FY2007 Consolidated Financial Overview

CHUGAI PHARMACEUTICAL CO., LTD.
Executive Vice President and CFO
Ryuzo Kodama

January 30/31, 2008
Forward-Looking Statements

This presentation may include forward-looking statements pertaining to the business and prospects of Chugai Pharmaceutical Co., Ltd. (the “Company”). These statements reflect the Company’s current analysis of existing information and trends. Actual results may differ from expectations based on risks and uncertainties that may affect the Company’s businesses.

Note: Amounts are rounded to the nearest 0.1 billion yen. % is calculated based on amounts shown.
# Financial Overview (Year on Year)

(Billion yen)

<table>
<thead>
<tr>
<th></th>
<th>Dec. 2006</th>
<th>Dec. 2007</th>
<th>Variance</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>326.1</td>
<td>344.8</td>
<td>+18.7</td>
<td>+5.7</td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td>133.1</td>
<td>137.3</td>
<td>+4.2</td>
<td>+3.2</td>
</tr>
<tr>
<td>% of Sales</td>
<td>40.8%</td>
<td>41.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Selling &amp; Admin. Exp.</strong></td>
<td>80.1</td>
<td>86.6</td>
<td>+6.5</td>
<td>+8.1</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>24.6%</td>
<td>25.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>R&amp;D Exp.</strong></td>
<td>54.6</td>
<td>54.2</td>
<td>-0.4</td>
<td>-0.7</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>16.7%</td>
<td>15.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>58.3</td>
<td>66.7</td>
<td>+8.4</td>
<td>+14.4</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>17.9%</td>
<td>19.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Recurring Profit</strong></td>
<td>60.9</td>
<td>67.7</td>
<td>+6.8</td>
<td>+11.2</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>18.7%</td>
<td>19.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>38.4</td>
<td>40.1</td>
<td>+1.7</td>
<td>+4.4</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>11.8%</td>
<td>11.6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Billion yen)

- **Revenues**  +18.7 (+5.7%)  Refer to P.4-P.7
- **Operating Income**  +8.4 (+14.4%)  Refer to P.8
- **Recurring Profit**  +6.8 (+11.2%)
- **Net Income**  +1.7 (+4.4%)

**Foreign Exchange Rate**

- Closing rate (Dec. 31, 2006)
  - 119.12Yen/US$, 156.57Yen/€, 233.70Yen/£, 97.44Yen/CHF
- Average rate (Jan. 1 – Dec. 31, 2007)
Revenues (Year on Year)

(Billion Yen)

<table>
<thead>
<tr>
<th>&lt;Breakdown of Revenues&gt;</th>
<th>Dec.2006</th>
<th>Dec.2007</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>(%)</td>
</tr>
<tr>
<td>Revenues</td>
<td>326.1</td>
<td>344.8</td>
<td>+18.7</td>
</tr>
<tr>
<td>Sales</td>
<td>326.1</td>
<td>332.9</td>
<td>+6.8</td>
</tr>
<tr>
<td><strong>TAMIFLU</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary Sales</td>
<td>13.6</td>
<td>10.2</td>
<td>-3.4</td>
</tr>
<tr>
<td>Govt. Stock etc.</td>
<td>24.4</td>
<td>28.5</td>
<td>+4.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>38.0</td>
<td>38.7</td>
<td>+0.7</td>
</tr>
<tr>
<td>Sales excl. TAMIFLU</td>
<td>288.2</td>
<td>294.3</td>
<td>+6.1</td>
</tr>
<tr>
<td>** EPOGIN **</td>
<td>63.4</td>
<td>54.8</td>
<td>-8.6</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>224.8</td>
<td>239.5</td>
<td>+14.7</td>
</tr>
<tr>
<td><strong>Royalties and OOI</strong></td>
<td>-</td>
<td>11.9</td>
<td>+11.9</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td>28.4</td>
<td>36.4</td>
<td>+8.0</td>
</tr>
</tbody>
</table>

* other operating income
Sales of Top Five Products (Year on Year)

(Billion Yen)

Variance
-8.6

EPOGİN  NEUTROGIN  TAMIFLU  RITUXAN  SIGMART

2006/12  2007/12
EPOGIN Sales (Year on Year)

(Billion Yen)

Impact from price cut for 1Q 7.3%
Impact from flat-sum reimbursement 10%
Investment for share retention, etc.
Market expansion 4%

Dec. 2006: 63.4
Dec. 2007: 54.8

-8.6(-13.6%)

<table>
<thead>
<tr>
<th>(Billion Yen)</th>
<th>Dec.2006</th>
<th>Dec.2007</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q</td>
<td>14.5</td>
<td>12.0</td>
<td>-2.5</td>
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<tr>
<td>2Q</td>
<td>16.5</td>
<td>16.2</td>
<td>-0.3</td>
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<tr>
<td>1H</td>
<td>31.0</td>
<td>28.2</td>
<td>-2.8</td>
</tr>
<tr>
<td>3Q</td>
<td>14.1</td>
<td>12.2</td>
<td>-1.9</td>
</tr>
<tr>
<td>4Q</td>
<td>18.4</td>
<td>14.4</td>
<td>-4.0</td>
</tr>
<tr>
<td>2H</td>
<td>32.5</td>
<td>26.6</td>
<td>-5.9</td>
</tr>
<tr>
<td>FY</td>
<td>63.4</td>
<td>54.8</td>
<td>-8.6</td>
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# TAMIFLU: Sales Performance

