code No.: 4519
(URL http://www.chugai-pharm.co.jp/english)
Representative: Mr. Osamu Nagayama, President and CEO, Chairman of the Board of Directors
Contact: Mr. Nobuyuki Chiba, General Manager of Corporate Communications Department
Phone: +81-(0) 3-3273-0881

Date of General Meeting of Shareholders: March 25, 2010
Date of Submission of Marketable Securities Filings: March 25, 2010
Date on which Dividend Payments to Commence: March 26, 2010

1. Consolidated Operating Results for the FY 2009.12 Ended December 31, 2009

(1) Results of operations *Note: Amounts of less than one million yen are omitted.*

	Revenues	% Change	Operating Income	% Change	Recurring Profit	% Change
FY ended Dec. 2009	¥428,947 million	31.2	¥82,612 million	60.2	¥90,395 million	57.9
FY ended Dec. 2008	¥326,937 million	(5.2)	¥51,563 million	(22.7)	¥57,265 million	(15.4)

	Net Income	% Change	Net Income per Share (Basic)	Net Income per Share (Fully Diluted)
FY ended Dec. 2009	¥56,634 million	44.2	¥104.00	¥103.98
FY ended Dec. 2008	¥39,264 million	(2.0)	¥72.07	¥72.04

	Ratio of Net Income to Shareholders' Equity	Ratio of Recurring Profit to Total Assets	Ratio of Operating Income to Revenues
FY ended Dec. 2009	13.7%	17.7%	19.3%
FY ended Dec. 2008	10.1%	12.2%	15.8%

Notes: *Equity-method earnings for the year ended December 31, 2009: ¥— million*
Equity-method earnings for the year ended December 31, 2008: ¥— million

(2) Financial conditions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of Dec. 31, 2009	¥540,549 million	¥434,686 million	80.0%	¥794.51
As of Dec. 31, 2008	¥478,517 million	¥397,066 million	82.6%	¥725.18

Notes: *Shareholders' equity at December 31, 2009: ¥432,361 million*
Shareholders' equity at December 31, 2008: ¥395,088 million

(3) Results of cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Balance of Cash and Cash Equivalents
FY ended Dec. 2009	¥66,461 million	¥(20,261) million	¥(22,251) million	¥94,478 million
FY ended Dec. 2008	¥39,276 million	¥(14,122) million	¥(18,360) million	¥70,652 million

2. Dividends

	Dividends per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	End of Fiscal Year	Total
FY ended Dec. 2008	—	¥15.00	—	¥19.00	¥34.00
FY ended Dec. 2009	—	¥17.00	—	¥23.00	¥40.00
FY ending Dec. 2010 (Forecast)	—	¥17.00	—	¥17.00	¥34.00

	Total Dividends (Annual)	Dividend Ratio (Consolidated)	Ratio of Dividends to Net Assets (Consolidated)
FY ended Dec. 2008	¥18,524 million	47.2%	4.8%
FY ended Dec. 2009	¥21,778 million	38.5%	5.3%
FY ending Dec. 2010 (Forecast)		42.1%	

3. Consolidated Forecasts for the Year Ending December 31, 2010 (January 1, 2010 - December 31, 2010)

	Revenues	% Change	Operating Income	% Change	Recurring Profit	% Change
Second Quarter (YTD)	¥189,100 million	(1.4)	¥26,500 million	(28.7)	¥27,000 million	(37.9)
FY 2010	¥418,500 million	(2.4)	¥70,000 million	(15.3)	¥70,500 million	(22.0)

	Net Income	% Change	Net Income per Share (Basic)
Second Quarter (YTD)	¥16,700 million	(36.5)	¥30.69
FY 2010	¥44,000 million	(22.3)	¥80.85

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

4. Others

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

(2) Changes in principles, procedures, and presentation methods, etc., related to the consolidated financial statements (Changes in material items that form the basis for the preparation and presentation of the consolidated financial statements)

(a) Changes related to revisions in accounting principles: Yes

(b) Changes aside from those in (a) above: Yes

Note: For further details, please refer to the section of "Changes in Basis of Preparing Consolidated Financial Statements" on page 21.

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

(a) Number of shares at the end of the period (including treasury stock):

Fiscal year ended December 31, 2009: 559,685,889

Fiscal year ended December 31, 2008: 559,685,889

(b) Number of treasury shares at the end of the period:

Fiscal year ended December 31, 2009: 15,497,079

Fiscal year ended December 31, 2008: 14,872,196

Note: For an explanation of the number of shares used for computing net income per share (consolidated), please refer to "Per Share Information" on page 30.

(Additional Information)

Non-Consolidated Operating Results for the FY 2009.12 Ended December 31, 2009

(1) Non-consolidated results of operations

	Revenues	% Change	Operating Income	% Change	Recurring Profit	% Change
FY ended Dec. 2009	¥415,277 million	33.3	¥72,753 million	96.2	¥81,739 million	104.0
FY ended Dec. 2008	¥311,510 million	(5.4)	¥37,085 million	(34.3)	¥40,075 million	(30.1)

	Net Income	% Change	Net Income per Share (Basic)	Net Income per Share (Fully Diluted)
FY ended Dec. 2009	¥52,738 million	79.3	¥96.85	¥96.83
FY ended Dec. 2008	¥29,412 million	(13.0)	¥53.98	¥53.97

Note: % change figures for revenues, operating income, recurring profit, and net income are presented in comparison with the previous fiscal year.

(2) Non-consolidated financial conditions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of Dec. 31, 2009	¥509,590 million	¥407,929 million	79.9%	¥748.62
As of Dec. 31, 2008	¥451,222 million	¥375,437 million	83.1%	¥688.51

Notes: Shareholders' equity for the year ended December 31, 2009: ¥407,392 million
Shareholders' equity for the year ended December 31, 2008: ¥375,111 million

Note: 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 results may materially differ from these forecasts due to potential risks and uncertainties. For details, please see page 3-5 for "Business Performance, 1. Analysis Concerning Business Performance."

Business Performance

1. Analysis Concerning Business Performance

(1) Overview of Fiscal Year 2009.12 ended December 31, 2009

a) Summary of Business Activities

During the period under review, the operating environment surrounding the pharmaceutical industry became even more challenging due to continued government policies in Japan to reduce medical costs, including the promotion of generic medicines, the increasing strictness of new drug approval tests worldwide, and other factors.

Operating within this business climate, we are endeavoring to engage in aggressive product research and development (R&D) activities to achieve the continued development and acquisition of innovative new drugs. As a company owning many innovative pharmaceuticals, we are engaging in marketing campaigns and other activities based on sound ethical and scientific principles that promote appropriate use of as well as consumer confidence in these drugs. As a result of these activities, consolidated revenues for the fiscal year amounted to ¥428.9 billion, operating income was ¥82.6 billion, recurring profit amounted to ¥90.4 billion, and net income was ¥56.6 billion. All of these financial indicators were at the highest levels in the Company’s history.

Consolidated Financial Highlights

(Billions of Yen)

	FY 2008.12 (Jan. 1, 2008–Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009–Dec. 31, 2009)	% Change
Revenues	326.9	428.9	+31.2
Sales (excluding Tamiflu)	313.4	342.9	+9.4
Cost of sales	127.0	192.9	+51.9
Gross profit	199.9	236.1	+18.1
Operating expenses	95.1	98.2	+3.3
R&D expenses	53.2	55.3	+3.9
Operating income	51.6	82.6	+60.1
Recurring profit	57.3	90.4	+57.8
Net income	39.3	56.6	+44.0

Revenues

Consolidated revenues for the fiscal year under review were ¥428.9 billion (an increase of 31.2% year on year).

Revenues of anti-influenza Tamiflu, which vary widely from year to year, amounted to ¥76.2 billion (an increase of 807.1% year on year. After exclusion of revenues from Tamiflu and other operating revenues, which amounted to ¥9.8 billion (an increase of 92.2% year on year), the remaining revenues amounted to ¥342.9 billion (an increase of 9.4% year on year).

Domestic Sales (Excluding Tamiflu)

In the oncology domain, sales amounted to ¥123.7 billion (a 20.9% increase year on year). Although sales of Kytril (a 5-HT 3 receptor antagonist antiemetic agent) declined because of the effects of the emergence of many generic products, overall growth in sales in this domain was the result of steady penetration into the market of the Company’s new products and products with indication extensions. These included Avastin (an anti-vascular endothelial growth factor (VEGF) receptor humanized monoclonal antibody and anti-cancer agent), which has expanded its market penetration in first-line and second-line treatments, and Herceptin (an anti-HER2-humanized monoclonal antibody and anti-cancer agent), which received an indicator extension in February 2008 for the adjuvant treatment of postoperative breast cancer patients.

In the bone and joint treatment domain, sales were ¥57.6 billion (an increase of 15.2% year on year). This expansion in sales was due in part to the expansion in market share of Actemra (a humanized anti-human IL-6 receptor monoclonal antibody), which received an additional indication in April 2008 for the treatment of rheumatoid arthritis and other indications. Another factor was the expansion in sales of Suvenyl, a drug for improving joint function, because of its greater market penetration owing to increased recognition of deformative knee osteoarthritis.

In the renal treatment domain, sales amounted to ¥61.0 billion (a decline of 0.5% year on year). Despite the overall decline in this domain, sales of the recombinant human erythropoietin Epogin are steadily gaining share in the pre-dialysis market, although Epogin sales in the dialysis market are showing declines. As a result, sales of Epogin rose above the level of the same period of the previous year during the latter half of the fiscal year (July-December).

In the transplant, immunology, and infectious disease domain (excluding Tamiflu), sales were ¥26.2 billion (a 9.2%

increase year on year). This growth was due to expanding use of a government-sponsored program, which started in April 2008, to provide support for costs of interferon treatment for hepatitis C patients and the wider penetration of combination therapy of Pegasys (peginterferon-α-2a) and Copegus, an anti-viral agent for the treatment of chronic hepatitis C.

Tamiflu Anti-Viral Influenza Agent

Because of the new strain of influenza, sales of Tamiflu for ordinary use recorded during the fourth quarter (October-December) alone were ¥17.7 billion, bringing the total sales for the fiscal year under review to ¥36.2 billion.

