FASF MEMBERSHIP

CHUGAI PHARMACEUTICAL CO., LTD.

A member of the Roche group

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Non-audited)

(for the first half of fiscal year 2008.12 ended June 30, 2008)

Name of Company: **Chugai Pharmaceutical Co., Ltd.** July 31, 2008
Address of the Head Office: 1-1, Nihonbashi-Muromachi 2-Chome, Chuo-ku, Tokyo 103-8324, Japan
Stock Listings: 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. Toshiaki Itagaki, General Manager of Finance and Accounting Department
Phone: +81-(0) 3-3281-6611
Date of Submission of Marketable Securities Filings: September 8, 2008
Date on which Dividend Payments to Commence: September 9, 2008

1. Consolidated Operating Results for the First Half of FY 2008 Ended June 2008

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

	Revenues	% Change	Operating Income	% Change	Recurring Profit	% Change
First half of FY 2008.12	¥145,877 million	(14.6)	¥23,122 million	(35.4)	¥24,319 million	(33.8)
First half of FY 2007.12	¥170,877 million	12.0	¥35,779 million	30.5	¥36,750 million	23.2
FY ended Dec. 2007	¥344,808 million	—	¥66,702 million	—	¥67,687 million	—

	Net Income	% Change	Net Income per Share (Basic)	Net Income per Share (Fully Diluted)
First half of FY 2008.12	¥18,872 million	(10.6)	¥34.64	¥34.62
First half of FY 2007.12	¥21,109 million	12.3	¥38.43	¥38.38
FY ended Dec. 2007	¥40,060 million	—	¥73.23	¥73.16

Notes: Equity-method earnings for first half ended June 30, 2008: none
Equity-method earnings for first half ended June 30, 2007: none
Equity-method earnings for the year ended December 31, 2007: none

(2) Financial conditions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of Jun. 30, 2008	¥461,984 million	¥396,552 million	85.3%	¥723.10
As of Jun. 30, 2007	¥450,615 million	¥377,266 million	83.2%	¥688.29
As of Dec. 31, 2007	¥458,942 million	¥385,797 million	83.5%	¥703.80

Note: Shareholders' equity at June 30, 2008: ¥393,975 million
Shareholders' equity at June 30, 2007: ¥374,972 million
Shareholders' equity at December 31, 2007: ¥383,435 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
First half of FY 2008.12	¥23,489 million	¥(14,695) million	¥ (8,810) million	¥73,053 million
First half of FY 2007.12	¥33,486 million	¥ 6,183 million	¥(37,523) million	¥71,471 million
FY ended Dec. 2007	¥60,364 million	¥ (7,509) million	¥(47,173) million	¥73,723 million

2. Dividends per share

	End of First Half	End of Fiscal Year	Annual
FY ended Dec. 2007	¥ 15.00	¥15.00	¥30.00
FY ending Dec. 2008	¥ 15.00	—	*
FY ending Dec. 2008 (Forecast)	—	*	

*Note: *To be decided.*

3. Consolidated Forecast for the Year Ending December 31, 2008 (January 1, 2008 – December 31, 2008)

	Revenues	% Change	Operating Income	% Change	Recurring Profit	% Change
FY ending Dec. 2008	¥326,000 million	(5.5)	¥48,000 million	(28.0)	¥49,000 million	(27.6)

	Net Income	% Change	Net Income per Share (Basic)
FY ending Dec. 2008	¥33,000 million	(17.6)	¥60.57

Note: % change of figures for revenues, operating income, recurring profit, and net income is presented in comparison with 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): No
(2) Changes in principles, procedures, and presentation methods, etc., related to the first half of consolidated financial statements (Changes in material items that form the basis for the preparation and presentation of the first half of consolidated financial statements.)
(a) Changes related to revisions in accounting principles: No
(b) Changes aside from those in (a) above: No
(3) Number of shares issued (common stock):
(a) Number of shares at the end of the period (including treasury stock):
First half ended June 30, 2008: 559,676,712
First half ended June 30, 2007: 559,630,817
Fiscal year ended December 31, 2007: 559,636,061
(b) Number of treasury shares at the end of the period:
First half ended June 30, 2008: 14,833,989
First half ended June 30, 2007: 14,843,655
Fiscal year ended December 31, 2007: 14,831,246

(Additional Information)

Non-Consolidated Operating Results for the First Half of FY 2008 Ended June **2008**

(1) Non-consolidated results of operations

	Revenues	% Change	Operating Income	% Change	Recurring Profit	% Change
First half of FY 2008.12	¥138,251 million	(15.3)	¥16,722 million	(45.1)	¥17,636 million	(45.1)
First half of FY 2007.12	¥163,221 million	11.4	¥30,472 million	26.0	¥32,103 million	17.7
FY ended Dec. 2007	¥329,203 million	—	¥56,469 million	—	¥57,355 million	—

	Net Income	% Change	Net Income per Share (Basic)
First half of FY 2008.12	¥14,970 million	(23.8)	¥ 27.48
First half of FY 2007.12	¥19,641 million	11.6	¥ 35.76
FY ended Dec. 2007	¥33,788 million	—	¥ 61.77

Note: % change of figures for revenues, operating income, recurring profit, and net income is presented in comparison with the previous first half.

