

FY2011 2Q Consolidated Financial Overview

CHUGAI PHARMACEUTICAL CO., LTD.
Senior Vice President and CFO
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July 21, 2011

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

- **Revenues 181.9 billion JPY (-0.3%):
slight decline due to reduced Tamiflu sales**
 - Tamiflu: stockpiling sales closing out
 - Domestic sales excl. Tamiflu:
steady growth in Oncology and Bone & Joint offset by decline in Renal and Others
 - Overseas sales: solid growth driven by Actemra export sales
 - Other Operating Revenues: substantial increase due to one-time events
- **Operating Income 35.2 billion JPY (+27.5%):
substantial increase led by a decline in SG&A expense**
 - Improved gross profit margin
 - Decline in SG&A expense by the impact of the earthquake
- **Net Income 17.1 billion JPY (+4.3%):**
 - Extraordinary Loss 7.6 billion JPY (6.5 billion JPY earthquake related)

Financial Overview Jan - Jun

(Billion JPY)									
	2010 Jan-Jun	As % of Revenues	2011 Jan-Jun	As % of Revenues	Growth	%			
Revenues	182.4		181.9		-0.5	-0.3			
Sales	180.6		174.8		-5.8	-3.2			
excl. Tamiflu	168.6		170.2		+1.6	+0.9			
Tamiflu	12.0		4.6		-7.4	-61.7			
Other Operating Revenues	1.7		7.2		+5.5	+323.5			
Operating Income	27.6	15.1	35.2	19.4	+7.6	+27.5			
Non-operating Income	3.0		1.3		-1.7	-56.7			
Non-operating Expenses	4.4		0.4		-4.0	-90.9			
Ordinary Income	26.2	14.4	36.2	19.9	+10.0	+38.2			
Extraordinary Gain	0.1		-		-0.1	-100.0			
Extraordinary Loss	0.1		7.6		+7.5	76 times			
Net Income	16.4	9.0	17.1	9.4	+0.7	+4.3			

		(Billion JPY)	
➤ Sales excl. Tamiflu			
Domestic		+0.3	
Overseas		+1.2	
➤ Sales of Tamiflu*		-7.4	
➤ Other Operating Revenues		+5.5	
GC33 upfront income			
Income related to Actemra etc.			
➤ Operating Income		+7.6	
➤ Non-operating Inc./Exp.		+2.4	
➤ Extraordinary Loss		+7.5	
Loss on disaster		+6.5	
Asset retirement obligations		+1.0	

Average exchange rate (JPY)