Sales to government stockpiles in the fourth quarter were ¥2.7 billion, bringing the total sales for the fiscal year under review to ¥40.0 billion.

Overseas Sales

Overseas sales amounted to ¥33.6 billion (an increase of 0.3% year on year). Although sales of Neutrogin, a recombinant human granulocyte-colony stimulating factor (G-CSF) declined due to the effect of currency fluctuations, export sales of Actemra to F. Hoffman-La Roche Ltd (Headquarters: Switzerland; hereinafter, Roche) began smoothly following the approval in January 2009 by the European Medicines Evaluation Agency (EMEA).

Other Operating Revenues

Other operating revenues, which included a one-time, lump-sum amount following the approval of Actemra by EMEA in January 2009, amounted to ¥9.8 billion (an increase of 92.2% year on year).

b) Financial Results

As a result of a substantial expansion in sales of Roche products, including Tamiflu, which have a relatively high cost of sales ratio, the Company's cost of sales ratio rose to 46.0% (an increase of 6.5 percentage points year on year), and gross profit amounted to ¥236.1 billion (a rise of 18.1% year on year).

Among selling, general and administrative expenses, operating expenses excluding R&D expenses totaled ¥98.2 billion (an increase of 3.3% year on year), reflecting increased expenditures for promoting the proper use of new products and existing products with new indications, post-marketing product research, and other items. R&D expenses totaled ¥55.3 billion (an increase of 3.9% year on year), as a result of an increase in the number of items in early development stages and expansion in R&D equipment.

As a result, operating income amounted to ¥82.6 billion (an increase of 60.1% year on year). In addition, recurring profit rose to ¥90.4 billion (an increase of 57.8% year on year), mainly because of the reporting of ¥9.4 billion in non-operating income in connection with forward exchange contracts concluded to reduce the risk of foreign exchange transactions. Net income for the fiscal year totaled ¥56.6 billion (an increase of 44.0% year on year).

Principal non-consolidated and consolidated performance figures, and the ratios between those figures, are as follows.

	Non-Consolidated (A) (Billions of Yen)	Consolidated (B) (Billions of Yen)	B/A (Times)
Revenues	415.3	428.9	1.03
Operating income	72.8	82.6	1.13
Recurring profit	81.7	90.4	1.11
Net income	52.7	56.6	1.07

c) R&D Activities

In Japan and abroad, Chugai is actively engaged in prescription pharmaceutical R&D activities.

Specifically, the Company is working to develop innovative products with global applications, focusing on the oncology, bone and joint, and renal disease domains. In Japan, Chugai's research bases in Fuji Gotemba and Kamakura are collaborating to develop new pharmaceuticals, and its research facilities in Ukima are conducting industrialization research. Overseas, Chugai Pharma U.S.A., LLC and Chugai Pharma Europe Ltd. are engaged in clinical development activities in the United States and Europe, respectively.

In the fiscal year under review, R&D costs totaled ¥55.3 billion.

(2) Outlook for the Next Fiscal Year

a) Forecast Assumptions

In preparing this performance outlook, we have assumed exchange rates of ¥88/CHF, ¥130/EUR, ¥89/USD, and ¥146/GBP. With regard to sales of Tamiflu, which vary widely from year to year, we expect ¥38.7 billion for 2010 (a decline of 49.2% from the previous year), including orders for government stockpiles and others.

b) Outlook for Fiscal Year

We expect ¥334.6 billion in domestic sales from products and merchandise, excluding Tamiflu, a major increase of 8.2% year on year, despite some influence from revisions in the NHI drug price, due to sustained significant sales growth that is expected in the oncology and bone/joint disease areas. For overseas sales, we are also expecting substantial increases of 21.1% year on year, to ¥40.7 billion, owing to major gains in exports of Actemra, following commencement of sales of that drug in the U.S. market. However, due to a decline in revenues from Tamiflu and other operating income in comparison with the previous year, we are expecting revenues of ¥418.5 billion, a decrease of ¥10.4 billion (2.4%) year on year.

With regard to profitability, although we are anticipating increases in the unit volume of sales, owing to declines in milestone income, revisions in the NHI drug price and other factors, we are forecasting that gross profits will decline 0.9% year on year. In addition, as in the previous fiscal year, we are anticipating an increase in operating expenses as a result of significantly greater market penetration of products launched or expanded for new indications in the past three years in Japan, as well as stepped-up co-promotion of Actemra, which was approved and launched in Europe in the previous year. We also expect R&D expenditures to rise in comparison with the previous year, mainly due to an increase in activities related to early stage development projects and aggressive expansion in drug discovery activities.

As a consequence of these various factors, we are looking for a decrease in operating income of ¥12.6 billion (15.3%) year on year. Moreover, along with the decline in operating income, we are expecting a larger margin of decline in recurring profit and net income because of the effect of the gains on forward foreign exchange contracts in the previous fiscal year.

(Billions of Yen)	Outlook for FY 2010	% Change
Revenues	418.5	-2.4
Sales excluding Tamiflu	375.3	9.4
Operating income	70.0	-15.3
Recurring profit	70.5	-22.0
Net income	44.0	-22.3

Note: The forecasts outlined above are based on information available at the time these forecasts were formulated, and we regard these forecasts as reasonable. The aforementioned forecasts include latent risks and uncertainties, and actual results and performance could vary significantly from the forecasts because of trends in influenza infection, the outcome of reductions in the NHI drug price*, and other factors.*

Please note that 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. Analysis Concerning Financial Status

(1) Assets, Liabilities, and Net Assets

At the end of the fiscal year under review, total assets on a consolidated basis amounted to ¥540.5 billion, representing an increase of ¥62.0 billion over the end of the previous fiscal year. Principal factors accounting for this rise were a gain of ¥36.2 billion in cash and deposits, an increase of ¥13.1 billion in trade notes and accounts receivable, and a gain of ¥10.0 billion in merchandise and finished goods.

Total liabilities stood at ¥105.9 billion, representing an increase of ¥24.4 billion over the end of the previous fiscal year. Principal factors accounting for this rise were a gain of ¥5.5 billion in trade notes and accounts payable and an increase of ¥10.7 billion in income taxes payable. Net working capital (equivalent to current assets minus current liabilities) at the end of the fiscal year amounted to ¥310.8 billion.

Total net assets were ¥434.7 billion at the end of the fiscal year, ¥37.6 billion higher than at the end of the previous fiscal year. The principal factor accounting for this increase was a rise in retained earnings of ¥37.0 billion.

(2) Cash Flows

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥94.5 billion, representing an increase of ¥23.8 billion from the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥66.5 billion, an increase of ¥27.2 billion compared with the previous fiscal year. This was because of a decline in income taxes paid, an increase in income before income taxes and minority interests, as well as other factors.

Net cash used in investing activities was ¥20.3 billion, ¥6.2 billion more than in the previous fiscal year. This increase in cash outflow was due to payment into time deposits, and other factors, which was not fully offset by lower purchases of fixed assets.

Net cash used in financing activities amounted to ¥22.3 billion, representing an increase of ¥3.9 billion year on year. This increase in cash outflow for financing activities was due to higher payments of dividends and other factors.

Note: In the item (1) and (2), amounts less than ¥100 million have been rounded off. Figures for changes in amounts have been calculated using data denominated in ¥100 million units.

(3) Cash Flow Related Materials

	FY 2005.12 ended December 31, 2005	FY 2006.12 ended December 31, 2006	FY 2007.12 ended December 31, 2007	FY 2008.12 ended December 31, 2008	FY 2009.12 ended December 31, 2009
Equity ratio (%)	80.7	84.3	83.5	82.6	80.0
Market value equity ratio (%)	306.7	294.4	189.9	196.2	175.2
Interest-bearing debt to cash flows ratio (%)	—	—	1.0	0.4	0.2
Interest-coverage ratio (times)	284.8	283.0	461.9	517.5	4,620.0

Equity ratio (%): Shareholders' equity/total assets
Market value equity ratio: Total market capitalization/total assets
Interest-bearing debt to cash flows ratio: Interest-bearing debt/cash flows
Interest-coverage ratio: Cash flows/interest payments

* All of the figures in the aforementioned indices were calculated on a consolidated basis.
* Total market capitalization was calculated by multiplying the closing stock price at the end of the term by the total number of outstanding shares at the end of the term (excluding treasury stock).
* Cash flows were shown as an operating cash flow (prior to interest paid and income taxes paid deductions) in the consolidated statements of cash flows.
* Interest-bearing debt refers to all debt posted in the consolidated balance sheet upon which interest is paid.
* The amount of interest paid in the consolidated statements of cash flows was treated as an interest payment in the calculations above.

3. Basic Profit Distribution Principles and Dividends for the Fiscal Year under Review and the Following Fiscal Year

With regard to income distribution, we aim to stabilize the return of profit for all shareholders. Taking due account of strategic funding needs and earnings prospects, we aim to ensure a consolidated dividend payout ratio of around 40% on average.

In addition, internal reserves will be used to fund R&D activities in Japan and around the world as well as for making capital investments related to new products to further enhance corporate value.

Note that year-end regular dividends for the fiscal year ended December 31, 2009, are ¥17 per share. In addition, a special dividend of ¥6 per share is being paid, thus bringing the year-end dividend to ¥23 per share. As a result, total dividends paid during the year are ¥40 per share, an increase of ¥6 from the previous fiscal year, and the consolidated dividend payout ratio is 38.5%.

In addition, we expect total dividends paid for the following fiscal year will be ¥34 per share, including ¥17 for the interim period, and the consolidated dividend payout ratio will be 42.1%.

4. Business Risks

Chugai's corporate performance is subject to major impact from a range of possible future events. Below, we list what we consider the principal sources of risk to the development of our business. We recognize the possibility of these risk events actually occurring, and have prepared policies to forestall such risks and take appropriate measures when they do occur.

The future risks identified in this section are based on assessments made by the Company as of the end of the consolidated fiscal year under review.

(1) New Product Development

With the goal of becoming a top Japanese pharmaceutical company capable of continuously delivering innovative new medicines, Chugai aggressively pursues R&D in Japan and overseas. Our development pipeline is well stocked, especially in the fields of oncology, bone and joint diseases, and renal diseases. However, bringing all of them smoothly through to the market from the R&D stages may not be possible, and we expect to have to abandon development in some cases. When such a situation occurs, there is a possibility of major impact on our business performance and financial position, depending on the product under development.

