



Roche Roche Group

# Aiming to Become a Top Japanese Pharmaceutical Company

## Review of Half Year 2010

CHUGAI PHARMACEUTICAL CO., LTD.  
President and CEO  
Osamu Nagayama

July 22/23, 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.

# 2010 Half Year Results

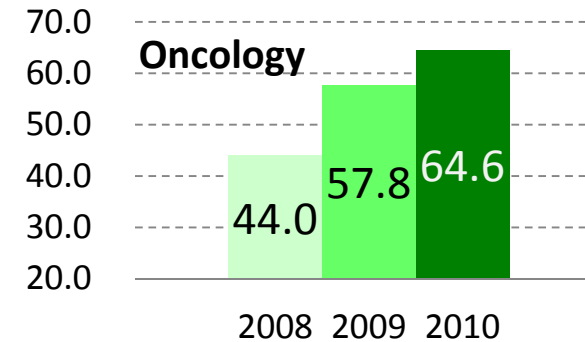
Strong sales growth (ex. Tamiflu) overcoming NHI price revision  
Net income negatively affected by Tamiflu and FX

JPY billion	2009	2010	VS	
			YoY	Forecast
Revenues	191.7	<b>182.4</b>	-4.9%	-3.5%
Sales ex. Tamiflu	160.6	<b>168.6</b>	+5.0%	-1.2%
Domestic sales ex. Tamiflu	146.3	<b>150.6</b>	+2.9%	-1.2%
Operating income	37.2	<b>27.6</b>	-25.8%	+4.2%
% revenues	19.4%	15.1%		
Net income	26.3	<b>16.4</b>	-37.6%	-1.8%
% revenues	13.7%	9.0%	12.8%	

# Domestic Sales in Strategic Areas

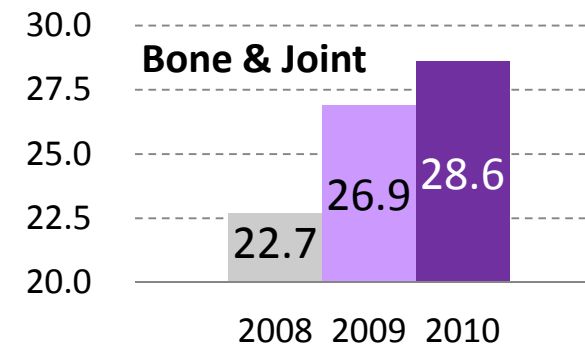
## Oncology

Avastin and Xeloda: >50% increase driving overall growth in oncology



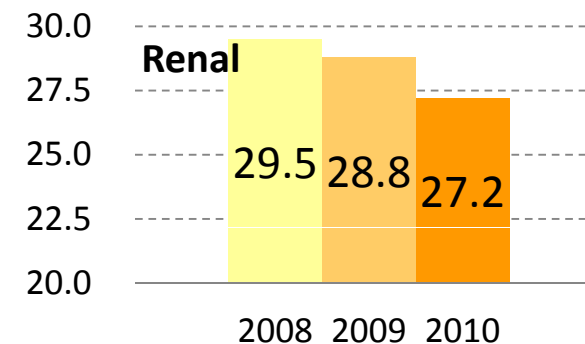
## Bone & Joint

Actemra: solid growth towards the 1<sup>st</sup> choice among biologic agents



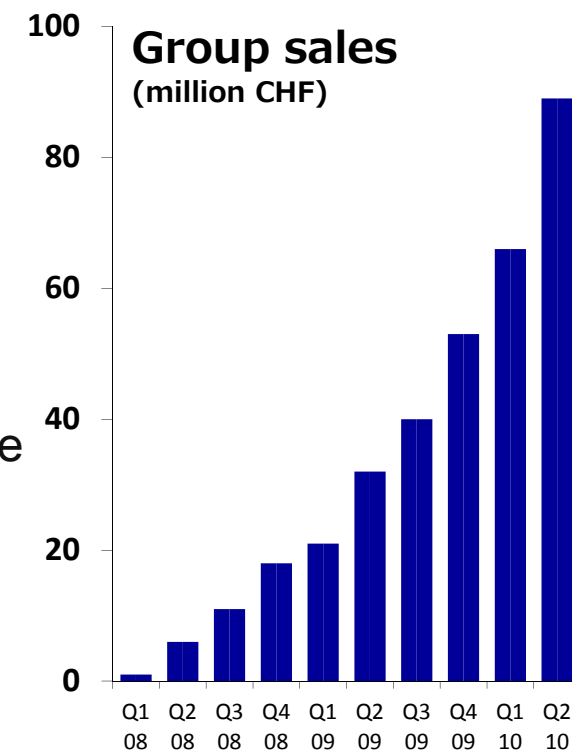
## Renal

Epogin: steady performance based on the established safety and efficacy profile



# Actemra

- Launched in approx. 50 countries
  - full-fledged rollout in three major markets
  - US: >50% rheumatologists prescribe Actemra after only 5 months on the market
- Development activities
  - P3 for sc formulation started in Japan (May)
  - Approved in Europe for prevention of joint damage (June)
  - Ongoing Roche program
    - Humira H2H trial - enrolling patients



# NHI Price Revision 2010 - Business Impact

## Accelerated growth with new drugs

- No "patent cliff"
- Limited reliance on long-listed products

**Long-listed products**  
approx. 20% of revenues

**Special cut for  
market expansion**

Herceptin

**Premium for  
New Drug Development**

14 APIs\*  
>40% of revenues

Actemra  
Avastin  
Tarceva etc.

