

FY2010 3Q Financial Overview

CHUGAI PHARMACEUTICAL CO., LTD.
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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

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

(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

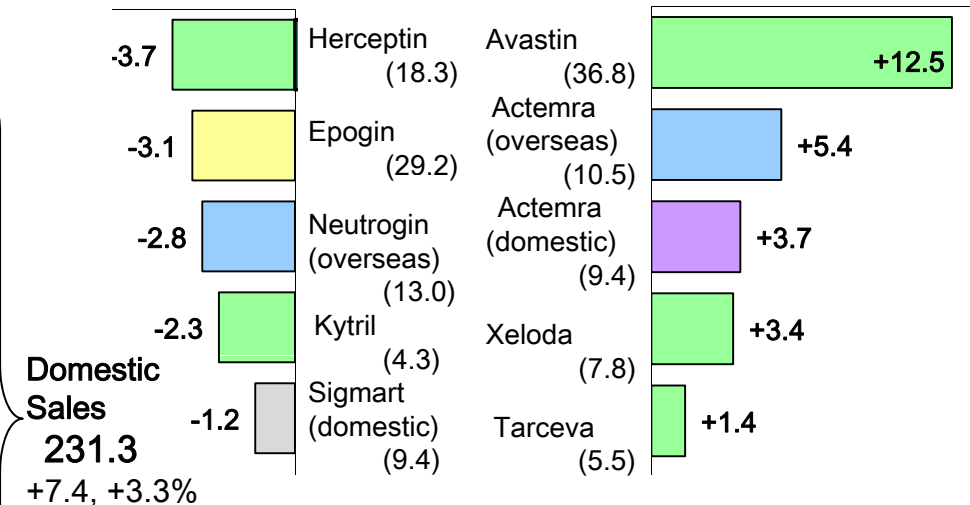
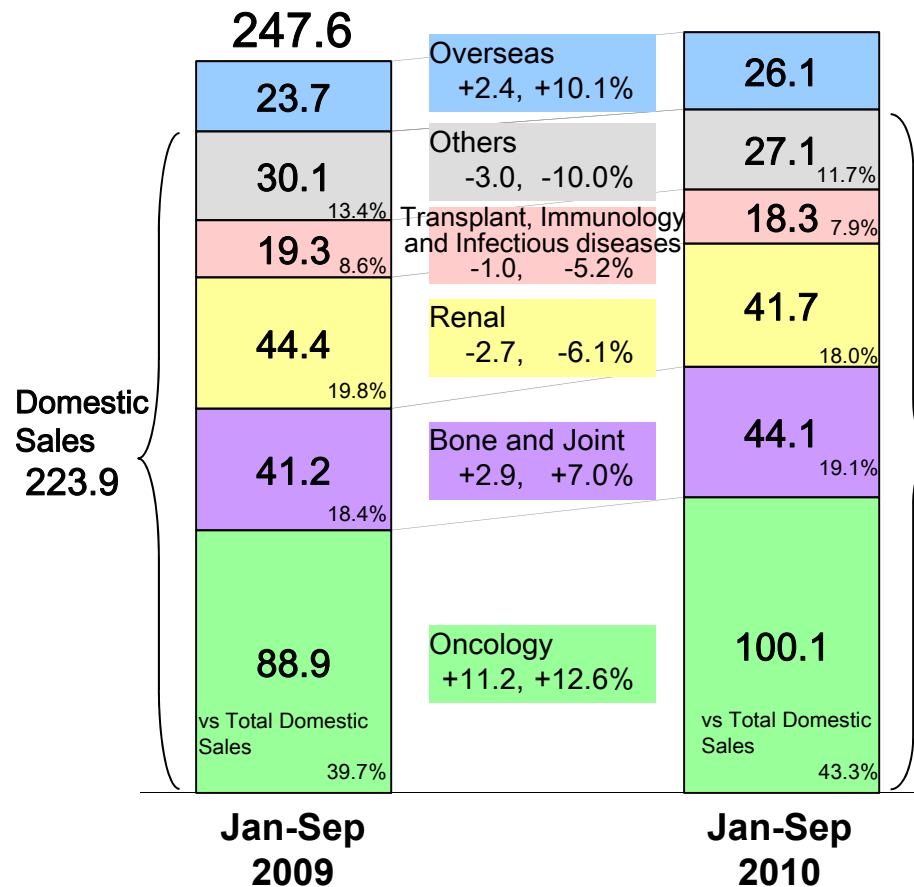
*Tamiflu (Billion JPY)

