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CHUGAI PHARMACEUTICAL CO., LTD.

A member of the Roche group

CONSOLIDATED FINANCIAL STATEMENTS (Non-audited)

(for the first quarter of fiscal year 2012)

Name of Company:	Chugai Pharmaceutical Co., Ltd.	April 24, 2012
Stock Listing:	Tokyo Stock Exchange	
Security Code No.:	4519 (URL http://www.chugai-pharm.co.jp/english)	
Representative:	Osamu Nagayama, Representative Director, Chairman & CEO	
Contact:	Nobuyuki Chiba, General Manager of Corporate Communications Department	
Phone:	+81-(0) 3-3273-0881	
Date of Submission of Quarterly Marketable Securities Filings:	April 27, 2012	
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)	

(Note: Amounts of less than one million yen are omitted.)

I. Consolidated Operating Results for the First Quarter of FY 2012 (January 1, 2012–March 31, 2012)

(1) Consolidated Operating Results (cumulative)

	Revenues	% change	Operating Income	% change	Ordinary Income	% change
First three months of FY 2012	¥90,256 million	5.3	¥16,615 million	6.8	¥16,304 million	(2.3)
First three months of FY 2011	¥85,724 million	(1.6)	¥15,564 million	40.5	¥16,685 million	38.4

	Net Income	% change	Net Income per Share (Basic)	Net Income per Share (Fully Diluted)
First three months of FY 2012	¥9,342 million	87.3	¥17.17	¥17.16
First three months of FY 2011	¥4,989 million	(36.5)	¥9.17	¥9.17

Notes: Comprehensive income for the first quarter ended March 31, 2012: ¥12,831 million 91.6 %

Comprehensive income for the first quarter ended March 31, 2011: ¥6,695 million —%

Percentages represent changes compared with the same period of the previous fiscal year

(2) Consolidated Financial Condition

	Total Assets	Net Assets	Equity Ratio
As of Mar. 31, 2012	¥532,473 million	¥460,758 million	86.1%
As of Dec. 31, 2011	¥533,482 million	¥459,072 million	85.6%

Reference: Shareholders' equity at March 31, 2012: ¥458,578 million

Shareholders' equity at December 31, 2011: ¥456,848 million

2. Dividends

	Annual Dividends per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	End of Fiscal Year	Total
FY ended Dec. 2011	—	¥20.00	—	¥20.00	¥40.00
FY ending Dec. 2012	—				
FY ending Dec. 2012 (Forecast)		¥20.00	—	¥20.00	¥40.00

Note: Whether the most recent dividend forecast has been revised: No

3. Forecast of Consolidated Results for FY 2012 (January 1, 2012–December 31, 2012)

	Revenues	% Change	Operating Income	% Change	Ordinary Income	% Change
First six months	¥195,500 million	7.5	¥36,500 million	3.7	¥37,000 million	2.3
Full year	¥418,500 million	12.0	¥80,000 million	28.1	¥80,500 million	26.6

	Net Income	% Change	Net Income per Share (Basic)
First six months	¥22,000 million	28.7	¥40.43
Full year	¥49,000 million	39.1	¥90.04

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 most recent forecasts for consolidated figures have been revised: No

4. Others

- (1) Changes in the state of material subsidiaries during the period (Changes in the state of specific subsidiaries attendant with change in scope of consolidation): None
- (2) Application of special accounting method for preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting principles, changes in accounting estimates, and restatements
 - (a) Changes in accounting principles accompanying revisions in accounting standards: Yes
 - (b) Changes in accounting principles other than those in (a) above: Yes
 - (c) Changes in accounting estimates: None
 - (d) Restatements: None

Note: For further details, please refer to the “2. Other Information” section of the attachment on page 4.

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

(Shares)

- (a) Number of shares at the end of the period (including treasury stock)
- (b) Number of treasury stock at the end of the period
- (c) Average number of shares issued during the period (three months)

First quarter of FY 2012	559,685,889	FY 2011	559,685,889
First quarter of FY 2012	15,494,706	FY 2011	15,494,118
First quarter of FY 2012	544,191,612	First quarter of FY 2011	544,194,138

Notes:

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.

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 “1. Qualitative Information, (3) Qualitative Information Regarding the Forecast for Consolidated Performance” in the attachment on page 4.