	2010 Jan-Jun	2011 Jan-Jun
CHF	84.42	90.38
EUR	121.21	114.86

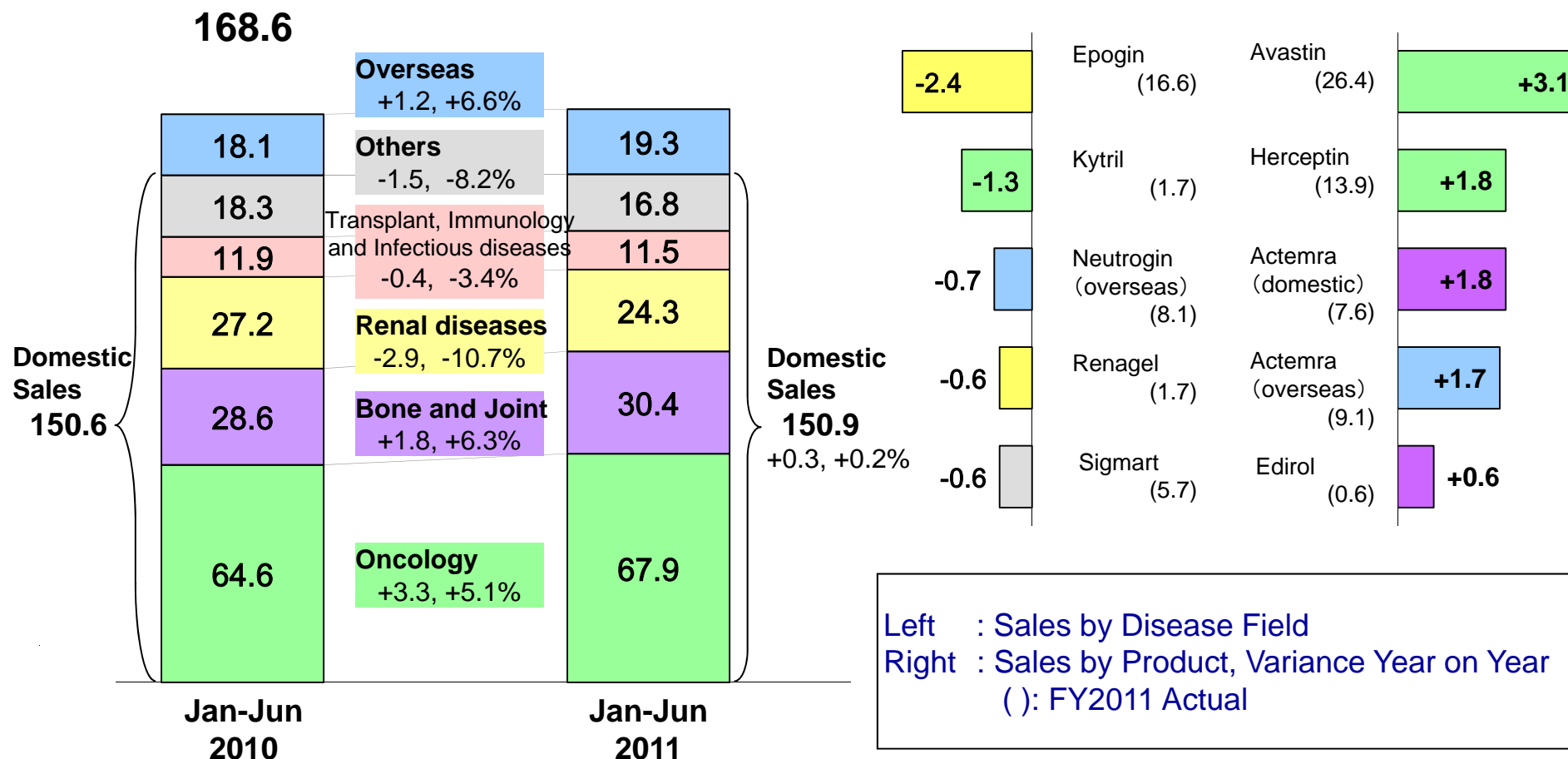
* Tamiflu

	2010 Jan-Jun	2011 Jan-Jun	Variance
Ordinary	1.4	4.1	+2.7
Govt. Stockpile etc.	10.6	0.5	-10.1

Sales (excl. Tamiflu) Jan - Jun

(Billion JPY)

Sales (excl. Tamiflu)
170.2 (+1.6, +0.9%)




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		FY2011.12			
		Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	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												0.2	4.1		4.3	1.26
	2011-12														2.6		
Ordinary		35.1	(+26.5)	13.6	(-21.5)	10.2	(-3.4)	7.1	(-3.1)	36.2	(+29.1)	1.6	(-34.6)	6.7	(+5.1)		

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												5.9	0.5		6.4	
	2011-12														3.0		
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)	3.5	(-13.1)		

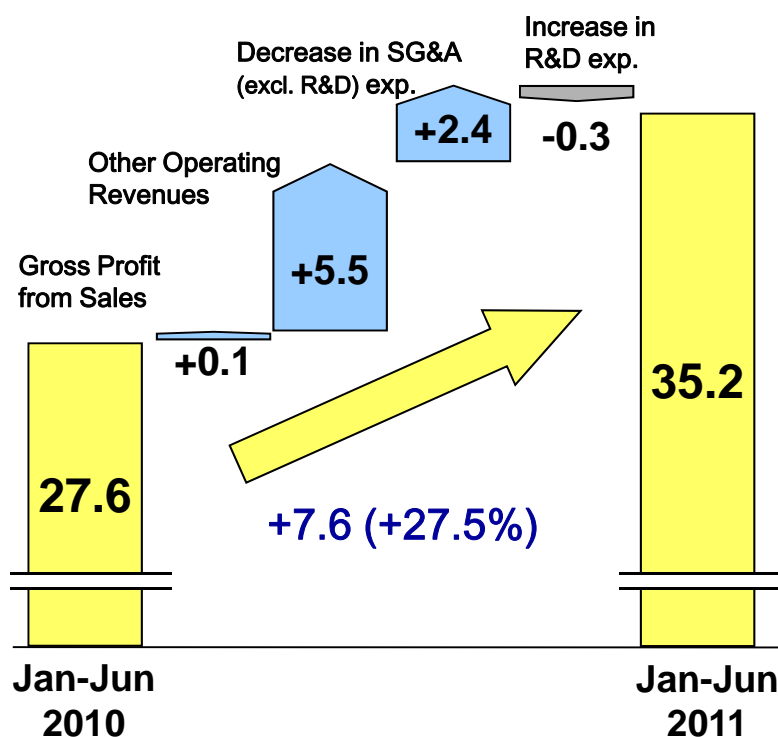
Total		23.2	12.0	16.3	21.6	23.8	14.8	1.6	6.8	25.4	50.8	12.0	6.1	4.6	5.6		
		35.2	(+26.6)	38.0	(+2.8)	38.7	(+0.7)	8.4	(-30.3)	76.2	(+67.8)	18.2	(-58.0)	10.2	(-8.0)		

*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 2009/2010), published by Japan's National Institute of Infectious Diseases.

