



Roche Roche Group

# FY2008 Consolidated Financial Overview

CHUGAI PHARMACEUTICAL CO., LTD.  
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# 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.

Note: Amounts are rounded to the nearest 0.1 billion yen.  
% is calculated based on amounts shown.

# Financial Overview Jan – Dec

(Billion JPY)	Jan - Dec 2007		Jan - Dec 2008		Variance	
		As % of Revenues		As % of Revenues		(%)
<b>Revenues</b>	<b>344.8</b>		<b>326.9</b>		<b>-17.9</b>	<b>-5.2</b>
Sales	332.9		321.8		-11.1	-3.3
<b>Excl. Tamiflu</b>	<b>294.3</b>		<b>313.4</b>		<b>+19.1</b>	<b>+6.5</b>
Tamiflu	38.7		8.4		-30.3	-78.3
Royalties and OOI*	11.9		5.1		-6.8	-57.1
<b>Operating Income</b>	<b>66.7</b>	<b>19.3</b>	<b>51.6</b>	<b>15.8</b>	<b>-15.1</b>	<b>-22.6</b>
Non-operating Income	4.3		9.9		+5.6	+130.2
Non-operating Expenses	3.3		4.2		+0.9	+27.3
<b>Recurring Profit</b>	<b>67.7</b>	<b>19.6</b>	<b>57.3</b>	<b>17.5</b>	<b>-10.4</b>	<b>-15.4</b>
Extraordinary Gain	0.3		7.3		+7.0	+2333.3
Extraordinary Loss	1.6		1.4		-0.2	-12.5
<b>Net Income</b>	<b>40.1</b>	<b>11.6</b>	<b>39.3</b>	<b>12.0</b>	<b>-0.8</b>	<b>-2.0</b>

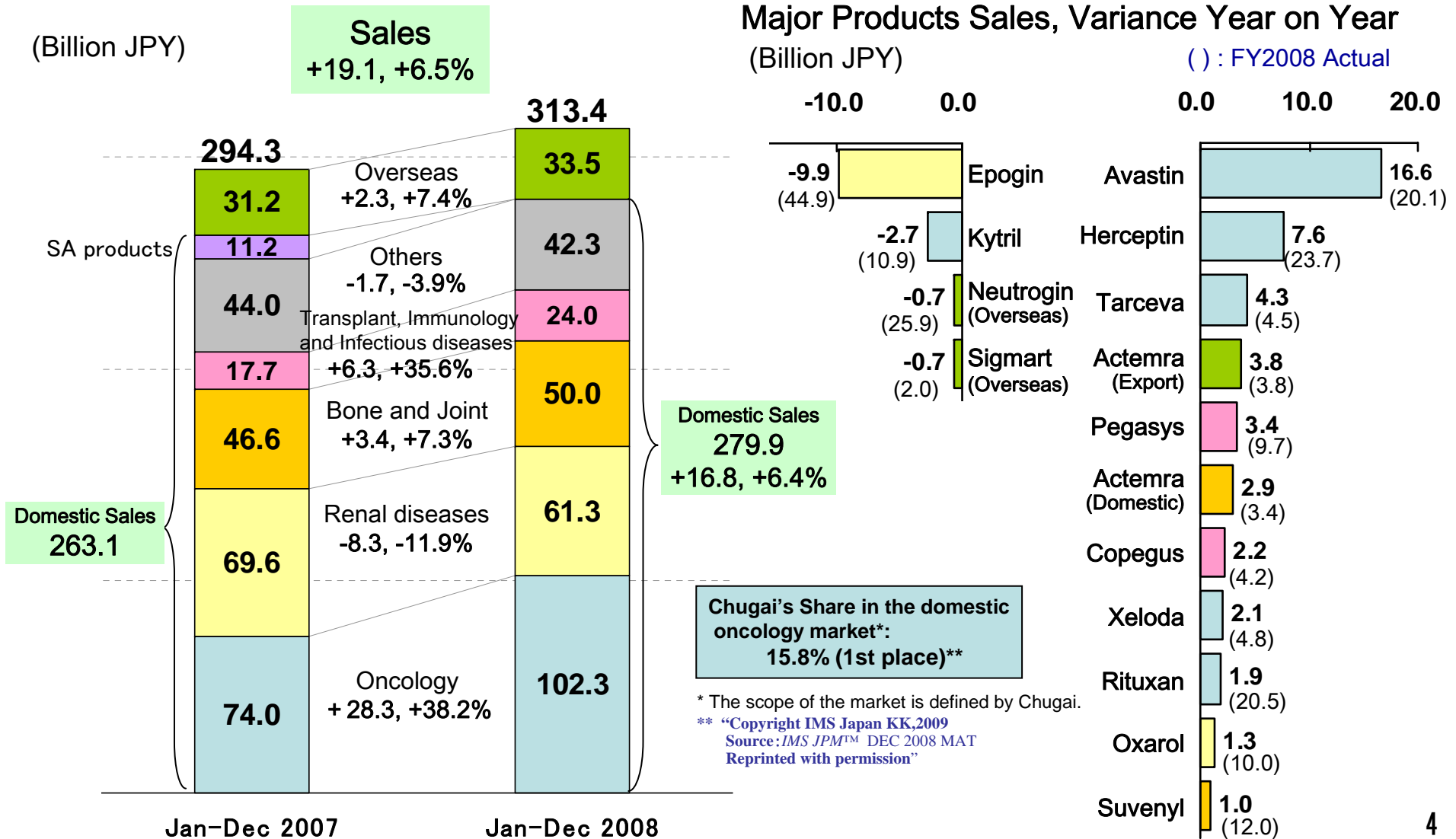
(Billion JPY)