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

Presentation for institutional investors and analysts: April 24, 2012, Tuesday (Japan time)

Index of the Attachment

1. Qualitative Information	2
(1) Qualitative Information Regarding Operating Results (Consolidated)	2
(2) Qualitative Information Regarding Financial Condition (Consolidated)	3
(3) Qualitative Information Regarding the Forecast for Consolidated Performance	4
2. Other Information	4
(1) Changes in Accounting Principles, Changes in Accounting Estimates, and Restatements	4
3. Consolidated Financial Statements	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	7
(3) Notes Regarding Assumptions as a Going Concern	9
(4) Notes Regarding Major Changes in Shareholders' Equity	9

1. Qualitative Information

(1) Qualitative Information Regarding Operating Results (Consolidated)

(Billions of Yen)

	First three months of FY 2011.12 (Jan. 1, 2011–Mar. 31, 2011)	First three months of FY 2012.12 (Jan. 1, 2012–Mar. 31, 2012)	% Change
Revenues	85.7	90.3	+5.4
Sales (excluding Tamiflu)	76.2	79.0	+3.7
Cost of sales	35.1	39.6	+12.8
Gross profit	50.6	50.6	+0.0
SG&A (excl. R&D) expenses	22.0	21.0	(4.5)
R&D expenses	13.0	13.1	+0.8
Operating income	15.6	16.6	+6.4
Ordinary income	16.7	16.3	(2.4)
Net income	5.0	9.3	+86.0

Consolidated revenues through the first quarter under review were ¥90.3 billion (an increase of 5.4% year on year).

Sales, after exclusion of sales of Tamiflu (an anti-influenza agent), which vary widely from year to year, and other operating revenues, amounted to ¥79.0 billion (an increase of 3.7% year on year). Sales of Tamiflu alone were ¥7.8 billion (an increase of 85.7% year on year) and other operating revenues amounted to ¥3.5 billion (a decrease of 34.0% year on year).

Domestic Sales (Excluding Tamiflu)

Domestic sales for the quarter under review, excluding Tamiflu, amounted to ¥68.1 billion (a decrease of 3.0% year on year). Sales in the oncology field, where growth is steady, and sales of Ediol (an active vitamin D₃ derivative) and Mircera (a long-acting erythropoietin-stimulating agent), both of which were introduced in 2011, contributed to sales growth. However, the double-digit decline in sales of the transplant, immunology, and infectious disease fields owing to the shrinkage in the interferon market, the decrease in sales of Epogin (a recombinant human erythropoietin), a major product in the Company's lineup of renal disease treatment for many years, and the effects of the NHI reimbursement price revision scheduled for April offset the sales growth and resulted in an overall decline in domestic sales.

In the oncology field, sales for the quarter were ¥32.7 billion (an increase of 5.5%). This growth was due to continued expansion in sales of mainstay products, including Avastin (an anti-vascular endothelial growth factor (VEGF) receptor humanized monoclonal antibody, anti-cancer agent), Herceptin (an anti-HER-2-humanized monoclonal antibody, anti-cancer agent), and Rituxan (an anti-CD20 monoclonal antibody, anti-cancer agent). Factors accounting for the growth in sales of Avastin are the maintenance of a high market share in the treatment of colorectal cancer, its accelerating penetration of the lung cancer treatment market along with the implementation of a more active market promotion program, and this drug's receipt of an expanded indication for the treatment of breast cancer in September 2011. On the other hand, sales of Kytril (a 5-HT₃ receptor antagonist, antiemetic agent) decreased owing to the effects of the emergence of many competing products, including generic products.

In the bone and joint disease field, sales declined and amounted to ¥13.6 billion (a decrease of 2.9% year on year). Although sales of Actemra (a humanized anti-human IL-6 receptor monoclonal antibody) are continuing to expand, growth in sales of Evista (an agent for the treatment of osteoporosis) weakened because of more intense competition. In addition, market penetration of Ediol (a second-generation vitamin D₃ derivative), which was launched in April 2011, has been slower than anticipated.

In the renal diseases field, sales amounted to ¥10.3 billion (a decline of 9.6% year on year). Sales of Epogin (a recombinant human erythropoietin) declined substantially because of the shift to usage of Mircera, which was launched in July 2011, and increased competition. Sales of Mircera have been adversely affected by competition, and market penetration has not proceeded as initially planned.

In the transplant, immunology, and infectious disease fields (excluding Tamiflu), sales were ¥4.5 billion (a decline of 18.2%). This decrease was due to lower sales of Pegasys (a peginterferon- α -2a) and Copegus (an anti-viral agent) owing to the shrinkage in the market for interferon agents.

Tamiflu (an Anti-influenza Agent)

Sales of Tamiflu for ordinary use through the first quarter amounted to ¥7.5 billion (an increase of 102.7% year on year), due to an increase in the number of influenza cases compared with the previous year. Sales to government stockpiles through the first quarter were ¥0.4 billion (a decrease of 20.0% year on year).

