



Roche Roche Group

# FY2010 3Q Financial Overview

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

October 22, 2010

# Forward-Looking Statements

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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

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## ● Solid growth continued in Sales excluding Tamiflu

- Sales excl. Tamiflu: +9.8 billion JPY (+4.0%)  
Domestic +3.3%, Overseas +10.1%
- Sales of Tamiflu: -40.0 billion JPY
- Other Operating Revenues: -3.5 billion JPY
- Total Revenues: -33.6 billion JPY (-10.8%)

## ● Operating Income 45.1 billion JPY -13.7 billion JPY (-23.3%)

- Growth achieved excluding declines in Tamiflu and Other Operating Revenues

## ● Full-Year Forecast revised

# Financial Overview Jan-Sep

(Billion JPY)	2009		2010		Variance	
	Jan-Sep	As % of Revenues	Jan-Sep	As % of Revenues		%
<b>Revenues</b>	<b>309.7</b>		<b>276.1</b>		<b>-33.6</b>	<b>-10.8</b>
Sales	303.4		273.3		-30.1	-9.9
<b>excl. Tamiflu</b>	<b>247.6</b>		<b>257.4</b>		<b>+9.8</b>	<b>+4.0</b>
Tamiflu	55.8		15.8		-40.0	-71.7
Other Operating Revenues	6.3		2.8		-3.5	-55.6
<b>Operating Income</b>	<b>58.8</b>	19.0	<b>45.1</b>	16.3	<b>-13.7</b>	<b>-23.3</b>
Non-operating Income	7.8		2.2		-5.6	-71.8
Non-operating Expenses	0.5		3.0		+2.5	x6.0
<b>Recurring Profit</b>	<b>66.0</b>	21.3	<b>44.3</b>	16.0	<b>-21.7</b>	<b>-32.9</b>
Extraordinary Gain	0.3		0.1		-0.2	-66.7
Extraordinary Loss	0.1		0.1		+0.0	+0.0
<b>Net Income</b>	<b>40.9</b>	13.2	<b>28.1</b>	10.2	<b>-12.8</b>	<b>-31.3</b>

(Billion JPY)

- Sales excl. Tamiflu +9.8
- Sales of Tamiflu\* -40.0
- Other Operating Revenues -3.5
- Decrease in milestone income
- Operating Income -13.7
- Non-operating Inc./Exp. -8.1
- Negative balance from exchange forward contract

Average exchange rate (JPY)