- > Sales excl. Tamiflu +19.1  
Refer to P.4
- > Royalties and OOI -6.8  
Decrease in milestone income
- > Operating Income -15.1  
Refer to P.5
- > Non-operating Inc. / Exp. +4.7  
Gain on foreign exchanges
- > Extraordinary Gain / Loss +7.1  
Gain on settlement of co-development costs for Actemra

\* other operating income

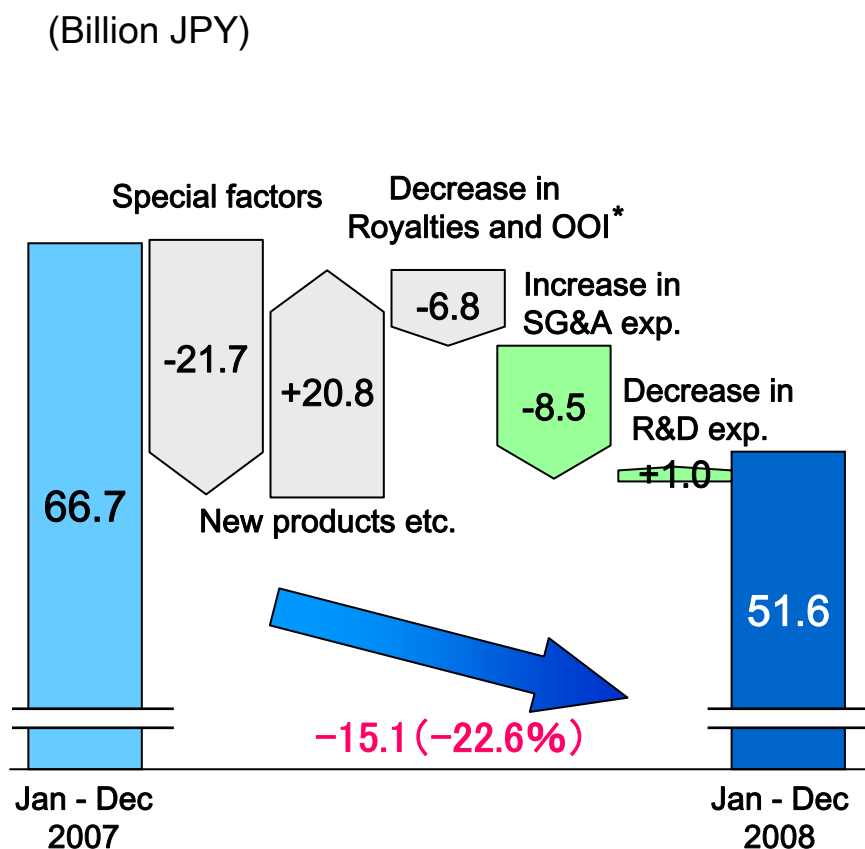
Average rate (Jan. 1 – Dec. 31, 2007) 117.80 JPY/USD, 235.66 JPY/GBP, 98.13 JPY/CHF, 161.17 JPY/EUR  
Average rate (Jan. 1 – Dec. 31, 2008) 103.44 JPY/USD, 189.85 JPY/GBP, 95.54 JPY/CHF, 151.38 JPY/EUR

# Sales (Excl. Tamiflu) Jan – Dec





# Operating Income Jan – Dec



\* other operating income

(Billion JPY)	Jan – Dec 2007	Jan – Dec 2008	Variance	
				(%)
Revenues	344.8	326.9	-17.9	-5.2
Cost of Sales	137.3	127.0	-10.3	-7.5
<b>Gross Profit</b>	<b>207.5</b>	<b>199.9</b>	<b>-7.6</b>	<b>-3.7</b>
Sales	195.7	194.8	-0.9	-0.5
Royalties and OOI *	11.9	5.1	-6.8	-57.1
SG&A expenses	86.6	95.1	+8.5	+9.8
R&D expenses	54.2	53.2	-1.0	-1.8
<b>Operating Income</b>	<b>66.7</b>	<b>51.6</b>	<b>-15.1</b>	<b>-22.6</b>

(Billion JPY)

- > Special factors -21.7
  - Decrease in Tamiflu and Epogin sales
  - Return of sanofi-aventis products
- > Increase in Gross Profit from new products etc. +20.8
- > Increase in SG&A expenses -8.5
  - Sales promotion for new products etc. (Actemra, Tarceva, etc.)
  - Increase in PMS and IT expenses
- > Decrease in R&D expenses + 1.0
  - Decrease in development costs of Actemra
  - Increase of co-development themes

