

FY2012 3Q Consolidated Financial Overview

CHUGAI PHARMACEUTICAL CO., LTD.
Executive Vice President CFO
Yoshio Itaya

October 23, 2012

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.

Summary

➤ **Revenues 275.4 billion JPY (-0.2%)**

- Tamiflu: approx. 30% increase, reflecting a large flu season
- Domestic sales excl. Tamiflu: +0.9% increase as approx. 7% volume growth offset the impact of NHI price revision
- Overseas sales: -8.7% decrease due to FX impact and difference in shipment timing of Actemra export
- Other operating revenues: approx. 20% decline as a YoY decrease in one-time income outweighed growth in Actemra related income

➤ **Operating Income 48.2 billion JPY (-3.6%):**

- Decrease in gross profit associated with change in product mix and decline in other operating revenues

➤ **Net Income 29.8 billion JPY (+10.0%)**

- Extraordinary loss of 7.4 billion JPY recorded last year due to the earthquake

Financial Overview Jan - Sep

(Billion JPY)

(Billion JPY)	2011 Jan-Sep	As % of Revenues	2012 Jan-Sep	As % of Revenues	Growth	%
Revenues	276.0		275.4		-0.6	-0.2
Sales	267.5		268.6		+1.1	+0.4
excl. Tamiflu	261.2		260.4		-0.8	-0.3
Tamiflu	6.3		8.2		+1.9	+30.2
Other Operating Revenues	8.5		6.8		-1.7	-20.0
Operating Income	50.0	18.1	48.2	17.5	-1.8	-3.6
Non-operating Income	3.3		1.2		-2.1	-63.6
Non-operating Expenses	2.2		1.4		-0.8	-36.4
Ordinary Income	51.1	18.5	48.1	17.5	-3.0	-5.9
Extraordinary Gain	0.0		0.0		+0.0	-
Extraordinary Loss	9.1		0.0		-9.1	-100.0
Net Income	27.1	9.8	29.8	10.8	+2.7	+10.0

➤ Sales excl. Tamiflu	
Domestic	+2.1
Overseas	-2.9
➤ Sales of Tamiflu*	+1.9
➤ Other Operating Revenues	-1.7
Decline in one-time income	
➤ Operating Income	-1.8
➤ Non-operating Inc./Exp.	-1.2
➤ Extraordinary Gain/Loss	+9.1
Decline in Extraordinary Loss	
Loss on disaster	-7.4
Asset retirement obligations	-1.0

Average exchange rate (JPY)