(2) Non-consolidated financial conditions

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of Jun. 30, 2008	¥428,951 million	¥370,989 million	86.4%	¥680.48
As of Jun. 30, 2007	¥428,163 million	¥358,583 million	83.7%	¥658.12
As of Dec. 31, 2007	¥430,473 million	¥363,618 million	84.4%	¥667.17

Note: Shareholders' equity for first half ended June 30, 2008: ¥370,756 million
Shareholders' equity for first half ended June 30, 2007: ¥358,536 million
Shareholders' equity for the year ended December 31, 2007: ¥363,478 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.
With respect to the consolidated forecast for the fiscal year, considering the results of interim period and outlook for the fiscal year, we revised the forecast released on April 22, 2008. For details, please see page 3 and 4 for "Business Performance, 1. Analysis Concerning Business Performance."

Business Performance

1. Analysis Concerning Business Performance

(1) Overview of the First Half of FY 2008 Ended June 30, 2008

a) Summary of Business Activities

During the period under review, the operating environment surrounding the pharmaceuticals industry in Japan remained extremely challenging as the government continued its policies to reduce medical expenditures through the reduction of NHI reimbursement prices and promote the use of generic medicines.

In this business climate, the Company endeavored to engage in aggressive product research and development (R&D) activities to achieve the continued development and acquisition of innovative new drugs, in addition to implementing marketing campaigns based on sound ethical and scientific principles that promote appropriate drug use as well as consumer confidence.

The Company’s consolidated revenues for the interim period under review amounted to ¥145,877 million, down 14.6% compared to the same period last year. Reasons for this decline were the drop in sales of anti-influenza agent Tamiflu and the termination of the marketing agreement with sanofi-aventis at the end of last year. However, excluding these special factors, revenues were higher than for the previous interim period. Other factors accounting for the decline in revenues were the change in the price for recombinant human erythropoietin Epogin and the decline in royalties and other operating income (mainly milestone income). On the other hand, sales of our products that are our mid-term sales drivers were quite higher than for the previous interim period. These products included anti-cancer agent Tarceva, a human epidermal growth factor receptor (EGFR) tyrosine kinase inhibitor launched in December 2007; anti-cancer agent Avastin, an anti-vascular endothelial growth factor (VEGF) humanized monoclonal antibody launched in June 2007; anti-viral agent Copegus and peginterferon alfa-2a Pegasys, which are used in combination; Actemra, a humanized anti-human IL-6 receptor monoclonal antibody; anti-cancer agent Herceptin, an anti-HER2 monoclonal antibody; and anti-cancer agent Xeloda.

Overseas revenues totaled ¥15,677 million, which was down 15.5% compared to the same period last year, mainly reflecting the decline in royalties and other operating income, principally milestone income. Export sales of Actemra are also included in overseas revenues.

b) Financial Results

Operating income for the interim period under review declined 35.4% from the same period last year, to ¥23,122 million, mainly as a result of the decline in revenues. Recurring profit was ¥24,319 million, down 33.8% from the same period last year. Net income amounted to ¥18,872 million, a decline of 10.6%, and included extraordinary gains of ¥6,340 million resulting from a new agreement with F. Hoffmann-La Roche Ltd. [Head Office: Switzerland] (hereafter “Roche”) related to the sharing of co-development costs for Actemra.

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

(Figures are rounded to the nearest 0.1 billion of yen)

	Non-Consolidated (A) (Billions of Yen)	Consolidated (B) (Billions of Yen)	B/A (Times)
Revenues	138.3	145.9	1.05
Operating Income	16.7	23.1	1.38
Recurring Profit	17.6	24.3	1.38
Net Income	15.0	18.9	1.26

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, renal disease, and bone and joint 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 interim period under review, R&D expenses totaled ¥24,245 million.

(2) Outlook for FY 2008 Ending December 31, 2008

a) Forecast Assumptions

In preparing this performance outlook, we have adopted exchange rates of ¥105/USD, ¥163/EUR, ¥210/GBP, and ¥103/CHF. Note that sales for the anti-influenza agent Tamiflu may fluctuate significantly depending on the size of the influenza outbreak. The projection of the 2008/2009 season assumes a medium scale flu outbreak based on the average over the previous 10 years.

b) Outlook for Fiscal Year

We have revised the outlook of product sales and selling, general and administrative expenses and other figures for the current fiscal year, reflecting results in the first half of the fiscal year.

The outlook for consolidated revenue is now 326.0 billion yen, down 9.0 billion yen from the previous forecast, as the projected sales of Avastin, Pegasys, Copegus and Epogin were lowered while the projected sales of Tarceva and export sales of Actemra were raised.

Cost of goods for the full year is now forecasted to be lower because sales are lower and expenses related to a manufacturing site change during this fiscal term are projected to be lower than the previous forecast. Also, selling, general and administrative expenses and the research and development expenses are both lowered, reflecting some delays seen in the first half of the fiscal year.

As a result of the above factors, we forecast consolidated operating income of ¥48.0 billion, up ¥5.0 billion, consolidated recurring profit of ¥49.0 billion, up ¥6.8 billion, and consolidated net income of ¥33.0 billion, up ¥4.0 billion, compared with the previous forecast

Note: The forecasts outlined above are based on information available at the time these forecasts were formulated, and we regard these forecasts as reasonable. Actual results and earnings could vary from the aforementioned forecasts as they also include risks and uncertainties.