# Financial Overview Oct – Dec (4th Quarter)

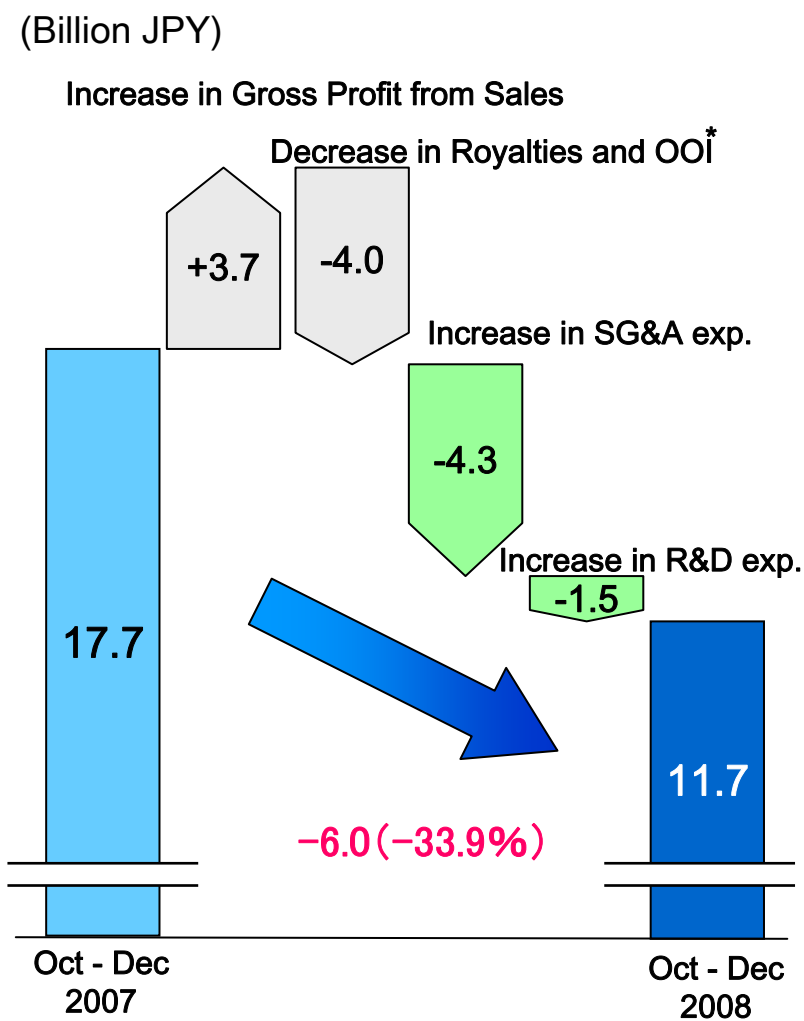
(Billion JPY)	Oct - Dec 2007		Oct - Dec 2008		Variance		
		As % of Revenues		As % of Revenues		(%)	
<b>Revenues</b>	<b>94.4</b>		<b>97.3</b>		<b>+2.9</b>	<b>+3.1</b>	
Sales	90.1		97.0		+6.9	+7.7	
<b>Excl. Tamiflu</b>	<b>83.3</b>		<b>90.3</b>		<b>+7.0</b>	<b>+8.4</b>	
Tamiflu	6.8		6.7		-0.1	-1.5	
Royalties and OOI*	4.3		0.3		-4.0	-93.0	
<b>Operating Income</b>	<b>17.7</b>	18.8	<b>11.7</b>	12.0	<b>-6.0</b>	<b>-33.9</b>	
Non-operating Income	1.3		5.6		+4.3	+330.8	
Non-operating Expenses	2.3		2.8		+0.5	+21.7	
<b>Recurring Profit</b>	<b>16.7</b>	17.7	<b>14.6</b>	15.0	<b>-2.1</b>	<b>-12.6</b>	
Extraordinary Gain	0.0		0.0		+0.0		
Extraordinary Loss	0.4		1.1		+0.7	+175.0	
<b>Net Income</b>	<b>9.8</b>	10.4	<b>9.1</b>	9.4	<b>-0.7</b>	<b>-7.1</b>	

(Billion JPY)	
> Sales excl. Tamiflu	+7.0
Avastin	+5.1
Herceptin	+3.1
Epogin	-2.3
Actemra	+3.6
> Royalties and OOI	-4.0
Decrease in milestone income	
> Operating Income	-6.0
Refer to P.7	
> Non-operating Inc. / Exp.	+3.7
Gain on foreign exchanges	
> Extraordinary Gain / Loss	-0.7
Loss on office realignment costs	