Overseas Sales

Overseas sales amounted to ¥10.9 billion (an increase of 84.7% year on year). Factors accounting for this rise were the increase in sales of Actemra to ¥6.8 billion (an approximate fivefold increase year on year) because of the delays in exports of Actemra to Roche in the previous year following the Great East Japan Earthquake and the steady rise in sales to the more than 70 countries where this drug is marketed.

Profit (Loss) Condition

Although gross profit on sales rose because of the positive effects of growth in overseas sales, other operating revenues declined and offset this increase, resulting in gross profit of ¥50.6 billion (an increase of 0.0% 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 ¥21.0 billion (a decrease of 4.5% year on year). R&D expenses totaled ¥13.1 billion (an increase of 0.8% year on year).

As a result, operating income amounted to ¥16.6 billion (an increase of 6.4% year on year), and ordinary income was ¥16.3 billion (a decrease of 2.4% year on year). Net income for the quarter amounted to ¥9.3 billion (an increase of 86.0% year on year), and comprehensive income was ¥12.8 billion (a gain of 91.0% year on year). These increases in income were the result of the reporting of extraordinary losses of ¥6.1 billion in the same quarter of the previous fiscal year in connection with the earthquake.

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 ¥532.5 billion, representing a decrease of ¥1.0 billion in comparison with the end of the previous fiscal year. Principal factors resulting in this decrease were a rise in cash and deposits of ¥15.9 billion, which was offset by a decline in trade notes and accounts receivable of ¥16.3 billion.

Total liabilities on a consolidated basis stood at ¥71.7 billion, representing a decrease of ¥2.7 billion compared with the end of the previous fiscal year. Principal factors resulting in this decrease were an increase in trade notes and accounts payable of ¥6.5 billion and a decline in income taxes payable of ¥8.1 billion.

Total net assets on a consolidated basis at the end of the quarter were ¥460.8 billion, representing an increase of ¥1.7 billion compared with the end of the previous fiscal year. The principal factor resulting in this increase was an increase in foreign currency translation adjustments of ¥2.1 billion, which was partially offset by a decrease in retained earnings of ¥1.5 billion due to the reporting of net income of ¥9.3 billion for the quarter, after the payment of dividends from retained earnings of ¥10.9 billion.

As a result, the consolidated shareholders' equity ratio stood at 86.1% at the end of the quarter, compared with 85.6% at the end of the previous fiscal year.

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 Company has not made any changes in its forecast of consolidated results for the fiscal year ending December 2012 since the announcement regarding the forecast issued on February 1, 2012.

2. Other Information

(1) Changes in Accounting Principles, Changes in Accounting Estimates, and Restatements

(Application of “Accounting Standard for Earnings Per Share”)

Beginning with the first quarter of FY 2012 under review, “Accounting Standard for Earnings Per Share” (Accounting Standards Board of Japan (ASBJ) Statement No. 2, revised on June 30, 2010) and “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No. 4, revised on June 30, 2010) have been applied.

When calculating net income per share for the quarter after adjustment for latent shares, the Company has changed its method for computing the amount that is assumed to be paid into the Company due to the exercise of stock options rights, which require a specified term of service before holders can secure exercise rights, to take account of the amount for services that will be provided to the Company in the future, in the fairly assessed value of the stock options.

If these changes in accounting standards had not been applied, the net income per share through the end of the first quarter of the previous fiscal year after adjustment for latent shares would have been ¥9.17 per share.

(Accounting method for foreign exchange forward contracts related to scheduled foreign currency denominated transactions)

Previously, the Company applied the mark-to-market valuation method for foreign exchange forward contracts related to scheduled foreign currency denominated transactions and reported valuation differences in the consolidated statements of income. However, in view of major fluctuations in foreign exchange rates in recent years and the rise in the Company’s transactions denominated in foreign currencies, the Company has made further changes in its risk management regulations regarding the accounting treatment of foreign exchange forward contracts and now reflects the effects of hedge accounting in the consolidated financial statements. To report consolidated income for the period more accurately, beginning with the first quarter of FY 2012 under review, the Company has applied hedge accounting principles to a portion of foreign exchange forward contracts and adopted deferred hedge treatment.

This change in accounting policy accompanies further changes in the Company’s risk management regulations regarding foreign exchange forward contracts beginning with the first quarter of FY 2012 under review, and it has no effect on the first quarter of the previous fiscal year.

In comparison with the case where this accounting policy has not been applied, ordinary income and income before income taxes and minority interests through the end of the first quarter under review were ¥484 million lower than they would have been otherwise.