 Company forecast
 () Year on year

Operating Income Jan - Jun

(Billion JPY)



(Billion JPY)	2010 Jan-Jun	2011 Jan-Jun	Variance	(%)
Revenues	182.4	181.9	-0.5	-0.3
Cost of Sales	80.5	74.5	-6.0	-7.5
Gross Profit	101.8	107.4	+5.6	+5.5
Sales	100.1	100.2	+0.1	+0.1
Other Operating Revenues	1.7	7.2	+5.5	+323.5
SG&A (excl. R&D) exp.	47.7	45.3	-2.4	-5.0
R&D exp.	26.6	26.9	+0.3	+1.1
Operating Income	27.6	35.2	+7.6	+27.5

- Increase in Gross Profit from Sales +0.1
Improved cost of sales ratio due to decline in Tamiflu govt. stockpiling sales
- Increase in Other Operating Revenues +5.5
Out-licensing of GC33 etc
- Decrease in SG&A (excl. R&D) exp. +2.4
Decrease in Marketing expense and IT costs
- Increase in R&D exp. -0.3
Increase in late-stage projects (CSG452, T-DM1 etc.)7

Financial Overview Apr - Jun

(Billion JPY)	2010 Apr-Jun	As % of Revenues	2011 Apr-Jun	As % of Revenues	Growth	%
Revenues	95.3		96.2		+0.9	+0.9
Sales	94.5		94.4		-0.1	-0.1
excl. Tamiflu	93.3		94.0		+0.7	+0.8
Tamiflu	1.2		0.4		-0.8	-66.7
Other Operating Revenues	0.8		1.8		+1.0	+125.0
Cost of Sales	39.5		39.4		-0.1	-0.3
Gross Profit	55.8	58.6	56.8	59.0	+1.0	+1.8
SG&A (excl. R&D) exp.	24.9		23.2		-1.7	-6.8
R&D exp.	14.4		13.9		-0.5	-3.5
Operating Income	16.5	17.3	19.6	20.4	+3.1	+18.8
Non-operating Income	1.7		1.2		-0.5	-29.4
Non-operating Expenses	4.1		1.4		-2.7	-65.9
Ordinary Income	14.1	14.8	19.5	20.3	+5.4	+38.3
Extraordinary Gain	-		-		-	-
Extraordinary Loss	0.0		0.5		+0.5	-
Net Income	8.5	8.9	12.1	12.6	+3.6	+42.4

	(Billion JPY)
➤ Sales excl. Tamiflu	+0.7
Herceptin	+1.9
Avastin	+0.9
Actemra (domestic)	+0.8
Actemra (overseas)	+2.3
Epogin	-1.2
Kytril	-0.6
Renagel	-0.5
➤ Sales of Tamiflu*	-0.8
➤ Other Operating Revenues	+1.0
Increase in income related to Actemra	
➤ Operating Income	+3.1

* Tamiflu (Billion JPY)	2010 Apr-Jun	2011 Apr-Jun	Variance
Ordinary	0.0	0.4	+0.4
Govt. Stockpile etc.	1.2	-	-1.2

Financial Overview Jan - Jun

(Billion JPY)	Actual	Revised Forecast (Apr. 21)	
	2011 Jan-Jun	2011 Jan-Jun	Achivement (%)
Revenues	181.9	190.0	95.7
Sales	174.8	182.5	95.8
excl. Tamiflu	170.2	176.8	96.3
Tamiflu	4.6	5.7	80.7
Other Operating Revenues	7.2	7.5	96.0
Cost of Sales	74.5		
Gross Profit	107.4		
SG&A excl. R&D	45.3		
R&D exp.	26.9		
Operating Income	35.2	34.0	103.5
Ordinary Income	36.2	34.5	104.9
Net Income	17.1	12.5	136.8

Achievement of 6-month forecast

➤ Domestic sales excl. Tamiflu

	95.8%
<u>Oncology</u>	97.8%
Herceptin	117.8%
Avastin	91.7%
<u>Bone and Joint</u>	92.1%
Actemra	79.2%
<u>Renal</u>	91.4%
Renagel	77.3%
Epogin	89.7%
<u>Transplant, immunology and infectious diseases</u>	99.1%
Pegasys	89.8%
Copegus	86.4%
<u>Others</u>	100.0%

➤ Overseas sales

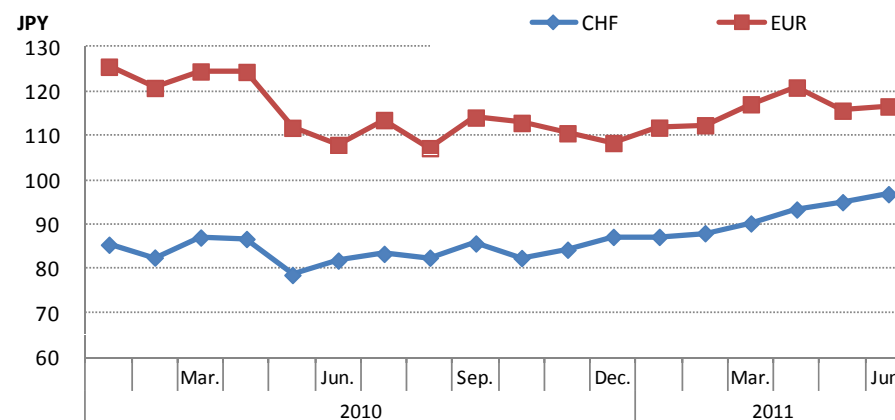
Neutrogin	117.4%
Actemra	86.7%

Impact from Foreign Exchange

(Billion JPY)	FX impacts Jan-Jun (vs. original assumption)
Revenues	+1.0
	Neutrogen (Overseas) +0.3
	Actemra (Export) +0.5
	Other Operating Revenues +0.1
Cost of sales SG&A expenses	Cost of Roche products -0.8 Overseas SG&A exp., etc. -0.2
Operating Income	-0.1
Non-operating Inc./Exp.	Gain/loss on foreign exchanges and exchange forward contracts +0.1
Ordinary Income	±0.0