\* other operating income

# Operating Income Oct – Dec (4th Quarter)



(Billion JPY)	Oct – Dec 2007	Oct – Dec 2008	Variance	
				(%)
Revenues	94.4	97.3	+2.9	+3.1
Cost of Sales	36.3	39.4	+3.1	+8.5
<b>Gross Profit</b>	<b>58.0</b>	<b>57.8</b>	<b>-0.2</b>	<b>-0.3</b>
Sales	53.8	57.5	+3.7	+6.9
Royalties and OOI*	4.3	0.3	-4.0	-93.0
SG&A expenses	24.9	29.2	+4.3	+17.3
R&D expenses	15.4	16.9	+1.5	+9.7
<b>Operating Income</b>	<b>17.7</b>	<b>11.7</b>	<b>-6.0</b>	<b>-33.9</b>

(Billion JPY)

- > Increase in Gross Profit from Sales +3.7
- > Increase in SG&A expenses -4.3
  - Sales promotion for newly launched products etc.
  - Increase in IT expenses
- > Increase in R&D expenses -1.5
  - Increase of preclinical themes
  - Increase in depreciation

\* other operating income

# Financial Overview Jan – Dec

(Billion JPY)	Revised Forecast Jul. 31		Jan – Dec 2008		Variance	
		As % of Revenues		As % of Revenues		(%)
<b>Revenues</b>	<b>326.0</b>		<b>326.9</b>		<b>+0.9</b>	<b>+0.3</b>
<b>Excl. Tamiflu</b>	<b>321.0</b>		<b>318.5</b>		<b>-2.5</b>	<b>-0.8</b>
Tamiflu	5.0		8.4		+3.4	+68.0
<b>Operating Income</b>	<b>48.0</b>	<b>14.7</b>	<b>51.6</b>	<b>15.8</b>	<b>+3.6</b>	<b>+7.5</b>
Non-operating Income	-		9.9		-	-
Non-operating Expenses	-		4.2		-	-
<b>Recurring Profit</b>	<b>49.0</b>	<b>15.0</b>	<b>57.3</b>	<b>17.5</b>	<b>+8.3</b>	<b>+16.9</b>
Extraordinary Gain	-		7.3		-	-
Extraordinary Loss	-		1.4		-	-
<b>Net Income</b>	<b>33.0</b>	<b>10.1</b>	<b>39.3</b>	<b>12.0</b>	<b>+6.3</b>	<b>+19.1</b>

(Billion JPY)

&gt; Revenues + 0.9 ( +0.3% )

Tamiflu + 3.4

Rituxan + 1.1

Avastin + 1.1

Actemra -0.9

Evista -0.7

Neutrogin -0.6

&gt; Operating Income + 3.6 ( +7.5% )

Refer to P.9

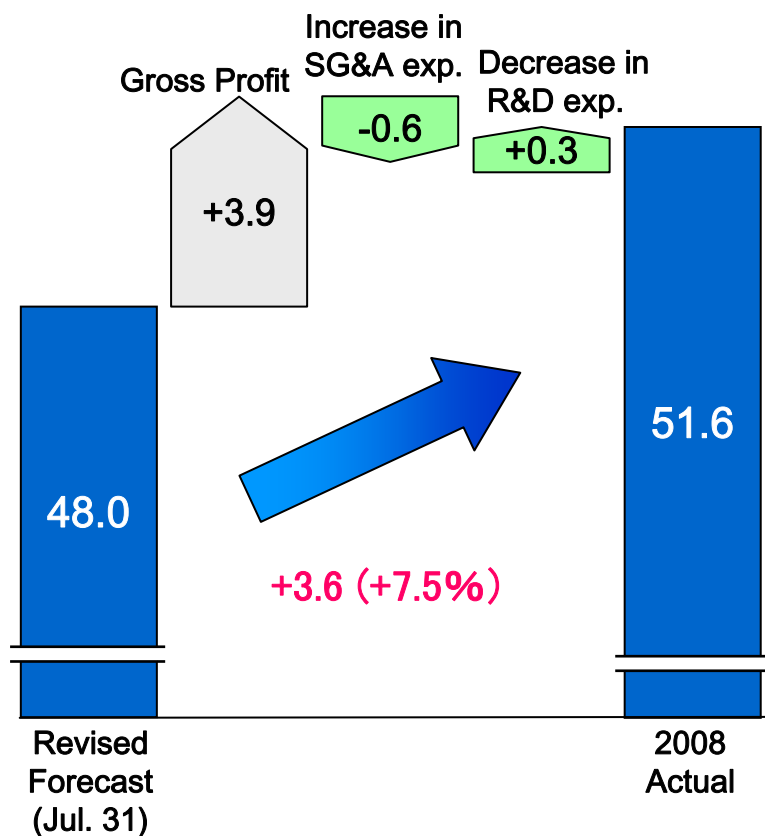
&gt; Non-operating Inc. / Exp. +4.7

Gain on foreign exchanges



# Operating Income Jan – Dec

(Billion JPY)



(Billion JPY)	Revised Forecast (Jul. 31)	Jan – Dec 2008	Variance	
				(%)
Revenues	326.0	326.9	+0.9	+0.3
Cost of Sales	130.0	127.0	-3.0	-2.3
<b>Gross Profit</b>	<b>196.0</b>	<b>199.9</b>	<b>+3.9</b>	<b>+2.0</b>
SG&A expenses	94.5	95.1	+0.6	+0.6
R&D expenses	53.5	53.2	-0.3	-0.6
<b>Operating Income</b>	<b>48.0</b>	<b>51.6</b>	<b>+3.6</b>	<b>+7.5</b>