(2) Changes in Product Environments

In recent years, there have been rapid technological advancements in the pharmaceutical industry, and the Company faces fierce competition from pharmaceutical companies in Japan and overseas. The Company's business performance and financial status may be significantly affected by changes in product environments caused by the sale of competing products and genetic products and also by changes in contracts concluded by the Company for the marketing agreement or the licensing of technologies.

(3) Side Effects

Medical products are approved in Japan by the Ministry of Health, Labour and Welfare after stringent screening. However, advances in science and technology and years of careful post-marketing monitoring of pharmaceutical product use mean that side effects are discovered in a good number of drugs. In cases where unexpected side effects occur after marketing, there is a risk of significant impact on our business performance and financial position.

(4) Reform of Japan's medical system

Japan's medical insurance system is being reformed against a backdrop of rapid demographic change, with a falling birthrate and increasing numbers of aged citizens. As part of this process, measures are being taken to curb medical expenses. Revisions have been made to the system of reimbursement of medical fees, and debate is continuing in such areas as the NHI drug price reform. The Company's business performance could be significantly affected by future developments in medical system reform, including the NHI drug price reform.

(5) Intellectual Property (IP) Rights

The Company recognizes that it applies intellectual property rights in pursuing its business activities, and takes care to distinguish its own proprietary intellectual property rights and licensing arrangements recognized under law. However, the possibility remains of our infringing on third-party intellectual property rights without being aware of the fact. Major disputes related to intellectual property rights relating to our business could have major impact on our business performance.

(6) Strategic Alliance with Roche

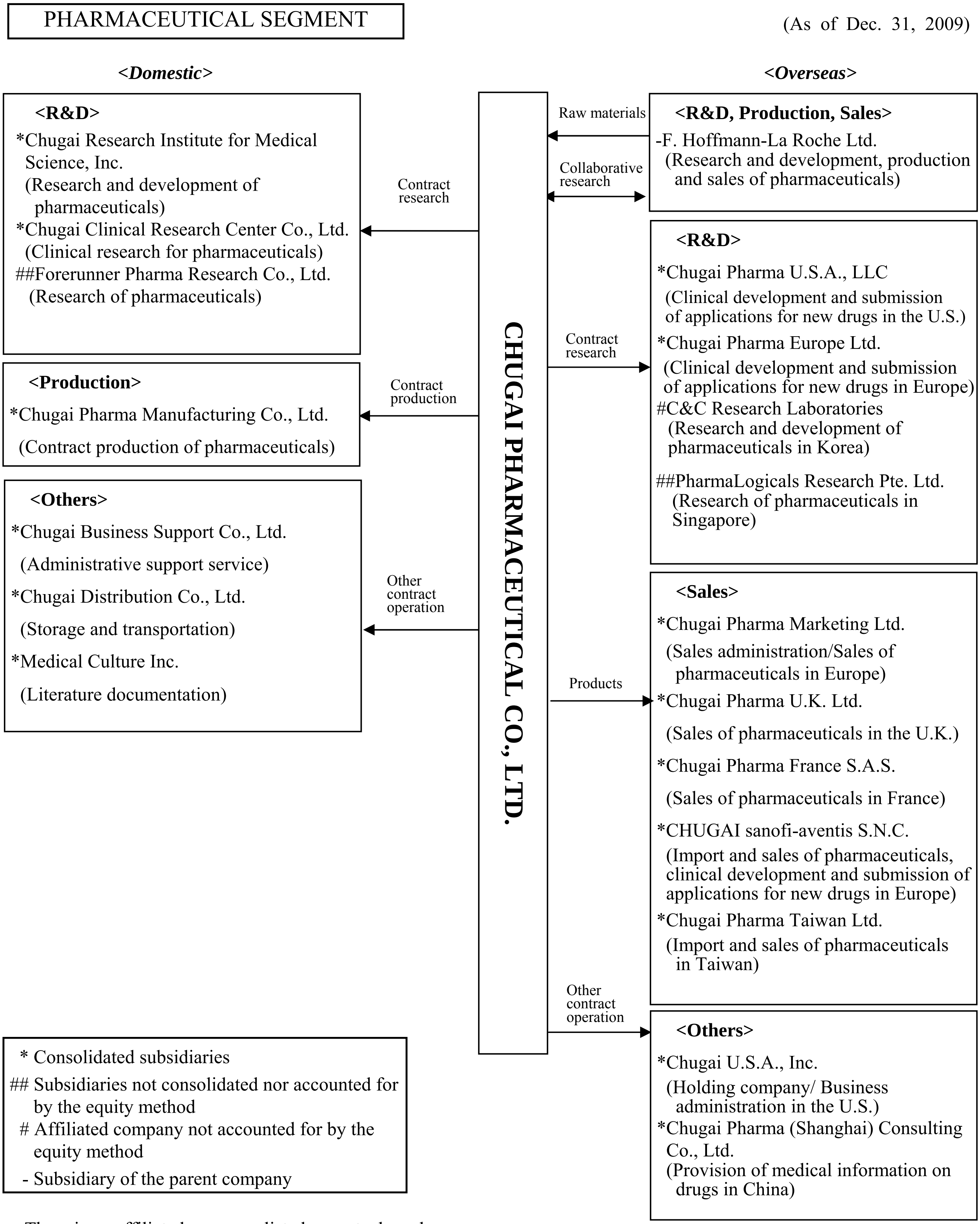
In line with its strategic alliance with Roche, the Company is the only pharmaceutical partner of Roche in the Japanese market and has introduced many products and projects from Roche. In the event that our strategic alliance with Roche is changed for some reason, such circumstances could have a major impact on the Company's operating results and financial position.

(7) International Business Activities

The Company engages aggressively in international business activities with the aim of providing a continuous flow of innovative new medicines domestically and internationally. These activities include sales of pharmaceuticals and R&D activities in Japan and overseas as well as exporting and importing of bulk pharmaceuticals. In these international business activities the Company may confront changes in laws and regulations, political instability, uncertainties regarding economic trends, issues related to relationships with labor in local markets, changes in tax systems and diversity in interpretation of such systems, fluctuations in foreign currency rates, differences in business practices, and other risks. Such circumstances could have a major impact on the Company's operating results and financial position.

Outline of Chugai Group

The Group consists of the Company submitting the consolidated financial statements, 17 subsidiaries, one affiliated company, and one subsidiary of the parent company. The major businesses conducted by the Group and how companies in the Group are positioned in relation to those businesses are summarized in the diagram below.



- There is no affiliated company listed on a stock exchange.
- We have omitted disclosure about the status of affiliated companies since there have not been any material changes since we disclosed the status of affiliated companies in our most recent report on securities filed on March 25, 2009. Please note that as of July 1, 2009, the Company absorbed through a merger Eiko Kasei Co., Ltd., which was a non-consolidated subsidiary not accounted for under the equity method.

Management Principles and Goals

1. Basic Management Principles

In line with its strategic alliance with the world-leading pharmaceutical company Roche, the Company has established “dedicating itself to adding exceptional value through the creation of innovative medical products and services for the benefit of the medical community and human health around the world” as its mission and “becoming a top Japanese pharmaceutical company by providing a continuous flow of innovative new medicines domestically and internationally” as its fundamental management objective.

As we work to achieve these goals, we will carry out our business activities in line with our core values of “putting patients and customers first” and “committing to the highest ethical and moral standards as befits a company involved in the healthcare industry.”

We firmly believe that putting these Basic Management Principles into practice is a key to boosting the corporate value of the Chugai Group as well as the best way to meet the expectations of customers, shareholders, and all other stakeholders, and will redouble efforts to realize them.

2. Target Management Indices

The Company considers consolidated revenues and consolidated operating income to be important management indicators, and under its Medium-Term Business Plan “Sunrise 2012,” which covers the period from fiscal 2008 through fiscal 2012, it has set targets for the year ending December 31, 2012, of ¥460 billion in consolidated revenues and ¥80 billion in consolidated operating income. The Company will aim to increase shareholder value and reach the goals of “Sunrise 2012” through growth and improvements in productivity.

3. Medium-Term Business Strategy

As a tightly focused prescription pharmaceutical company, we are concentrating on reinforcing our unique foundation in R&D that is driven by the most-advanced technologies. At the same time, our efforts to build a top-caliber competitive franchise in Japan by working with its strategic partner Roche to enhance our clinical development pipeline and product lineup are moving forward.

Chugai’s Medium-Term Business Plan “Sunrise 2012” aims to enhance and expand the Company’s competitive advantage by leveraging its strengths and close collaborative relationship with Roche as well as to further expand business through the development and marketing of innovative medical products in Japan and overseas.

4. Future Tasks

To become a top Japanese pharmaceutical company, Chugai aims to dramatically bolster the competitiveness of its R&D, manufacturing, marketing, and sales operations as well as to achieve a high rate of growth. We have identified (1) continued development and acquisition of innovative new medicines, (2) the maximization of product value, and (3) overseas expansion as key tasks.

(1) Continued Development and Acquisition of Innovative New Medicines

The Company has worked to create innovative medical products through research into antibody drugs, which is one of the strengths of the Company, and also by leveraging our alliance with Roche to search for new small-molecular drugs.

Going forward, we intend to turn our strengths to advantage in creating innovative medicines and further improving our technical standards through measures including the strengthening of networks with academic institutions, venture companies, and other pioneering companies. In addition, we will work toward the further development of our product pipeline by aggressively introducing promising development candidates from Roche.

(2) The Maximization of Product Value

Under its alliance with Roche, Chugai has achieved substantial growth in the domestic market. Going forward, Chugai is aiming to maximize product value and further increase its presence in such priority fields as cancer treatment through the further strengthening of strategic marketing efforts and an integrated approach to meeting the needs of the medical community, from the early stages of R&D through the post-launch of products.

