



Roche Roche Group

Aiming to Become a Top Japanese Pharmaceutical Company

- Review of 2009 and Plans for 2010 -

CHUGAI PHARMACEUTICAL CO., LTD.
President and CEO
Osamu Nagayama

February 3/4, 2010

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.

2009 Full Year Results

Record-high performance with strong growth drivers

(billions of yen)	2005	2008	2009	YoY
Revenues	327.2	326.9	428.9	31.2%
Sales ex. Tamiflu	292.0	313.4	342.9	9.4%
Operating income	79.2	51.6	82.6	60.1%
% revenues	24.2%	15.8%	19.3%	
Net income	53.6	39.3	56.6	44.0%
% revenues	16.4%	12.0%	13.2%	

Review of 2009

- Solid growth of ex-Tamiflu sales: +9.4%
- Launch of RoActemra in Europe
- Approval of Avastin in lung cancer
- 5 filings for marketing approval
- Initiation of P1 studies for 4 projects



Solid foundation for future growth

Divisional Achievements in 2009

R&D

Strengthened R&D foundation

- Enhanced drug discovery technology
- Good progress in projects of new development areas (diabetes, CNS)
- ⇒ Enriched pipeline
 - 9 global development projects on-going
 - 4 new projects entered phase I

Production

Reestablished development & manufacturing function

- Established Pharmaceutical Technology Division
- ⇒ A comprehensive structure from development to manufacturing to achieve global level competitiveness (cost, speed and quality)

Sales & Marketing

Strengthened marketing structure with further focus on disease areas

- Establishment of Primary Unit; Two-Unit structure with Oncology Unit
- Increased number of Oncology MRs (from 500 to 550)
- ⇒ Enhanced operational power in implementing product promotion in each area

Safety Management

Strengthened safety management structure

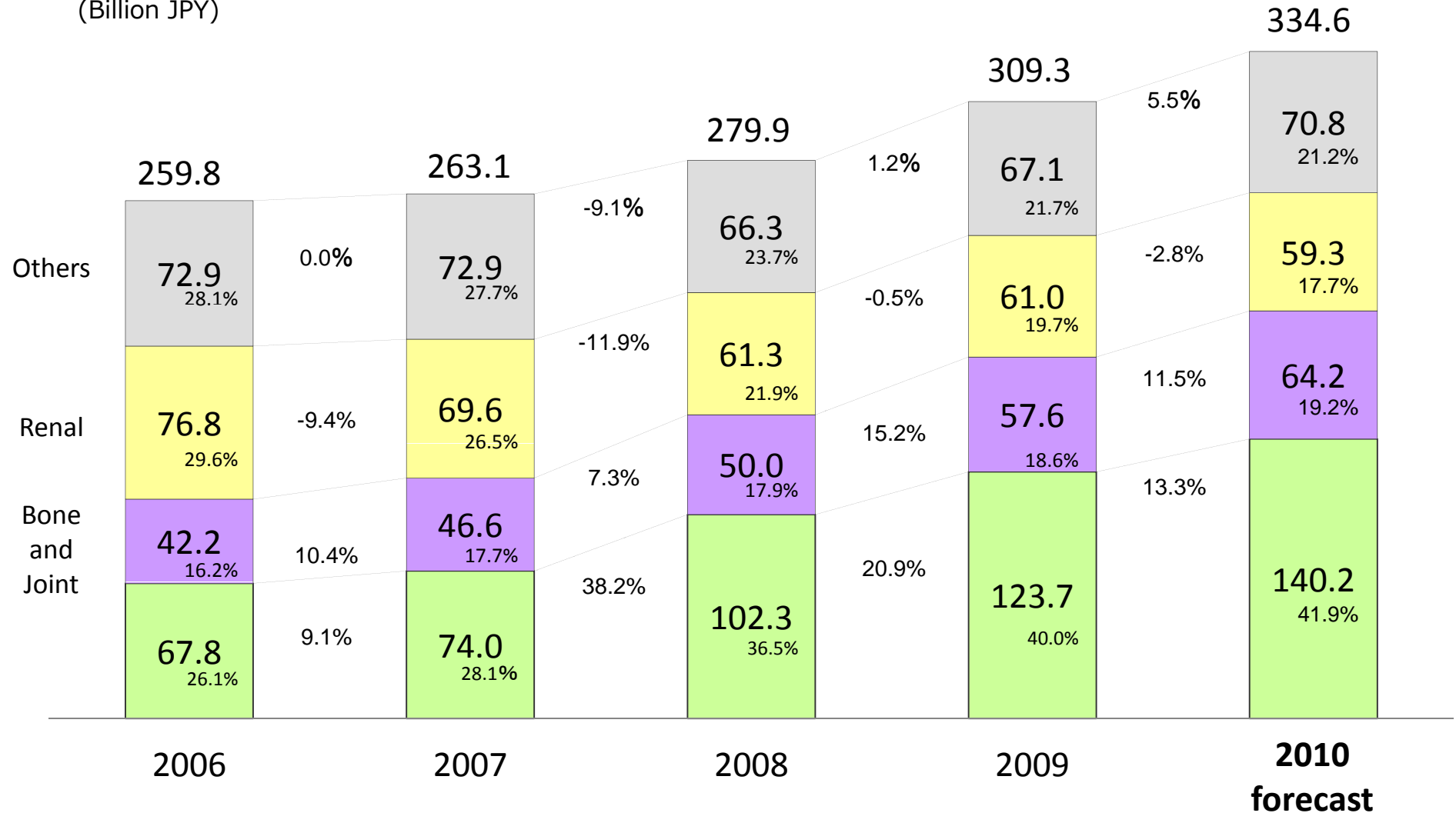
- Restructured Corporate Regulatory Compliance & Quality Assurance Division and established Regulatory & Quality Management Unit and Drug Safety Division
- ⇒ Enhanced medical evaluation of safety information to support safety when nurturing products