(Billion JPY)

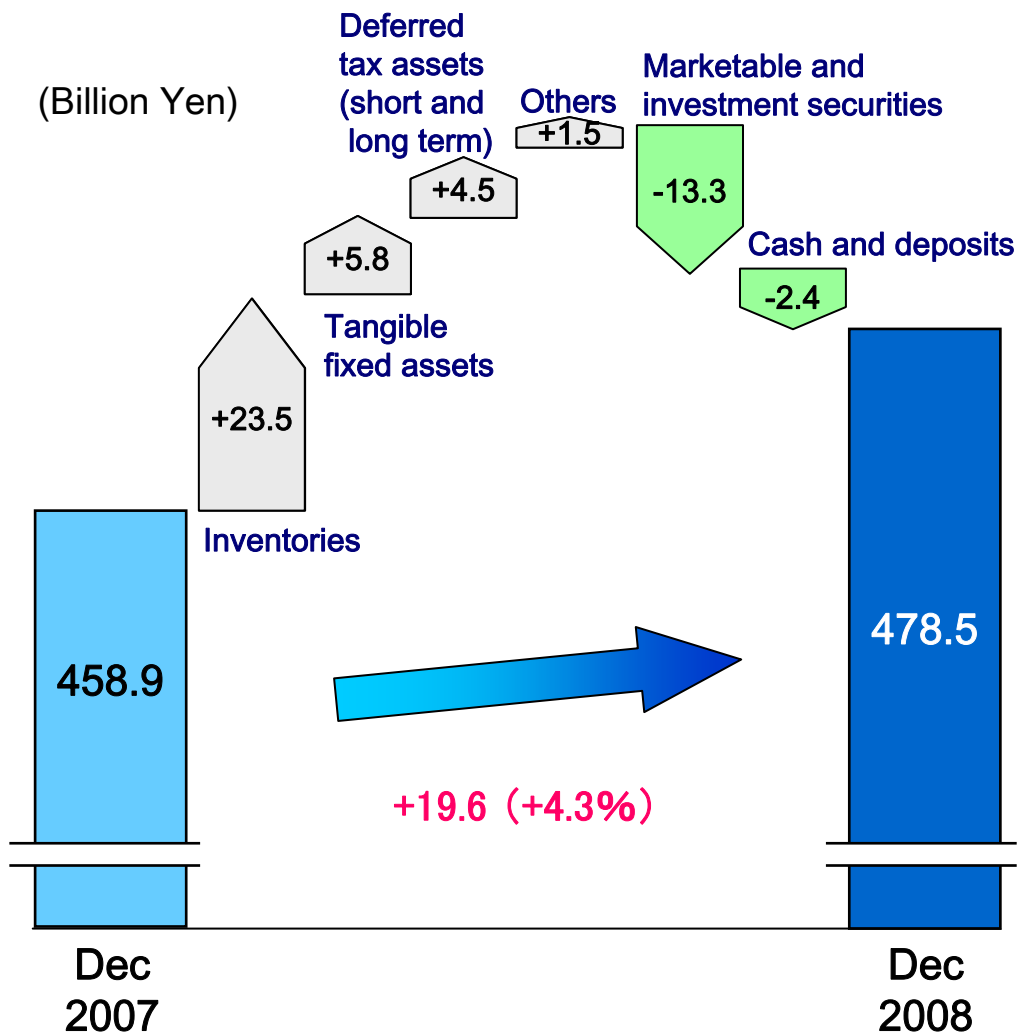
- > Increase in Gross Profit +3.9  
Gain on foreign exchanges
- > Increase in SG&A expenses -0.6  
Sales promotion for new products etc.
- > Decrease in R&D expenses +0.3  
Decrease in development costs of Actemra

## Impact from Foreign Exchange Rate

(Billion JPY)	Vs. Revised Forecast (Jul. 31)		( Reference ) Year on Year	
Revenues	-1.8		-1.9	
	Neutrogin (Overseas)	-1.0	Neutrogin (Overseas)	-1.7
	Actemra (Overseas)	-0.7		
Cost of sales SG&A expenses	Purchase Price Variance	+3.1	Purchase Price Variance	+0.7
	Unrealized Profit in Inv.	+1.3	Unrealized Profit in Inv.	+1.4
	SG&A of overseas affiliates	+0.3	SG&A of overseas affiliates	+0.7
Operating Income	+2.9		+0.8	
Non-operating Inc. / Exp.	Gain on foreign exchanges	+6.1	Gain on foreign exchanges	+5.7
	Exchange Forward Contract	-1.5	Exchange Forward Contract	-1.7
Recurring Profit	+7.4		+4.8	