- Among the richest pipeline in Japan
- Secure source of investment in new drug development

# NHI Price Revision 2010 - R&D Impact

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## ■ MHLW Unapproved Drug Committee

Requested drug manufacturers to develop unapproved drugs with high clinical needs, including four cases for Chugai

Product	Indication	Development status
Xeloda	Advanced or recurrent gastric cancer	Filed
Tarceva	Advanced or recurrent pancreatic cancer	Filed
Avastin	Advanced or recurrent breast cancer	Filed
pulmozyme	Cystic fibrosis	Under consideration

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Roche Roche Group

# FY2010 2Q Consolidated Financial Overview

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

July 22/23, 2010



# Summary

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- **Revenues**                      **182.4 billion JPY** (YoY: -9.3 billion, -4.9%)
  - Sales excl. Tamiflu:                      +8.0 billion JPY, +5.0%  
Domestic + 2.9%, Overseas + 27.5%
  - Sales of Tamiflu:                      -13.4 billion JPY
  - Other Operating Revenues:              -4.0 billion JPY
- **Operating Income**   **27.6 billion JPY** (YoY: -9.6 billion, -25.8%)
  - Growth from mainstay products continued, but negatively impacted by Tamiflu and Other Operating Revenues
- **Comparison to H1 Forecast**
  - Revenues:                      -6.7 billion JPY, achievement 96.5%
  - Operating Income: +1.1 billion JPY, achievement 104.2%

# Financial Overview Jan-Jun

(Billion JPY)	2009		2010		Variance	
	Jan-Jun	As % of Revenues	Jan-Jun	As % of Revenues		%
<b>Revenues</b>	<b>191.7</b>		<b>182.4</b>		<b>-9.3</b>	<b>-4.9</b>
Sales	185.9		180.6		-5.3	-2.9
<b>excl. Tamiflu</b>	<b>160.6</b>		<b>168.6</b>		<b>+8.0</b>	<b>+5.0</b>
Tamiflu	25.4		12.0		-13.4	-52.8
Other Operating Revenues	5.7		1.7		-4.0	-70.2
<b>Operating Income</b>	<b>37.2</b>	<b>19.4</b>	<b>27.6</b>	<b>15.1</b>	<b>-9.6</b>	<b>-25.8</b>
Non-operating Income	6.9		3.0		-3.9	-56.5
Non-operating Expenses	0.6		4.4		+3.8	+633.3
<b>Recurring Profit</b>	<b>43.5</b>	<b>22.7</b>	<b>26.2</b>	<b>14.4</b>	<b>-17.3</b>	<b>-39.8</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>26.3</b>	<b>13.7</b>	<b>16.4</b>	<b>9.0</b>	<b>-9.9</b>	<b>-37.6</b>

	(Billion JPY)
➤ Sales excl. Tamiflu	+8.0
➤ Sales of Tamiflu*	-13.4
➤ Other Operating Revenues	
Decrease in milestone income	-4.0
➤ Operating Income	-9.6
➤ Non-operating Inc./Exp.	-7.7
Negative balance from exchange forward contract	

Average rate (JPY)