Improvement of
operational power
of each function

Domestic Sales excluding Tamiflu

(Billion JPY)



FY2010 Targets

A year of challenge to become a top pharmaceutical company in Japan

2010

Revenues: ¥418.5 billion
OP: ¥70.0 billion

2012

Sunrise 2012

Revenues: ¥460.0 billion
OP: ¥80.0 billion

Late 2010s

top pharmaceutical
company in Japan

Challenges in Sales and Marketing

Oncology

Contribute to treatment as a leading company in Oncology
Establish position as standard treatment

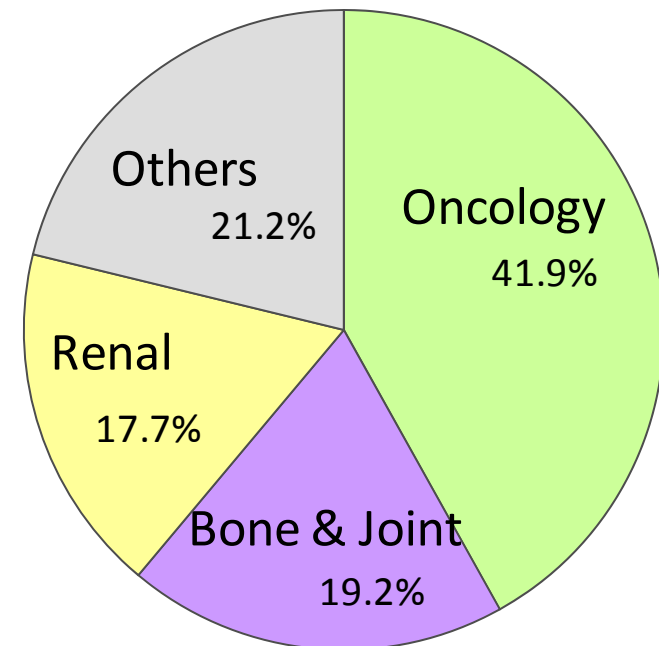
Bone and Joints

Actemra: establish a solid position as a first-line biologic

Renal

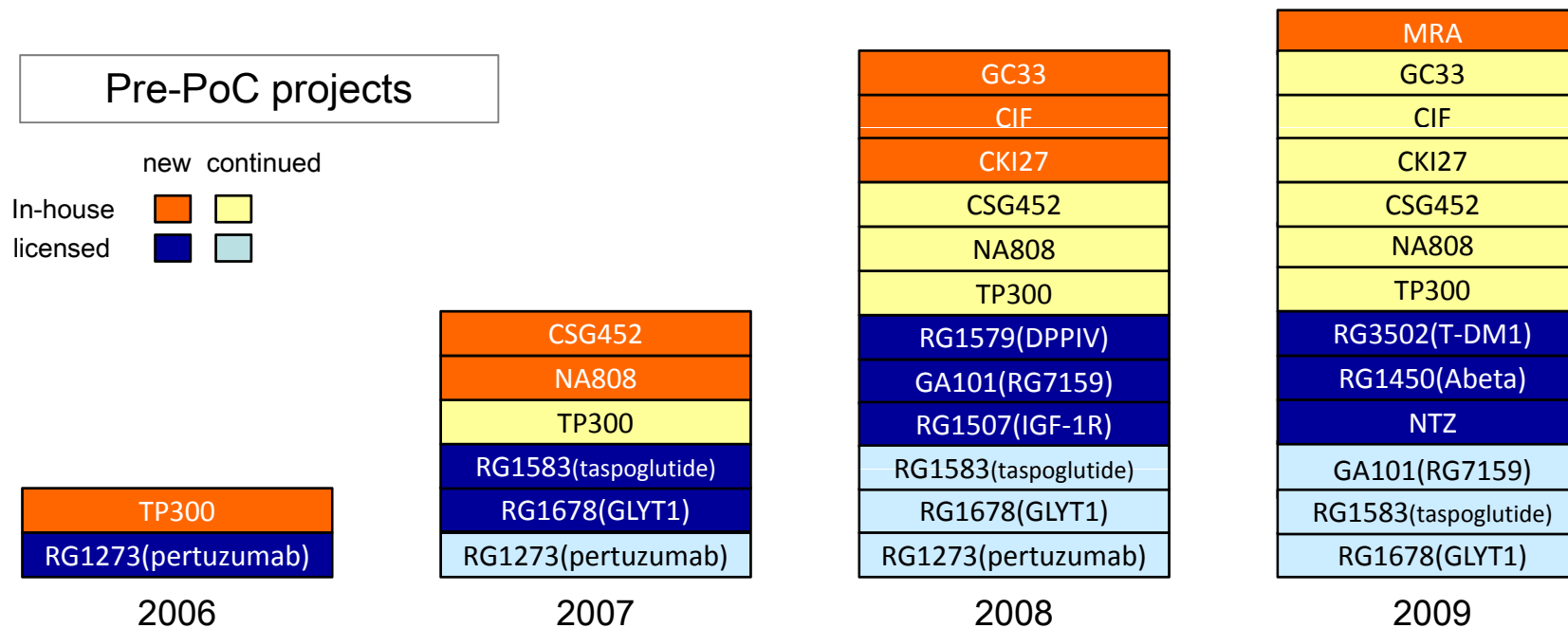
Provide expertise as a leading company in renal diseases
Contribute to treatment led by profound understanding on clinical needs

2010 domestic sales targets by treatment area



Challenges in R&D

- Filings for 4 products (2 projects) to gain additional indications
- Accelerate development in new target areas (diabetes, CNS)
- Strengthen drug-discovery capabilities
 - enhance research network centering on Forerunner Pharma Research
- Enrich early development pipeline
 - well-balanced pipeline with compounds from two sources
 - in-licensed several projects from Roche at the end of 2009



Actemra: for Further Growth

■ Global rollout : launched in more than 25 countries

□ US launch

- Approved on 8 Jan., launched in the week of 18 Jan.