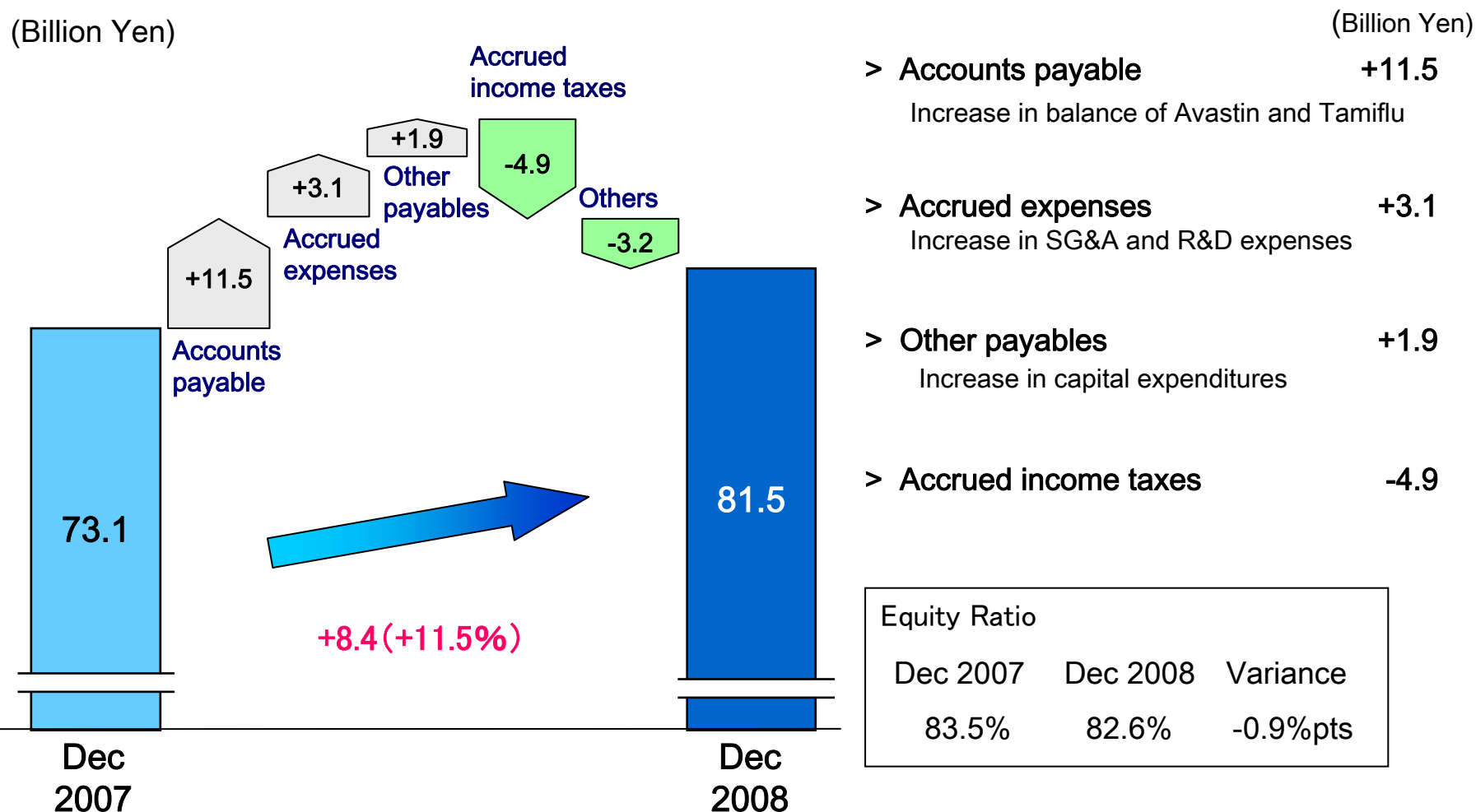
Amounts are our estimation.