	2011 Jan - Sep	2012 Jan - Sep
CHF	91.62	84.43
EUR	113.25	101.69

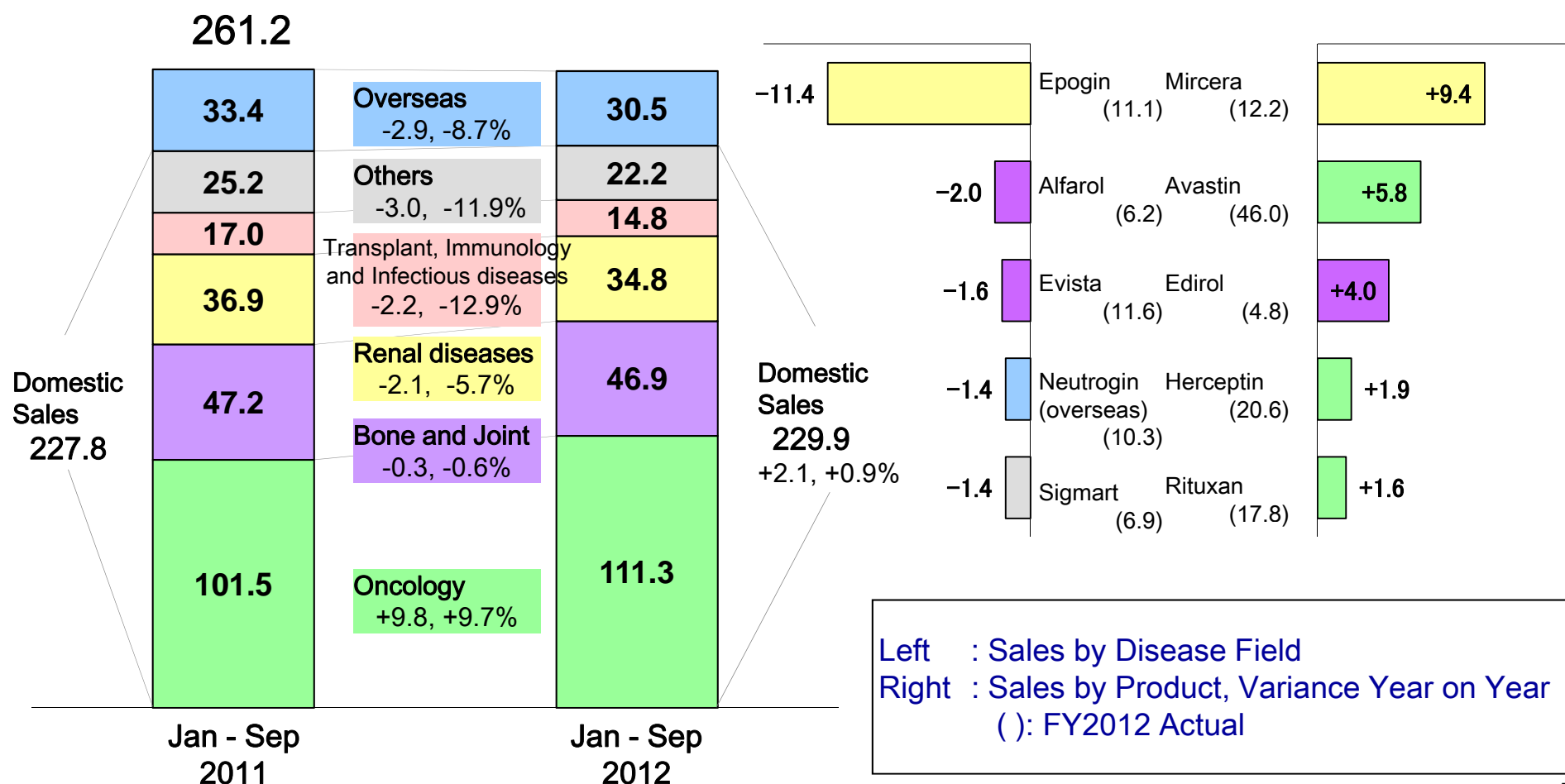
* Tamiflu

	2011 Jan - Sep	2012 Jan - Sep	Growth
Ordinary	4.1	7.9	+3.8
Govt. Stockpile etc.	2.2	0.4	-1.8

Sales (excl. Tamiflu) Jan - Sep

(Billion JPY)

Sales (excl. Tamiflu)
260.4 (-0.8, -0.3%)




Tamiflu Sales Performance

(Billion JPY)		Fiscal Term Sales																Seasonal Sales	Cases per sentinel* (millions)
		FY2005.12		FY2006.12		FY2007.12		FY2008.12		FY2009.12		FY2010.12		FY2011.12		FY2012.12			
		Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec		
Ordinary	2004-05	23.2																24.6	1.47
	2005-06		11.9	9.9														21.8	0.92
	2006-07				3.7	5.0												8.7	1.01
	2007-08						5.2	1.4										6.6	0.66
	2008-09								5.7	11.0								16.7	1.27
	2009-10										25.2	1.4						26.6	2.02
	2010-11												0.2	4.1				4.3	1.26
	2011-12														1.3	7.8		9.1	1.63
	2012-13																1.5	-	-
Ordinary		35.1	(+26.5)	13.6	(-21.5)	10.2	(-3.4)	7.1	(-3.1)	36.2	(+29.1)	1.6	(-34.6)	5.4	(+3.8)	9.3	(+3.9)		