2. Analysis Concerning Financial Status

(1) Overview of the First Half of FY 2008 Ended June 30, 2008

At the end of the consolidated interim period, total assets stood at ¥461,984 million. This figure was ¥3,042 million higher than at the end of the previous fiscal year, owing to the acquisition of fixed assets and other factors. Total liabilities were ¥65,432 million, which was ¥7,712 million lower than at the end of the previous fiscal year. This decline was due to a decrease in accrued expenses and accrued income taxes that was more than the increase in amounts payable and notes and accounts payable. Net working capital (current assets less current liabilities) was ¥260,947 million, and the current ratio was 518.3%, reflecting the Company’s continuing sound financial position.

Net assets amounted to ¥396,552 million, and the equity ratio was 85.3%, compared with 83.5% at the end of the previous fiscal year.

(2) Cash Flows

Cash and cash equivalents at the end of the interim period under review amounted to ¥73,053 million, down ¥669 million from the end of the previous fiscal year.

Net cash provided by operating activities amounted to ¥23,489 million, a decrease of ¥9,997 million compared with the same period of the previous fiscal year. This was because of an increase in income taxes paid, a decline in income before income taxes and minority interests, and other factors.

Net cash used in investing activities amounted to ¥14,695 million, an increase in cash used of ¥20,878 million compared with the same period of the previous fiscal year. This increase was the net result of an increase in cash used to purchase securities, a decline in cash inflow from the sale of securities, and an increase in acquisition of fixed assets.

Net cash used in financing activities amounted to ¥8,810 million, a decrease in cash used of ¥28,713 million compared with the same period of the previous fiscal year. This decrease in cash used was due primarily to a decline in the acquisition of treasury stock.

(Additional Information)

	Interim Period for FY 2006.12	Interim Period for FY 2007.12	Interim Period for FY 2008.12	Year-End for FY 2006.12	Year-End for FY 2007.12
Equity ratio (%)	86.6	83.2	85.3	84.3	83.5
Market value equity ratio (%)	297.9	267.8	200.4	294.4	189.9
Interest-bearing debt to cash flows ratio (%)	—	0.9	0.8	—	1.0
Interest-coverage ratio (times)	377.1	418.5	591.3	283.0	461.9

Equity ratio (%) : shareholders' equity/total assets
Market value equity ratio : total market capitalization/total assets
Interest-bearing debt to cash flows ratio (Year-end) : interest-bearing debt/cash flow
Interest-bearing debt to cash flows ratio (Interim period) : interest-bearing debt/cash flow x 2
Interest-coverage ratio : cash flow/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 paid interest column 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

With regard to income distribution, we aim to expand the return of profit for all shareholders. Taking due account of short-term fluctuation in earnings by the effect of a flu epidemic as well as medium-to-long-term strategic investment funding needs and earnings prospects, while continuing to base dividend payments on consolidated results for each period, we aim to ensure a consolidated dividend payout ratio of 30% or more 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 interim dividends were ¥15 per share.

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 interim period under review.

(1) New Product Development

With the goal of becoming a top Japanese pharmaceutical manufacturer capable of continuously delivering innovative new drugs, 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, it will not be possible to bring all of them smoothly through to the market from the R&D stages, 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 generic products and also by changes in contracts entered into 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 drug price reform. The Company's business performance could be significantly affected by future developments in medical system reform, including 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 over intellectual property rights relating to our business could have major impact on our business performance.

(6) Inventory from Roche

In line with its alliance with Roche, we are the only pharmaceutical partner of Roche in the Japanese market and buy inventory raw materials and other items from Roche. This inventory includes items that Roche may not be able to secure in sufficient quantities when they are in short supply for production in the event of a sudden outbreak of a new type of influenza or some other cases. Should Chugai suffer such an inventory shortage, it could have a major impact on the Company's operating results and financial position.

(7) Foreign Exchange-Rate Fluctuations

The Company's business activities include export and import transactions denominated in foreign currencies. The Company protects itself against exchange-rate and similar risks through hedging contracts, but it is impossible to completely eliminate such risks, and there is a possibility of non-negligible adverse effects on the Company's business results and financial position from such risks.

Outline of Chugai Group

The Group consists of the Company submitting the consolidated financial statements, 18 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.

PHARMACEUTICAL SEGMENT

(As of June 30, 2008)

CHUGAI PHARMACEUTICAL CO., LTD.