# Balance Sheet Items (Assets)

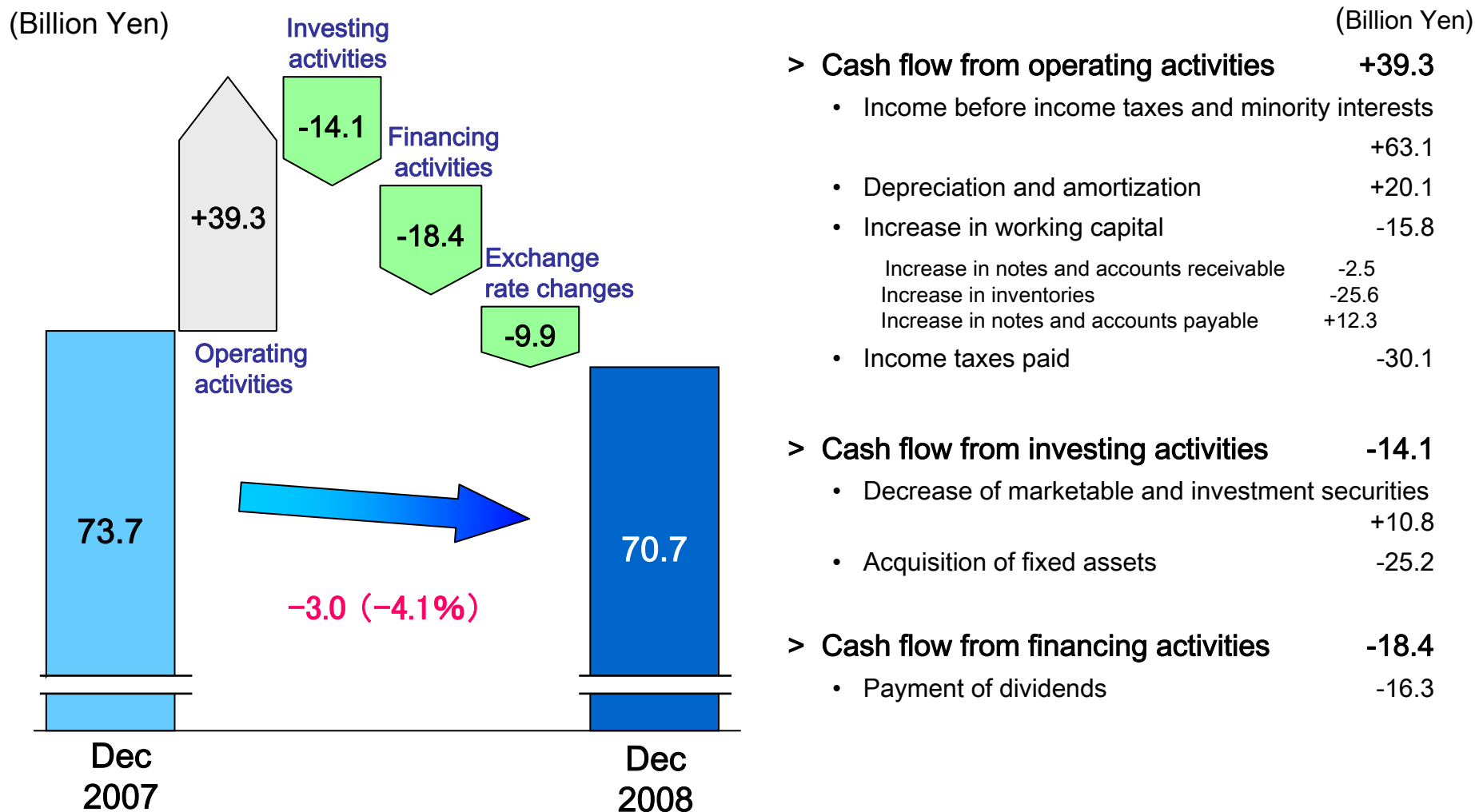


	(Billion Yen)
> Inventories	+23.5
Increase in stock of Actemra, Tamiflu, etc. Stockpiling for manufacturing site change	
> Tangible fixed assets	+5.8
Solid pharmaceutical production lines (Fujieda) Injection products building No.3 (Utsunomiya) Formulation and packaging pilot plant No.2 (Ukima) Bio-product technology research building No.2(Ukima)	
> Marketable securities	-10.8
> Investment securities	-2.4

# Balance Sheet Items (Liabilities)



# Cash Flow Statement



# Dividend Policy

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## > Policy

Considering medium-to-long-term strategic investment funding needs and earnings prospect, we aim to expand the return of profit for all shareholders and ensure a consolidated dividend payout ratio of ...

### **(Current)**

30% or more on average, taking account of short-term fluctuation in earnings by the effect of a flu epidemic.

### **(Revised)**

around 40% on average.

## > Dividends for FY2008 (Forecast) 34 JPY (15+19)

2004-2008 Total (Forecast): Dividends 136 JPY (Excl. special dividends in FY 2005)  
EPS 373.92 JPY                      Dividend Ratio 36.4%

## > Dividends for FY2009 (Forecast) 34 JPY (17+17)

2005-2009 Total (Forecast): Dividends 152 JPY (Excl. special dividends in FY 2005)  
EPS 385.07 JPY                      Dividend Ratio 39.5%



# 2009 Forecast Jan – Dec

(Billion JPY)	Jan - Dec 2008		Jan - Dec 2009		Variance	
		As % of Revenues		As % of Revenues		(%)
<b>Revenues</b>	<b>326.9</b>		<b>400.0</b>		<b>+73.1</b>	<b>+22.4</b>
Sales	321.8		390.3		+68.5	+21.3
<b>Excl. Tamiflu</b>	<b>313.4</b>		<b>337.3</b>		<b>+23.9</b>	<b>+7.6</b>
Tamiflu	8.4		53.0		+44.6	+531.0
Royalties and OOI	5.1		9.7		+4.6	+90.2
Cost of Sales	127.0	38.8	176.0	44.0	+49.0	+38.6
<b>Gross Profit</b>	<b>199.9</b>	<b>61.2</b>	<b>224.0</b>	<b>56.0</b>	<b>+24.1</b>	<b>+12.1</b>
SG&A expenses	95.1	29.1	100.5	25.1	+5.4	+5.7
R&D expenses	53.2	16.3	60.5	15.1	+7.3	+13.7
<b>Operating Income</b>	<b>51.6</b>	<b>15.8</b>	<b>63.0</b>	<b>15.8</b>	<b>+11.4</b>	<b>+22.1</b>
<b>Recurring Profit</b>	<b>57.3</b>	<b>17.5</b>	<b>63.5</b>	<b>15.9</b>	<b>+6.2</b>	<b>+10.8</b>
<b>Net Income</b>	<b>39.3</b>	<b>12.0</b>	<b>40.0</b>	<b>10.0</b>	<b>+0.7</b>	<b>+1.8</b>
(EPS*)	72.04 JPY		73.42 JPY		+1.38 JPY	

