




**CHUGAI PHARMACEUTICAL CO., LTD.**

 A member of the Roche group

## CONSOLIDATED FINANCIAL STATEMENTS (Non-audited) (for the first quarter of fiscal year 2011)

Name of Company: **Chugai Pharmaceutical Co., Ltd.** April 21, 2011  
 Stock Listing: Tokyo Stock Exchange, First Section  
 Security Code No.: 4519  
 (URL <http://www.chugai-pharm.co.jp/english>)  
 Representative: Mr. Osamu Nagayama, President and CEO, Chairman of the Board of Directors  
 Contact: Mr. Nobuyuki Chiba, General Manager of Corporate Communications Department  
 Phone: +81-(0) 3-3273-0881  
 Date of Submission of Quarterly Marketable Securities Filings: May 11, 2011  
 Date on which Dividend Payments to Commence: —  
 Supplementary Materials Prepared for the Quarterly Financial Statements: Yes  
 Presentation Held to Explain the Quarterly Financial Statements: Yes (for institutional investors and analysts)

### 1. Consolidated Operating Results for the First Quarter of FY 2011 (January 1, 2011–March 31, 2011)

(1) Consolidated Operating Results (cumulative) *Note: Amounts of less than one million yen are omitted.*

	Revenues	% change	Operating Income	% change	Ordinary Income	% change
First three months of FY 2011	¥85,724 million	(1.6)	¥15,564 million	40.5	¥16,685 million	38.4
First three months of FY 2010	¥87,084 million	(8.0)	¥11,078 million	(36.8)	¥12,054 million	(47.1)

	Net Income	% change	Net Income per Share (Basic)	Net Income per Share (Fully Diluted)
First three months of FY 2011	¥4,989 million	(36.5)	¥9.17	¥9.17
First three months of FY 2010	¥7,852 million	(43.0)	¥14.43	¥14.43

*Note: Percentages represent changes compared with the same period of the previous fiscal year.*

### (2) Consolidated Financial Condition

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
As of Mar. 31, 2011	¥520,272 million	¥443,015 million	84.8%	¥810.62
As of Dec. 31, 2010	¥508,016 million	¥449,394 million	88.0%	¥821.87

*Reference: Shareholders' equity at March 31, 2011: ¥441,134million  
 Shareholders' equity at December 31, 2010: ¥447,256 million*

### 2. Dividends

	Annual Dividends				
	End of First Quarter	End of Second Quarter	End of Third Quarter	End of Fiscal Year	Total
FY ended Dec. 2010	—	¥17.00	—	¥23.00	¥40.00
FY ending Dec. 2011	—				
FY ending Dec. 2011 (Forecast)		¥20.00	—	¥20.00	¥40.00

**3. Forecast of Consolidated Results for FY 2011 (January 1, 2011–December 31, 2011)**

	Revenues	% Change	Operating Income	% Change	Ordinary Income	% Change
First six months	¥190,000 million	4.2	¥34,000 million	23.4	¥34,500 million	31.9
Full Year	¥403,000 million	6.2	¥75,000 million	13.2	¥75,500 million	16.0

	Net Income	% Change	Net Income per Share (Basic)
First six months	¥12,500 million	(23.7)	¥22.97
Full Year	¥37,000 million	(10.7)	¥67.99

Note: Whether the dividend forecast under review has been revised: No

Notes: 1. % change figures for revenues, operating income, ordinary income, and net income are presented in comparison with the same period of the previous fiscal year.

2. Whether the forecasts for consolidated figures under review have been revised: Yes

Reference: Regarding the revised forecast of consolidated results, please refer to “Revision of Financial Outlook for Fiscal Year 2011” announced today April 21, 2011.

**4. Others** (For details, see the section “Other Information” on page 6 of the attachment.)

(1) Changes in the state of material subsidiaries during the period: None

Note: Changes in the state of specific subsidiaries during the period attendant with change in scope of consolidation

(2) Application of simplified accounting methods and/or special accounting method: Yes

Note: Application of simplified accounting methods and/or special accounting methods for preparation of the quarterly consolidated financial statements

(3) Changes in accounting principles, procedures, methods of presentation, etc.