	2009 Jan-Jun	2010 Jan-Jun
CHF	84.52	84.42
EUR	127.19	121.21

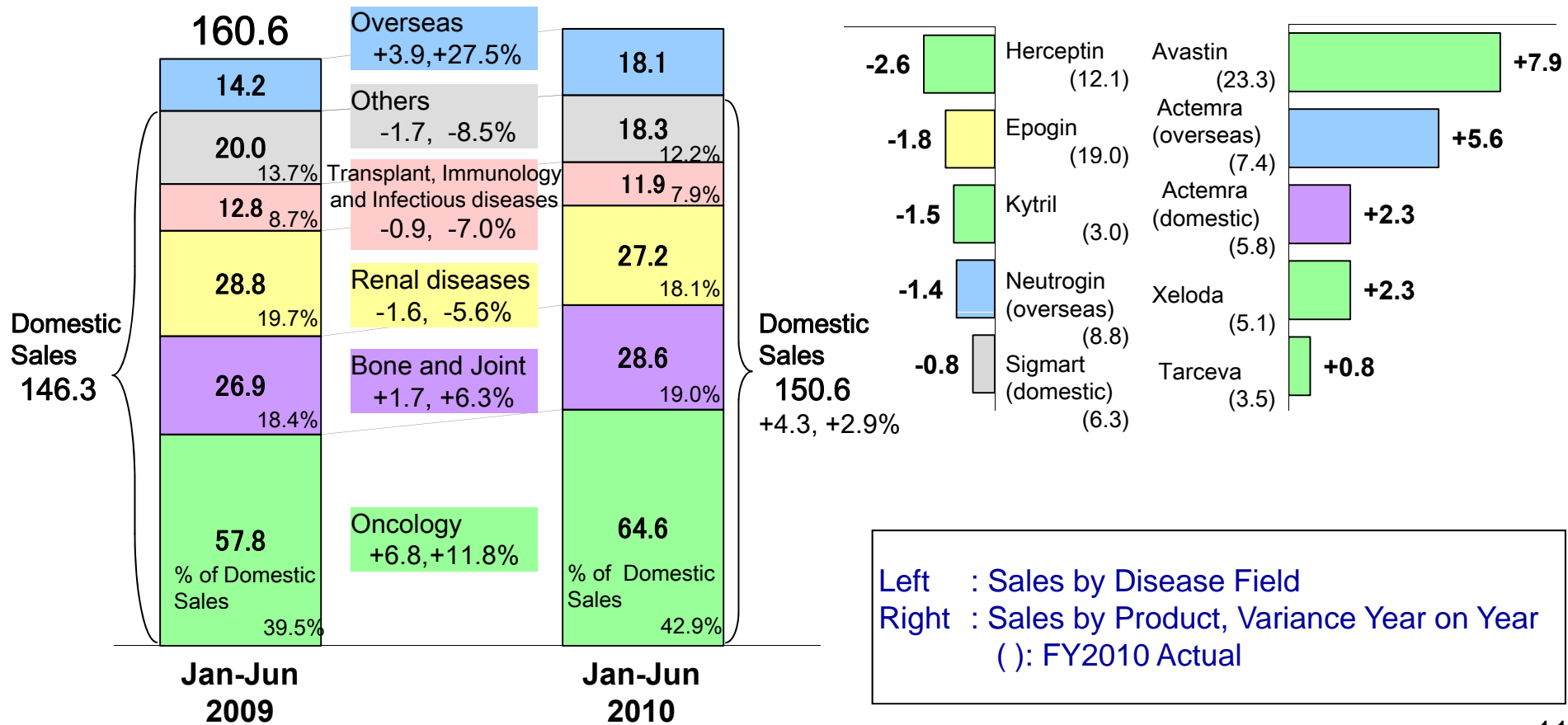
\*Tamiflu (Billion JPY)

	2009 Jan-Jun	2010 Jan-Jun	Variance
Ordinary	11.0	1.4	-9.6
Govt. Stockpile etc.	14.4	10.6	-3.8

# Sales excl. Tamiflu Jan-Jun

(Billion JPY)

Sales excl. Tamiflu  
**168.6 (+8.0, +5.0%)**



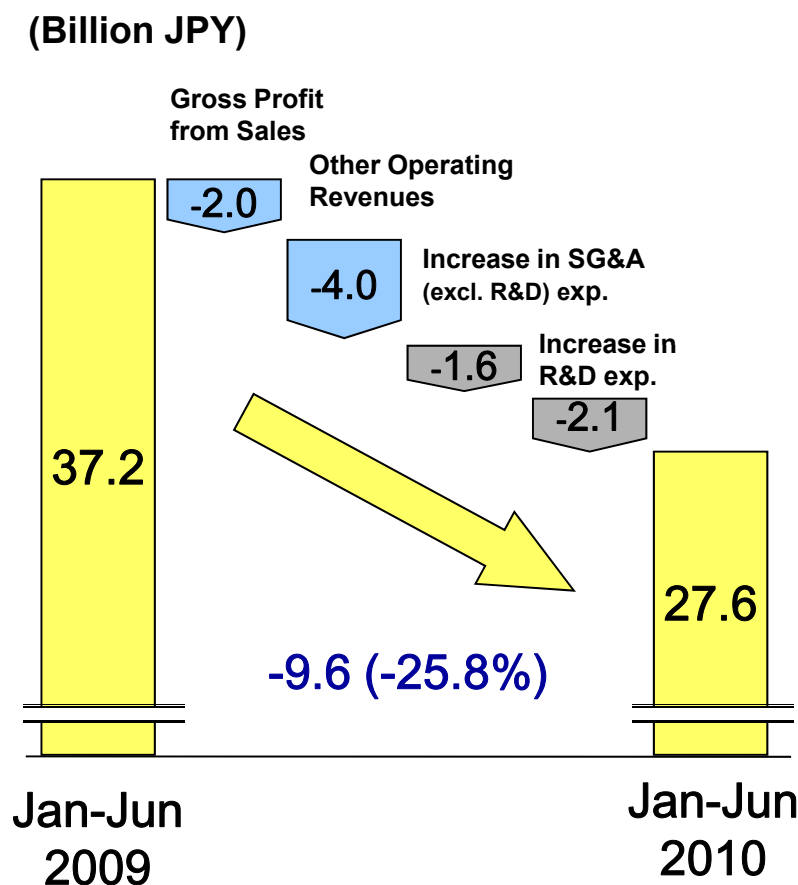
# Tamiflu Sales Performance

(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												19.1		
<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>20.5</b>	<b>(-15.7)</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												7.6		
<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>18.2</b>	<b>(-21.8)</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>26.7</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>38.7</b>	<b>(-37.5)</b>		

     Company forecast The forecast for July to December 2010 is the variance between H1 actual and the original full-year 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-Jun