<Domestic>

<R&D> (Contract research)

*Chugai Research Institute for Medical Science, Inc.
(Research and development of pharmaceuticals)

*Chugai Clinical Research Center Co., Ltd.
(Clinical research for pharmaceuticals)

##Forerunner Pharma Research Co., Ltd.
(Research of pharmaceuticals)

<Production> (Contract production)

*Chugai Pharma Manufacturing Co., Ltd.
(Contract production of pharmaceuticals)

<Others> (Other contract operation)

*Chugai Business Support Co., Ltd.
(Administrative support service)

*Chugai Distribution Co., Ltd.
(Storage and transportation)

*Medical Culture Inc.
(Literature documentation)

##Eiko Kasei Co., Ltd.
(Discontinued after business transfer)

<Overseas>

<R&D, Production, Sales> (Raw materials; Collaborative research)

-F. Hoffmann-La Roche Ltd.
(Research and development, production and sales of pharmaceuticals)

<R&D> (Contract research)

*Chugai Pharma U.S.A., LLC
(Clinical development and submission of applications for new drugs in the US)

*Chugai Pharma Europe Ltd.
(Clinical development and submission of applications for new drugs in Europe)

#C&C Research Laboratories
(Research and development of pharmaceuticals in Korea)

##PharmaLogicals Research Pte. Ltd.
(Research of pharmaceuticals in Singapore)

<Sales> (Products)

*Chugai Pharma Marketing Ltd.
(Sales administration/Sales of pharmaceuticals in Europe)

*Chugai Pharma U.K. Ltd.
(Sales of pharmaceuticals in the UK)

*Chugai Pharma France S.A.S.
(Sales of pharmaceuticals in France)

*CHUGAI sanofi-aventis S.N.C.
(Import and sales of pharmaceuticals, clinical development and submission of applications for new drugs in Europe)

*Chugai Pharma Taiwan Ltd.
(Import and sales of pharmaceuticals in Taiwan)

<Others> (Other contract operation)

*Chugai U.S.A., Inc.
(Holding company/ Business administration in the US)

*Chugai Pharma (Shanghai) Consulting Co., Ltd.
(Provision of medical information on drugs in China)

* Consolidated subsidiaries
Subsidiary not consolidated nor accounted for by the equity method
Affiliated companies not accounted for by the equity method
- Subsidiary of the parent company

- There is no 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 27, 2008.

Management Principles and Goals

1. Basic Management Principles

In line with its strategic alliance with the world-leading pharmaceutical company Roche, Chugai Pharmaceutical 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 drugs 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 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

From the perspective of maximizing shareholder value through increased growth and productivity, the Company considers consolidated revenues and consolidated operating income to be important management indicators.

The specific goals that we are working to attain under the Mid-Term Business Plan "Sunrise 2012" for fiscal year 2008 through fiscal year 2012, are consolidated revenues of ¥460 billion and consolidated operating income of ¥80 billion for the fiscal year ending December 31, 2012.

3. Medium Term Business Strategy

As a tightly focused prescription pharmaceuticals 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 our strategic partner Roche to enhance our clinical development pipeline and product lineup are moving forward.

Chugai's new Mid-Term Business Plan "Sunrise 2012" for fiscal 2008 through fiscal 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 drugs in Japan and overseas.

4. Future Tasks

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 drugs, (2) maximization of product value, and (3) overseas expansion as key tasks.

(1) Continued Development and Acquisition of Innovative New Drugs

The Company has worked to create innovative drugs 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 work toward the further development of our product pipeline by aggressively introducing promising development candidates from Roche and further improving our technical standards through measures including the strengthening of networks with academic institutions, venture companies, and other pioneering companies.

(2) 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

Overseas development will be a vital task as we work to accelerate our growth going forward. In Europe and the United States, we will work with Roche to rapidly launch and promote the market penetration Actemra, for which the application process has been completed in those two geographic regions, and aim to achieve growth in overseas markets by developing and launching other innovative new drugs thereafter.

Consolidated Balance Sheets

(Millions of Yen)

Accounts	As of June 30, 2007			As of June 30, 2008			As of December 31, 2007 (condensed)		
Assets			%			%			%
I Current assets:									
Cash and deposits		71,471			72,616			73,167	
Trade notes and accounts receivable		99,026			93,486			107,012	
Marketable securities		65,984			65,945			65,547	
Inventories		61,381			63,863			55,186	
Deferred tax assets		15,589			19,798			20,467	
Other		6,817			7,674			8,478	
Reserve for doubtful accounts		(53)			(51)			(53)	
Total current assets		320,218	71.1		323,333	70.0		329,807	71.9
II Fixed assets:									
1. Tangible fixed assets:									
Buildings and structures	98,627			112,022			108,279		
Accumulated depreciation	60,865	37,762		65,117	46,905		62,806	45,472	
Machinery and vehicles	60,686			75,107			68,522		
Accumulated depreciation	47,642	13,043		53,208	21,898		49,916	18,605	
Furniture and fixtures	33,449			34,718			33,721		
Accumulated depreciation	27,014	6,435		28,124	6,593		27,214	6,506	
Land		9,927			9,927			9,927	
Construction in progress		24,402			15,864			11,983	
Total tangible fixed assets		91,570			101,189			92,495	
2. Intangible fixed assets:									
Software		3,241			3,177			2,652	
Other		1,360			787			1,071	
Total intangible fixed assets		4,601			3,965			3,724	
3. Investments and other assets:									
Investment securities		18,107			19,059			16,832	
Long-term loans		87			52			64	
Deferred tax assets		8,197			8,648			8,991	
Other		8,082			5,982			7,269	
Reserve for doubtful accounts		(251)			(247)			(243)	
Total investments and other assets		34,224			33,495			32,915	
Total fixed assets		130,396	28.9		138,650	30.0		129,134	28.1
Total assets		450,615	100.0		461,984	100.0		458,942	100.0