Govt. Stockpile etc.	2005-06		0.2	6.5														6.7	
	2006-07				17.9	18.9												36.8	
	2007-08						9.6	0.2										9.8	
	2008-09								1.1	14.4								15.5	
	2009-10										25.6	10.6						36.2	
	2010-11												5.9	0.5				6.4	
	2011-12														2.8	0.4		3.2	
	2012-13																0.0		
Govt. Stockpile etc.		0.2	(+0.2)	24.4	(+24.2)	28.5	(+4.1)	1.3	(-27.2)	40.0	(+38.7)	16.6	(-23.4)	3.3	(-13.3)	0.4	(-2.9)		

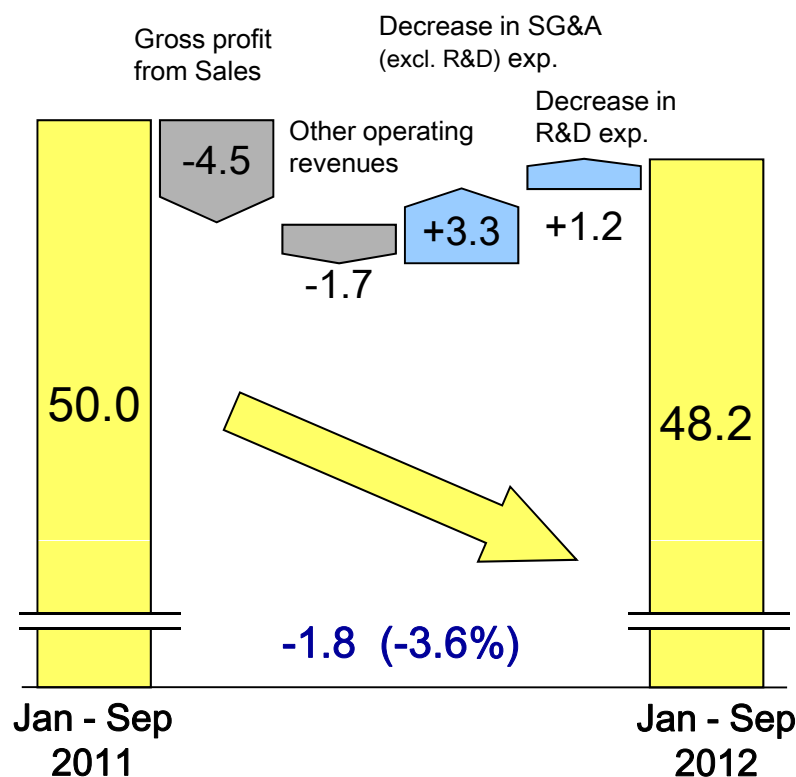
Total		23.2	12.0	16.3	21.6	23.8	14.8	1.6	6.8	25.4	50.8	12.0	6.1	4.6	4.1	8.1	1.5		
		35.2	(+26.6)	38.0	(+2.8)	38.7	(+0.7)	8.4	(-30.3)	76.2	(+67.8)	18.2	(-58.0)	8.7	(-9.5)	9.7	(+1.0)		

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

 Company forecast
 () Year on year

Operating Income Jan - Sep

(Billion JPY)



(Billion JPY)	2011 Jan-Sep	2012 Jan-Sep	Growth	(%)
Revenues	276.0	275.4	-0.6	-0.2
Cost of Sales	115.4	121.0	+5.6	+4.9
Gross Profit	160.7	154.4	-6.3	-3.9
Sales	152.1	147.6	-4.5	-3.0
Other Operating Revenues	8.5	6.8	-1.7	-20.0
SG&A (excl. R&D) exp.	69.4	66.1	-3.3	-4.8
R&D exp.	41.2	40.0	-1.2	-2.9
Operating Income	50.0	48.2	-1.8	-3.6