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

(Millions of Yen)

	As of December 31, 2011	As of March 31, 2012
Assets		
Current assets		
Cash and deposits	107,163	123,107
Trade notes and accounts receivable	110,913	94,633
Marketable securities	60,995	66,993
Merchandise and finished goods	87,240	84,042
Work in process	24	176
Raw materials and supplies	17,719	17,028
Deferred tax assets	22,742	21,980
Other	12,634	13,127
Reserve for doubtful accounts	(3)	(2)
Total current assets	419,429	421,085
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	47,846	46,909
Other (net)	35,089	34,039
Total property, plant and equipment	82,935	80,949
Intangible assets	1,961	1,913
Investments and other assets		
Investment securities	6,431	6,553
Deferred tax assets	14,033	13,115
Other	8,862	9,027
Reserve for doubtful accounts	(172)	(171)
Total investments and other assets	29,156	28,525
Total noncurrent assets	114,053	111,388
Total assets	533,482	532,473

(Millions of Yen)

	As of December 31, 2011	As of March 31, 2012
Liabilities		
Current liabilities		
Trade notes and accounts payable	17,350	23,907
Income taxes payable	14,156	6,078
Reserve for bonuses to employees	5,277	9,328
Other reserves	2,267	2,061
Other	29,769	24,827
Total current liabilities	68,822	66,203
Noncurrent liabilities		
Reserves	3,502	3,330
Other	2,085	2,182
Total noncurrent liabilities	5,587	5,512
Total liabilities	74,410	71,715
Net assets		
Shareholders' equity		
Common stock	72,966	72,966
Capital surplus	92,815	92,815
Retained earnings	339,476	338,037
Treasury stock, at cost	(36,260)	(36,261)
Total shareholders' equity	468,998	467,558
Accumulated other comprehensive income		
Net unrealized gain or loss on securities	842	1,611
Deferred gains or losses on hedges	—	288
Foreign currency translation adjustments	(12,992)	(10,879)
Total accumulated other comprehensive income	(12,150)	(8,979)
Subscription rights to shares	1,015	1,081
Minority interests	1,208	1,097
Total net assets	459,072	460,758
Total liabilities and net assets	533,482	532,473

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**Consolidated Statements of Income**

(Millions of Yen)

	First three months of FY 2011 (Jan. 1, 2011 – Mar. 31, 2011)	First three months of FY 2012 (Jan. 1, 2012 – Mar. 31, 2012)
Revenues		
Sales	80,389	86,776
Other operating revenues	5,334	3,480
Total revenues	85,724	90,256
Cost of sales	35,107	39,611
Gross profit	50,616	50,645
Selling, general and administrative expenses		
Sales promotion expenses	2,926	2,766
Salaries and allowances	6,147	6,139
Reserve for bonuses	2,424	2,626
R&D expenses	13,029	13,055
Retirement benefits	602	631
Other	9,922	8,810
Total selling, general and administrative expenses	35,052	34,030
Operating income	15,564	16,615
Non-operating income		
Interest income	83	117
Gain on valuation of derivatives	1,283	398
Life insurance dividend income	341	341
Other	427	286
Total non-operating income	2,136	1,144
Non-operating expenses		
Interest expenses	0	0
Loss on foreign exchange	895	1,363
Loss on retirement of noncurrent assets	13	16
Loss on abandonment of noncurrent assets	10	16
Other	96	59
Total non-operating expenses	1,015	1,456
Ordinary income	16,685	16,304
Extraordinary gain		
Gain on sales of noncurrent assets	—	1
Subsidy income	—	38
Total extraordinary gain	—	40
Extraordinary loss		
Loss on sales of noncurrent assets	0	—
Impairment loss	1	0
Loss on disaster	6,068	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,018	—
Total extraordinary loss	7,088	0
Income before income taxes and minority interests	9,596	16,343
Income taxes—current	6,085	5,623
Income taxes—deferred	(1,684)	1,175
Total income taxes	4,400	6,799
Income before minority interests	5,195	9,544
Minority interests in income	206	201
Net income	4,989	9,342

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	First three months of FY 2011.12 (Jan. 1, 2011 – Mar. 31, 2011)	First three months of FY 2012.12 (Jan. 1, 2012 – Mar. 31, 2012)
Income before minority interests	5,195	9,544
Other comprehensive income		
Net unrealized gain or loss on securities	(338)	768
Deferred gains or losses on hedges	—	288
Foreign currency translation adjustments	1,838	2,229
Total other comprehensive income	1,499	3,287
Comprehensive income	6,695	12,831
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	6,396	12,513
Comprehensive income attributable to minority interests	299	317

(3) Notes Regarding Assumptions as a Going Concern

None

(4) Notes Regarding Major Changes in Shareholders' Equity

None