(a) Changes accompanying revisions in accounting principles: Yes

(b) Changes other than those in (a) above: None

Note: Changes in principles, procedures, methods of presentation, etc., regarding “changes in material items that form the basis for the preparation and presentation of the quarterly consolidated financial statements”

(4) Number of shares issued (common stock):

(Shares)

(a) Number of shares at the end of the period (including treasury stock)	First quarter of FY 2011	559,685,889	FY 2010	559,685,889
(b) Number of treasury stock at the end of the period	First quarter of FY 2011	15,492,277	FY 2010	15,491,466
(c) Average number of shares issued during the period (three months)	First quarter of FY 2011	544,194,138	First quarter of FY 2010	544,188,337

Note: Items related to the status of the implementation of quarterly reviews

At the time of disclosure of these quarterly consolidated financial statements, review procedures were in progress for the quarterly financial statements based on the Financial Instruments and Exchange Act.

Note: Explanation of the appropriate use of performance forecasts and other related items

Portions of this report that refer to performance forecasts or any other future events are believed to be reasonable under information available at the time of the forecasts. Actual financial results may materially differ from these forecasts due to potential risks and uncertainties.

For the specifics of the above forecasts, please refer to the item “(3) Qualitative Information Regarding the Forecast for Consolidated Performance” in the section “Qualitative Information” on page 6 of the attachment.

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Note: The Company is scheduled to hold a conference call for investors as noted below. The materials used for the call, the voice portion, the Q&A, and other related documents will be posted on the Company's website immediately following the conclusion of the conference call.

Teleconference for institutional investors and analysts: April 21, 2011, Thursday (Japan time)

## 1. Qualitative Information

### (1) Qualitative Information Regarding Operating Results (Consolidated)

(Billions of Yen)

	First three months of FY 2010.12 (Jan. 1, 2010–Mar. 31, 2010)	First three months of FY 2011.12 (Jan. 1, 2011–Mar. 31, 2011)	% Change
Revenues	87.1	85.7	(1.6)
Sales (excluding Tamiflu)	75.4	76.2	+1.1
Cost of sales	41.1	35.1	(14.6)
Gross profit	46.0	50.6	+10.0
SG&A (excl. R&D) expenses	22.8	22.0	(3.5)
R&D expenses	12.2	13.0	+6.6
Operating income	11.1	15.6	+40.5
Ordinary income	12.1	16.7	+38.0
Net income	7.9	5.0	(36.7)

Consolidated revenues through the first quarter under review were ¥85.7 billion (a decrease of 1.6% year on year).

Sales of the anti-influenza agent Tamiflu, which vary widely from year to year, amounted to ¥4.2 billion (a decline of 61.1% year on year). After the exclusion of sales of Tamiflu and other operating revenues, which amounted to ¥5.3 billion (representing about a sixfold increase year on year), the Company largely absorbed the effect of last year's National Health Insurance (NHI) reimbursement price revision, and sales amounted to ¥76.2 billion (an increase of 1.1% year on year).

#### Domestic Sales (Excluding Tamiflu)

In the oncology field, sales amounted to ¥31.0 billion (an increase of 7.6% year on year). This gain in sales was due to the firm increases in sales of mainstay products. These included Avastin (an anti-vascular endothelial growth factor (VEGF) receptor humanized monoclonal antibody anti-cancer agent), due to its steadily increasing market penetration in first-line and second-line treatments.

In the bone and joint diseases field, sales were ¥14.0 billion (an increase of 7.7% year on year), thus remaining on an upward trend. This increase was driven by substantial growth in sales of Actemra (a humanized anti-human IL-6 receptor monoclonal antibody), which received an additional indication in April 2008 for the treatment of rheumatoid arthritis and other indications.