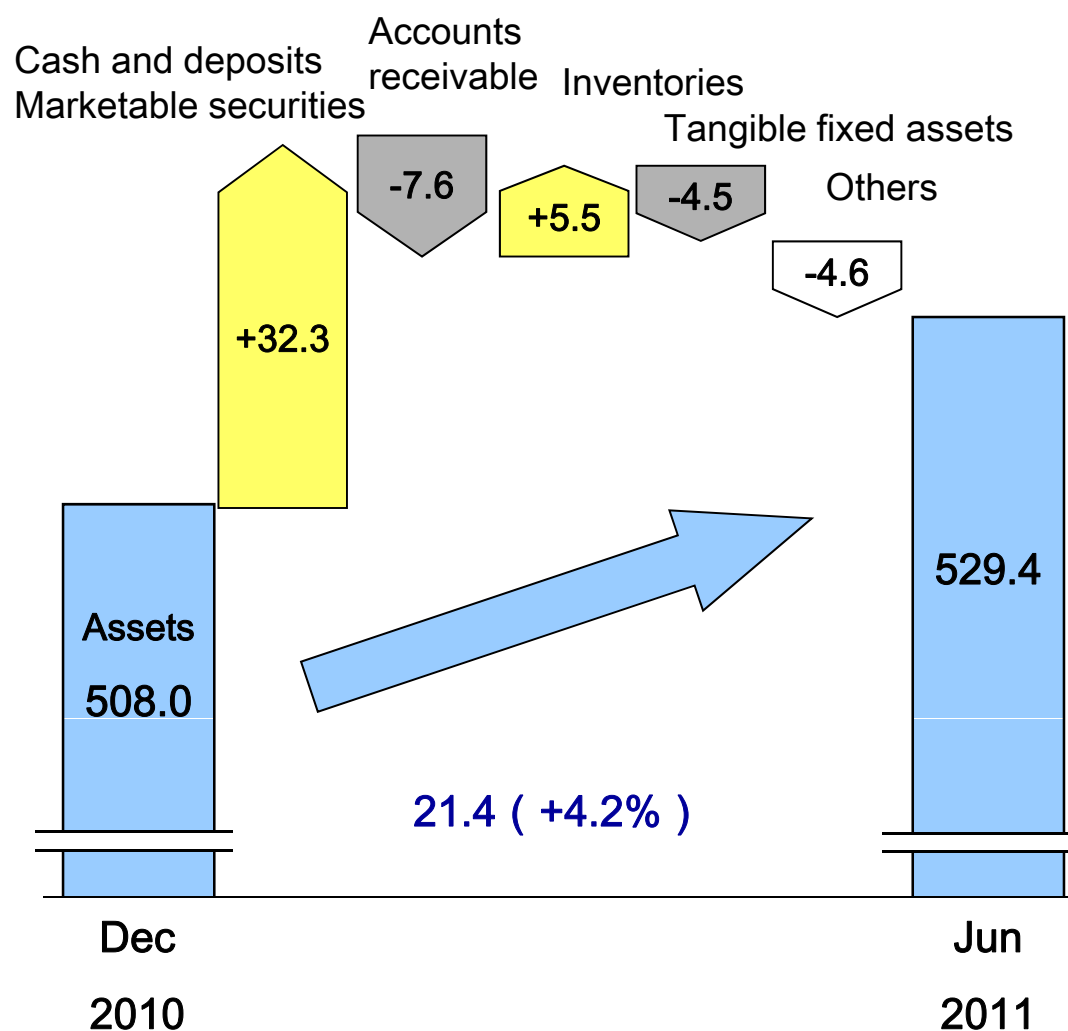
- FX rate assumption on Apr. 21 (Jan-Dec)
CHF: 85.00JPY EUR: 110.00JPY
- Actual FX rate (Jan-Jun, average)
CHF: 90.38JPY EUR: 114.86JPY

[Reference]
Historical exchange rates to the JPY
(month-end)



Balance Sheet Items (Assets)