	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		
Ordinary		35.1	(+26.5)	13.6	(-21.5)	10.2	(-3.4)	7.1	(-3.1)	36.2	(+29.1)	16.4	(-19.8)		

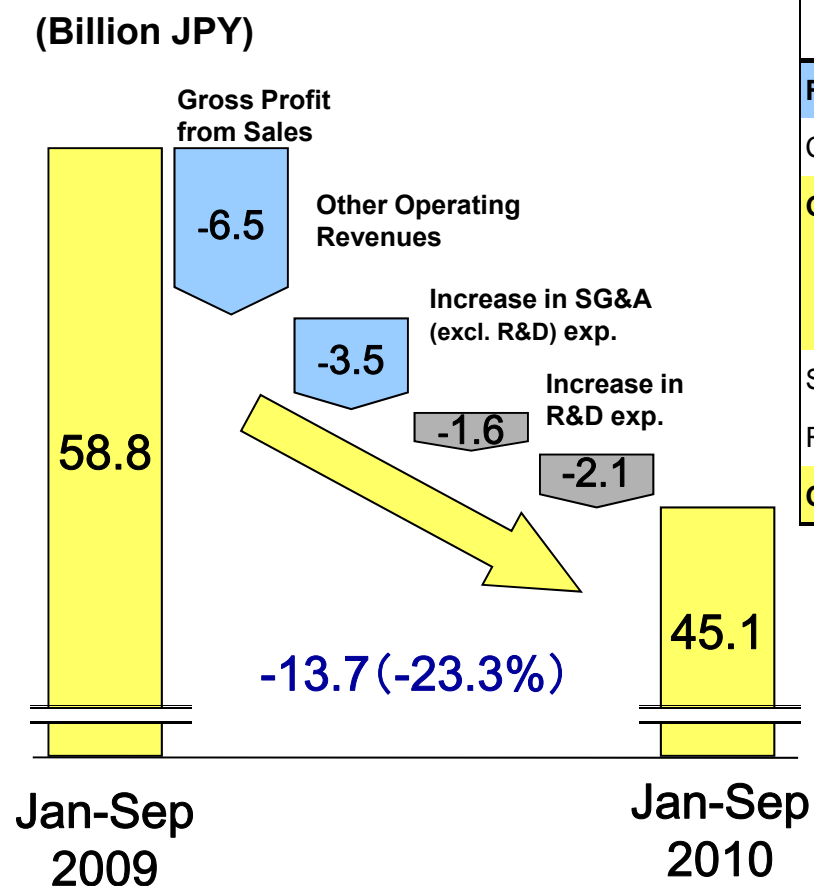
Govt. Stockpile etc.	2005-06		0.2	6.5										6.7	
	2006-07				17.9	18.9								36.8	
	2007-08						9.6	0.2						9.8	
	2008-09								1.1	14.4				15.5	
	2009-10										25.6	10.6		36.2	
	2010-11												6.0		
Govt. Stockpile etc.		0.2	(+0.2)	24.4	(+24.2)	28.5	(+4.1)	1.3	(-27.2)	40.0	(+38.7)	16.6	(-23.4)		

Total		23.2	12.0	16.3	21.6	23.8	14.8	1.6	6.8	25.4	50.8	12.0	21.0		
		35.2	(+26.6)	38.0	(+2.8)	38.7	(+0.7)	8.4	(-30.3)	76.2	(+67.8)	33.0	(-43.2)		

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	(%)
Revenues	309.7	276.1	-33.6	-10.8
Cost of Sales	143.3	119.6	-23.7	-16.5
Gross Profit	166.4	156.5	-9.9	-5.9
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
Operating Income	58.8	45.1	-13.7	-23.3