- Decrease in Gross Profit from Sales -4.5
- Decrease in Other Operating Revenues -1.7
Decrease in one-time income
- Decrease in SG&A (excl. R&D) exp. +3.3
Cost containment
- Decrease in R&D exp. +1.2
Completion of late stage projects

Financial Overview Jul - Sep

(Billion JPY)	2011 Jul-Sep	As % of Revenues	2012 Jul-Sep	As % of Revenues	Growth	%
Revenues	94.1		90.1		-4.0	-4.3
Sales	92.7		88.6		-4.1	-4.4
excl. Tamiflu	91.0		88.5		-2.5	-2.7
Tamiflu	1.7		0.1		-1.6	-94.1
Other Operating Revenues	1.4		1.5		+0.1	+7.1
Cost of Sales	40.8		39.3		-1.5	-3.7
Gross Profit	53.3	56.6	50.8	56.4	-2.5	-4.7
SG&A (excl. R&D) exp.	24.1		23.1		-1.0	-4.1
R&D exp.	14.3		13.8		-0.5	-3.5
Operating Income	14.8	15.7	13.9	15.4	-0.9	-6.1
Non-operating Income	2.1		0.6		-1.5	-71.4
Non-operating Expenses	2.0		0.8		-1.2	-60.0
Ordinary Income	14.9	15.8	13.7	15.2	-1.2	-8.1
Extraordinary Gain	0.0		-		+0.0	-
Extraordinary Loss	1.5		0.0		-1.5	-100.0
Net Income	10.0	10.6	9.0	10.0	-1.0	-10.0

(Billion JPY)

➤ Sales excl. Tamiflu	-2.5
Avastin	+2.6
Herceptin	+2.3
Edirol	+2.1
Mircera	+1.8
Actemra (overseas)	-4.9
Epogin	-2.6
Alfarol	-1.0
➤ Sales of Tamiflu*	-1.6
➤ Other Operating Revenues	+0.1
➤ Operating Income	-0.9

* Tamiflu

	2011 Jul-Sep	2012 Jul-Sep	Growth
Ordinary	0.0	0.1	-0.1
Govt. Stockpile etc.	1.7	-	-1.7

Financial Overview Jan - Sep

(Billion JPY)	Actual	Forecast on Feb. 1	
	2012	2012	Progress (%)
	Jan-Sep	Jan-Dec	
Revenues	275.4	418.5	65.8
Sales	268.6	403.7	66.5
excl. Tamiflu	260.4	394.1	66.1
Tamiflu	8.2	9.6	85.4
Other Operating Revenues	6.8	14.8	45.9
Operating Income	48.2	80.0	60.3
Ordinary Income	48.1	80.5	59.8
Net Income	29.8	49.0	60.8

(Billion JPY)	Actual	Forecast on Feb. 1	
	2012 Jan-Sep	2012 Jan-Dec	Prog. (%)
Sales excl. Tamiflu	260.4	394.1	66.1
Oncology	111.3	165.4	67.3
Avastin	46.0	68.8	66.9
Herceptin	20.6	27.3	75.5
Rituxan	17.8	25.3	70.4
Xeloda	7.9	16.8	47.0
Tarceva	6.9	8.2	84.1
Bone and Joint	46.9	70.3	66.7
Actemra	12.1	18.3	66.1
Evista	11.6	16.9	68.6
Suvenyl	9.0	14.7	61.2
Edirol	4.8	7.8	61.5
Renal	34.8	62.7	55.5
Mircera	12.2	29.6	41.2
Epogin	11.1	16.8	66.1
Transp., Immun., Infectious	14.8	25.6	57.8
Pegasys	5.1	12.1	42.1
Copegus	1.5	2.7	55.6
Others	22.2	30.0	74.0
Overseas	30.5	40.2	75.9
Actemra	18.2	24.1	75.5
Neutrogen	10.3	13.1	78.6