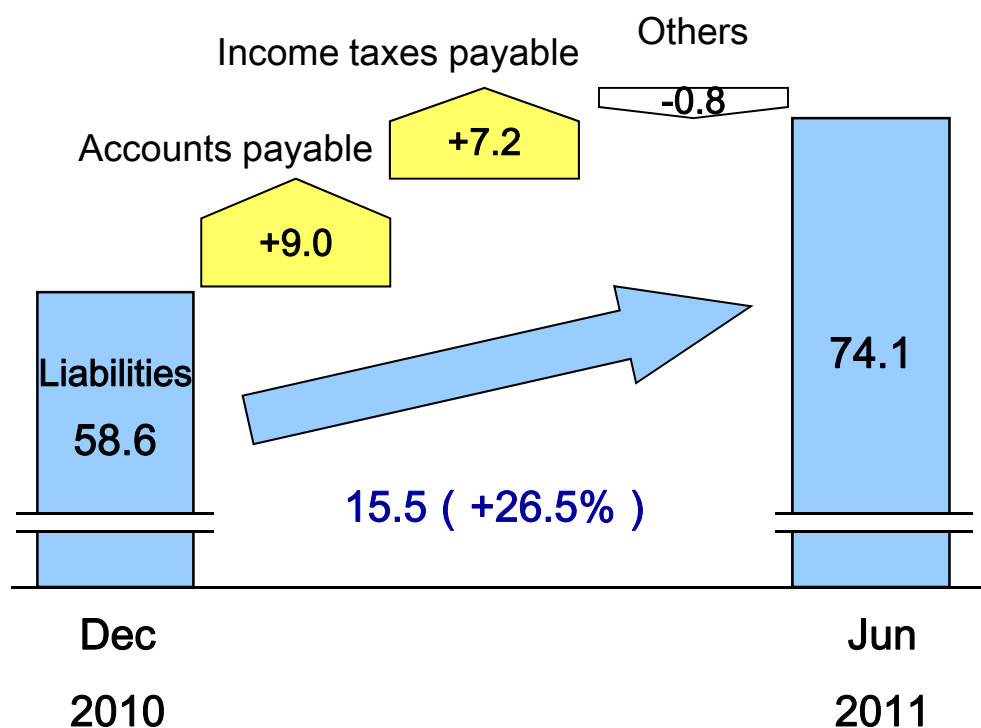
(Billion JPY)



- Cash and deposits +33.0
- Marketable securities -0.7
- Accounts receivable -7.6
Seasonal change
- Inventories +5.5
Increase due to preparation for new launch of Mircera

Balance Sheet Items (Liabilities)

(Billion JPY)