(Billion JPY)	2009 Jan-Jun	2010 Jan-Jun	Variance	
				(%)
<b>Revenues</b>	<b>191.7</b>	<b>182.4</b>	<b>-9.3</b>	<b>-4.9</b>
Cost of Sales	83.9	80.5	-3.4	-4.1
<b>Gross Profit</b>	<b>107.8</b>	<b>101.8</b>	<b>-6.0</b>	<b>-5.6</b>
Sales	102.1	100.1	-2.0	-2.0
Other Operating Revenues	5.7	1.7	-4.0	-70.2
SG&A (excl. R&D) exp.	46.1	47.7	+1.6	+3.5
R&D exp.	24.5	26.6	+2.1	+8.6
<b>Operating Income</b>	<b>37.2</b>	<b>27.6</b>	<b>-9.6</b>	<b>-25.8</b>

- **Decrease in Gross Profit** -6.0
  - Decrease in Tamiflu
  - Decrease in Other Operating Revenues
- **Increase in SG&A (excl. R&D) exp.** -1.6
  - Increase in personnel expenses
  - Co-promotion of Actemra
- **Increase in R&D exp.** -2.1
  - Increase in expenses for early stage projects

# Financial Overview Apr-Jun

(Billion JPY)

(Billion JPY)	2009		2010		Variance	
	Apr-Jun	As % of Revenues	Apr-Jun	As % of Revenues		%
<b>Revenues</b>	<b>97.0</b>		<b>95.3</b>		<b>-1.7</b>	<b>-1.8</b>
Sales	93.0		94.5		+1.5	+1.6
<b>excl. Tamiflu</b>	<b>88.1</b>		<b>93.3</b>		<b>+5.2</b>	<b>+5.9</b>
Tamiflu	5.0		1.2		-3.8	-76.0
Other Operating Revenues	4.0		0.8		-3.2	-80.0
Cost of sales	40.1		39.5		-0.6	-1.5
<b>Gross Profit</b>	<b>56.9</b>	<b>58.7</b>	<b>55.8</b>	<b>58.6</b>	<b>-1.1</b>	<b>-1.9</b>
SG&A (excl. R&D) exp.	24.5		24.9		+0.4	+1.6
R&D exp.	12.7		14.4		+1.7	+13.4
<b>Operating Income</b>	<b>19.6</b>	<b>20.2</b>	<b>16.5</b>	<b>17.3</b>	<b>-3.1</b>	<b>-15.8</b>
<b>Recurring Profit</b>	<b>20.7</b>	<b>21.3</b>	<b>14.1</b>	<b>14.8</b>	<b>-6.6</b>	<b>-31.9</b>
<b>Net Income</b>	<b>12.5</b>	<b>12.9</b>	<b>8.5</b>	<b>8.9</b>	<b>-4.0</b>	<b>-32.0</b>

➤ Sales excl. Tamiflu	+5.2
Avastin	+4.4
Actemra (Overseas)	+4.0
Xeloda	+1.3
Actemra (Domestic)	+1.3
Herceptin	-1.7
Epogin	-1.2
Neutrogen (Overseas)	-1.0
Kytril	-0.9
➤ Sales of Tamiflu*	-3.8
➤ Other Operating Revenues	-3.2
Decrease in milestone income	
➤ Operating Income	-3.1

* Tamiflu (Billion JPY)	2009 Apr-Jun	2010 Apr-Jun	Variance
Ordinary	5.0	0.0	-5.0
Govt. Stockpile etc.	-	1.2	+1.2

# Financial Overview Jan-Jun

(Billion JPY)	Actual	Forecast (Feb. 3)					2008 Jan-Jun  Full-year prog. (%)	2009 Jan-Jun  Full-year prog. (%)
	2010 Jan-Jun	2010 Jan-Jun	+/-	Achiev. (%)	2010 Jan-Dec	Prog. (%)		
<b>Revenues</b>	<b>182.4</b>	<b>189.1</b>	<b>-6.7</b>	96.5	<b>418.5</b>	43.6	44.6	44.7
Sales	180.6	187.4	-6.8	96.4	414.0	43.6	45.0	44.4
<b>excl. Tamiflu</b>	<b>168.6</b>	<b>170.6</b>	<b>-2.0</b>	<b>98.8</b>	<b>375.3</b>	<b>44.9</b>	<b>45.7</b>	<b>46.8</b>
Tamiflu	12.0	16.8	-4.8	71.4	38.7	31.0	19.0	33.3
Other Operating Revenues	1.7	1.7	+0.0	100.0	4.5	37.8	19.6	58.2
Cost of sales	80.5	-	-	-	184.5	43.6	44.3	43.5
<b>Gross Profit</b>	<b>101.8</b>	-	-	-	<b>234.0</b>	43.5	44.8	45.7
SG&A (excl. R&D) exp.	47.7	-	-	-	105.0	45.4	44.4	46.9
R&D exp.	26.6	-	-	-	59.0	45.1	45.5	44.3
<b>Operating Income</b>	<b>27.6</b>	<b>26.5</b>	<b>+1.1</b>	104.2	<b>70.0</b>	39.4	44.8	45.0
as % of Revenues	15.1	14.0	-	-	16.7	-	-	-
<b>Recurring Profit</b>	<b>26.2</b>	<b>27.0</b>	<b>-0.8</b>	97.0	<b>70.5</b>	37.2	42.4	48.1
<b>Net Income</b>	<b>16.4</b>	<b>16.7</b>	<b>-0.3</b>	98.2	<b>44.0</b>	37.3	48.1	46.5