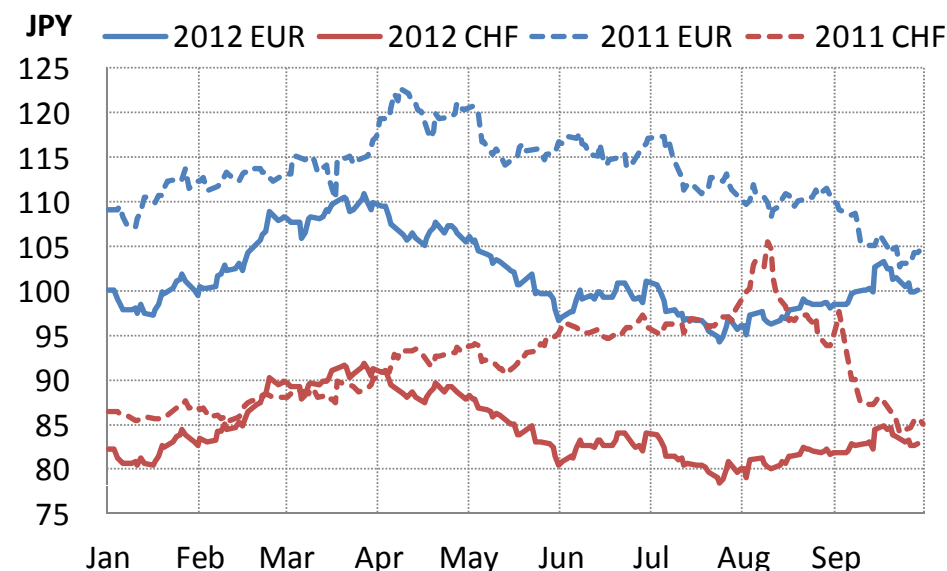
Impact from Foreign Exchange

(Billion JPY)	FX impact Jan - Sep (vs. Forecast on Feb. 1)	
Revenues	-1.1	
	Neutrogin (Overseas)	-0.7
	Actemra (Export)	-0.1
	Other Operating Revenues	-0.3
Cost of sales SG&A expenses	Cost of Roche products	+0.1
	Overseas SG&A exp., etc.	+0.4
Operating Income	-0.6	
Non-operating Inc./Exp.	Gain/loss on foreign exchange and exchange forward contracts	-0.8
Ordinary Income	-1.4	

FX rate to the JPY	1CHF	1EUR
Assumption as of Feb 1 (Jan - Dec)	85.00	109.00
Actual Jan - Sep avg.	84.43	101.69

[Reference]

Historical exchange rates to the JPY (Jan - Sep)



Overview of Development Pipeline

CHUGAI PHARMACEUTICAL CO., LTD.
Department Manager of R&D Portfolio
Management Dept.

Hisanori Takanashi

October 23, 2012

Development Status – Oncology (1)

In-
licensed

RG435/Avastin:

Recurrent glioblastoma

Filed in Sep 2012

Ovarian cancer

Filed in Oct 2012

In-
licensed

RG3638/onartuzumab (MetMAb):

Non-small cell lung cancer

Decided to participate in P3 multinational study by the end of this year

In-
licensed

RG3502/trastuzumab emtansine (T-DM1):

Gastric cancer

Started P2/3 multinational study in Sep 2012

Development Status – Oncology (2)

In-licensed

RG7204/vemurafenib: Melanoma

Started P1 in Sep 2012

In-house

WT2725/WT1 peptide cancer vaccine: Advanced cancer

Started P1(overseas) in Aug 2012

Co-development with Dainippon Sumitomo Pharma

In-house

AF802:

Decided to license out to Roche

(Expected indication: Non-small cell lung cancer)