	2009 Jan-Sep	2010 Jan-Sep
CHF	85.68	84.00
EUR	129.32	117.66

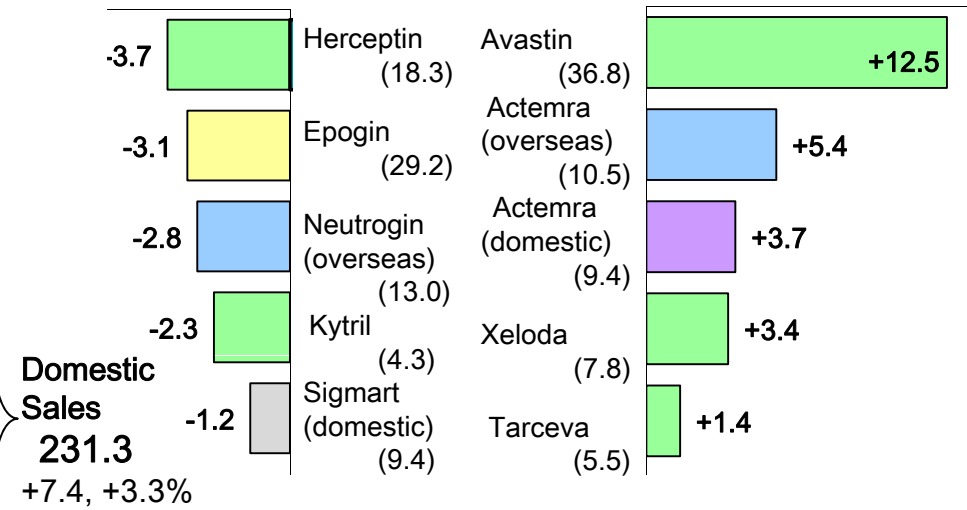
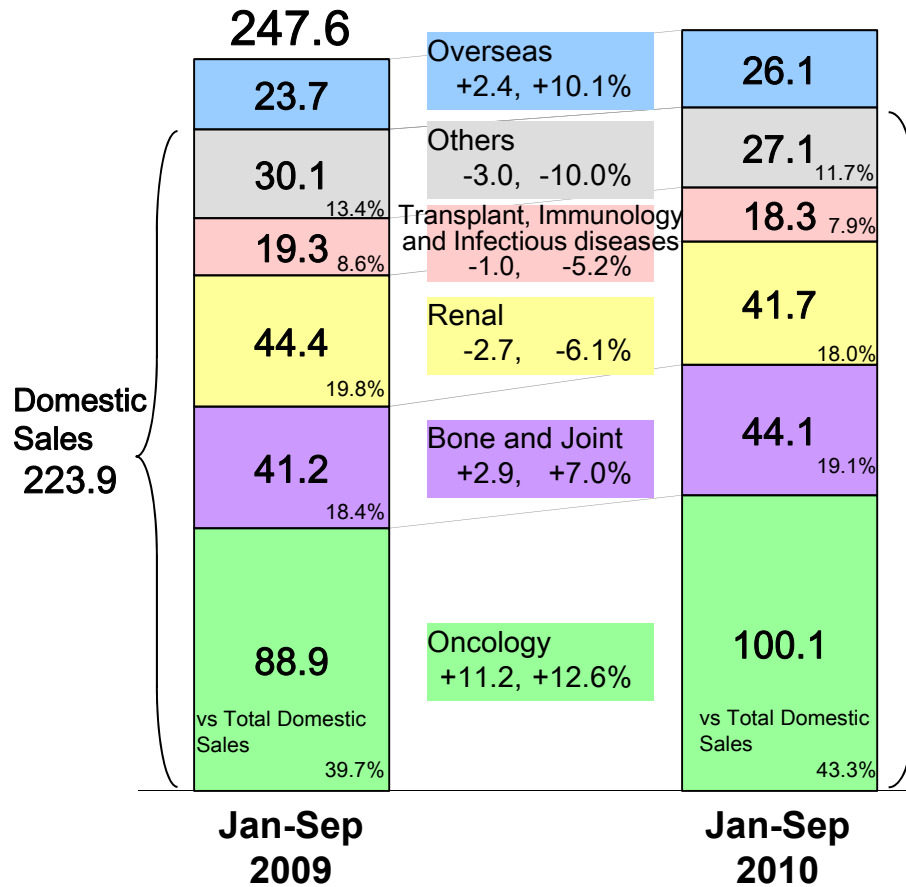
\*Tamiflu (Billion JPY)

	2009 Jan-Sep	2010 Jan-Sep	Variance
Ordinary	18.5	1.4	-17.1
Govt. Stockpile etc.	37.3	14.4	-22.9

# Sales excluding Tamiflu Jan-Sep

(Billion JPY)

**Sales excl. Tamiflu**  
257.4 (+9.8, +4.0%)



Left : Sales by Disease Field  
 Right : Sales by Product, Variance Year on Year  
 ( ): FY2010 Actual