(Millions of Yen)

Accounts	As of June 30, 2007			As of June 30, 2008			As of December 31, 2007 (condensed)		
Liabilities			%			%			%
I Current liabilities:									
Trade notes and accounts payable		24,507			22,247			17,325	
Bonds maturing within one year		—			300			300	
Convertible bonds maturing within one year		—			11			42	
Other payables		12,100			10,129			5,201	
Accrued income taxes		12,162			10,368			16,325	
Accrued consumption taxes		1,221			42			1,164	
Accrued expenses		9,743			10,848			17,635	
Reserve for bonuses to employees		4,009			4,200			4,534	
Reserve for bonuses to directors		98			103			198	
Reserve for sales rebates and other items		2,576			2,166			4,090	
Other		2,646			1,968			2,979	
Total current liabilities		69,066	15.3		62,386	13.5		69,797	15.2
II Fixed liabilities:									
Bonds with warrants		300			—			—	
Convertible bonds		46			—			—	
Deferred tax liabilities		4			1			2	
Reserve for employees' retirement benefits		3,284			2,207			2,604	
Reserve for directors' retirement benefits		587			712			633	
Other		60			124			106	
Total fixed liabilities		4,283	1.0		3,045	0.7		3,346	0.7
Total liabilities		73,349	16.3		65,432	14.2		73,144	15.9

(Millions of Yen)

Accounts	As of June 30, 2007		As of June 30, 2008		As of December 31, 2007 (condensed)	
Net assets		%		%		%
I Shareholders' equity:						
1. Common stock	72,945	16.2	72,963	15.8	72,947	15.9
2. Additional paid-in capital	92,794	20.6	92,811	20.1	92,796	20.2
3. Retained earnings	237,334	52.7	258,797	56.0	248,098	54.1
4. Treasury stock, at cost	(35,139)	(7.8)	(35,111)	(7.6)	(35,108)	(7.7)
Total shareholders' equity	367,934	81.7	389,460	84.3	378,733	82.5
II Valuation and translation adjustments:						
1. Net unrealized gain on securities	3,811	0.8	3,210	0.7	2,757	0.6
2. Foreign currency translation adjustments	3,226	0.7	1,304	0.3	1,944	0.5
Total valuation and translation adjustments	7,037	1.5	4,514	1.0	4,701	1.1
III New share warrants	46	0.0	233	0.0	139	0.0
IV Minority interests	2,247	0.5	2,343	0.5	2,222	0.5
Total net assets	377,266	83.7	396,552	85.8	385,797	84.1
Total liabilities and net assets	450,615	100.0	461,984	100.0	458,942	100.0

Consolidated Statements of Income

(Millions of Yen)

Accounts	First Half of FY 2007.12 (Jan. l, 2007 – June 30, 2007)			First Half of FY 2008.12 (Jan. 1, 2008 – June 30, 2008)			FY 2007.12 (Jan. 1, 2007 – Dec. 31, 2007) (condensed)		
			%			%			%
I Revenues									
Sales	163,391			144,888			332,943		
Royalties and other operating income	7,485	170,877	100.0	988	145,877	100.0	11,864	344,808	100.0
II Cost of sales:		68,434	40.0		56,298	38.6		137,293	39.8
Gross profit		102,442	60.0		89,578	61.4		207,514	60.2
III Selling, general and administrative expenses:									
Sales promotion expenses	5,722			5,974			13,066		
Salaries and benefits	12,264			13,359			27,264		
Reserve for bonuses	2,370			2,521			2,700		
R&D expenses	25,692			24,245			54,243		
Other	20,613	66,663	39.0	20,355	66,456	45.6	43,537	140,812	40.8
Operating income		35,779	20.9		23,122	15.9		66,702	19.3
IV Non-operating income:									
Interest income	592			810			1,345		
Dividend income	56			64			98		
Life insurance dividends received	314			332			314		
Gain on foreign exchange	—			234			575		
Gain on derivatives	491			183			368		
Insurance income received	328			—			—		
Other	632	2,415	1.4	810	2,436	1.7	1,610	4,312	1.3
V Non-operating expenses:									
Interest expense	103			67			176		
Loss on disposal of fixed assets	119			95			326		
Loss on inventories	294			870			2,236		
Loss on foreign exchange	507			—			—		
Other	418	1,444	0.8	206	1,239	0.8	587	3,327	1.0
Recurring profit		36,750	21.5		24,319	16.7		67,687	19.6
VI Extraordinary gain:									
Gain on sales of fixed assets	—			403			—		
Gains on the liquidation of affiliates	293			—			293		
Gains on settlement of co-development costs	—			6,340			—		
Subsidies received	—	293	0.2	500	7,244	5.0	—	293	0.1

(Millions of Yen)