<table>
<thead>
<tr>
<th>Fiscal Term Sales</th>
<th>Seasonal Sales</th>
<th>Number of Patients*</th>
<th>(Billion Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Billion Yen)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002/2003</td>
<td>5.2</td>
<td>7.2</td>
<td>12.4</td>
</tr>
<tr>
<td>2003/2004</td>
<td>11.6</td>
<td>7.2</td>
<td>18.8</td>
</tr>
<tr>
<td>2004/2005</td>
<td>1.4</td>
<td>23.2</td>
<td>24.6</td>
</tr>
<tr>
<td>2005/2006</td>
<td>11.9</td>
<td>9.9</td>
<td>21.8</td>
</tr>
<tr>
<td>2006/2007</td>
<td>3.7</td>
<td>5.0</td>
<td>8.7</td>
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<tr>
<td>2007/2008</td>
<td>5.2</td>
<td>5.2</td>
<td>10.2</td>
</tr>
<tr>
<td>Ordinary Sales</td>
<td>12.4</td>
<td>11.6</td>
<td>8.6</td>
</tr>
<tr>
<td>Govt. Sales</td>
<td>6.7</td>
<td>1.06</td>
<td>36.8</td>
</tr>
<tr>
<td>Govt. Stock etc.</td>
<td>0.2</td>
<td>24.4</td>
<td>28.5</td>
</tr>
<tr>
<td>Total Sales</td>
<td>5.2</td>
<td>7.2</td>
<td>11.6</td>
</tr>
</tbody>
</table>

*Total patients number of the controlled samples in the infectious Diseases Weekly Report, period between late October and mid-April, published by Japan’s National Institute of Infectious Diseases.
Operating Income (Year on Year)

(Billion Yen)

> Operating Income  
+8.4

- Increase in Royalties and other operating income  
  +11.9
  - Milestone income for Actemra
  - Milestone income for Bonviva
  - Upfront income for 3 compounds licensed-out to Roche

- Increase in Product gross profit  
  +2.6
  - Increase in NEUTROGIN etc. sales

- Increase in Selling & Admin. exp.  
  -6.5
  - Increase in headcount of MR
  - Increase in sales promotion exp. for newly launched products etc.
  - Increase in PMS exp.

- Decrease in R&D exp.  
  +0.4
  - Increase in proportion of co-development effort

* other operating income

Dec. 2006  
58.3

Dec. 2007  
66.7

Increase in Royalties and OOI*  
+11.9
Increase in Selling & Admin. exp.  
-6.5
Decrease in R&D exp.  
+0.4

+8.4 (+14.4%)
# Financial Overview (vs. Forecast)

<table>
<thead>
<tr>
<th>(Billion Yen)</th>
<th>Revised Forecast Jul. 31</th>
<th>Actual</th>
<th>Variance</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>345.0</td>
<td>344.8</td>
<td>-0.2</td>
<td>-0.1</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>142.5</td>
<td>137.3</td>
<td>-5.2</td>
<td>-3.6</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>41.3%</td>
<td>39.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling &amp; Admin Exp.</td>
<td>88.5</td>
<td>86.6</td>
<td>-1.9</td>
<td>-2.1</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>25.7%</td>
<td>25.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D Exp.</td>
<td>55.5</td>
<td>54.2</td>
<td>-1.3</td>
<td>-2.3</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>16.1%</td>
<td>15.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>58.5</td>
<td>66.7</td>
<td>+8.2</td>
<td>+14.0</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>17.0%</td>
<td>19.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recurring Profit</td>
<td>57.5</td>
<td>67.7</td>
<td>+10.2</td>
<td>+17.7</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>16.7%</td>
<td>19.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>33.5</td>
<td>40.1</td>
<td>+6.6</td>
<td>+19.7</td>
</tr>
<tr>
<td>% of Revenues</td>
<td>9.7%</td>
<td>11.6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Revenues: -0.2 (-0.1%)
  - AVASTIN: -4.5
  - HERCEPTIN: -1.3
  - NEUTROGIN: +2.3
  - TAMIFLU: +0.7
  - SIGMART: +0.6

- Operating Income: +8.2 (+14.0%)
  Refer to P.10

- Recurring Profit: +10.2 (+17.7%)

- Net Income: +6.6 (+19.7%)
Operating Income (vs. Forecast)

(Billion Yen)

> Operating Income +8.2

• Gross profit +5.0
  - Unused exp. for newly launched products
  - sales promotion, MRs’ activity exp. etc.