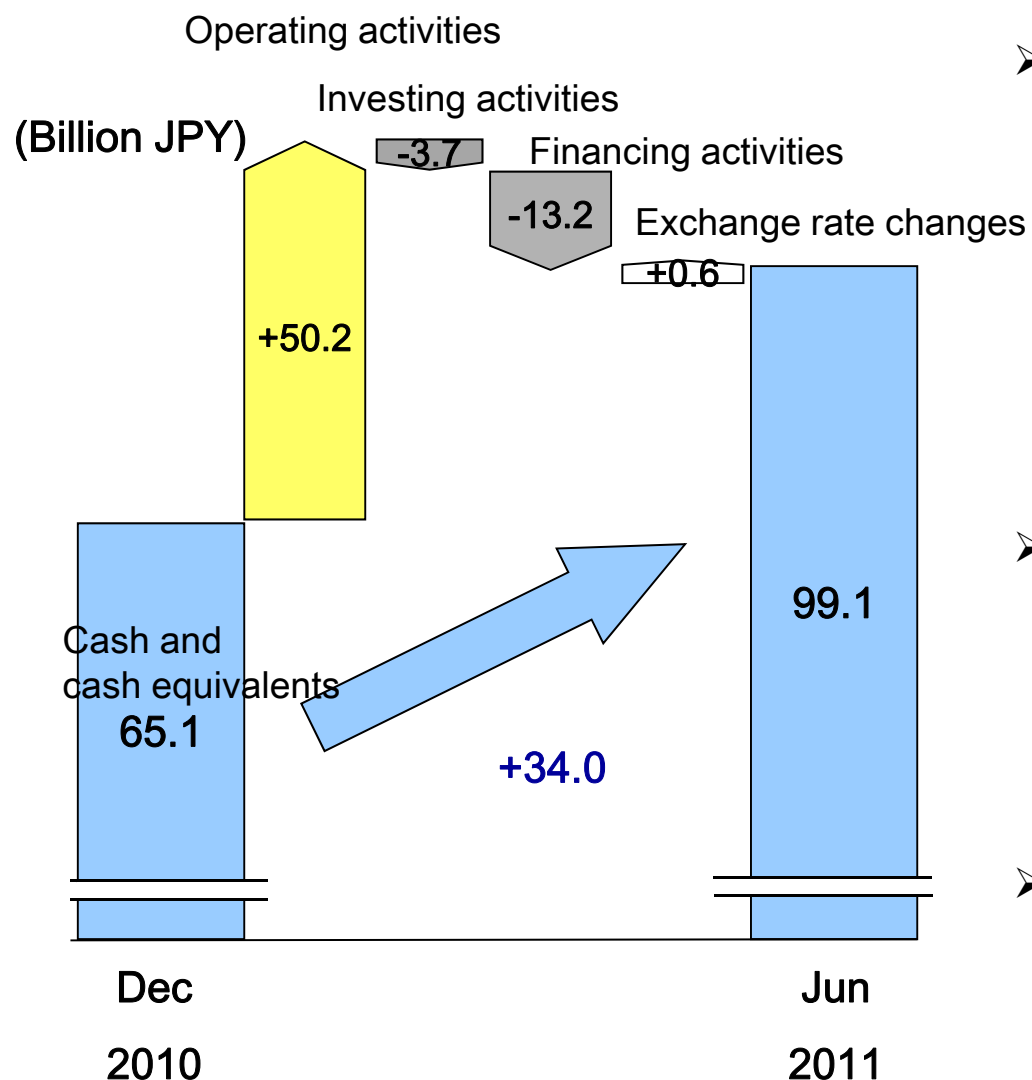


- Accounts payable +9.0
Manufacturing resumption after site change
- Income taxes payable +7.2

Equity Ratio

Dec. 2010	Jun. 2011	Variance
88.0%	85.6%	-2.4%pts

Cash Flow Statement Jan - Jun



➤ Cash flow from operating activities	+50.2
Income before taxes and minority interests	+28.6
Depreciation and amortization	+7.2
Increase in working capital	+10.2
Decrease in notes and accounts receivable	+7.7
Increase in inventories	-6.5
Increase in notes and accounts payable	+9.0
Income taxes paid	-2.9
➤ Cash flow from investing activities	-3.7
Decrease in time deposits	+1.7
Decrease in marketable and investment securities	+0.7
Purchases of fixed assets	-6.1
➤ Cash flow from financing activities	-13.2
Payment of dividends	-12.5

Revision of Forecast

- **Revisions were made based on updated estimates for loss on disaster and business performance in the first half**
 - Sales: reflecting performance of mainstay products and Mircera launch
 - SG&A exp.: downward revision after less than expected first half results
 - FX rate assumption: updated to 1CHF = 95.00 JPY (Jul – Dec)
- **Revised forecast for loss on disaster: approx. 7.5 billion JPY (Jan – Dec)**

Estimated loss decreased both for building and equipment / loss on inventory

 - Buildings and equipment (costs of retirement, demolition and restoration): approx. 4.5 billion JPY
 - Loss on inventories, fixed costs during shut down etc.: approx. 3.0 billion JPY
- **Assumption for statutory tax rate**

A one-time deterioration of deferred tax assets is reflected in the forecast

 - Tax rate reduction reform included in the original forecast is maintained

Overview

(Billion JPY)	Actual	2011 Jan-Dec		
	2011 Jan-Jun	Forecast on Apr. 21	Forecast on Jul. 21	change
Revenues	181.9	403.0	395.2	-7.8
Sales	174.8	391.7	384.5	-7.2
excl. Tamiflu	170.2	379.5	374.3	-5.2
Tamiflu	4.6	12.2	10.2	-2.0
Other Operating Revenues	7.2	11.3	10.7	-0.6
Cost of Sales	74.5	167.8	167.2	-0.6
Gross Profit	107.4	235.2	228.0	-7.2
SG&A excl. R&D	45.3	101.0	98.0	-3.0
R&D exp.	26.9	59.2	58.0	-1.2
Operating Income	35.2	75.0	72.0	-3.0
Ordinary Income	36.2	75.5	73.1	-2.4
Net Income	17.1	37.0	37.0	-

➤ Sales excl. Tam	-5.2
Mircera	+12.4
Epogin	-8.7
Avastin	-2.4
Actemra (domestic)	-1.9
Actemra (overseas)	-2.0

➤ Tamiflu -2.0

➤ Operating Income -3.0

➤ Jul-Dec FX assumption for revised forecast on Jul. 21
CHF: 95.00, EUR:110.00

FX sensitivity: estimated impact of a 1-yen appreciation

CHF: +0.20 billion JPY

EUR: -0.03 billion JPY

on Operating Income Forecast (Jul – Dec)



Roche Roche Group

Overview of Development Pipeline

CHUGAI PHARMACEUTICAL CO., LTD.
Senior Vice President
Head of Lifecycle Management & Marketing Unit
Yutaka Tanaka

July 21/22, 2011

Projects under Development (as of Jul. 2011)

	Phase I	Phase II	Phase III	Filed
Oncology	AF802 – NSCLC (PI/II) CIF/RG7167 - solid tumors CKI27/RG7304 - solid tumors GC33 - liver cancer PA799 - solid tumors WT4869 (PI/II) - myelodysplastic syndromes GA101/RG7159 – NHL	MRA/Actemra - PC RG435/Avastin - glioblastoma (relapsed) RG1415/Tarceva - NSCLC(1 st line)	RG435/Avastin - GC - aBC - glioblastoma RG1273/pertuzumab - BC RG3502(T-DM1) - BC★	EPOCH/Epogin - CIA RG435/Avastin - BC RG1415/Tarceva – PC★
Bone & Joint	SA237 - Rheumatoid Arthritis	RG484/Bonviva(oral) - osteoporosis	MRA/Actemra (overseas) - RA(sc) RG484/Bonviva(inj) (PII/III) - osteoporosis	MRA/Actemra (EU) - sJIA
Renal				RG744/Mircera - renal anemia★
Others	RG1450 - Alzheimer's disease RG7090★ - major depressive disease RG7128 - HCV★		tofogliflozin(CSG452) - diabetes RG1678/(GLYT1) -Schizophrenia	RG442/Pegasys - HBV RG442+RG964/Pegasys + Copegus – cirrhosis★