Development Status

- Bone & Joint, Autoimmune, Others

In-house

**Actemra (US): Rheumatoid arthritis
(Expanded indication to DMARDs-IR)**

Approved in Oct 2012

In-
licensed

RG484 (Oral): Osteoporosis

Started P3 in Oct 2012

In-house

ACE910/bispecific antibody: Hemophilia A

Started P1 in Aug 2012

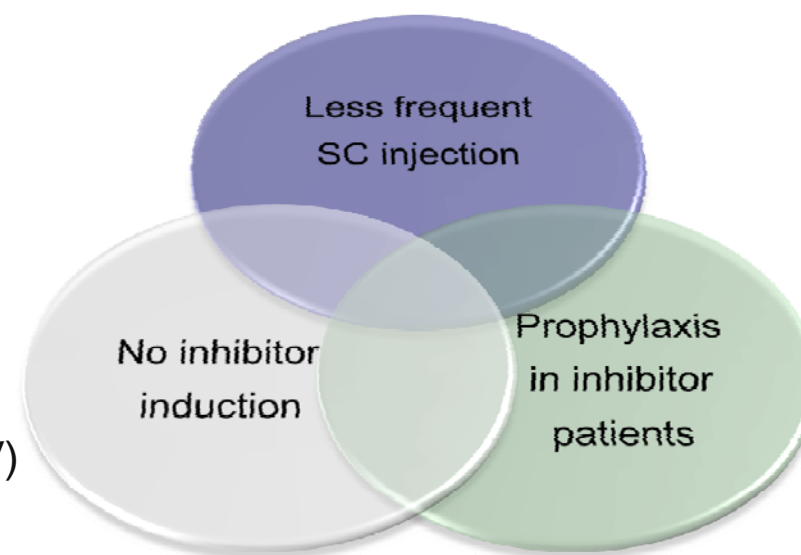
ACE910 – Hemophilia A

- Definition: Congenital bleeding disorder caused by deficiency or dysfunction of coagulation factor VIII (FVIII)
- Patient number: 38,000 registered patients in North America/EU/Japan (World Federation of Hemophilia, Global Survey 2010)
- Symptoms: Bleeding into articuli, muscles, subcutaneous tissues, GI, skull, etc.
 - ❑ Hemophilic arthropathy caused by repeated intra-articular bleeding is the most serious complication, which affects patients' QOL
- Standard therapy: FVIII replacement therapy
 - ❑ On-demand treatment
 - ❑ Prophylaxis (3 times/week, IV)

Induction of FVIII inhibitor (20-30%)

- Current therapy for inhibitor patients
 - ❑ On-demand treatment by bypassing agents (IV)
 - ❑ Immune tolerance induction

Unmet needs in hemophilia A

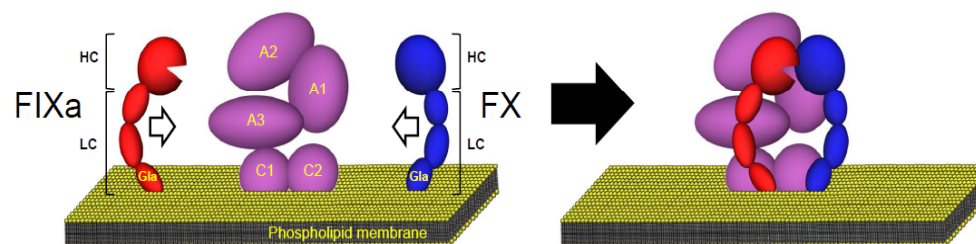


ACE910 – Mode of action

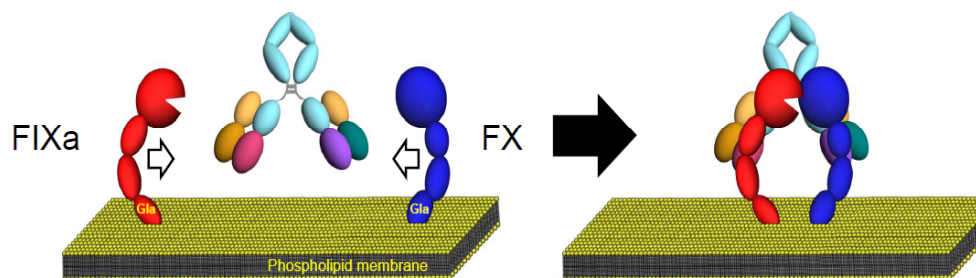
■ ACE910: Humanized anti-factor IXa x anti-factor X bispecific antibody

ACE910 supports the interaction between FIXa and FX, thereby promotes FX activation and accelerates coagulation.