In the transplant, immunology, and infectious disease fields (excluding Tamiflu), sales were ¥5.5 billion (an increase of 3.8% year on year). Although performance continued to be influenced by the overall decline in the market for the treatment of chronic hepatitis C, the Company was able to secure sales of Pegasys (a peginterferon- $\alpha$ -2a) and Copegus (an anti-viral agent) at the same level as in the previous year due to wider use of combination treatment with these two drugs. In addition, sales of CellCept (an immunosuppressant agent) increased.

In the renal disease field, sales amounted to ¥11.4 billion (a decrease of 8.8% year on year). This decline was due to lower sales of Epogen (a recombinant human erythropoietin) as a result of an NHI reimbursement price revision and more-intense competition.

As a result, domestic sales (excluding Tamiflu) amounted to ¥70.2 billion (an increase of 3.2% year on year).

#### Tamiflu Anti-influenza Agent

Sales of Tamiflu for ordinary use through the first quarter amounted to ¥3.7 billion (an increase of 164.3% year on year). Sales to government stockpiles through the first quarter were ¥0.5 billion (a decrease of 94.7% year on year).

#### Overseas Sales

Overseas sales amounted to ¥5.9 billion (a decline of 20.3% year on year). This was due to a decrease in sales of Neutrogen, a recombinant human granulocyte-colony stimulating factor (G-CSF), owing to the adverse effects of competition from follow-on biologics and currency fluctuations. In addition, exports of Actemra (European product name: RoActemra) to F. Hoffman-La Roche Ltd. were temporarily delayed because of the effects of the Great East Japan Earthquake.

**Profit (Loss) Condition**

Despite the decline in sales due to the effect of lower sales of Tamiflu, as a result of the receipt of one-time lump-sum revenues accompanying the launching of GC33 and the increase in Actemra-related revenues, other operating revenues expanded substantially, and gross profit for the quarter amounted to ¥50.6 billion (an increase of 10.0% year on year).

Among selling, general and administrative (SG&A) expenses, as a result of activities to improve cost performance, SG&A expenses (excluding R&D expenses) were ¥22.0 billion (a decrease of 3.5% year on year). R&D expenses totaled ¥13.0 billion (an increase of 6.6% year on year), owing to progress on development themes.

As a result, operating income amounted to ¥15.6 billion (an increase of 40.5% year on year), and ordinary income was ¥16.7 billion (a gain of 38.0% year on year). Net income for the quarter amounted to ¥5.0 billion (a decrease of 36.7%). This decline was the result of the reporting of extraordinary losses of ¥7.1 billion due to losses incurred in connection with the Great East Japan Earthquake and the application of Accounting Standards for Asset Retirement Obligations.

*Note: In this item, amounts less than ¥100 million have been rounded off. Figures for changes in amounts and percentage increases and decreases have been calculated using data denominated in ¥100 million units.*

**(2) Qualitative Information Regarding Financial Condition (Consolidated)****Assets, Liabilities, and Net Assets**

At the end of the first quarter under review, total assets on a consolidated basis amounted to ¥520.3 billion, representing an increase of ¥12.3 billion in comparison with the end of the previous fiscal year. This gain was mainly due to a rise in cash and deposits of ¥25.5 billion and an increase in raw materials and supplies of ¥6.8 billion, which were partially offset by a decline of ¥18.8 billion in trade notes and accounts receivable.

Total liabilities on a consolidated basis stood at ¥77.3 billion, representing an increase of ¥18.7 billion compared with the end of the previous fiscal year. Principal factors accounting for this increase were a gain in trade notes and accounts payable of ¥10.0 billion and the setting aside of a reserve for loss on disaster, incurred because of the Great East Japan Earthquake, in the amount of ¥6.5 billion.

Total net assets on a consolidated basis were ¥443.0 billion, representing a decrease of ¥6.4 billion compared with the end of the previous fiscal year. Although the Company reported net income of ¥5.0 billion for the first quarter, principal factors accounting for this decrease in total net assets were the payment of dividends from surplus of ¥12.5 billion and, as a result, a decrease in retained earnings of ¥7.5 billion.

As a result, the consolidated shareholders' equity ratio stood at 84.8% at the end of the quarter, compared with 88.0% at the end of the previous fiscal year.