- **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 Jul-Sep	As % of Revenues	2010 Jul-Sep	As % of Revenues	Variance	%	(Billion JPY)
Revenues	118.0		93.7		-24.3	-20.6	➤ Sales excl. Tamiflu +1.8
Sales	117.5		92.6		-24.9	-21.2	Avastin +4.6
excl. Tamiflu	87.0		88.8		+1.8	+2.1	Actemra (Domestic) +1.4
Tamiflu	30.4		3.8		-26.6	-87.5	Xeloda +1.1
Other Operating Revenues	0.5		1.1		+0.6	+120.0	Tarceva +0.6
Cost of sales	59.4		39.1		-20.3	-34.2	Actemra (Overseas) -0.2
Gross Profit	58.6	49.7	54.6	58.3	-4.0	-6.8	Kytril -0.8
SG&A (excl. R&D) exp.	23.7		23.7		+0.0	+0.0	Herceptin -1.1
R&D exp.	13.3		13.3		+0.0	+0.0	Epogin -1.2
Operating Income	21.6	18.3	17.6	18.8	-4.0	-18.5	Neutrogen (Overseas) -1.4
Recurring Profit	22.6	19.2	18.1	19.3	-4.5	-19.9	➤ Sales of Tamiflu* -26.6
Net Income	14.6	12.4	11.7	12.5	-2.9	-19.9	➤ 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. (%)	
Revenues	276.1	418.5	66.0	-22.7	395.8	69.8	72.2
Sales	273.3	414.0	66.0	-23.2	390.8	69.9	72.4
excl. Tamiflu	257.4	375.3	68.6	-17.5	357.8	71.9	72.2
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
Gross Profit	156.5	234.0	66.9	-9.0	225.0	69.6	70.5
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
Operating Income	45.1	70.0	64.4	0.0	70.0	64.4	71.2
Recurring Profit	44.3	70.5	62.8	-1.8	68.7	64.5	73.0
Net Income	28.1	44.0	63.9	-1.0	43.0	65.3	72.3

Revision of Sales Forecast

Billion JPY	Actual Jan-Sep	Original Forecast Jan-Dec	Prog.	Revision	Revised Forecast Jan-Dec	Prog.	Forecast Oct-Dec
Sales excl. Tamiflu	257.4	375.3	68.6	-17.5	357.8	71.9	100.4
Oncology	100.1	140.2	71.4	-0.3	139.9	71.6	39.8
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
Bone and Joint	44.1	64.2	68.7	-0.7	63.5	69.4	19.4
Suvenyl	9.7	14.3	67.8	-0.4	13.9	69.8	4.2
Renal diseases	41.7	59.3	70.3	-1.0	58.3	71.5	16.6
Epogin	29.2	42.2	69.2	-1.0	41.2	70.9	12.0
Transplant, Immunology and Infectious diseases	18.3	31.9	57.4	-6.1	25.8	70.9	7.5
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
Others	27.1	38.9	69.7	-1.8	37.1	73.0	10.0
Overseas	26.1	40.7	64.1	-7.5	33.2	78.6	7.1
Actemra	10.5	19.7	53.3	-6.9	12.8	82.0	2.3

Impact from Foreign Exchange

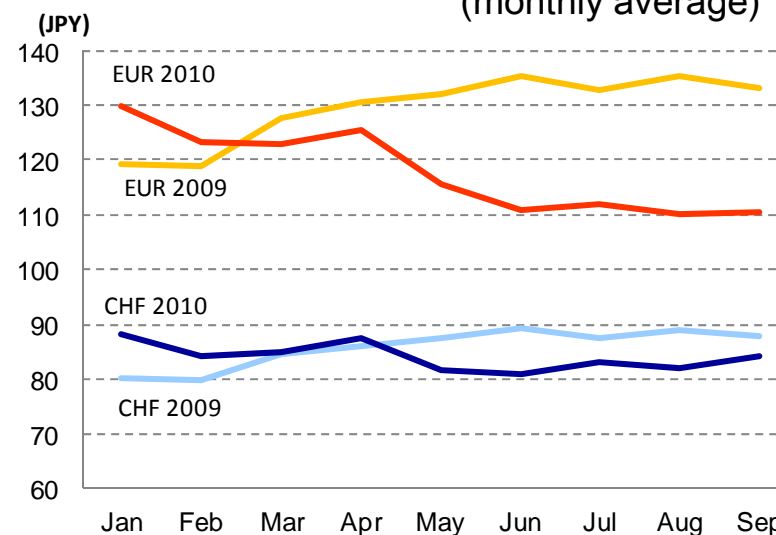
FX impacts on profits
(vs. original assumption)

(Billion JPY)	Jan-Jun	Jan-Sep
Revenues	-0.9	-1.8
	Neutrogin (Overseas) -0.6	Neutrogin (Overseas) -1.3
	Actemra(Overseas) -0.3	Actemra(Overseas) -0.5
Cost of sales SG&A expenses	Cost of Roche products +1.2	Cost of Roche products +2.0
	Other cost of sales +0.4	Other cost of sales +0.2
	SG&A of overseas affiliates +0.2	SG&A of overseas affiliates +0.5
Operating Income	+0.9	+0.9
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
Recurring Profit	-1.2	-0.7

- 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)



Overview of Development Pipeline

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Senior Vice President
Head of Portfolio Management Unit
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October 22, 2010

Development Status - Oncology

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

In-house

Actemra (overseas): sJIA
Filed in Oct.