Letters in orange in-house projects

Letters in pink indications approved in this quarter

★: Projects with advances in stages since Apr. 21, 2011

Development Status - Oncology

In-
licensed

Tarceva : Pancreatic cancer

Approved in Jul. 2011

In-
licensed

T-DM1 (RG3502) : Breast cancer

P3 multinational study started in May 2011

In-hous
e

TP300 : Gastric cancer etc.

Development suspended

Did not meet the efficacy criteria to proceed

Development Status - Bone & Joint, Renal

In-house

Actemra (Taiwan) : RA
Approved in Jul. 2011

In-licensed

Mircera : Renal anemia
Launched in Jul. 2011

Development Status - Transplant, Immunology, Infectious diseases and others

In-licensed

Pegasys/Copegus : Compensated liver cirrhosis caused by hepatitis C virus

Approved in Jul. 2011

In-licensed

RG7090(mGluR5 antagonist) : Major depressive disorder

Started P1 in Jun. 2011

In-house

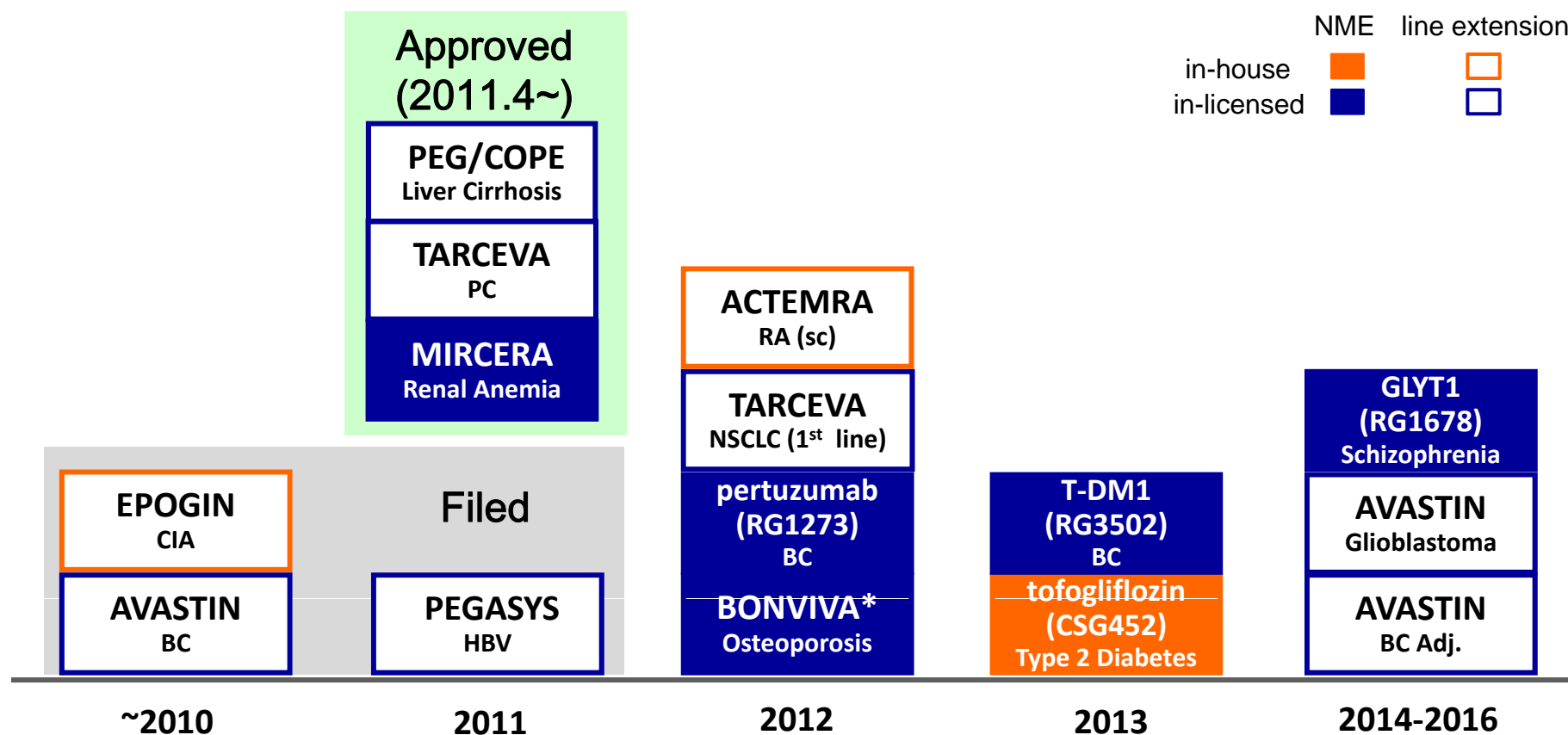
tofogliflozin(CSG452): Type II diabetes

Development and marketing license returned from Roche

Overseas licensing activities ongoing

Projected Submissions (Post PoC products and NMEs)