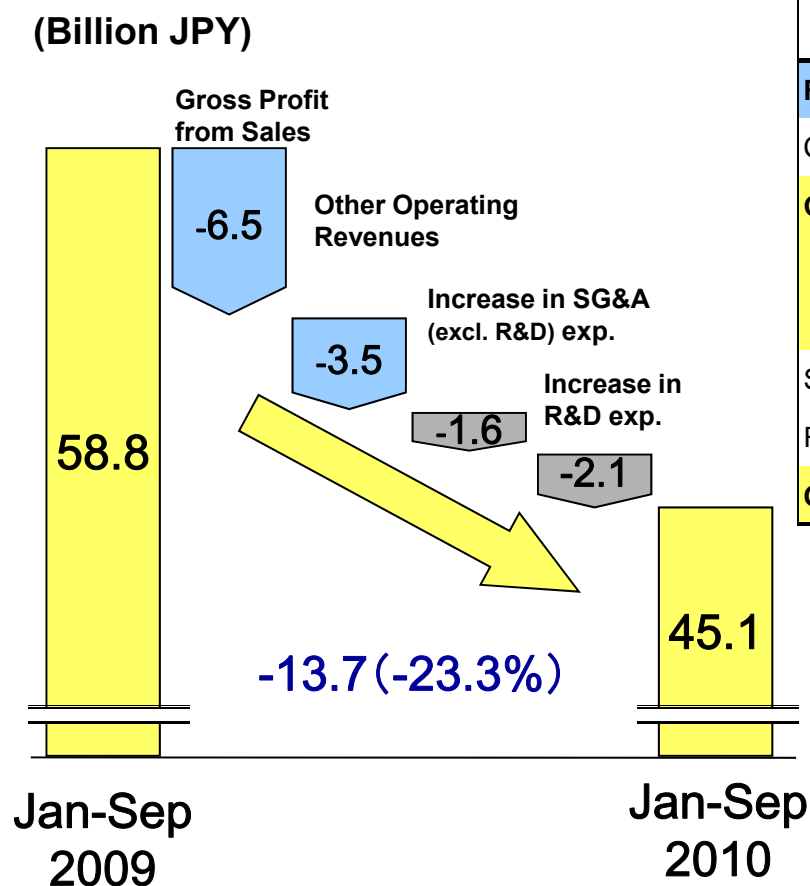
# Tamiflu Sales Performance

(Billion JPY)		Fiscal Term Sales												Seasonal Sales	Cases per sentinel* (millions)
		FY2005.12		FY2006.12		FY2007.12		FY2008.12		FY2009.12		FY2010.12			
		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											15.0			
<b>Ordinary</b>		<b>35.1</b>	<b>(+26.5)</b>	<b>13.6</b>	<b>(-21.5)</b>	<b>10.2</b>	<b>(-3.4)</b>	<b>7.1</b>	<b>(-3.1)</b>	<b>36.2</b>	<b>(+29.1)</b>	<b>16.4</b>	<b>(-19.8)</b>		
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											6.0			
<b>Govt. Stockpile etc.</b>		<b>0.2</b>	<b>(+0.2)</b>	<b>24.4</b>	<b>(+24.2)</b>	<b>28.5</b>	<b>(+4.1)</b>	<b>1.3</b>	<b>(-27.2)</b>	<b>40.0</b>	<b>(+38.7)</b>	<b>16.6</b>	<b>(-23.4)</b>		
<b>Total</b>		<b>23.2</b>	<b>12.0</b>	<b>16.3</b>	<b>21.6</b>	<b>23.8</b>	<b>14.8</b>	<b>1.6</b>	<b>6.8</b>	<b>25.4</b>	<b>50.8</b>	<b>12.0</b>	<b>21.0</b>		
<b>Total</b>		<b>35.2</b>	<b>(+26.6)</b>	<b>38.0</b>	<b>(+2.8)</b>	<b>38.7</b>	<b>(+0.7)</b>	<b>8.4</b>	<b>(-30.3)</b>	<b>76.2</b>	<b>(+67.8)</b>	<b>33.0</b>	<b>(-43.2)</b>		

Company forecast

\*Total patients 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 2009-10), published by Japan's National Institute of Infectious Diseases.