**Cash Flows**

Cash and cash equivalents at the end of the first quarter under review amounted to ¥91.6 billion (versus ¥98.2 billion at the end of the same quarter of the previous fiscal year).

Net cash provided by operating activities amounted to ¥39.6 billion (compared with ¥16.4 billion for the same quarter of the previous fiscal year). This was due primarily to a decrease in notes and accounts receivable of ¥18.9 billion, an increase in notes and accounts payable of ¥10.0 billion, and income before income taxes and minority interests of ¥9.6 billion.

Net cash used in investing activities was ¥0.8 billion (compared with ¥1.2 billion in net cash provided by investing activities in the same quarter of the previous fiscal year). Principal factors accounting for this were as follows: Purchases of noncurrent assets of ¥4.1 billion, net proceeds from the sale of marketable securities of ¥1.7 billion, and net proceeds from the withdrawal of time deposits amounting to ¥1.7 billion.

Net cash used in financing activities was ¥13.2 billion (compared with ¥13.2 billion for the same quarter of the previous fiscal year). This was due to cash dividends paid of ¥12.5 billion.

*Note: In this item, amounts less than ¥100 million have been rounded off. Figures for changes in amounts and percentage increases and decreases have been calculated using data denominated in ¥100 million units.*

### **(3) Qualitative Information Regarding the Forecast for Consolidated Performance**

The half year and full year consolidated forecasts were revised as extraordinary loss was expected resulting from the Great East Japan Earthquake on March 11, 2011. Forecasts for consolidated revenues, operating income and ordinary income remained unchanged.

## **2. Other Information**

### **(1) Summary of Changes in the State of Material Subsidiaries**

None

### **(2) Summary of Application of Simplified Accounting Methods and/or Special Accounting Method**

#### **(a) Simplified method of accounting**

##### **(Valuation of inventories)**

In calculating the amount of inventories at the end of the first consolidated quarter, the amount of inventories based on on-site inspections reported at the end of the previous consolidated fiscal year is taken as a base, and the value of inventories is determined according to reasonable methods. In addition, in calculating write-downs in the book value of inventories, only for those inventories whose profitability has clearly declined, the net sale value is estimated, and the method of reducing book value to net sales value is used.

##### **(Method for calculating depreciation of noncurrent assets)**

For assets that are depreciated using the declining-balance method, the amount of depreciation for each quarter is calculated by dividing the amount of depreciation for the consolidated fiscal year into four equal installments and charging such installments as an expense for each quarter.

##### **(Calculation of income taxes and deferred tax assets and deferred tax liabilities)**

For certain consolidated subsidiaries, the method of increasing or decreasing material calculation items and material deduction items for income tax purposes is employed in calculating the amount of income taxes payable and in calculating deferred tax assets and deferred tax liabilities.

In making judgments regarding the recoverability of deferred income tax assets, in cases where it is recognized that there have been no major changes in the management environment since the end of the previous consolidated fiscal year and no major temporary differences, the Company applies the method of using the forecast for future performance and tax planning employed at the time of the preparation of the accounts for the end of the previous consolidated fiscal year, and, in cases where it is recognized that there have been major changes in the management environment since the end of the previous consolidated fiscal year and/or major temporary differences, the Company employs the method of taking account of such changes in the forecast for future performance and tax planning.

#### **(b) Special accounting methods for preparation of the quarterly consolidated financial statements**

None

### **(3) Summary of Changes in Principles, Procedures, Methods of Preparation, etc.**

#### **(a) Application of “Accounting Standards for Asset Retirement Obligations”**

Beginning with the first quarter of the fiscal year ending December 31, 2011, “Accounting Standards for Asset Retirement Obligations” (Accounting Standards Board of Japan (ASBJ) Statement No. 18, issued on March 31, 2008) and “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March 31, 2008) have been applied.

As a result, both operating income and ordinary income declined ¥22 million and income before income taxes and minority interests decreased ¥1,040 million.