• Selling & Admin. expense +1.9
  - Cost savings
  - education exp. etc.

• R&D expense +1.3
  - Decrease in R&D exp. of Actemra production

Revised Forecast (Jul. 31) 58.5

+8.2 (+14.0%)

Actual 66.7

(Billion yen)
Balance Sheet Items (Assets)

(Billion Yen)

Dec. 2006

Cash and deposits: +4.8
Deferred tax assets (short term): +7.3
Marketable securities: -6.3
Other: 0
Total: 462.1

Dec. 2007

Cash and deposits: +4.8
Deferred tax assets (short term): +7.3
Marketable securities: -16.3
Other: -3.2
Total: 458.9

Inventories: -6.3
Decrease in stock of TAMIFLU

Tangible fixed assets: +7.3
Solid-form drug manufacturing wing (Fujieda)
Injection products building No.3 (Utunomiya)

Marketable securities: -16.3
Purchase of treasury stock
Balance Sheet Items (Liabilities)

(Billion Yen)

Dec. 2006: 70.5
Dec. 2007: 73.1

Increase: +2.6 (+3.7%)

Accrued income taxes: +9.9
Accrued expenses: +3.8
Accounts payable: -10.8
Other payables: -2.2

Decrease in balance of TAMIFLU
Decrease in payables for capital expenditure
Cash Flow Statement

(Billion Yen)

> Cash flow from operating activities
  - Income before income taxes and minority interests +66.4
  - Depreciation and amortization +14.9
  - Decrease in inventories +6.2
  - Income taxes paid -20.8
  - Decrease in notes and accounts payable -10.7

Cash flow from investing activities
  - Redemption of marketable and investment securities, etc. +244.2
  - Purchase of marketable and investment securities -229.4
  - Acquisition of fixed assets -22.6

Cash flow from financing activities
  - Increase in treasury stock -27.5
  - Payment of dividends -18.1

Dec. 2006: 68.3
Dec. 2007: 73.7

+5.4 (+7.9%)
## 2008 Forecast

<table>
<thead>
<tr>
<th>(Billion Yen)</th>
<th>Dec. 2007</th>
<th>Dec. 2008</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>344.8</td>
<td>327.0</td>
<td>-17.8</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>137.3</td>
<td>141.5</td>
<td></td>
</tr>
<tr>
<td>% of Revenues</td>
<td>39.8%</td>
<td>43.3%</td>
<td></td>
</tr>
<tr>
<td>Selling &amp; Admin. Exp.</td>
<td>86.6</td>
<td>96.5</td>
<td></td>
</tr>
<tr>
<td>% of Revenues</td>
<td>25.1%</td>
<td>29.5%</td>
<td></td>
</tr>
<tr>
<td>R&amp;D Exp.</td>
<td>54.2</td>
<td>57.5</td>
<td></td>
</tr>
<tr>
<td>% of Revenues</td>
<td>15.7%</td>
<td>17.6%</td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>66.7</td>
<td>31.5</td>
<td></td>
</tr>
<tr>
<td>% of Revenues</td>
<td>19.3%</td>
<td>9.6%</td>
<td></td>
</tr>
<tr>
<td>Recurring Profit</td>
<td>67.7</td>
<td>31.2</td>
<td></td>
</tr>
<tr>
<td>% of Revenues</td>
<td>19.6%</td>
<td>9.5%</td>
<td></td>
</tr>
<tr>
<td>Net Income</td>
<td>40.1</td>
<td>17.0</td>
<td></td>
</tr>
<tr>
<td>% of Revenues</td>
<td>11.6%</td>
<td>5.2%</td>
<td></td>
</tr>
</tbody>
</table>
2008 Forecast vs. 2007 Actual (Revenues)

(Billion Yen)

>Revenues

-17.8

-50.4

• Special factors
  - TAMIFLU -31.4
  - Sanofi-Aventis products -11.2
  - EPOGIN -7.8

+49.1

• Growing products
  + AVASTIN 19.6
  + PEGASYS 7.8
  + COPEGUS 5.2
  + HERCEPTIN 5.5
  + ACTEMRA 4.3
  + TARCEVA 2.0

(Billion Yen)

344.8

-31.4

SA products

-11.2

EPO

-7.8

Growing

products

+49.1

-16.5

327.0

-17.8 (-5.2%)

Dec.2007

Dec.2008
2008 Forecast vs. 2007 Actual (Operating Income)

(Billion Yen)

Dec.2007 66.7
Dec.2008 31.5

> Operating income -35.2

- Price cut, special factors -37.0
  - Effect of NHI price cut
  - Decrease in TAMIFLU Gov. Stock etc.
  - Return of Sanofi-Aventis products
  - Investment of EPOGIN for share retention, etc.

- Growing products etc. +15.0

- Increase in Selling and Admin. expenses -9.9
  - Sales promotion for newly launched products and label extensions
  - Actemra promotion in Europe
  - PMS, safety measures

- Increase in R&D expenses -3.3
  - Label extension for oncology products
  - prePoC products in diabetes field
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