Accounts	First Half of FY 2007.12 (Jan. l, 2007 – June 30, 2007)			First Half of FY 2008.12 (Jan. 1, 2008 – June 30, 2008)			FY 2007.12 (Jan. 1, 2007 – Dec. 31, 2007) (condensed)		
VII Extraordinary loss:			%			%			%
Loss on sales of fixed assets	—			0			—		
Impairment loss	13			7			32		
Loss on office realignment costs	1,099			186			1,520		
Retirement benefit expenses	—			107			—		
Loss on revaluation of investment securities	—	1,112	0.7	19	321	0.2	—	1,553	0.5
Income before income taxes and minority interests		35,931	21.0		31,241	21.4		66,427	19.3
Income taxes:									
Current	14,782			10,792			30,386		
Deferred	(875)	13,906	8.1	696	11,488	7.9	(5,849)	24,537	7.1
Minority interests		915	0.5		880	0.6		1,829	0.5
Net income		21,109	12.4		18,872	12.9		40,060	11.6

Consolidated Statements of Changes in Net Assets

First Half of FY 2007.12 (Jan. 1, 2007 – June 30, 2007) (Millions of Yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of Dec. 31, 2006	72,893	92,747	226,209	(7,590)	384,258
Changes:					
New stocks issuance	52	52			104
Dividends paid			(9,974)		(9,974)
Interim net income			21,109		21,109
Purchase of treasury stocks				(27,605)	(27,605)
Disposition of treasury stocks		(5)	(10)	56	41
Net changes except for shareholders' equity					
Net changes	52	47	11,125	(27,548)	(16,323)
Balance as of June 30, 2007	72,945	92,794	237,334	(35,139)	367,934

(Millions of Yen)

	Valuation and translation adjustments			New share warrants	Minority interests	Total net assets
	Net unrealized gain on securities	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of Dec. 31, 2006	3,236	2,103	5,339	—	2,006	391,604
Changes:						
New stocks issuance						104
Dividends paid						(9,974)
Interim net income						21,109
Purchase of treasury stocks						(27,605)
Disposition of treasury stocks						41
Net changes except for shareholders' equity	574	1,123	1,697	46	241	1,985
Net changes	574	1,123	1,697	46	241	(14,338)
Balance as of June 30, 2007	3,811	3,226	7,037	46	2,247	377,266

First Half of FY 2008.12 (Jan. 1, 2008 – June 30, 2008) (Millions of Yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of Dec. 31, 2007	72,947	92,796	248,098	(35,108)	378,733
Changes:					
New stocks issuance	15	15			30
Dividends paid			(8,172)		(8,172)
Interim net income			18,872		18,872
Purchase of treasury stocks				(5)	(5)
Disposition of treasury stocks			(1)	2	1
Net changes except for shareholders' equity					
Net changes	15	15	10,698	(3)	10,726
Balance as of June 30, 2008	72,963	92,811	258,797	(35,111)	389,460

(Millions of Yen)

	Valuation and translation adjustments			New share warrants	Minority interests	Total net assets
	Net unrealized gain on securities	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of Dec. 31, 2007	2,757	1,944	4,701	139	2,222	385,797
Changes:						
New stocks issuance						30
Dividends paid						(8,172)
Interim net income						18,872
Purchase of treasury stocks						(5)
Disposition of treasury stocks						1
Net changes except for shareholders' equity	452	(639)	(186)	93	121	27
Net changes	452	(639)	(186)	93	121	10,754
Balance as of June 30, 2008	3,210	1,304	4,514	233	2,343	396,552

FY 2007.12 (Jan. 1, 2007 – Dec. 31, 2007) (Millions of Yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance as of Dec. 31, 2006	72,893	92,747	226,209	(7,590)	384,258
Changes:					
New stocks issuance	54	54			108
Dividends paid			(18,146)		(18,146)
Net income			40,060		40,060
Purchase of treasury stocks				(27,614)	(27,614)
Deposition of treasury stocks		(5)	(25)	97	66
Net changes except for shareholders' equity					
Net changes	54	49	21,889	(27,517)	(5,524)
Balance as of Dec. 31, 2007	72,947	92,796	248,098	(35,108)	378,733

(Millions of Yen)

	Valuation and translation adjustments			New share warrants	Minority interests	Total net assets
	Net unrealized gain on securities	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance as of Dec. 31, 2006	3,236	2,103	5,339	—	2,006	391,604
Changes:						
New stocks issuance						108
Dividends paid						(18,146)
Net income						40,060
Purchase of treasury stocks						(27,614)
Deposition of treasury stocks						66
Net changes except for shareholders' equity	(478)	(159)	(637)	139	215	(281)
Net changes	(478)	(159)	(637)	139	215	(5,806)
Balance as of Dec. 31, 2007	2,757	1,944	4,701	139	2,222	385,797

Consolidated Statements of Cash Flows

(Millions of Yen)