# Operating Income Jan-Sep



(Billion JPY)	2009 Jan-Sep	2010 Jan-Sep	Variance	
				(%)
<b>Revenues</b>	<b>309.7</b>	<b>276.1</b>	<b>-33.6</b>	<b>-10.8</b>
Cost of Sales	143.3	119.6	-23.7	-16.5
<b>Gross Profit</b>	<b>166.4</b>	<b>156.5</b>	<b>-9.9</b>	<b>-5.9</b>
Sales	160.1	153.6	-6.5	-4.1
Other Operating Revenues	6.3	2.8	-3.5	-55.6
SG&A (excl. R&D) exp.	69.8	71.4	+1.6	+2.3
R&D exp.	37.8	39.9	+2.1	+5.6
<b>Operating Income</b>	<b>58.8</b>	<b>45.1</b>	<b>-13.7</b>	<b>-23.3</b>

- **Decrease in Gross Profit** -9.9
  - Decrease in Tamiflu sales
  - Decrease in Other Operating Revenues
- **Increase in SG&A (excl. R&D) exp.** -1.6
  - Increase in personnel expenses
- **Increase in R&D exp.** -2.1
  - Increase in expenses for early stage projects

# Financial Overview Jul-Sep

(Billion JPY)	2009		2010		Variance	
	Jul-Sep	As % of Revenues	Jul-Sep	As % of Revenues		%
<b>Revenues</b>	<b>118.0</b>		<b>93.7</b>		<b>-24.3</b>	<b>-20.6</b>
Sales	117.5		92.6		-24.9	-21.2
<b>excl. Tamiflu</b>	<b>87.0</b>		<b>88.8</b>		<b>+1.8</b>	<b>+2.1</b>
Tamiflu	30.4		3.8		-26.6	-87.5
Other Operating Revenues	0.5		1.1		+0.6	+120.0
Cost of sales	59.4		39.1		-20.3	-34.2
<b>Gross Profit</b>	<b>58.6</b>	<b>49.7</b>	<b>54.6</b>	<b>58.3</b>	<b>-4.0</b>	<b>-6.8</b>
SG&A (excl. R&D) exp.	23.7		23.7		+0.0	+0.0
R&D exp.	13.3		13.3		+0.0	+0.0
<b>Operating Income</b>	<b>21.6</b>	<b>18.3</b>	<b>17.6</b>	<b>18.8</b>	<b>-4.0</b>	<b>-18.5</b>
<b>Recurring Profit</b>	<b>22.6</b>	<b>19.2</b>	<b>18.1</b>	<b>19.3</b>	<b>-4.5</b>	<b>-19.9</b>
<b>Net Income</b>	<b>14.6</b>	<b>12.4</b>	<b>11.7</b>	<b>12.5</b>	<b>-2.9</b>	<b>-19.9</b>

(Billion JPY)

- Sales excl. Tamiflu +1.8
- Avastin +4.6
- Actemra (Domestic) +1.4
- Xeloda +1.1
- Tarceva +0.6
- Actemra (Overseas) -0.2
- Kytril -0.8
- Herceptin -1.1
- Epogin -1.2
- Neutrogen (Overseas) -1.4
- Sales of Tamiflu\* -26.6
- Other Operating Revenues +0.6
- Operating Income -4.0

[Reference] Average exchange rate (JPY)

	2009 Jul-Sep	2010 Jul-Sep
CHF	88.12	83.12
EUR	133.85	110.76

* Tamiflu (Billion JPY)	2009 Jul-Sep	2010 Jul-Sep	Variance
Ordinary	7.6	0	-7.6
Govt. Stockpile etc.	22.9	3.8	-19.1