MoA of FVIII



MoA of ACE910



Nature Medicine, Published online 30 September 2012

■ Expected features

- ❑ Longer half-life, subcutaneously available
- ❑ Effective in the presence of FVIII inhibitor
- ❑ No potentials to induce FVIII inhibitor



Prophylaxis by weekly SC injections both in inhibitor patients and non-inhibitor patients

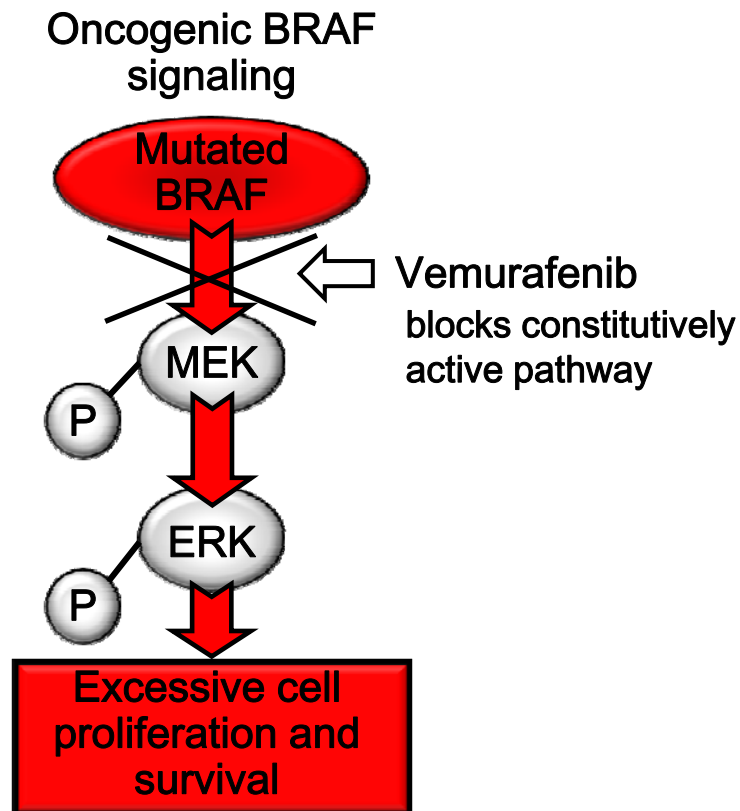
About Melanoma

- 1,300-1,400 patients are diagnosed each year in Japan
- Global incidence is on the rise at 3-5% per year
- Poor prognosis in metastatic cases
 - Rapid disease progression (median PFS ~2 months)
 - Fewer than 10% survive >5 years
 - Amongst most common fatal cancers in young adults
 - Primary risk factor - UV/sun
 - Until recently, limited treatment options (chemotherapy, radiotherapy, immunotherapy) with minimal efficacy and high toxicity



Vemurafenib is a Selective Inhibitor of the Oncogenic BRAF Kinase

- Binds to and selectively inhibits oncogenic BRAF^{V600}
- Companion diagnostic: cobas® 4800 BRAF V600 Mutation Test



- Mutated BRAF leads to constitutive activation and dysregulation of the RAS-RAF signaling cascade
- Mutated BRAF is identified in various cancer
 - ~50% melanoma
 - ~30-70% thyroid cancer
 - ~10% colorectal cancer
 - ~8% of all solid tumors

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