Accounts	First Half of FY 2007.12 (Jan. l, 2007 – June 30, 2007)	First Half of FY 2008.12 (Jan. 1, 2008 – June 30, 2008)	FY 2007.12 (Jan. 1, 2007– Dec. 31, 2007) (condensed)
I Cash flows from operating activities:			
Income before income taxes and minority interests	35,931	31,241	66,427
Depreciation and amortization	6,657	9,292	14,913
Impairment loss	13	7	32
Increase (decrease) in reserve for employees' retirement benefits	(860)	(391)	(1,534)
Interest and dividend income	(649)	(874)	(1,444)
Interest expense	103	67	176
Loss (gain) on disposal of fixed assets	119	95	326
Loss (gain) on sales of fixed assets	31	(403)	34
Loss (gain) on sales and revaluation of investment securities	22	19	21
Decrease (increase) in notes and accounts receivable	7,014	13,344	(1,257)
Decrease (increase) in inventories	332	(8,876)	6,174
Increase (decrease) in notes and accounts payable	(3,700)	5,039	(10,709)
Increase (decrease) in accrued consumption tax	1,184	(1,815)	1,128
Other	(3,858)	(7,581)	5,639
Subtotal	42,342	39,166	79,929
Interest and dividends received	670	793	1,365
Interest paid	(102)	(67)	(176)
Income taxes paid	(9,424)	(16,402)	(20,754)
Net cash provided by (used in) operating activities	33,486	23,489	60,364
II Cash flows from investing activities:			
Purchases of marketable securities	(99,933)	(107,932)	(225,852)
Proceeds from sales of marketable securities	115,900	109,500	242,900
Purchases of investment securities	(3,003)	(3,502)	(3,504)
Proceeds from sales of investment securities	1,333	—	1,335
Purchases of fixed assets	(8,243)	(13,266)	(22,596)
Proceeds from sales of fixed assets	129	488	191
Net decrease (increase) in short-term loans	(1)	—	2
Net decrease (increase) in long-term loans	0	17	14
Net cash provided by (used in) investing activities	6,183	(14,695)	(7,509)
III Cash flows from financing activities:			
Redemption of bonds	(0)	(0)	(0)
Net decrease (increase) in treasury stock	(27,548)	(4)	(27,517)
Cash dividends paid	(9,974)	(8,165)	(18,136)
Cash dividend paid to minority interests	—	(639)	(1,519)
Net cash provided by (used in) financing activities	(37,523)	(8,810)	(47,173)
IV Effect of exchange rate changes on cash and cash equivalents	992	(653)	(291)
V Net increase (decrease) in cash and cash equivalents	3,138	(669)	5,390
VI Cash and cash equivalents at beginning of period	68,332	73,723	68,332
VII Cash and cash equivalents at end of period	71,471	73,053	73,723

Change in Accounting Policies

First Half of FY 2007.12 (Jan. 1, 2007 - Jun. 30, 2007)	First Half of FY 2008.12 (Jan. 1, 2008 - Jun. 30, 2008)	FY 2007.12 (Jan. 1, 2007 - Dec. 31, 2007)
---------------	Method of depreciation (1) Attendant with revisions to the corporate tax code, the Company and its domestic subsidiaries have changed from the second half of the previous fiscal period the depreciation method we use for all tangible fixed assets aside from buildings (excluding facilities installed in said buildings) acquired from April 1, 2007, based on the amended corporate tax code. In addition, because of the time required to change over our depreciation system, we employed existing depreciation methods for the first half of the previous consolidated fiscal year. However, if the same methods we use in the current consolidated interim period were applied in the previous fiscal half, the impact on earnings would be immaterial. (2) Attendant with revisions to the corporate tax code, for the Company and its domestic subsidiaries' all tangible fixed assets aside from buildings (excluding facilities installed in said buildings) acquired on or before March 31, 2007, the difference between 5% of their acquisition value under the previous corporate tax code and the nominal memorandum value, is depreciated in equal amounts over a five-year period. As a result of these changes, operating profit, recurring profit, and income before income taxes and minority interests have fallen by ¥208 million, respectively.	Method of depreciation Attendant with revisions to the corporate tax code, the Company and its domestic subsidiaries have changed from the fiscal period under review the depreciation method we use for all tangible fixed assets aside from buildings (excluding facilities installed in said buildings) acquired from April 1, 2007, based on the amended corporate tax code. As a result of these changes, operating profit, recurring profit, and income before income taxes and minority interests have fallen by ¥362 million, respectively. In addition, because of the time required to change over our depreciation system, we employed existing depreciation methods for the first half of the current consolidated fiscal year. However, if the same methods we plan to use in the full consolidated fiscal year were applied in the fiscal half, the impact on earnings would be immaterial.
Foreign currency translation The Company has been translating earnings and expenses at overseas subsidiaries into yen terms based on spot rates in the foreign currency exchange market on the settlement date of the interim period, but we have switched to using the averages of foreign currency exchange rates in the interim period under review as our method for foreign currency translation into yen terms. The Company has changed to this accounting policy to properly reflect in our consolidated financial statements profits/losses that occur throughout the accounting period by using an average of the impact of temporary movements in foreign currency exchange rates on periodic profits/losses. As a result of this change, compared with our previous method, revenues is ¥545 million lower, operating income is ¥186 million lower, recurring profit is ¥202 million lower, and income before income taxes and minority interests is ¥179 million lower.	---------------	Foreign currency translation The Company has been translating earnings and expenses at overseas subsidiaries into yen terms based on spot rates in the foreign currency exchange market at the balance sheet date, but we have switched to using the averages of foreign currency exchange rates in the fiscal year under review as our method for foreign currency translation into yen terms. The Company has changed to this accounting policy to properly reflect in our consolidated financial statements profits/losses that occur throughout the accounting period by using an average of the impact of temporary movements in foreign currency exchange rates on periodic profits/losses. As a result of this change, compared with our previous method, revenues is ¥1,249 million higher, operating income is ¥408 million higher, recurring profit is ¥486 million higher, and income before income taxes and minority interests is ¥447 million higher.
Accounting standards relating to stock options From the interim period under review, the Company has adopted a new accounting standard, "Accounting Standard for Stock Options" (Accounting Standard Statement, No. 8, issued on December 27, 2005) and "Guidance on Accounting Standard for Stock Options" (Accounting Standard Guidance, No.11, issued on May 31, 2006). Based on the adoption of these, operating income, recurring profit, and income before income taxes and minority interests were ¥46 million lower respectively.	---------------	Accounting standards relating to stock options From the fiscal period under review, the Company has adopted a new accounting standard, "Accounting Standard for Stock Options" (Accounting Standard Statement, No. 8, issued on December 27, 2005) and "Guidance on Accounting Standard for Stock Options" (Accounting Standard Guidance, No.11, issued on May 31, 2006). Based on the adoption of these, operating income, recurring profit, and income before income taxes and minority interests were ¥139 million lower respectively.