# Sales excl. Tamiflu Jan-Jun

Billion JPY	Actual Jan-Jun	Forecast Jan-Jun	+/-	Achiev.	Forecast <sup>*</sup> Jul-Dec	Forecast Jan-Dec	Prog.
<b>Sales excl. Tamiflu</b>	<b>168.6</b>	<b>170.6</b>	<b>-2.0</b>	<b>98.8</b>	<b>206.7</b>	<b>375.3</b>	<b>44.9</b>
<b>Oncology</b>	<b>64.6</b>	<b>62.4</b>	<b>+2.2</b>	<b>103.5</b>	<b>75.6</b>	<b>140.2</b>	<b>46.1</b>
Avastin	23.3	20.3	+3.0	114.8	24.6	47.9	48.6
Herceptin	12.1	12.2	-0.1	99.2	12.6	24.7	49.0
Xeloda	5.1	4.4	+0.7	115.9	5.8	10.9	46.8
<b>Bone and Joint</b>	<b>28.6</b>	<b>29.2</b>	<b>-0.6</b>	<b>97.9</b>	<b>35.6</b>	<b>64.2</b>	<b>44.5</b>
Actemra	5.8	6.3	-0.5	92.1	9.3	15.1	38.4
<b>Renal diseases</b>	<b>27.2</b>	<b>28.2</b>	<b>-1.0</b>	<b>96.5</b>	<b>32.1</b>	<b>59.3</b>	<b>45.9</b>
Epogin	19.0	20.3	-1.3	93.6	23.2	42.2	45.0
<b>Transplant, Immunology and Infectious diseases</b>	<b>11.9</b>	<b>14.2</b>	<b>-2.3</b>	<b>83.8</b>	<b>20.0</b>	<b>31.9</b>	<b>37.3</b>
Pegasys	4.8	6.5	-1.7	73.8	10.0	14.8	32.4
Copegus	2.0	3.1	-1.1	64.5	5.1	7.1	28.2
<b>Others</b>	<b>18.3</b>	<b>18.5</b>	<b>-0.2</b>	<b>98.9</b>	<b>20.6</b>	<b>38.9</b>	<b>47.0</b>
<b>Overseas</b>	<b>18.1</b>	<b>18.2</b>	<b>-0.1</b>	<b>99.5</b>	<b>22.6</b>	<b>40.7</b>	<b>44.5</b>
Actemra	7.4	7.3	+0.1	101.4	12.3	19.7	37.6

\*Variance between Jan-Jun actual and the original full-year forecast



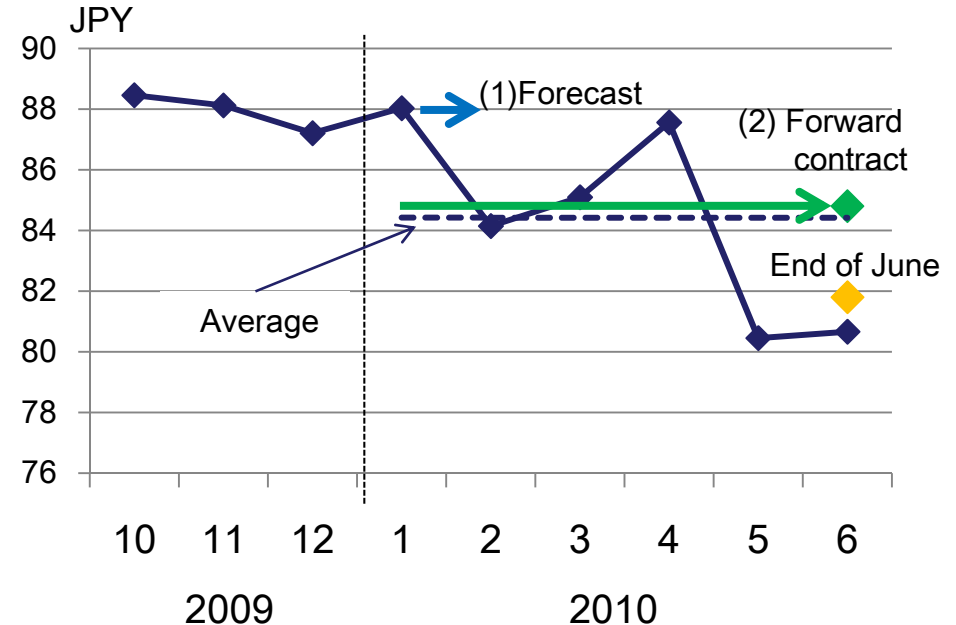
# Impact from Foreign Exchange

(Billion JPY)	vs. Exchange rate assumption	
<b>Revenues</b>	<b>-0.9</b>	
	Neutrogin (Overseas)	-0.6
	Actemra(Overseas)	-0.3
Cost of sales SG&A expenses	Cost of Roche products	+1.2
	Other cost of sales	+0.4
	SG&A of overseas affiliates	+0.2
	<b>Operating Income</b>	
<b>+0.9</b>		
Non-operating Inc./Exp.	Gain/loss on foreign exchanges and exchange forward contracts	-2.1
<b>Recurring Profit</b>		
<b>-1.2</b>		

Approximate impact on profits (Jan-Jun)