■ Filings planned each year



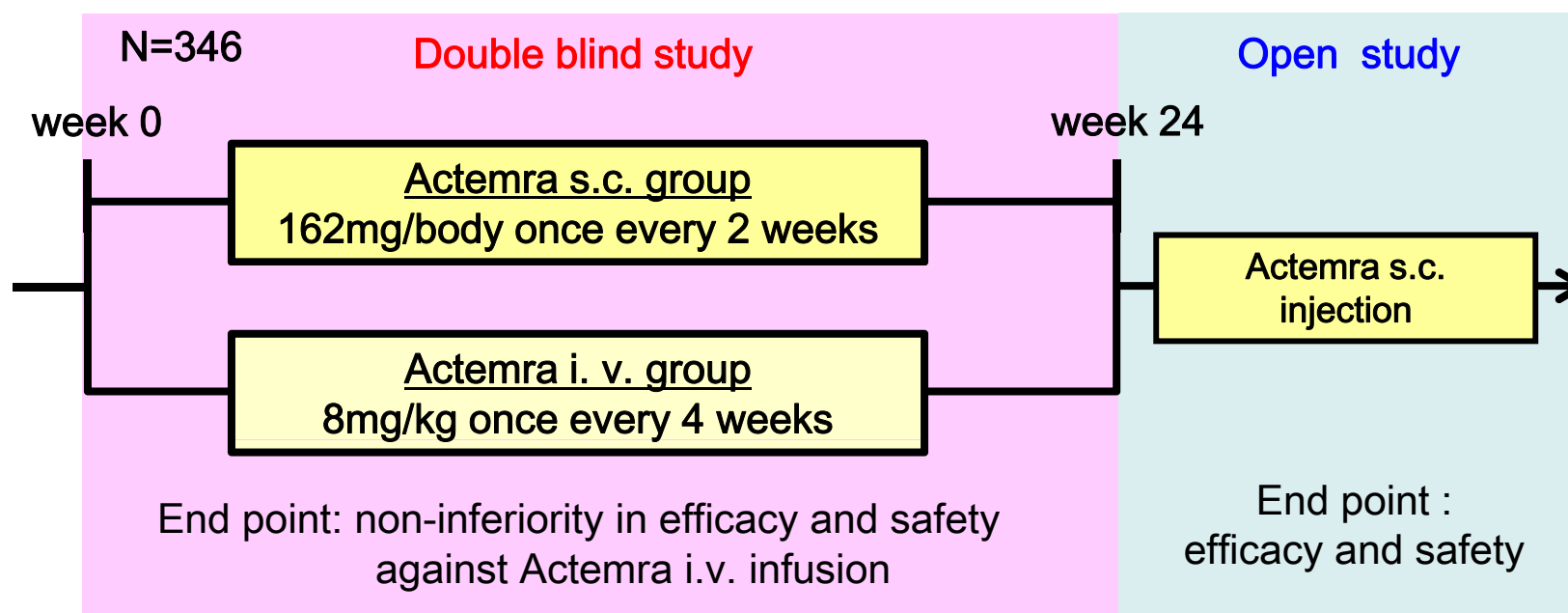
*Overseas name

Actemra Subcutaneous Formulation

- P3 results in Japan

■ Study design

- A study to evaluate non-inferiority of Actemra subcutaneous(s.c.) injection against Actemra intravenous(i.v.) infusion in RA patients



■ P3 study (Japan) results

- Non-inferiority of Actemra s.c. was demonstrated against Actemra i.v. at 24 weeks in efficacy defined by ACR20 response
- Safety profile of Actemra s.c. was consistent in nature with that of Actemra i.v.

■ Planned filing (Japan) : 2012

Current Situation of the Requests Made by MHLW Unapproved Drug Committee

■ MHLW Unapproved Drug Committee

Requested drug manufacturers to develop unapproved drugs with high clinical needs, including 8 cases / 10 indications for Chugai

Date for request	Product	indication	Development status
May 21, 2010	Xeloda	Advanced or recurrent gastric cancer	Approved in Feb. 2011
	Tarceva	Advanced or recurrent pancreatic cancer	Approved in Jul. 2011
	Avastin	Advanced or recurrent breast cancer	Filed in Oct. 2009
	pulmozyme	Improvement of pulmonary function in patients with cystic fibrosis	Filed in Jul. 2011
Dec 13, 2010	Herceptin	Q3W dosage HER2+ metastatic breast cancer	NDA based on evidence in the public domain in May 2011
	Herceptin	HER2 + neo-adjuvant breast cancer	
	Cellcept	Child kidney transplant	
	Avastin	Ovarian cancer	Planning
	Kytril	Radiation	Preparing for filing
	Bactramin	Prevention & treatment of pneumocystis pneumonia	Planning

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