(3) Overseas Expansion

For accelerating the Company’s future growth, overseas expansion becomes the key challenge. Regarding Actemra, the Company’s own innovative medicine, we received approval for this medicine from the European Medicines Evaluation Agency (EMEA) in January 2009 and has begun marketing in Germany and the United Kingdom. At present, Actemra is sold in more than 25 countries around the world. Furthermore, the Company received approval for Actemra from the U.S. Food and Drug Administration (FDA) in January 2010 and has begun marketing in America through Roche.

Going forward, the Company will work to develop its position in overseas markets through the continuing development and introduction of such innovative new medicines as Actemra.

Consolidated Balance Sheets

(Millions of Yen)

	As of December 31, 2008	As of December 31, 2009
Assets		
I Current assets:		
Cash and deposits	70,768	106,978
Trade notes and accounts receivable	108,459	121,607
Marketable securities	54,715	52,157
Inventories	78,736	—
Merchandise and finished goods	—	71,699
Work in process	—	10
Raw materials and supplies	—	20,932
Deferred tax assets	21,834	21,058
Other	9,900	16,893
Reserve for doubtful accounts	(60)	(35)
Total current assets	344,353	411,302
II Noncurrent assets:		
1. Property, plant and equipment:		
Buildings and structures	122,968	124,161
Accumulated depreciation	(67,638)	(70,733)
Buildings and structures (net)	55,330	53,428
Machinery and vehicles	75,736	83,745
Accumulated depreciation	(54,623)	(61,717)
Machinery and vehicles (net)	21,112	22,028
Furniture and fixtures	35,298	37,875
Accumulated depreciation	(28,821)	(31,107)
Furniture and fixtures (net)	6,477	6,767
Land	9,938	9,893
Construction in progress	5,487	1,529
Other	—	19
Accumulated depreciation	—	(3)
Other (net)	—	16
Total property, plant and equipment	98,345	93,663
2. Intangible assets:		
Software	2,469	1,053
Other	636	2,190
Total intangible assets	3,106	3,244
3. Investments and other assets:		
Investment securities	14,387	9,657
Long-term loans	44	32
Deferred tax assets	12,197	14,593
Other	6,308	8,273
Reserve for doubtful accounts	(226)	(219)
Total investments and other assets	32,711	32,338
Total noncurrent assets	134,163	129,246
Total assets	478,517	540,549

(Millions of Yen)

	As of December 31, 2008	As of December 31, 2009
Liabilities		
I Current liabilities:		
Trade notes and accounts payable	28,765	34,263
Accrued payables	7,053	6,599
Income taxes payable	11,381	22,142
Accrued consumption taxes	270	4,164
Accrued expenses	20,653	22,893
Reserve for bonuses to employees	4,398	5,731
Reserve for bonuses to directors	206	174
Reserve for sales rebates	3,854	3,044
Other	1,940	1,468
Total current liabilities	78,523	100,482
II Noncurrent liabilities:		
Deferred tax liabilities	1	—
Reserve for employees' retirement benefits	2,084	2,709
Reserve for officers' retirement benefits	773	761
Other	68	1,908
Total noncurrent liabilities	2,927	5,380
Total liabilities	81,451	105,862
Net assets		
I Shareholders' equity:		
1. Common stock	72,966	72,966
2. Additional paid-in capital	92,815	92,815
3. Retained earnings	271,008	307,984
4. Treasury stock, at cost	(35,168)	(36,274)
Total shareholders' equity	401,622	437,492
II Valuation and translation adjustments:		
1. Net unrealized gain on securities	1,354	1,636
2. Foreign currency translation adjustments	(7,889)	(6,767)
Total valuation and translation adjustments	(6,534)	(5,131)
III New share warrants	326	536
IV Minority interests	1,651	1,788
Total net assets	397,066	434,686
Total liabilities and net assets	478,517	540,549

Consolidated Statements of Income

(Millions of Yen)

	FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
I Revenues:		
Sales	321,835	419,105
Other operating revenues	5,101	9,841
Total revenues	326,937	428,947
II Cost of sales	127,029	192,851
Gross profit	199,908	236,095
III Selling, general and administrative expenses:		
Sales promotion expenses	15,515	16,739
Salaries and benefits	29,587	30,480
Reserve for bonuses	2,655	3,423
R&D expenses	53,225	55,315
Other	47,361	47,524
Total selling, general and administrative expenses	148,345	153,482
Operating income	51,563	82,612
IV Non-operating income:		
Interest income	1,608	643
Dividend income	425	109
Gain on foreign exchange	6,254	—
Life insurance dividends received	332	—
Gain on valuation of derivatives	—	7,327
Other	1,306	1,339
Total non-operating income	9,928	9,420
V Non-operating expenses:		
Interest expenses	134	20
Loss on disposal of inventories	1,914	—
Loss on valuation of derivatives	1,341	—
Loss on retirement of noncurrent assets	356	211
Loss on foreign exchange	—	1,026
Other	477	379
Total non-operating expenses	4,225	1,638
Recurring profit	57,265	90,395
VI Extraordinary gain:		
Gain on sales of noncurrent assets	420	264
Gains on settlement of co-development costs	6,340	—
Subsidies received	500	—
Gain on extinguishment of tie-in shares	—	25
Total extraordinary gain	7,261	289
VII Extraordinary loss:		
Loss on sales of noncurrent assets	10	0
Impairment loss	747	26
Restructuring loss	536	1,228
Retirement benefit expenses	107	—
Loss on revaluation of investment securities	19	12
Total extraordinary loss	1,421	1,268
Income before income taxes and minority interests	63,105	89,416
Income taxes—current	25,966	32,989
Income taxes—deferred	(3,690)	(1,806)
Total income taxes	22,276	31,183
Minority interests	1,564	1,598
Net income	39,264	56,634

Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
Shareholders' equity		
Common stock		
Balance as of the end of the previous year	72,947	72,966
Changes during the period		
New stocks issuance	19	—
Net change during the period	19	—
Balance as of the end of the year	72,966	72,966
Additional paid-in capital		
Balance as of the end of the previous year	92,796	92,815
Changes during the period		
New stocks issuance	18	—
Net change during the period	18	—
Balance as of the end of the year	92,815	92,815
Retained earnings		
Balance as of the end of the previous year	248,098	271,008
Effect of changes in accounting policies applied to foreign subsidiaries	—	(26)
Changes during the period		
Dividends paid	(16,344)	(19,613)
Net income	39,264	56,634
Deposition of treasury stocks	(9)	(18)
Net change during the period	22,910	37,002
Balance as of the end of the year	271,008	307,984
Treasury stock, at cost		
Balance as of the end of the previous year	(35,108)	(35,168)
Changes during the period		
Purchase of treasury stocks	(86)	(1,161)
Deposition of treasury stocks	26	55
Net change during the period	(59)	(1,106)
Balance as of the end of the year	(35,168)	(36,274)
Total shareholders' equity		
Balance as of the end of the previous year	378,733	401,622
Effect of changes in accounting policies applied to foreign subsidiaries	—	(26)
Changes during the period		
New stocks issuance	37	—
Dividends paid	(16,344)	(19,613)
Net income	39,264	56,634
Purchase of treasury stocks	(86)	(1,161)
Deposition of treasury stocks	17	36
Net change during the period	22,888	35,896
Balance as of the end of the year	401,622	437,492

(Millions of Yen)

	FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
Valuation and translation adjustments		
Net unrealized gain on securities		
Balance as of the end of the previous year	2,757	1,354
Changes during the period		
Net changes except for shareholders' equity	(1,403)	281
Net change during the period	(1,403)	281
Balance as of the end of the year	1,354	1,636
Foreign currency translation adjustments		
Balance as of the end of the previous year	1,944	(7,889)
Changes during the period		
Net changes except for shareholders' equity	(9,833)	1,121
Net change during the period	(9,833)	1,121
Balance as of the end of the year	(7,889)	(6,767)
Total valuation and translation adjustments		
Balance as of the end of the previous year	4,701	(6,534)
Changes during the period		
Net changes except for shareholders' equity	(11,236)	1,403
Net change during the period	(11,236)	1,403
Balance as of the end of the year	(6,534)	(5,131)
New share warrants		
Balance as of the end of the previous year	139	326
Changes during the period		
Net changes except for shareholders' equity	186	210
Net change during the period	186	210
Balance as of the end of the year	326	536
Minority interests		
Balance as of the end of the previous year	2,222	1,651
Effect of changes in accounting policies applied to foreign subsidiaries	—	(11)
Changes during the period		
Net changes except for shareholders' equity	(570)	148
Net change during the period	(570)	148
Balance as of the end of the year	1,651	1,788
Total net assets		
Balance as of the end of the previous year	385,797	397,066
Effect of changes in accounting policies applied to foreign subsidiaries	—	(37)
Changes during the period		
New stocks issuance	37	—
Dividends paid	(16,344)	(19,613)
Net income	39,264	56,634
Purchase of treasury stocks	(86)	(1,161)
Deposition of treasury stocks	17	36
Net changes except for shareholders' equity	(11,620)	1,761
Net change during the period	11,268	37,657
Balance as of the end of the year	397,066	434,686

Consolidated Statements of Cash Flows

(Millions of Yen)

		FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
I	Cash flows from operating activities:		
	Income before income taxes and minority interests	63,105	89,416
	Depreciation and amortization	20,080	19,505
	Impairment loss	747	26
	(Decrease) increase in reserve for employees' retirement benefits	(510)	599
	Interest and dividend income	(2,033)	(753)
	Interest expense	134	20
	Loss on retirement of noncurrent assets	356	211
	(Gain) on sales of noncurrent assets	(410)	(263)
	Loss on sales and revaluation of investment securities	19	12
	(Increase) in trade notes and accounts receivable	(2,504)	(12,965)
	(Increase) in inventories	(25,561)	(13,484)
	Increase in trade notes and accounts payable	12,291	5,345
	(Decrease) increase in accrued consumption tax	(2,036)	4,447
	Other	4,236	(2,293)
	Subtotal	67,916	89,824
	Interest and dividends received	1,585	736
	Interest paid	(134)	(19)
	Income taxes paid	(30,090)	(24,080)
	Net cash provided by operating activities	39,276	66,461
II	Cash flows from investing activities:		
	Payment into time deposits	(137)	(23,398)
	Proceeds from withdrawal of time deposits	—	11,234
	Purchase of marketable securities	(187,595)	(118,151)
	Proceeds from sales of marketable securities	202,000	126,400
	Purchase of investment securities	(4,005)	(630)
	Proceeds from sales of investment securities	379	—
	Purchases of noncurrent assets	(25,222)	(16,068)
	Proceeds from sales of noncurrent assets	429	330
	Other	30	23
	Net cash (used in) investing activities	(14,122)	(20,261)
III	Cash flows from financing activities:		
	Redemption of bonds	(304)	—
	Net (increase) in treasury stocks	(69)	(1,125)
	Cash dividends paid	(16,335)	(19,619)
	Cash dividends paid to minority interests	(1,651)	(1,502)
	Other	—	(4)
	Net cash (used in) financing activities	(18,360)	(22,251)
IV	Effect of exchange rate changes on cash and cash equivalents	(9,864)	(128)
V	Net (decrease) increase in cash and cash equivalents	(3,070)	23,819
VI	Cash and cash equivalents at beginning of year	73,723	70,652
VII	Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	6
VIII	Cash and cash equivalents at end of the period	70,652	94,478