Sensitivity (Bil. JPY)

Operating Income	
CHF	+0.6
EUR	-0.1

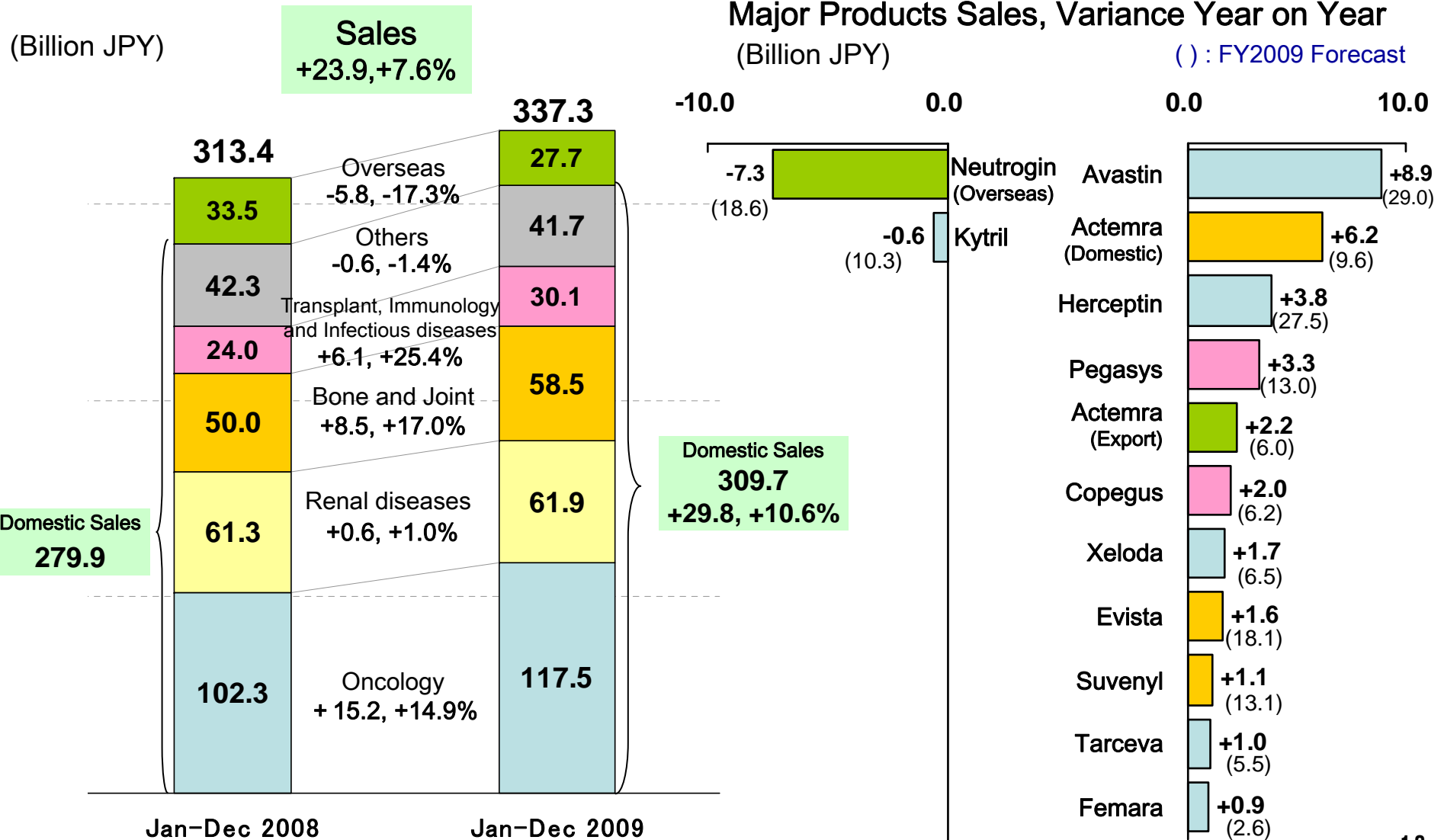
- 1JPY/CHF or EUR  
(Estimation)

Exchange rate assumption for 2009 90.00 JPY/USD, 135.00 JPY/GBP, 85.00 JPY/CHF, 125.00 JPY/EUR

\* EPS (2008): Fully diluted.



# Sales (Excl. Tamiflu) Jan – Dec





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