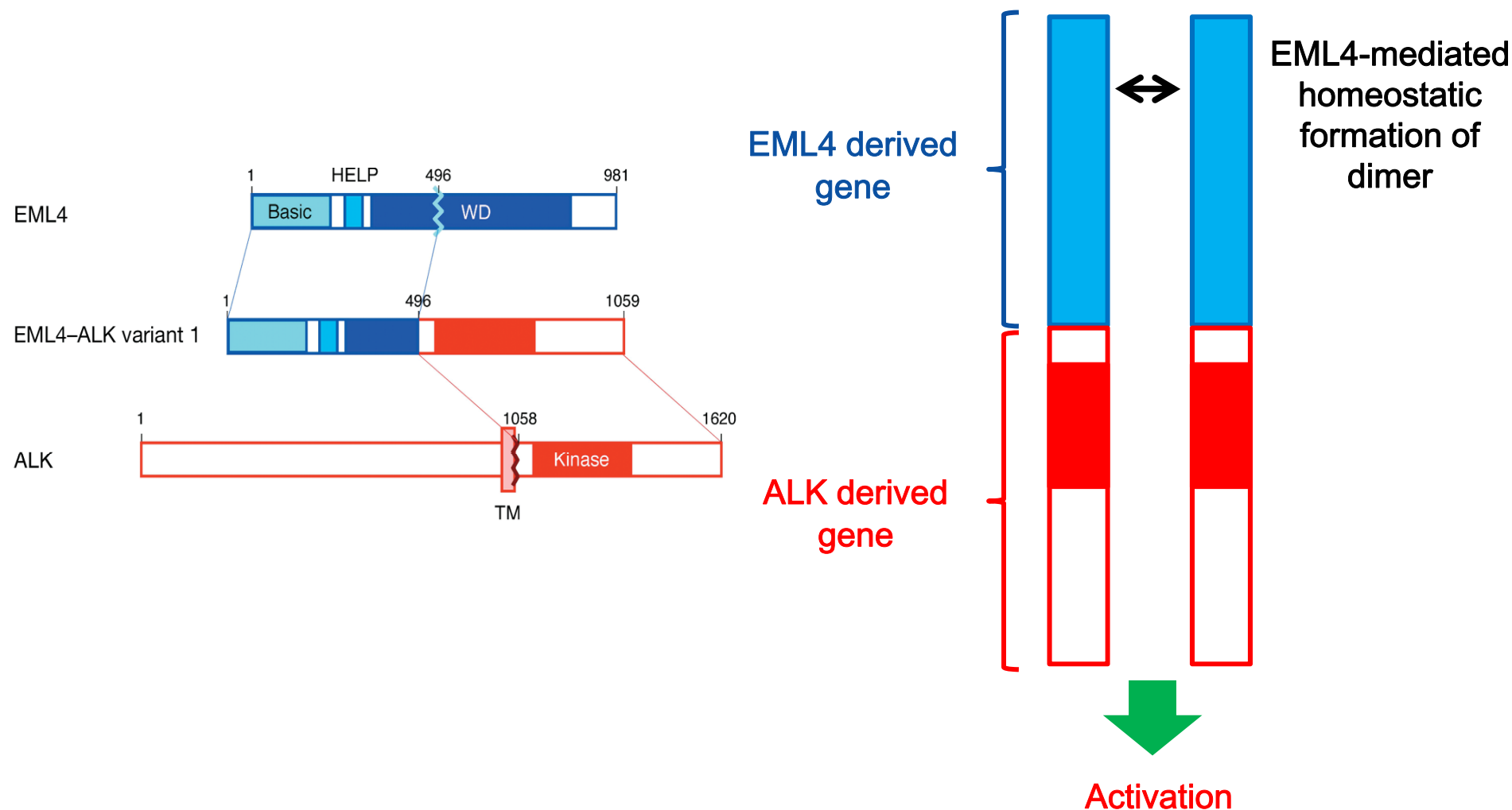
In-licensed

RG1594 (ocrelizumab): RA
Development discontinued
• considering overall risk to benefit profile

AF802:Mode of Action (1)

- 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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