Events or circumstances that cast major doubt on the assumption of continued operations

None

Basis of Preparing Consolidated Financial Statements

FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
1. Scope of consolidation (1) Number of consolidated subsidiaries: 15 companies Major subsidiaries: Chugai Pharma Marketing Ltd. Chugai Pharma Manufacturing Co., Ltd. (2) Number of non-consolidated subsidiaries: 3 companies Eiko Kasei Co., Ltd., Forerunner Pharma Research Co., Ltd., and PharmaLogicals Research Pte. Ltd. have been excluded from the scope of consolidation, because they had little value in their materiality.	1. Scope of consolidation (1) Number of consolidated subsidiaries: 15 companies Same as in the left (2) Number of non-consolidated subsidiaries: 2 companies Forerunner Pharma Research Co., Ltd., and PharmaLogicals Research Pte. Ltd. have been excluded from the scope of consolidation, because they had little value in their materiality.
2. Application of equity method (1) Number of non-consolidated subsidiaries and affiliates accounted for by the equity method: None (2) Companies to which the equity method has not been applied: Subsidiaries: Eiko Kasei Co., Ltd., Forerunner Pharma Research Co., Ltd., and PharmaLogicals Research Pte. Ltd. Affiliate: C&C Research Laboratories The effect of total equity in net income and retained earnings of these companies was not deemed to be material, and the investment in these companies was accounted for at original purchase cost rather than by the equity method.	2. Application of equity method (1) Number of non-consolidated subsidiaries and affiliates accounted for by the equity method: Same as in the left. (2) Companies to which the equity method has not been applied: Subsidiaries: Forerunner Pharma Research Co., Ltd., and PharmaLogicals Research Pte. Ltd. Affiliate: C&C Research Laboratories The effect of total equity in net income and retained earnings of these companies was not deemed to be material, and the investment in these companies was accounted for at original purchase cost rather than by the equity method.
3. Treatment for the difference in fiscal period The closing date of all subsidiaries is in agreement with the Company's closing date.	3. Treatment for the difference in fiscal period Same as in the left.
4. Significant accounting policies (1) Basis and method for valuation of significant assets a. Financial assets Held-to-maturity securities: Held-to-maturity securities are stated by the amortized cost method (in equal amounts over a specified time period). Other securities: - Securities with market value are stated at fair value at the closing date for the fiscal year, and changes in fair value are recorded as a separate component of shareholders' equity at an amount net of tax, and the moving-average method is used to calculate the original cost. - Securities without market value are stated at cost determined by the moving-average method. b. Basis of valuation of derivatives: Derivatives are revalued by the market-value method. c. Inventories - Inventories other than work in process are stated at cost determined principally by the gross average method. - Work in process is stated at cost determined principally by the first-in, first-out method.	4. Significant accounting policies (1) Basis and method for valuation of significant assets a. Financial assets Same as in the left. b. Basis of valuation of derivatives: Same as in the left. c. Inventories Inventories held for normal sales purposes -Inventories are stated at cost determined principally by the gross average method. (The amount on the balance sheets was calculated by the method of reducing book value as a result of a decline of profitability.)

FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
(2) Method of depreciation a. Property, plant and equipment Depreciation of property, plant and equipment is calculated primarily by the declining-balance method. b. Intangible assets Depreciation of intangible assets is calculated primarily by the straight-line method. Depreciation of software for internal use is calculated based on its usable period (five years). （Additional information） Accompanying revisions in the tax law, for those property, plant and equipment, other than buildings (excluding building fixtures and equipment) that were purchased on or before March 31, 2007, the Company and its consolidated subsidiaries are reporting depreciation of the 5% residual value, minus a remainder price, that would have remained under the methods of depreciation stipulated by the previous tax law in equal amounts over a five-year period. As a result, operating income, recurring profit, and income before income taxes and minority interests were each ¥410 million lower than they would have been in the absence of this change in the method of calculating depreciation.	(2) Method of depreciation a. Property, plant and equipment (excluding lease assets) Depreciation of property, plant and equipment is calculated primarily by the declining-balance method. b. Intangible assets (excluding lease assets) Depreciation of intangible assets is calculated primarily by the straight-line method. Depreciation of software for internal use is calculated based on its usable period (five years). c. Lease assets Depreciation is calculated by taking the useful life of the asset as the term of the lease and depreciating the residual value to zero by the straight-line method. Please note that finance leases for which ownership is not transferred to the lessee and which commenced on or prior to December 31, 2008, the Company employs accounting methods normally applicable to ordinary rental transactions. (Additional information） The Company and certain of its consolidated subsidiaries, beginning with this fiscal year, accompanying revisions in Japan’s income tax law in fiscal 2008, have reviewed the useful lives of their property, plant and equipment. Consequently, the useful lives, principally machinery and equipment included among property, plant and equipment, have been changed. As a result, operating income, recurring profit, and income before income taxes and minority interests were each ¥634 million higher than they would have been in the absence of this change in the method of calculating depreciation.
(3) Accounting for important reserves a. Reserve for doubtful accounts In order to prepare for losses of bad credits such as account receivables or loans and for revaluation losses on financial instruments, except valuation losses on securities, the reserve for doubtful accounts is provided for at an uncollectable amount based on the historical percentage of credit losses for general credits, and is provided for at an amount that is estimated individually considering the possibilities of collection for bad credits that are highly possible to lose and the possibilities of future loss on financial instruments. b. Reserve for bonuses to employees The reserve for bonuses to employees is presented at an estimated amount of the liability for bonuses incurred for the fiscal year. c. Reserve for bonuses to directors The reserve for bonuses to directors is presented at an estimated amount of the liability for bonuses incurred for the fiscal year. d. Reserve for sales rebates In order to prepare for any expenditure on sales rebates during the fiscal year under review, the reserve for such rebates is estimated based on the sales amount.	(3) Accounting for important reserves a. Reserve for doubtful accounts Same as in the left. b. Reserve for bonuses to employees Same as in the left. c. Reserve for bonuses to directors Same as in the left. d. Reserve for sales rebates Same as in the left.

FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
e. Reserve for employees' retirement benefits The reserve for employees' retirement benefits is stated at the amount required to cover the liabilities as of the balance sheet date, and is based on the Company's estimate, and the estimates of certain of its domestic consolidated subsidiaries of their liabilities for retirement benefits and pension assets as of the balance sheet date. This reserve also includes the amount which would be required to be paid if all eligible employees of the other domestic consolidated subsidiaries voluntarily terminated their employment as of the balance sheet date. Prior service cost is being amortized as incurred by the declining-balance method over 10 years, which is shorter than the average remaining years of service of the eligible employees. The actuarial gain and loss are amortized by the declining-balance method over 10 years, which is shorter than the average period of the remaining years of service of the eligible employees and are amortized from the following year in which the gain or loss is recognized. The reserve for employees' retirement benefits of the foreign subsidiaries is calculated in conformity with accounting standards of their countries of domicile.	e. Reserve for employees' retirement benefits To provide for employees' retirement benefits, the Company states the amount of retirement benefit liabilities and the expected value of pension assets as of the end of the consolidated accounting year. Prior service cost is being amortized as incurred by the declining-balance method over 10 years, which is shorter than the average remaining years of service of the eligible employees. The actuarial gain and loss are amortized principally by the declining-balance method over 10 years, which is shorter than the average period of the remaining years of service of the eligible employees and are amortized from the following year in which the gain or loss is recognized.
f. Reserve for officers' retirement benefits The reserve for officers' retirement benefits is recorded at an amount based on management's estimate, which would be required to be paid if all officers resigned as of the balance sheet date on the basis of the Company's internal regulations.	f. Reserve for officers' retirement benefits The reserve for officers' retirement benefits is recorded at an amount based on management's estimate, which would be required to be paid if all officers resigned as of the balance sheet date on the basis of the Company's internal regulations. Please note that accompanying the abolishment of the system for payment of officers' retirement benefits, the amount of officers' retirement benefits payable for officers' terms of service through the termination of the system has been included in this reserve.
(4) Foreign currency translation The foreign currency based receivables and payables are translated into yen at the rates of exchange in effect at the balance sheet date, and the translation differences are presented as gains or losses. The asset and liability accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, and the revenue and expense accounts are translated using the averages of exchange rate in the fiscal year under review. The accompanying translation differences are included in the foreign currency translation adjustment and minority interest accounts in net assets of the consolidated financial statements.	(4) Foreign currency translation Same as in the left.

FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
(5) Accounting for lease transactions The finance leases for which ownership is not transferred to the lessee, the Company employs accounting methods normally applicable to ordinary rental transactions. The foreign consolidated subsidiaries' accounting treatment of noncurrent assets including lease transactions is accounted for in accordance with their countries' accounting standards.	------------------
(6) Other Income and expenses for the Company and its domestic subsidiaries are recorded at net of consumption tax.	(5) Other Same as in the left.
5. Basis of evaluation of consolidated subsidiaries The Company employs the partial fair value method to value the assets and liabilities of consolidated subsidiaries.	5. Basis of evaluation of consolidated subsidiaries Same as in the left.
6. Excess of costs over net assets of acquired subsidiaries ------------------	6. Excess of costs over net assets of acquired subsidiaries ------------------
7. Scope of cash equivalents in consolidated statements of cash flows All highly liquid investments with maturities of three months or less when purchased and which are readily convertible into cash and are exposed to insignificant risk of changes in value are considered cash equivalents.	7. Scope of cash equivalents in consolidated statements of cash flows Same as in the left.