□ Expansion in Europe

- Germany: better-than-expected penetration
> 10% market share in anti-TNF IRs
- Launched in major countries including UK, France and Spain

■ Development :

Pancreatic cancer P1/2, Japan	sJIA P3, Overseas	SC formulation P1/2, Japan
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FY2009 Consolidated Financial Overview

CHUGAI PHARMACEUTICAL CO., LTD.
Executive Vice President and CFO
Ryuzo Kodama

February 3/4, 2010

Summary

- Significant increase in both Revenues and Profits (Year on Year)
 - Revenues: +31.2%, Sales excl. Tamiflu: +9.4%
 - Solid domestic sales
Oncology sales: +20.9% (#1 share in the domestic market*)
 - Overseas sales: Stable despite the impact of strong yen
 - Operating Income : +60.1%, Recurring Profit : +57.8%,
Net Income : +44.0%
 - Gross Profit: +18.1% due to increase in Revenues
 - SG&A expenses: +3.5 %
- Record high for Revenues, Sales excl. Tamiflu,
Operating Income, Recurring Profit and Net Income

*The scope of the market is defined by Chugai
and its share is calculated based on IMS Data.

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Financial overview Jan - Dec

(Billion JPY)

(Billion JPY)	2008 Jan-Dec	As % of Revenues	2009 Jan-Dec	As % of Revenues	Variance	%
Revenues	326.9		428.9		+102.0	+31.2
Sales	321.8		419.1		+97.3	+30.2
excl. Tamiflu	313.4		342.9		+29.5	+9.4
Tamiflu	8.4		76.2		+67.8	(x 9.1)
Other Operating Revenues	5.1		9.8		+4.7	+92.2
Operating Income	51.6	15.8	82.6	19.3	+31.0	+60.1
Non-operating Income	9.9		9.4		-0.5	-5.1
Non-operating Expenses	4.2		1.6		-2.6	-61.9
Recurring Profit	57.3	17.5	90.4	21.1	+33.1	+57.8
Extraordinary Gain	7.3		0.3		-7.0	-95.9
Extraordinary Loss	1.4		1.3		-0.1	-7.1
Net Income	39.3	12.0	56.6	13.2	+17.3	+44.0

- Sales excl. Tamiflu **+29.5**
- Sales of Tamiflu* **+67.8**
- Other Operating Revenues **+4.7**
 - Milestone Income
 - Co-promotion income
- Operating Income **+31.0**
- Non-operating Inc. / Exp. **+2.1**
- Extraordinary Gain / Loss **-6.8**

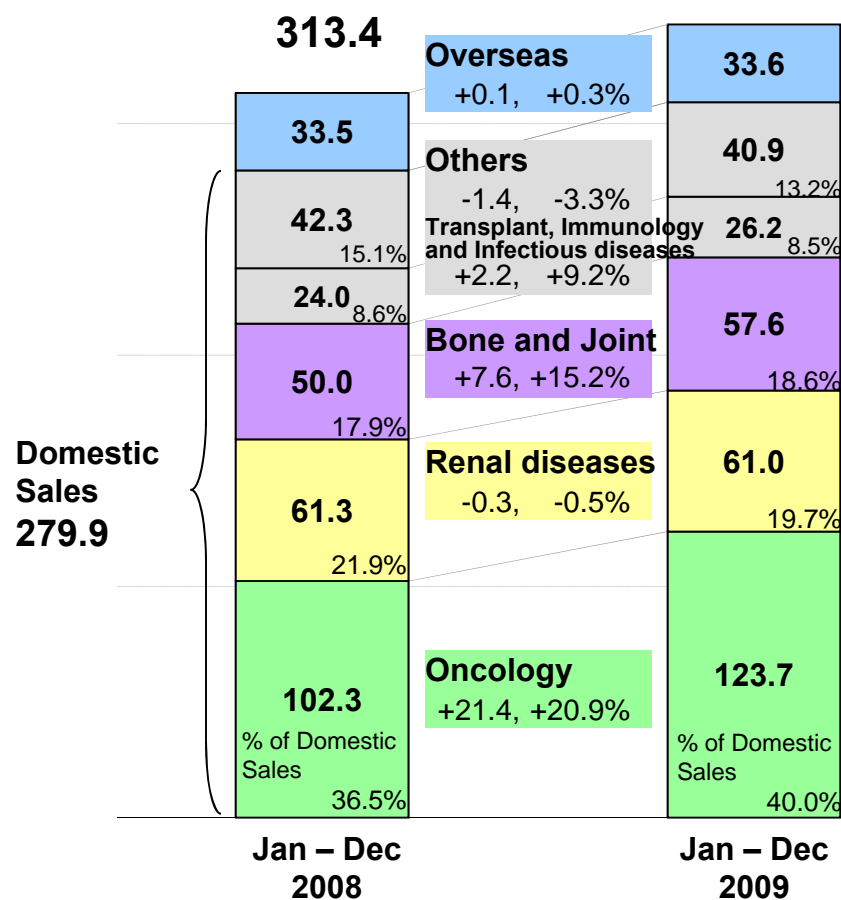
Gain on settlement of
co-development costs for
Actemra (April 2008)