# Overview

(Billion JPY)	Actual	Original Forecast Feb 3		Revision	Revised Forecast Oct 22		2009 Jan-Sep /Jan-Dec (%)
	2010 Jan-Sep	2010 Jan-Dec	Prog. (%)		2010 Jan-Dec	Prog. (%)	
<b>Revenues</b>	<b>276.1</b>	<b>418.5</b>	<b>66.0</b>	<b>-22.7</b>	<b>395.8</b>	<b>69.8</b>	<b>72.2</b>
Sales	273.3	414.0	66.0	-23.2	390.8	69.9	72.4
<b>excl. Tamiflu</b>	<b>257.4</b>	<b>375.3</b>	<b>68.6</b>	<b>-17.5</b>	<b>357.8</b>	<b>71.9</b>	<b>72.2</b>
Tamiflu	15.8	38.7	40.8	-5.7	33.0	47.9	73.2
Other Operating Revenues	2.8	4.5	62.2	+0.5	5.0	56.0	64.3
Cost of Sales	119.6	184.5	64.8	-13.7	170.8	70.0	74.3
<b>Gross Profit</b>	<b>156.5</b>	<b>234.0</b>	<b>66.9</b>	<b>-9.0</b>	<b>225.0</b>	<b>69.6</b>	<b>70.5</b>
SG&A excl. R&D	71.4	105.0	68.0	-5.0	100.0	71.4	71.1
R&D exp.	39.9	59.0	67.6	-4.0	55.0	72.5	68.4
<b>Operating Income</b>	<b>45.1</b>	<b>70.0</b>	<b>64.4</b>	<b>0.0</b>	<b>70.0</b>	<b>64.4</b>	<b>71.2</b>
<b>Recurring Profit</b>	<b>44.3</b>	<b>70.5</b>	<b>62.8</b>	<b>-1.8</b>	<b>68.7</b>	<b>64.5</b>	<b>73.0</b>
<b>Net Income</b>	<b>28.1</b>	<b>44.0</b>	<b>63.9</b>	<b>-1.0</b>	<b>43.0</b>	<b>65.3</b>	<b>72.3</b>

# Revision of Sales Forecast

Billion JPY	Actual Jan-Sep	Original Forecast Jan-Dec	Prog.	Revision	Revised Forecast Jan-Dec	Prog.	Forecast Oct-Dec
<b>Sales excl. Tamiflu</b>	<b>257.4</b>	<b>375.3</b>	<b>68.6</b>	<b>-17.5</b>	<b>357.8</b>	<b>71.9</b>	<b>100.4</b>
<b>Oncology</b>	<b>100.1</b>	<b>140.2</b>	<b>71.4</b>	<b>-0.3</b>	<b>139.9</b>	<b>71.6</b>	<b>39.8</b>
Avastin	36.8	47.9	76.8	+3.3	51.2	71.9	14.4
Rituxan	16.1	23.4	68.8	-0.9	22.5	71.6	6.4
Xeloda	7.8	10.9	71.6	+0.4	11.3	69.0	3.5
Neutrogin	7.2	11.6	62.1	-0.9	10.7	67.3	3.5
Kytril	4.3	7.8	55.1	-1.8	6.0	71.7	1.7
<b>Bone and Joint</b>	<b>44.1</b>	<b>64.2</b>	<b>68.7</b>	<b>-0.7</b>	<b>63.5</b>	<b>69.4</b>	<b>19.4</b>
Suvenyl	9.7	14.3	67.8	-0.4	13.9	69.8	4.2
<b>Renal diseases</b>	<b>41.7</b>	<b>59.3</b>	<b>70.3</b>	<b>-1.0</b>	<b>58.3</b>	<b>71.5</b>	<b>16.6</b>
Epogin	29.2	42.2	69.2	-1.0	41.2	70.9	12.0
<b>Transplant, Immunology and Infectious diseases</b>	<b>18.3</b>	<b>31.9</b>	<b>57.4</b>	<b>-6.1</b>	<b>25.8</b>	<b>70.9</b>	<b>7.5</b>
Pegasys	7.4	14.8	50.0	-4.3	10.5	70.5	3.1
Copegus	3.1	7.1	43.7	-2.5	4.6	67.4	1.5
<b>Others</b>	<b>27.1</b>	<b>38.9</b>	<b>69.7</b>	<b>-1.8</b>	<b>37.1</b>	<b>73.0</b>	<b>10.0</b>
<b>Overseas</b>	<b>26.1</b>	<b>40.7</b>	<b>64.1</b>	<b>-7.5</b>	<b>33.2</b>	<b>78.6</b>	<b>7.1</b>
Actemra	10.5	19.7	53.3	-6.9	12.8	82.0	2.3