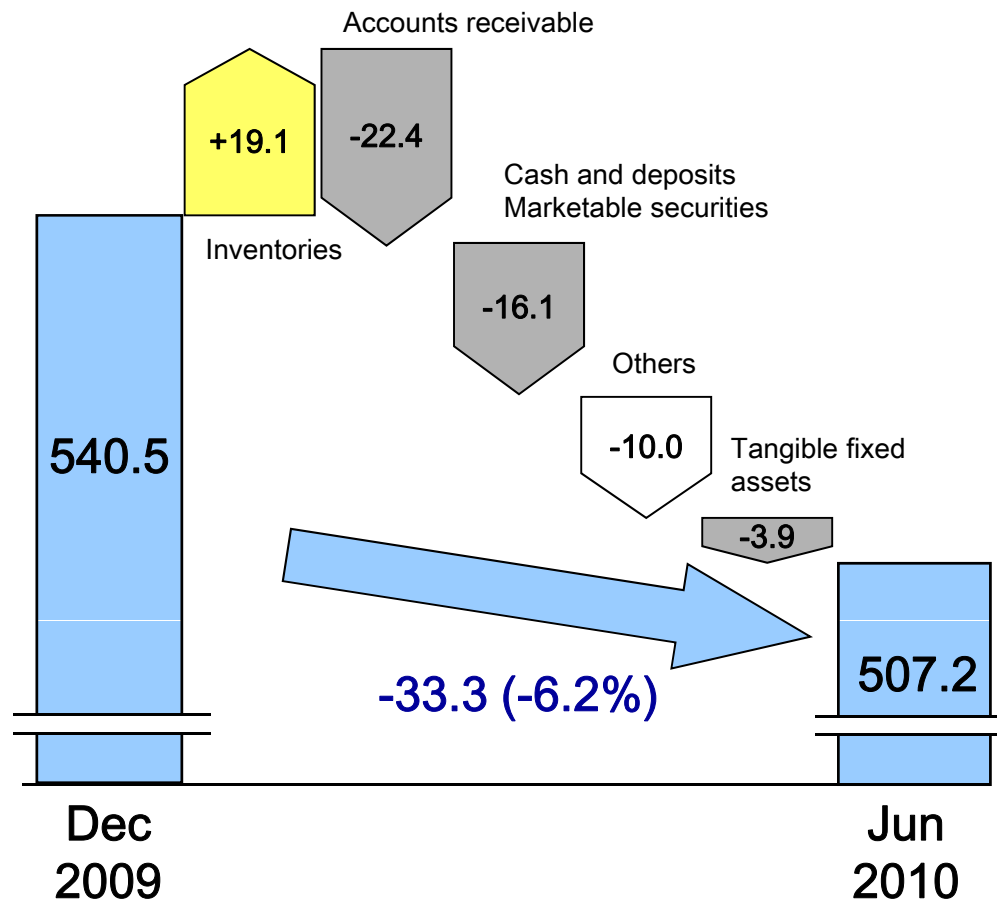
- Exchange rate assumption  
CHF : 88.00JPY    EUR : 130.00JPY
- Recurring Profit  
CHF: -0.8 billion JPY    EUR: -0.4 billion JPY

[Reference] CHF/JPY exchange rate (monthly average) and rates for exchange forward contracts



# Balance Sheet Items (Assets)

(Billion JPY)



➤ Cash and deposits -25.7

➤ Marketable securities +9.5

➤ Inventories +19.1

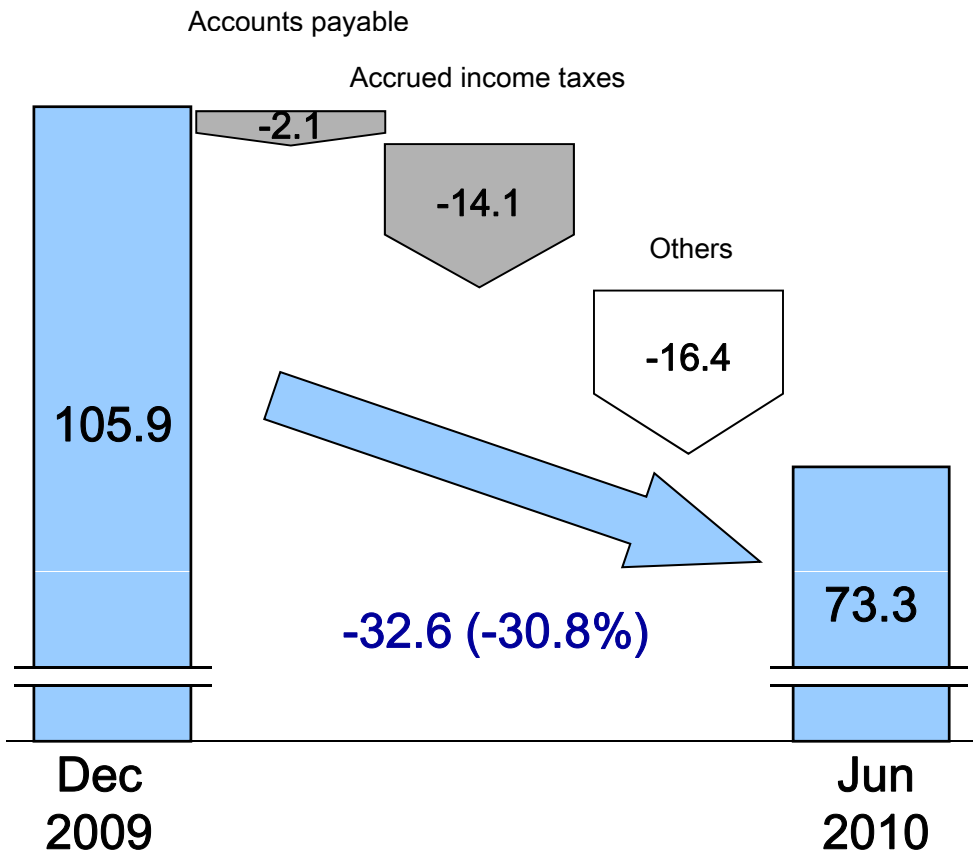
Seasonal effects and stockpiling for manufacturing site change