Changes in Basis of Preparing Consolidated Financial Statements

FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
------------------	(Accounting standards for measurement of inventories) Beginning with this fiscal year, the Company has applied "Accounting Standards for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006). Also, as a result of the application of these standards, losses on disposal of inventories, which were formerly included in non-operating expenses, have been reclassified as cost of sales. As a result, operating income was ¥1,250 million lower than it would have been otherwise. Please note that there was no effect on recurrent profit or income before income taxes and minority interests.
------------------	(Application of practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements) Beginning with this fiscal year, accompanying the application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force, No. 18, issued on May 17, 2006), necessary revisions have been made in consolidated financial statements. As a result, retained earnings at the beginning of the period were ¥26 million lower. Also, revenues were ¥312 million lower, operating income was ¥6 million lower, and recurring profit and income before taxes and minority interests were each ¥982 million higher than they would have been otherwise.
------------------	(Accounting standards for lease transactions) Beginning with this fiscal year, accompanying the application of the "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13, originally issued by the First Subcommittee of the ASBJ on June 17, 1993, and the final revision issued on March 30, 2007) and "Implementation Guidance on Accounting Standards for Lease Transactions (ASBJ Guidance No. 16, originally issued by the Audit System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994, and the final revision issued on March 30, 2007), the accounting treatment for finance leases for which ownership is not transferred to the lessee has been changed from methods applicable to ordinary rental transactions to methods applicable to ordinary buying and selling transactions. The effect of this change on profit and loss for the current fiscal year was not material. Please note that, for finance leases for which ownership is not transferred to the lessee and which commenced prior to the application of these accounting standards, the Company adopts accounting standards that have been previously applied to ordinary rental transactions.
------------------	(Partial revision of "Accounting Standards for Retirement Benefits (No. 3)) Accompanying changes making it possible to apply partial revision of "Accounting Standards for Retirement Benefits (No. 3) (ASBJ No. 19, issued on July 31, 2008) for fiscal years beginning on or before March 31, 2009, the Company has applied this accounting standard beginning with the fiscal year under review. The application of this standard has no effect on the consolidated financial statements.

Changes in Presentation

FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
(Consolidated Statements of Income) Through the end of the previous fiscal year, "selling, general and administrative expenses" were presented in a single item, and the principal accounting items with this item were presented in the notes to the financial section. However, beginning with the fiscal year under review, selling, general and administrative expenses have been divided into sub-items in an appropriate manner and are presented under their proper names in the Consolidated Statements of Income. Please note that, after consideration of the relative importance of various items, the following have been classified under "Other" in selling, general and administrative expenses: Depreciation and amortization amounting to ¥2,409 million for the fiscal year under review; Provision to the reserve for bonuses for directors (¥206 million); Reserve for employees' retirement benefits (¥1,672 million); Reserve for officers' retirement benefits (¥170 million)	------------------
------------------	(Consolidated Balance Sheets) Accompanying the application of "Cabinet Order Regarding Revision of a Portion of the Rules Relating to Terminology, Format, and the Method of Presentation of Financial Statements" (Cabinet Order No. 50, issued on August 7, 2008), the Company has presented certain items previously included within "Inventories" as separate items on the Consolidated Balance Sheets. These are "Merchandise and finished goods," "Work in process," and "Raw materials and supplies." Please note that the amounts of these items at the end of the previous fiscal year were as follows: Merchandise and finished goods: ¥61,691 million; Work in process: ¥56 million; Raw materials and supplies: ¥16,988 million.

Notes to the Consolidated Financial Statements

(Omission of disclosure)

Disclosure of the following notes to the consolidated financial statements has been omitted because they were deemed not to be significant items for these “Consolidated Financial Statements (Non-audited).”

Please note that these notes will be included in the Company’s *Securities Report (Yuka Shoken Hokokusho)*, which is scheduled to be submitted on March 25, 2010. Please access the EDINET electronic disclosure system and view the *Securities Report* and other disclosure documents, which are filed on this system pursuant to the requirements of the Financial Products & Exchange Law.

- Consolidated Balance Sheets
- Consolidated Statements of Income
- Consolidated Statements of Changes in Net Assets
- Consolidated Statements of Cash Flows
- Lease Transactions
- Securities
- Derivative Transactions
- Stock Options and Related Matters

(Segment Information)

(1) Business Segments

For the year ended Dec. 31, 2008 (Jan. 1, 2008 - Dec. 31, 2008) and
For the year ended Dec. 31, 2009 (Jan. 1, 2009 - Dec. 31, 2009)

The Company and its consolidated subsidiaries have been comprised of a single business segment, "Pharmaceutical business"; the disclosure of business segment information has been omitted.

(2) Geographical Segments

For the year ended Dec. 31, 2008 (Jan. 1, 2008 - Dec. 31, 2008) and
For the year ended Dec. 31, 2009 (Jan. 1, 2009 - Dec. 31, 2009)

As revenues and total assets of the foreign consolidated subsidiaries constituted less than 10% of consolidated totals, the disclosure of geographical segment information has been omitted.

(3) Overseas Revenues

For the year ended Dec. 31, 2008 (Jan. 1, 2008 - Dec. 31, 2008)

(Millions of Yen)

Overseas Revenues	¥ 33,803
Revenues	326,937
% of revenues	10.3

Notes: 1. Overseas revenues are defined as revenues made by the Company and its consolidated subsidiaries in countries or regions outside Japan.
2. Information on overseas revenues by a country or regional classification has been omitted because the amounts of overseas revenues by principal countries and regions are not material.

For the year ended Dec. 31, 2009 (Jan. 1, 2009 - Dec. 31, 2009)

As overseas revenues (¥36,389 million) were less than 10% of consolidated totals, the disclosure of overseas revenues in countries or regions outside Japan has been omitted.

(Information on the Related Parties)

For the year ended Dec. 31, 2008 (Jan. 1, 2008 - Dec. 31, 2008)

Subsidiary of Parent Company

Attribute	Name of company	Address	Common stock	Business contents	Rate of ownership of voting	Relationship		Transaction	Amount of transaction (*)	Account	Ending balance (*)
						Interlocking directors	Relationship on business				
Subsidiary of parent company	F. Hoffmann-La Roche Ltd	Basel, Switzerland	Swiss francs 150,000,000	Production and sales of drugs	—	Directors 2 persons	Material purchase	Purchase of drug materials	69,695	Accounts payable	21,451

(*): Millions of yen

Notes: 1. "Amount of transaction" and "Ending balance" are reported net of consumption taxes.
2. Guideline of determination for business conditions etc.
Business transactions are determined as the same as the general transactions when considering market value.

For the year ended Dec. 31, 2009 (Jan. 1, 2009 - Dec. 31, 2009)

(Additional Information)

Beginning with the fiscal year under review, the Company has applied "Accounting Standards Regarding the Disclosure of Related Parties" (ASBJ No. 11, issued on October 17, 2006) and "Accounting Standards for the Application of Standards Regarding the Disclosure of Related Parties" (ASBJ No. 13, issued on October 17, 2006).

As a result, in addition to the previous scope of disclosure, information on the parent company is now subject to disclosure.

1. Transactions with related parties

(1) Companies with the same parent as the Company (which is submitting the consolidated financial statements) and subsidiaries of other companies affiliated with the Company

Type of relationship	Name	Address	Capital and investments	Business contents or occupation	Rate of ownership of voting	Relationship	Transaction	Amount of transaction (*)	Account	Ending balance (*)
Company with the same parent company	F. Hoffmann-La Roche Ltd	Basel, Switzerland	Swiss francs 150,000,000	Production and sales of drugs	—	Purchase of drug materials, etc. Interlocking directors	Purchase of drug materials	120,159	Accounts payable	26,744
							Sales of drugs	11,227	Accounts receivables	6,390
							Sharing of co-development costs (Receipt)	9,545	Accrued receivables	8,328

(*): Millions of yen

Notes: 1. "Amount of transaction" and "Ending balance" are reported net of consumption taxes.

2. Guideline of determination for business conditions etc.

(1) Business transactions are determined as the same as the general transactions when considering market value.

(2) Sharing of co-development costs is determined based on the license contracts concluded with F. Hoffman-La Roche Ltd.

(2) Directors and Principal Shareholders (Limited to Individual Shareholders) of the Company Submitting Consolidated Financial Statements

Type of relationship	Name	Address	Capital and investments (*)	Business contents or occupation	Rate of ownership of voting	Relationship	Transaction	Amount of transaction (*)	Account	Ending balance (*)
Director	Osamu Nagayama	—	—	Representative director and president of the Company	(Held) directly: 0.0%	Exercise of stock options	Exercise of stock options	11	—	—
Director	Motoo Ueno	—	—	Representative director of the Company	(Held) directly: 0.1%	Exercise of stock options	Exercise of stock options	11	—	—

(*): Millions of yen

Note: This table shows the rights to purchase new shares, which were originally issued as a result of the decisions made at the 92nd General Meeting of Shareholders (held on June 25, 2003) and the 93rd General Meeting of Shareholders (held on March 25, 2004) and which were exercised during the fiscal year under review. Please note that the amount shown in the "Transactions" column is the number of shares granted as a result of the exercise of stock option rights during the fiscal year times the price paid.