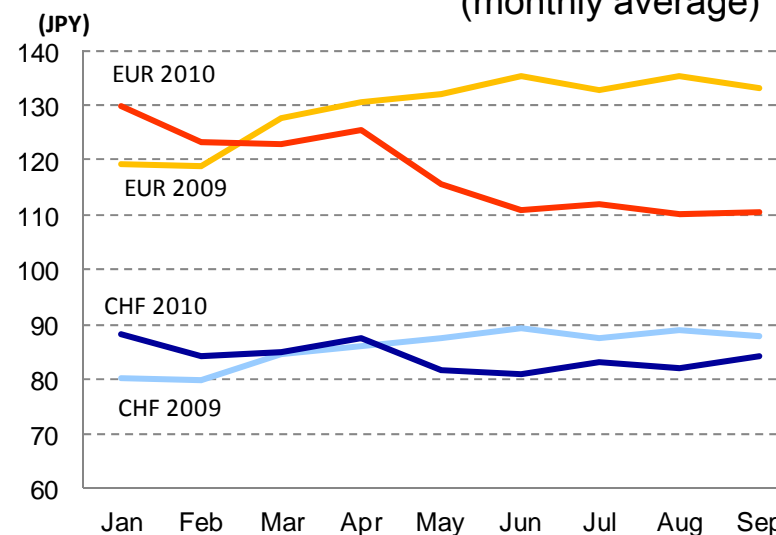
# Impact from Foreign Exchange

## FX impacts on profits (vs. original assumption)

(Billion JPY)	Jan-Jun	Jan-Sep
<b>Revenues</b>	<b>-0.9</b>	<b>-1.8</b>
	Neutrogin (Overseas) -0.6 Actemra(Overseas) -0.3	Neutrogin (Overseas) -1.3 Actemra(Overseas) -0.5
	Cost of Roche products +1.2 Other cost of sales +0.4 SG&A of overseas affiliates +0.2	Cost of Roche products +2.0 Other cost of sales +0.2 SG&A of overseas affiliates +0.5
<b>Operating Income</b>	<b>+0.9</b>	<b>+0.9</b>
Non-operating Inc./Exp.	Gain/loss on foreign exchanges and exchange forward contracts -2.1	Gain/loss on foreign exchanges and exchange forward contracts -1.6
<b>Recurring Profit</b>	<b>-1.2</b>	<b>-0.7</b>

- Original assumption for exchange rate  
CHF: 88.00JPY EUR: 130.00JPY
- Revised assumption for exchange rate  
CHF: 85.00JPY EUR: 119.00JPY

[Reference]  
Historical exchange rates to the JPY  
(monthly average)





Roche Roche Group

# Overview of Development Pipeline

CHUGAI PHARMACEUTICAL CO., LTD.  
Senior Vice President  
Head of Portfolio Management Unit  
Yutaka Tanaka