➤ Accounts receivable -22.4

Seasonal effects

# Balance Sheet Items (Liabilities)

(Billion JPY)

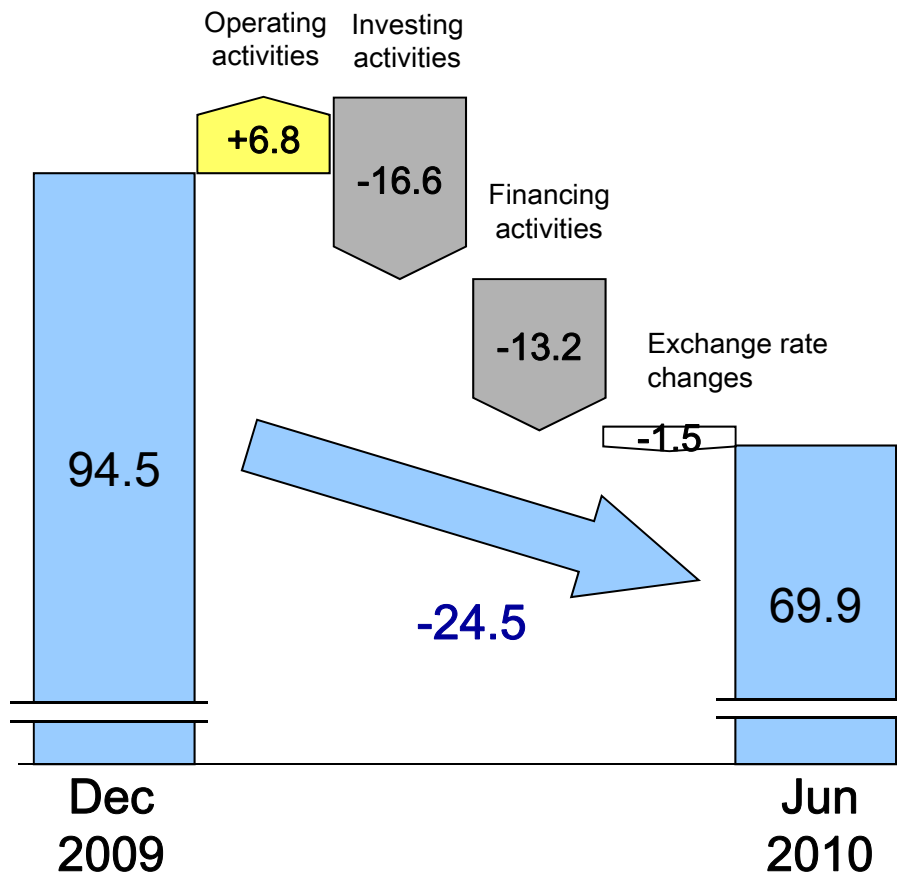


- Accounts payable -2.1
  - Accrued income taxes -14.1
  - Others -16.4
- Decrease in accrued expenses

Equity Ratio		
Dec. 2009	Jun. 2010	Variance
80.0%	85.1%	+5.1%pts

# Cash Flow Statement Jan - Jun

(Billion JPY)



➤ <b>Cash flow from operating activities</b>	<b>+6.8</b>
Income before taxes and minority interests	+26.1
Depreciation and amortization	+8.4
Decrease in working capital	+0.5
Decrease in notes and accounts receivable	+22.1
Increase in inventories	-19.7
Decrease in notes and accounts payable	-1.9
Income taxes paid	-21.7
➤ <b>Cash flow from investing activities</b>	<b>-16.6</b>
Payment into time deposits	-1.1
Increase in marketable and investment securities	-8.0
Purchases of fixed assets	-7.5
➤ <b>Cash flow from financing activities</b>	<b>-13.2</b>
Payment of dividends	-12.5
Payment of dividends to minority shareholders	-0.7



Roche Roche Group

# Overview of Development Pipeline

CHUGAI PHARMACEUTICAL CO., LTD.  
Executive Vice President  
Head of Lifecycle Management & Marketing Unit  
Tatsuro Kosaka