(b) Application of “Accounting Standards for Business Combinations and Related Matters”

Beginning with the first quarter of the fiscal year ending December 31, 2011, the Company has applied the following accounting standards. All of these accounting standards, partial amendments to existing accounting standards, and guidance were issued by ASBJ on December 26, 2008.

“Accounting Standard for Business Combinations” (ASBJ Statement No. 21)

“Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22)

“Partial Amendments to the Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23)

“Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7)

“Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16)

“Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10)

As a result, the Company made the transition from the partial mark-to-market valuation method for the assets and liabilities of its consolidated subsidiaries to the full mark-to-market valuation method. This change in valuation method had no effect on the quarterly consolidated financial statements.

**3. Consolidated Financial Statements****(1) Consolidated Balance Sheets**

(Millions of Yen)

	As of March 31, 2011	As of December 31, 2010 (Summary)
<b>Assets</b>		
Current assets		
Cash and deposits	101,719	76,212
Trade notes and accounts receivable	94,599	113,391
Marketable securities	57,999	59,699
Merchandise and finished goods	85,771	89,447
Work in process	517	20
Raw materials and supplies	22,223	15,417
Deferred tax assets	23,128	19,926
Other	16,548	12,427
Reserve for doubtful accounts	(6)	(5)
Total current assets	402,501	386,537
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	50,081	50,284
Other (net)	36,037	37,669
Total property, plant and equipment	86,119	87,954
Intangible assets	2,338	2,362
Investments and other assets		
Investment securities	7,019	7,587
Deferred tax assets	13,657	14,939
Other	8,811	8,821
Reserve for doubtful accounts	(175)	(186)
Total investments and other assets	29,313	31,161
Total noncurrent assets	117,771	121,478
<b>Total assets</b>	<b>520,272</b>	<b>508,016</b>



(Millions of Yen)

	As of March 31, 2011	As of December 31, 2010 (Summary)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	29,505	19,489
Income taxes payable	7,118	3,679
Reserve for bonuses to employees	8,431	4,588
Reserve for loss on disaster	6,539	—
Other reserves	2,656	2,650
Other	17,701	24,173
Total current liabilities	71,953	54,580
Noncurrent liabilities		
Reserves	2,882	3,325
Other	2,421	716
Total noncurrent liabilities	5,303	4,041
Total liabilities	77,257	58,621
<b>Net assets</b>		
Shareholders' equity		
Common stock	72,966	72,966
Additional paid-in capital	92,815	92,815
Retained earnings	320,115	327,642
Treasury stock, at cost	(36,258)	(36,256)
Total shareholders' equity	449,639	457,167
Valuation and translation adjustments		
Net unrealized gain on securities	1,002	1,341
Foreign currency translation adjustments	(9,506)	(11,252)
Total valuation and translation adjustments	(8,504)	(9,911)
New share warrants	848	775
Minority interests	1,031	1,363
Total net assets	443,015	449,394
<b>Total liabilities and net assets</b>	520,272	508,016

**(2) Consolidated Statements of Income**

(Millions of Yen)

	First three months of FY 2010 (Jan. 1, 2010 – Mar. 31, 2010)	First three months of FY 2011 (Jan. 1, 2011 – Mar. 31, 2011)
Revenues		
Sales	86,190	80,389
Other operating revenues	894	5,334
Total revenues	87,084	85,724
Cost of sales	41,066	35,107
Gross profit	46,017	50,616
Selling, general and administrative expenses		
Sales promotion expenses	3,196	2,926
Salaries and allowances	5,909	6,147
Reserve for bonuses	2,842	2,424
R&D expenses	12,165	13,029
Retirement benefits	666	602
Other	10,160	9,922
Total selling, general and administrative expenses	34,939	35,052
Operating income	11,078	15,564
Non-operating income		
Interest income	86	83
Gain on foreign exchange	774	—
Gain on valuation of derivatives	—	1,283
Other	389	769
Total non-operating income	1,250	2,136
Non-operating expenses		
Interest expenses	0	0
Loss on abandonment of noncurrent assets	3	10
Loss on valuation of derivatives	76	—
Loss on foreign exchange	—	895
Other	193	109
Total non-operating expenses	274	1,015
Ordinary income	12,054	16,685
Extraordinary gain		
Subsidy	50	—
Total extraordinary gain	50	—
Extraordinary loss		
Loss on disaster	—	6,068
Restructuring loss	36	—
Loss on valuation of investment securities	0	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	1,018
Other	0	1
Total extraordinary loss	36	7,088
Income before income taxes and minority interests	12,067	9,596
Income taxes—current	7,442	6,085
Income taxes—deferred	(3,511)	(1,684)
Total income taxes	3,930	4,400
Net income before minority interests	—	5,195
Minority interests in income	285	206
Net income	7,852	4,989