2. Notes related to the parent company or material related companies

(1) Information on the parent company

Roche Holding Ltd (Listed on SIX Swiss Exchange)
Roche Finance Ltd. (Unlisted)
Roche Pharmholding B.V. (Unlisted)

(2) Summary of material financial information for related companies

None

(Tax-Effect Accounting)

FY 2008.12 (As of Dec. 31, 2008)

(1) Principal deferred tax assets and tax liabilities

	(Millions of Yen)
Deferred tax assets:	
Prepaid expenses for tax purposes	8,531
Depreciation of noncurrent assets in excess of limit	5,214
Unrecognized reserve for retirement benefits	4,838
Amortization of deferred charges in excess of limit for tax purposes	3,145
Elimination of unrealized profit on inventories	2,923
Goods in storage for tax purposes	2,206
Unrecognized reserve for bonuses to employees	1,765
Unrecognized reserve for sales rebates	1,481
Unrecognized losses on securities	1,171
Unrecognized outstanding enterprise tax	978
Impairment loss	376
Unrecognized reserve for officers' retirement benefits	312
Other	4,155
Total deferred tax assets	37,102
Valuation reserve	(1,568)
Offsetting of deferred tax liabilities	(1,500)
Net deferred tax assets	34,032
Deferred tax liabilities:	
Unrealized gain on securities	917
Reserve for deferred capital gain	583
Other	1
Total deferred tax liabilities	1,501
Offsetting of deferred tax assets	(1,500)
Net deferred tax liabilities	1

(2) Significant components of difference between statutory tax rate and effective tax rate

Statutory tax rate:	40.4%
(Reconciliation)	
Entertainment expenses, etc.	2.9
Dividends received, etc.	(0.1)
Per capita inhabitant tax	0.2
Tax rate difference of foreign consolidated subsidiaries, etc.	(1.7)
Special tax deduction for research and development expenses	(4.9)
Decrease in valuation reserves	(1.5)
Other	0.2
Effective tax rate	35.3%

FY 2009.12 (As of Dec. 31, 2009)

(1) Principal deferred tax assets and tax liabilities

	(Millions of Yen)
Deferred tax assets:	
Prepaid expenses for tax purposes	10,323
Depreciation of noncurrent assets in excess of limit	5,779
Unrecognized reserve for retirement benefits	5,160
Amortization of deferred charges in excess of limit for tax purposes	4,366
Unrecognized reserve for bonuses to employees	2,308
Unrecognized outstanding enterprise tax and local special income tax	1,751
Elimination of unrealized profit on inventories	1,361
Unrecognized reserve for sales rebates	1,229
Unrecognized losses on securities	1,222
Goods in storage for tax purposes	1,213
Unrecognized reserve for officers' retirement benefits	307
Impairment loss	152
Other	4,436
Total deferred tax assets	39,612
Valuation reserve	(2,292)
Offsetting of deferred tax liabilities	(1,667)
Net deferred tax assets	35,652
Deferred tax liabilities:	
Unrealized gain on securities	1,107
Reserve for deferred capital gain	559
Other	0
Total deferred tax liabilities	1,667
Offsetting of deferred tax assets	(1,667)
Net deferred tax liabilities	—

(2) Significant components of difference between statutory tax rate and effective tax rate

Statutory tax rate:	40.4%
(Reconciliation)	
Entertainment expenses, etc.	1.9
Dividends received, etc.	(0.0)
Per capita inhabitant tax	0.1
Tax rate difference of foreign consolidated subsidiaries, etc.	(1.8)
Special tax deduction for research and development expenses	(5.9)
Decrease in valuation reserves	0.1
Other	0.0
Effective tax rate	34.9%

(Accounting for Retirement Benefits)

FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)

(1) Overview of retirement benefits

The Company has a welfare pension fund plan as a defined benefit plan and a lump-sum payment plan. In October 2004, the Company transferred from a tax-qualified pension plan to a defined contribution pension plan, because a tax-qualified pension plan was closed.

The Company received approval of the return of the pension plan assets related to prior employee services with respect to the substituted portion of the welfare pension plan. The approval was received from the Minister of Health, Labour and Welfare in August 2005. The Company transferred the taxable portion of the employee pension fund to the defined benefit pension plan.

The Company set up an employee retirement benefit trust in December 2004 for the lump-sum payment plan. In addition, the Company has the possibility to pay extra retirement benefits, excluding the scope of retirement benefit obligation by actuarial calculation in line with accounting for retirement benefits, when an employee retires.

The Company's domestic consolidated subsidiaries participate in the lump-sum payment plan.

(2) Retirement benefit obligation

	(Millions of Yen)
Retirement benefit obligation	(63,061)
Pension assets	58,069
Unfunded retirement benefit obligation	(4,991)
Unrecognized prior service cost	(2,324)
Unrecognized actuarial loss	5,501
Net amount recorded in the consolidated balance sheets	(1,813)
Prepaid pension cost	270
Reserve for employees' retirement benefits	(2,084)

Note: The Company's domestic consolidated subsidiaries adopt the simplified method on calculating the retirement benefit obligation.

(3) Retirement benefit expenses

	(Millions of Yen)
Service cost (*1)	2,599
Interest cost	1,371
Expected return on pension assets	(1,377)
Amortization of actuarial gain or loss	(133)
Amortization of prior service cost	(602)
Contribution to a defined contribution pension plan	754
Amount treated as expense accompanying change from the simplified method to the method in principle (*2)	107
Total retirement benefit expenses	2,718

Notes:

1. Retirement benefits expenses of consolidated subsidiaries that adopted the simplified method are included to this amount.
2. In calculating retirement benefit obligations for the consolidated financial statements, one consolidated domestic subsidiary changed from the simplified method to the method in principle. Accompanying this change, the Company treated the liability of ¥107 million, which remained unrecognized at the beginning of the fiscal period, as a one-time expense.

FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)

(1) Overview of retirement benefits

The Company has both defined benefit and defined contribution pension plans. Defined benefit plans established are the corporate pension plan and lump-sum retirement payment plan.

The Company has established an employment benefit trust to cover lump-sum retirement payments. Please note that, at the time of payment of employees' retirement benefits, etc., additional payments are made in some cases other than those benefit obligations computed through actuarial calculations of retirement benefit liabilities.

The Company's domestic consolidated subsidiaries participate in the lump-sum payment plan.

Overseas consolidated subsidiaries have established defined benefit and/or defined contribution pension plans.

(2) Retirement benefit obligation

	(Millions of Yen)
Retirement benefit obligation	(65,350)
Pension assets	60,434
Unfunded retirement benefit obligation	(4,915)
Unrecognized prior service cost	(1,845)
Unrecognized actuarial loss	4,312
Net amount recorded in the consolidated balance sheets	(2,448)
Prepaid pension cost	261
Reserve for employees' retirement benefits	(2,709)

Note: The Company's domestic consolidated subsidiaries adopted the simplified method on calculating the retirement benefit obligation.

(3) Retirement benefit expenses

	(Millions of Yen)
Service cost (*)	2,571
Interest cost	1,402
Expected return on pension assets	(1,271)
Amortization of actuarial gain or loss	1,141
Amortization of prior service cost	(478)
Contribution to a defined contribution pension plan	802
Provisional payments of additional retirement benefits	55
Total retirement benefit expenses	4,224

Note: Retirement benefit expenses of consolidated subsidiaries that adopted the simplified method are included to this amount.

FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
(4) Assumptions and policies adopted in calculation of retirement benefit obligation Discount rate: 2.25% Rate of expected return on plan assets: 0.7%~2.5% Method of attribution of retirement benefits to the period: Straight-line method for the years of services Period of amortizing prior service cost: 10 years (Prior service cost is being amortized by the declining-balance method over a period of average remaining service years of employees at the time of occurrence.) Period of amortizing actuarial gain and loss: 10 years (Actuarial gain and loss are amortized by the declining-balance method over the period of average remaining service years of employees at the time of occurrence from the following year of occurrence.)	(4) Assumptions and policies adopted in calculation of retirement benefit obligation Discount rate: Principally 2.25% Rate of expected return on plan assets: 0.8%~2.5% Method of attribution of retirement benefits to the period: Principally straight-line method for the years of services Period of amortizing prior service cost: 10 years (Prior service cost is being amortized by the declining-balance method over a period of average remaining service years of employees at the time of occurrence.) Period of amortizing actuarial gain and loss: Principally 10 years (Actuarial gain and loss are amortized principally by the declining-balance method over the period of average remaining service years of employees at the time of occurrence from the following year of occurrence.)

(Per Share Information)

(Yen)

	FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
Net assets per share	¥725.18	¥794.51
Net income per share	72.07	104.00
Net income per share after adjustment for latent stock	72.04	103.98

Basis for Calculations of Net Income per Share and Net Income per Share after Adjustment for Latent Stock

	FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
Net income per share		
Net income	¥39,264 million	¥56,634 million
Value not attributed to common stock	— million	— million
Net income attributed to common stock	39,264 million	56,634 million
Average number of outstanding common stocks during the period	544,820,544 shares	544,539,690 shares
Net income per share after adjustment for latent stock		
Net income adjustment value	¥ 1 million	¥— million
(Including interest paid (after deduction of applicable tax amounts))	(1) million	— million
(Including bond-related fees (after deduction of applicable tax amounts))	(0) million	— million
Increase in number of outstanding common stocks	202,440 shares	107,488 shares
(Including convertible bonds)	(194,793) shares	— shares
(Including new share warrants)	(7,647) shares	(107,488) shares
Details of latent shares that were not included in the calculation of net income per share assuming dilution because of the absence of a dilutive effect	Rights to purchase new shares: 4 types Resolution by the General Meeting of Shareholders on March 25, 2004: Number of latent shares: 218,000 shares Number of rights to purchase new shares: 2,180 rights Resolution by the General Meeting of Shareholders on March 23, 2005: Number of latent shares: 252,000 shares Number of rights to purchase new shares: 2,520 rights Resolution by the General Meeting of Shareholders on March 23, 2006: Number of latent shares: 344,000 shares Number of rights to purchase new shares: 3,440 rights Resolution by the Board of Directors on March 23, 2007: Number of latent shares: 355,000 shares Number of rights to purchase new shares: 3,550 rights	Rights to purchase new shares: 2 types Resolution by the General Meeting of Shareholders on March 23, 2006: Number of latent shares: 338,000 shares Number of rights to purchase new shares: 3,380 rights Resolution by the Board of Directors on March 23, 2007: Number of latent shares: 350,000 shares Number of rights to purchase new shares: 3,500 rights

(Material Subsequent Event)

None

Non-Consolidated Balance Sheet

(Millions of Yen)