July 22/23, 2010



# Projects under Development (as of Jul. 2010)

	Phase I	Phase II	Phase III	Filed
<b>Oncology</b>	<b>CIF/RG7167</b> - solid tumors <b>CKI27/RG7304</b> - solid tumors <b>GC33 - liver cancer</b> GA101/RG7159 - NHL RG3502(T-DM1) - BC	<b>MRA/Actemra - PC</b> <b>TP300 - GC</b> RG435/Avastin - glioblastoma (relapsed) RG1415/Tarceva - NSCLC(1 <sup>st</sup> line)	RG435/Avastin - aCC - GC - aBC - glioblastoma RG1273/pertuzumab – BC	<b>EPOCH/Epogin - CIA</b> RG435/Avastin - BC RG1415/Tarceva – PC RG340/Xeloda - GC RG597/Herceptin - GC
<b>Bone &amp; Joint</b>		RG484/Bonviva(oral) - osteoporosis	<b>MRA/Actemra (overseas)</b> – sJIA – RA(sc) ★ RG1594/ocrelizumab - RA RG484/Bonviva(inj) - osteoporosis	<b>ED-71 - osteoporosis</b>
<b>Renal</b>				RG744/Mircera - renal anemia
<b>Others</b>	<b>NA808 - HCV</b> RG1450 - Alzheimer's disease	<b>CSG452/RG7201</b> - diabetes RG1583/taspoglutide - diabetes RG1678/(GLYT1) - schizophrenia	RG442/Pegasys - HBV RG442+RG964/Pegasys + Copegus – cirrhosis	

Letters in orange in-house projects  
 ★: Projects with advances in stages since Apr 23, 2010

# Development Status - Oncology

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## **Herceptin : Gastric cancer**

Filed in Mar. and designated as a priority review subject in May.

# Development Status - Bone & Joint

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In-house

## ACTEMRA :

- RA (subcutaneous injection)

Started P3 in May.

- Prevention of structural joint damage and improvement of physical function in rheumatoid arthritis (EU)

Approved in Jun.

- sJIA

P3 data presented at EULAR in Jun.

In-licensed

## RG1594 (ocrelizumab) : RA

Roche discontinued the clinical development by considering overall risk to benefit profile



# Development Status –

## Transplant, Immunology, Infectious diseases and others

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In-house

**Epogin :**

**Predeposit of autologous blood transfusion**

Approved in Jun.

- once-weekly subcutaneous administration become available

In-licensed

**NTZ : Chronic hepatitis C**

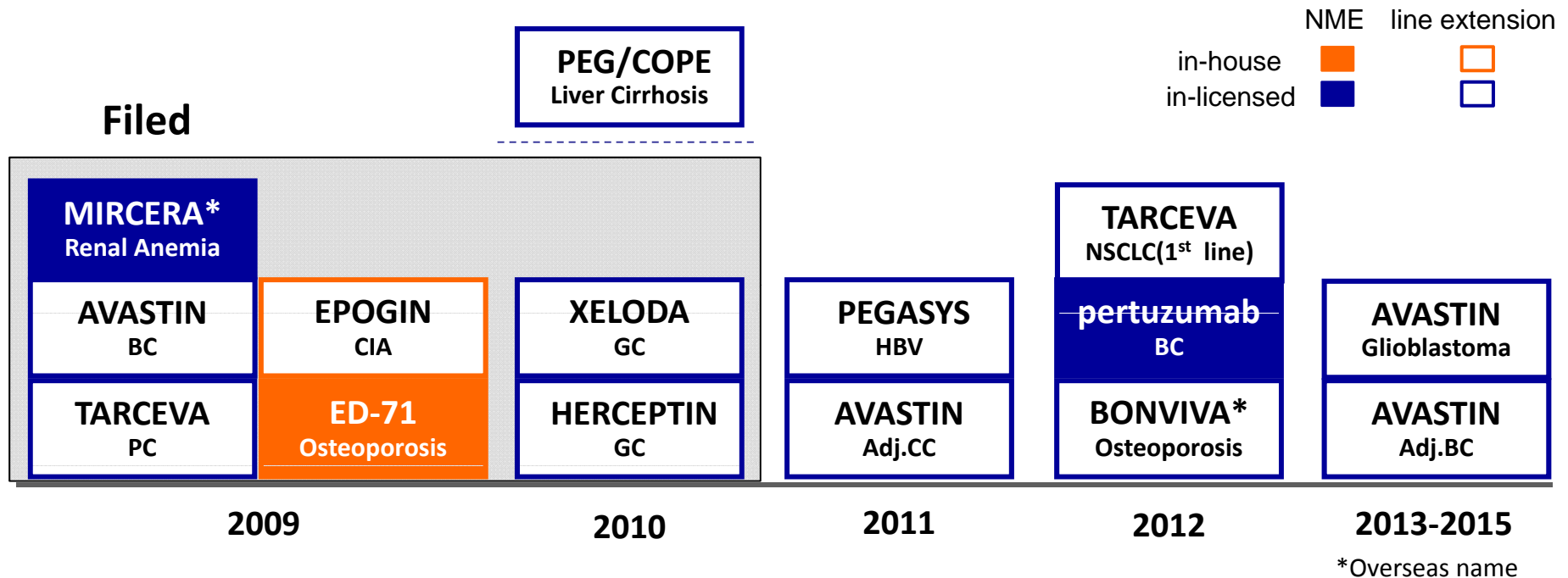
Development discontinued

- reviewing the priorities of development programs



# Projected Submissions

- Filings for 2 products (1 project) are planned in H2 2010



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