**(3) Consolidated Statements of Cash Flows**

(Millions of Yen)

	First three months of FY 2010 (Jan. 1, 2010 – Mar. 31, 2010)	First three months of FY 2011 (Jan. 1, 2011 – Mar. 31, 2011)
Cash flows from operating activities		
Income before income taxes and minority interests	12,067	9,596
Depreciation and amortization	4,111	3,834
Impairment loss	—	1
Interest and dividend income	(87)	(83)
Interest expense	0	0
Loss on disposal of noncurrent assets	20	13
Loss on sales of noncurrent assets	0	0
Loss on sales and valuation of investment securities	0	—
Loss on disaster	—	6,068
Decrease in notes and accounts receivable	36,080	18,909
(Increase) in inventories	(7,496)	(3,467)
Increase in notes and accounts payable	1,209	9,974
Other	(7,333)	(2,734)
Subtotal	38,574	42,112
Interest and dividends received	89	90
Interest paid	(3)	(0)
Income taxes paid	(22,297)	(2,585)
Net cash provided by operating activities	16,362	39,616
Cash flows from investing activities		
Payments into time deposits	(2,649)	(622)
Proceeds from withdrawal of time deposits	11,586	2,307
Purchase of marketable securities	(33,697)	(24,996)
Proceeds from sales of marketable securities	30,200	26,700
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	500	—
Purchases of noncurrent assets	(4,746)	(4,147)
Proceeds from sales of noncurrent assets	22	2
Other	3	(18)
Net cash provided by (used in) investing activities	1,217	(777)
Cash flows from financing activities		
Net (increase) in treasury stock	(2)	(1)
Cash dividends paid	(12,525)	(12,525)
Cash dividends paid to minority interests	(672)	(630)
Other	(1)	(5)
Net cash (used in) financing activities	(13,202)	(13,163)
Effect of exchange rate changes on cash and cash equivalents	(624)	737
Net increase in cash and cash equivalents	3,754	26,413
Cash and cash equivalents at beginning of year	94,478	65,143
Cash and cash equivalents at end of the period	98,232	91,556

**(4) Notes Regarding Assumptions as a Going Concern**

None

**(5) Segment Information**

**Business Segments**

*For the first three months of FY 2010 (Jan. 1, 2010 – Mar. 31, 2010)*

As the Company and its consolidated subsidiaries have been comprised of a single business segment, Pharmaceutical business, the disclosure of business segment information has been omitted.

**Geographical Segments**

*For the first three months of FY 2010 (Jan. 1, 2010 – Mar. 31, 2010)*

As revenues of the foreign consolidated subsidiaries were less than 10% of consolidated totals, the disclosure of geographical segment information has been omitted.

**Overseas Revenues**

*For the first three months of FY 2010 (Jan. 1, 2010 – Mar. 31, 2010)*

As overseas revenues (¥8,173 million) were less than 10% of consolidated totals, the disclosure of overseas revenues in countries or regions outside Japan has been omitted.

**Segment Information**

*For the first three months of FY 2011 (Jan. 1, 2011 – Mar. 31, 2011)*

As the Company Group has been comprised of a single business segment, Pharmaceutical business, the disclosure of segment information has been omitted.

**Supplementary Information**

Beginning with the first quarter of the fiscal year ending December 31, 2011, “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, issued on March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, issued on March 21, 2008) have been applied.

**(6) Notes Regarding Major Changes in Shareholders' Equity**

None