	As of December 31, 2008	As of December 31, 2009
Assets		
I Current assets:		
Cash and deposits	49,448	83,762
Accounts receivable	107,457	120,903
Marketable securities	54,715	52,157
Merchandise	4,571	—
Finished goods	33,758	—
Semi-finished goods	167	—
Merchandise and finished goods	—	45,640
Raw materials	2,449	—
Raw materials and supplies	—	4,016
Prepaid expenses	287	197
Deferred tax assets	19,245	19,209
Short-term loans	4,100	4,800
Accrued receivables	34,700	42,917
Other	1,467	2,317
Reserve for doubtful accounts	(58)	(33)
Total current assets	312,309	375,888
II Noncurrent assets:		
1. Property, plant and equipment:		
Buildings	60,718	59,945
Accumulated depreciation	(33,922)	(34,702)
Buildings (net)	26,795	25,243
Structure	5,455	5,043
Accumulated depreciation	(3,941)	(3,681)
Structure (net)	1,513	1,361
Machinery and equipment	19,886	20,997
Accumulated depreciation	(14,728)	(16,990)
Machinery and equipment (net)	5,157	4,006
Vehicles and transport equipment	72	83
Accumulated depreciation	(53)	(51)
Vehicles and transport equipment (net)	19	31
Furniture and fixtures	29,478	31,607
Accumulated depreciation	(24,257)	(26,128)
Furniture and fixtures (net)	5,220	5,479
Land	9,105	9,061
Lease assets	—	10
Accumulated depreciation	—	(2)
Lease assets (net)	—	8
Construction in progress	673	405
Total property, plant and equipment	48,485	45,596
2. Intangible assets:		
Patent rights	17	13
Trademark rights	2	2
Software	2,468	1,052
Other	601	584
Total intangible assets	3,090	1,651

(Millions of Yen)

	As of December 31, 2008	As of December 31, 2009
3. Investments and other assets:		
Investment securities	14,147	9,585
Investments in subsidiaries and affiliates	55,706	55,537
Investment in capital to affiliates	43	43
Long-term loans	30	27
Long-term loans to employees	1	1
Long-term prepaid expenses	544	3,021
Deferred tax assets	11,264	13,155
Guarantee deposits	4,153	4,080
Long-term receivables	855	435
Other	815	783
Reserve for doubtful accounts	(225)	(218)
Total investments and other assets	87,336	86,452
Total noncurrent assets	138,912	133,701
Total assets	451,222	509,590

(Millions of Yen)

	As of December 31, 2008	As of December 31, 2009
Liabilities		
I Current liabilities:		
Accounts payable	30,446	38,715
Lease obligations	—	5
Accrued payables	578	169
Accrued expenses	21,660	22,396
Accrued income taxes	7,746	22,066
Accrued consumption taxes	222	2,830
Deposits received	1,327	1,281
Reserve for bonuses to employees	3,731	4,866
Reserve for bonuses to directors	193	174
Reserve for sales rebates	3,854	3,044
Accrued capital investments	3,235	2,753
Other	398	397
Total current liabilities	73,394	98,703
II Noncurrent liabilities:		
Lease obligations	—	2
Reserve for employees’ retirement benefits	1,593	2,137
Reserve for officers’ retirement benefits	755	761
Other	41	55
Total noncurrent liabilities	2,389	2,957
Total liabilities	75,784	101,660
Net assets		
I Shareholders’ equity:		
1. Common stock	72,966	72,966
2. Additional paid-in capital		
Capital surplus	92,815	92,815
Total additional paid-in capital	92,815	92,815
3. Retained earnings		
1. Legal reserve	6,480	6,480
2. Other		
Reserve for advanced depreciation of fixed assets	862	827
General reserve	149,220	149,220
Retained earnings carried forward	86,580	119,721
Total retained earnings	243,142	276,249
4. Treasury stock, at cost	(35,168)	(36,274)
Total shareholders’ equity	373,756	405,756
II Valuation and translation adjustments:		
Net unrealized gain on securities	1,354	1,636
Total valuation and translation adjustments	1,354	1,636
III New share warrants	326	536
Total net assets	375,437	407,929
Total liabilities and net assets	451,222	509,590

Non-Consolidated Statement of Income

(Millions of Yen)

	FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
I Revenues		
Product sales	260,310	363,117
Merchandise sales	44,784	42,164
Royalties and other operating income	6,415	9,995
Total revenues	311,510	415,277
II Cost of sales:		
1 Inventory of merchandise and products at beginning of period	29,733	38,329
2 Merchandise procured during the period	30,413	27,471
3 Cost of production during the period	109,575	169,055
4 Transfer from other accounts	3,718	6,233
Total	173,441	241,090
5 Transfer to other accounts	2,021	553
6 Inventory of merchandise and products at end of period	38,329	44,894
Total cost of sales	133,090	195,643
Gross profit	178,420	219,634
III Selling, general and administrative expenses:		
Advertising expense	37	25
Sales promotion expenses	14,136	15,719
Reserve for doubtful accounts	8	—
Salaries and benefits	27,333	28,079
Welfare expenses	7,017	7,012
Reserve for bonuses to employees	2,583	3,399
Reserve for bonuses to directors	193	174
Reserve for employees' retirement benefits	1,578	2,645
Reserve for officers' retirement benefits	160	22
Travel and transportation expenses	4,960	5,196
Depreciation	2,214	2,104
R&D expenses	53,088	55,153
Other	28,022	27,348
Total selling, general and administrative expenses	141,334	146,881
Operating income	37,085	72,753

(Millions of Yen)

	FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
IV Non-operating income:		
Interest income	85	96
Interest on securities	643	394
Dividend income	670	113
Real estate rental income	1,417	1,398
Gain on foreign exchange	2,933	—
Life insurance dividends received	332	—
Gain on revaluation of derivatives	—	7,327
Reversal of reserve for doubtful accounts	—	25
Other	772	1,013
Total non-operating income	6,855	10,369
V Non-operating expenses:		
Interest expense	11	9
Interest on bonds	3	—
Reserve for doubtful accounts	—	9
Loss on doubtful accounts	—	3
Loss on disposal of inventories	1,925	—
Loss of revaluation of derivatives	1,341	—
Loss on retirement of noncurrent assets	222	119
Loss on foreign exchange	—	1,029
Other	361	211
Total non-operating expenses	3,865	1,383
Recurring profit	40,075	81,739
VI Extraordinary gain:		
Gain on sales of noncurrent assets	420	264
Gains on settlement of co-development costs	6,340	—
Gain on extinguishment of tie-in shares	—	25
Total extraordinary gain	6,761	289
VII Extraordinary loss:		
Loss on sales of noncurrent assets	9	0
Impairment loss	729	26
Restructuring loss	265	110
Loss on revaluation of investment securities	19	12
Total extraordinary loss	1,023	151
Income before income taxes and minority interests	45,813	81,877
Income taxes:		
Current	19,575	31,185
Deferred	(3,174)	(2,046)
Total income taxes	16,401	29,139
Net income	29,412	52,738

Non-Consolidated Statements of Changes in Net Assets

(Millions of Yen)

	FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
Shareholders' equity		
Common stock		
Balance as of the end of the previous year	72,947	72,966
Changes during the period		
New stocks issuance	19	—
Net change during the period	19	—
Balance as of the end of the year	72,966	72,966
Additional paid-in capital		
Balance as of the end of the previous year	92,796	92,815
Changes during the period		
New stocks issuance	18	—
Net change during the period	18	—
Balance as of the end of the year	92,815	92,815
Retained earnings		
Legal reserve		
Balance as of the end of the previous year	6,480	6,480
Changes during the period		
Net change during the period	—	—
Balance as of the end of the year	6,480	6,480
Other retained earnings		
Reserve for advanced depreciation of fixed assets		
Balance as of the end of the previous year	933	862
Changes during the period		
Reversal of reserve for advanced depreciation of fixed assets	(70)	(35)
Net change during the period	(70)	(35)
Balance as of the end of the year	862	827
General reserve		
Balance as of the end of the previous year	149,220	149,220
Changes during the period		
Net change during the period	—	—
Balance as of the end of the year	149,220	149,220
Retained earnings carried forward		
Balance as of the end of the previous year	73,451	86,580
Changes during the period		
Reversal of reserve for advanced depreciation of fixed assets	70	35
Dividends paid	(16,344)	(19,613)
Net income	29,412	52,738
Deposition of treasury stocks	(9)	(18)
Net change during the period	13,128	33,141
Balance as of the end of the year	86,580	119,721

(Millions of Yen)

	FY 2008.12 (Jan. 1, 2008 - Dec. 31, 2008)	FY 2009.12 (Jan. 1, 2009 - Dec. 31, 2009)
Treasury stock, at cost		
Balance as of the end of the previous year	(35,108)	(35,168)
Changes during the period		
Purchase of treasury stocks	(86)	(1,161)
Deposition of treasury stocks	26	55
Net change during the period	(59)	(1,106)
Balance as of the end of the year	(35,168)	(36,274)
Total shareholders' equity		
Balance as of the end of the previous year	360,720	373,756
Changes during the period		
New stock issuance	37	—
Dividends paid	(16,344)	(19,613)
Net income	29,412	52,738
Purchase of treasury stocks	(86)	(1,161)
Deposition of treasury stocks	17	36
Net change during the period	13,035	31,999
Balance as of the end of the year	373,756	405,756
Valuation and translation adjustments		
Net unrealized gain on securities		
Balance as of the end of the previous year	2,757	1,354
Changes during the period		
Net changes except for shareholders' equity	(1,403)	281
Net change during the period	(1,403)	281
Balance as of the end of the year	1,354	1,636
New share warrants		
Balance as of the end of the previous year	139	326
Changes during the period		
Net changes except for shareholders' equity	186	210
Net change during the period	186	210
Balance as of the end of the year	326	536
Total net assets		
Balance as of the end of the previous year	363,618	375,437
Changes during the period		
New share warrants	37	—
Dividends paid	(16,344)	(19,613)
Net income	29,412	52,738
Purchase of treasury stocks	(86)	(1,161)
Deposition of treasury stocks	17	36
Net changes except for shareholders' equity	(1,216)	491
Net change during the period	11,819	32,491
Balance as of the end of the year	375,437	407,929

Events or Circumstances that Cast Major Doubt on the Assumption of Continued Operations

None