First Half of FY 2007.12 (Jan. 1, 2007 - Jun. 30, 2007)	First Half of FY 2008.12 (Jan. 1, 2008 - Jun. 30, 2008)	FY 2007.12 (Jan. 1, 2007 - Dec. 31, 2007)
Change in booking classification for revenues from patent rights Regarding revenues from patent rights fees and licensing agreement fees, the Company has recorded these on the consolidated income statement either as a part of non-operating income or extraordinary profit, but attendant with the steady progress of and our proactive efforts in R&D activities, we expect the licensing out of our research results to yield a steady stream of related income in the future. In view of the increasing importance of this income in terms of monetary size, we will book this income as a part of revenues starting from the interim period under review. As a result of this change, compared with reported figures under the standard we applied previously, both revenues and operating income increased by ¥7,485 million and recurring profit increased by ¥6,869 million. This change did not impact income before income taxes and minority interests.	---------------	Change in booking classification for royalties and other operating income Regarding revenues from patent rights fees and licensing agreement fees, the Company has recorded these on the consolidated income statement either as a part of non-operating income or extraordinary profit, but attendant with the steady progress of and our proactive efforts in R&D activities, we expect the licensing out of our research results to yield a steady stream of related income in the future. In view of the increasing importance of this income in terms of monetary size, we will book this income as a part of revenues starting from the fiscal period under review. As a result of this change, compared with reported figures under the standard we applied previously, both revenues and operating income increased by ¥11,864 million and recurring profit increased by ¥10,941 million. This change did not impact income before income taxes and minority interests.

Change in Presentation

First Half of FY 2007.12 (Jan. 1, 2007 - Jun. 30, 2007)	First Half of FY 2008.12 (Jan. 1, 2008 - Jun. 30, 2008)
(Consolidated Statements of Income) 1. Legal costs "Legal costs" were disclosed as a separate line item on the income statement until the previous consolidated interim period, but since "Legal costs" have fallen below one-tenth of total non-operating income, we disclose "Legal costs" in the "Other" item under "Non-operating income" starting from this consolidated interim period. In addition, "Legal costs" in the current consolidated interim period that were included in the "Other" item under "Non-operating income" were ¥71 million. 2. Insurance income received "Insurance income received" was included in the "Other" item under "Non-operating income" on the income statement until the previous consolidated interim period, but since "Insurance income received" exceeded one-tenth of total non-operating income, we will disclose "Insurance income received" as a separate line item starting from this consolidated interim period. In addition, "Insurance income received" in the previous consolidated interim period that was included in the "Other" item under "Non-operating income" was ¥8 million.	(Consolidated Statements of Income) 1. ---------------- 2. Insurance income received "Insurance income received" was disclosed as a separate line item on the income statement until the previous consolidated interim period, but since "Insurance income received" has fallen below one-tenth of total non-operating income, we will disclose "Insurance income received" in the "Other" item under "Non-operating income" starting from this consolidated interim period. In addition, "Insurance income received" in the current consolidated interim period that was included in the "Other" item under "Non-operating income" was ¥3 million.

Subsequent Events

First Half of FY 2007.12 (Jan. 1, 2007 - Jun. 30, 2007)	First Half of FY 2008.12 (Jan. 1, 2008 - Jun. 30, 2008)	FY 2007.12 (Jan. 1, 2007 - Dec. 31, 2007)
Our marketing tie-up with sanofi-aventis K.K. to market seven of its products will end on December 31, 2007, and we signed a memorandum of understanding on July 31, 2007 that returns the distribution rights for these seven products to sanofi-aventis K.K. when the current tie-up expires. In the previous consolidated fiscal year, these seven products generated sales of ¥12,926 million.	On July 30 (Eastern Daylight Time), 2008, the Company concluded a toll manufacturing and supply agreement for the bulk drug substance of Actemra, a humanized anti-human IL-6 receptor monoclonal antibody, with Genentech, Inc., which is majority-owned by Roche. A detailed analysis based on the demand estimate for Actemra revealed that additional investment in manufacturing facilities for bulk drug substance would become necessary in the near future. Together with the consideration of location risk with all manufacturing processes being performed at a single plant in Japan, it was concluded that outsourcing the manufacture of bulk drug substance to Genentech, which has leading experience in manufacturing and supplying antibody drugs, would be the preferred approach.	----------------