October 22, 2010

# Development Status - Oncology

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In-house

**PA799 (overseas): solid tumors**  
P1 started in Aug.

In-house

**AF802: non-small cell lung cancer**  
P1/2 started in Sep.

In-licensed

**Xeloda: gastric cancer**  
Filed in Sep.

- New Drug Application based on evidence in the public domain

In-licensed

**RG3502 : breast cancer**  
P2 started in Oct.

# Development Status - Bone & Joint, Others

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In-house

**Actemra (overseas): sJIA**  
Filed in Oct.

In-licensed

**RG1594 (ocrelizumab): RA**  
Development discontinued

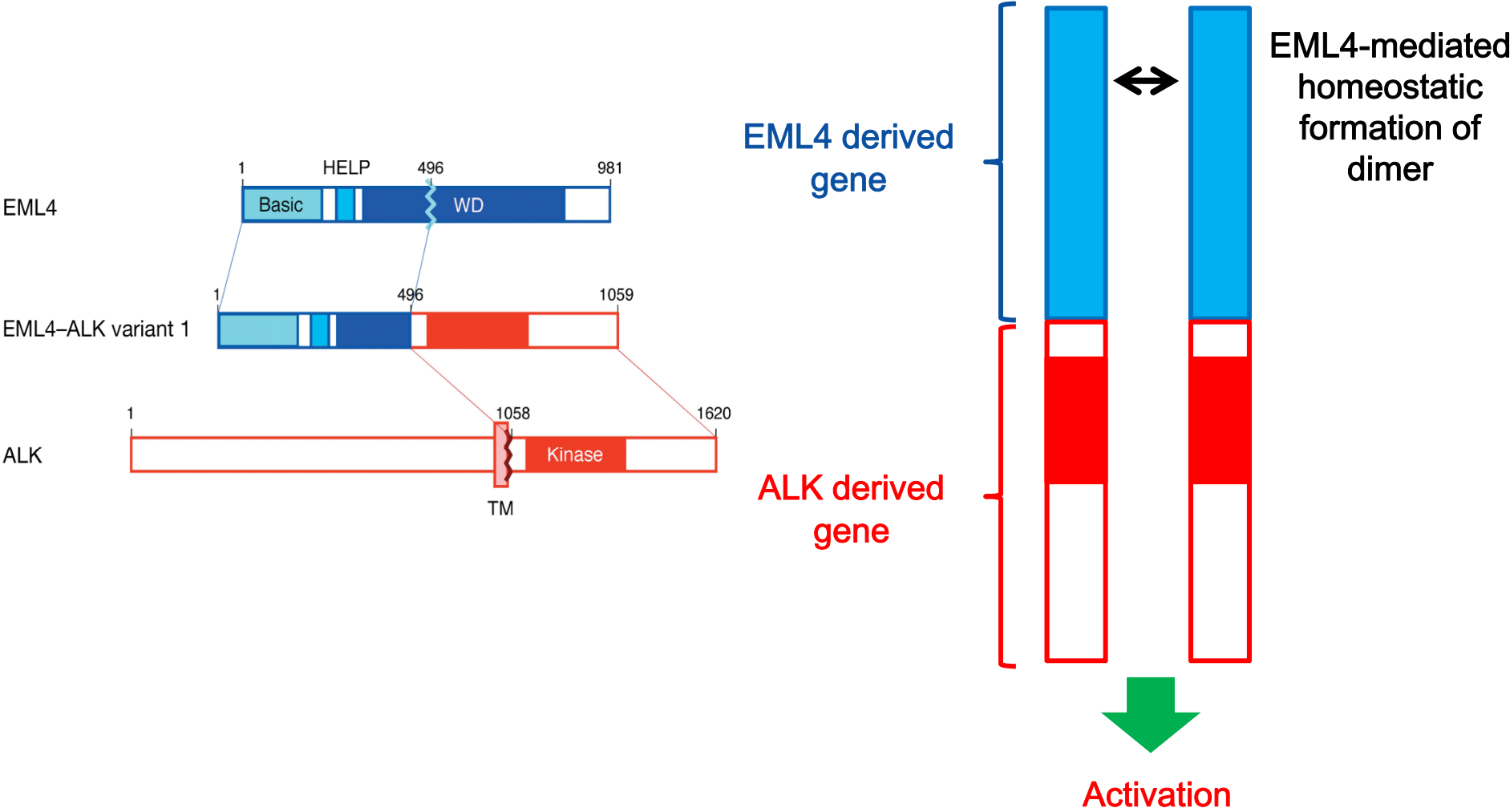
- considering overall risk to benefit profile

# AF802:Mode of Action (1)

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- Anaplastic Lymphoma Kinase (ALK) is a receptor tyrosine kinase which belongs to insulin receptor super-family
- Linkage between ALK signal derived from EML-ALK fusion protein and cancer growth has been suggested
- Approx. 5% of NSCLC patients are known to express EML-ALK fusion gene
- AF802 shows antitumor effect by blocking the signal from EML-ALK by inhibiting the activity of ALK

# AF802: Mode of Action (2)



Soda M. et al., Nature, 2007: 448, 561-6, Fig 1b partially modified



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