Average rate (JPY)		
	2008 Jan-Dec	2009 Jan-Dec
CHF	95.54	86.20
EUR	151.38	130.10

* Tamiflu	2008 Jan-Dec	2009 Jan-Dec	Variance
Ordinary	7.1	36.2	+29.1
Govt. Stockpile etc.	1.3	40.0	+38.7

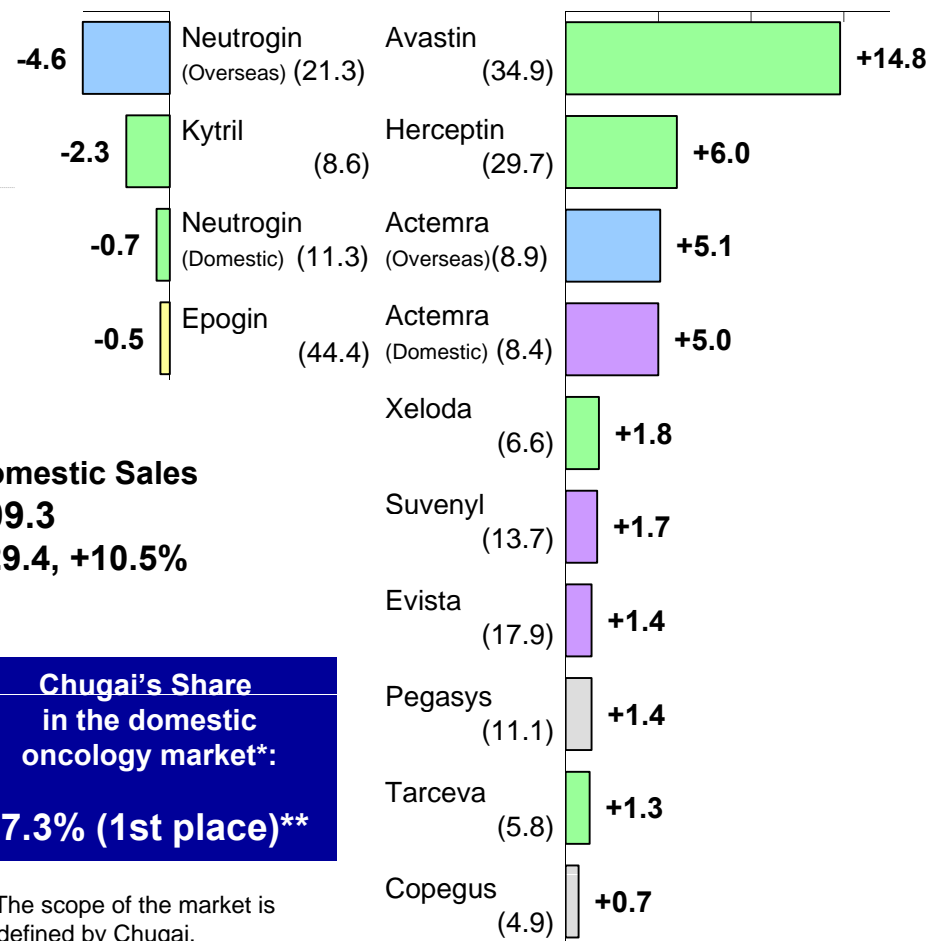
Sales (Excl. Tamiflu) Jan - Dec

(Billion JPY)

Sales (Excl. Tamiflu)
342.9 +29.5, +9.4%


Left : Disease field

Right : Variance Year on Year () : FY2009 Actual


Domestic Sales
309.3
+29.4, +10.5%
Chugai's Share
in the domestic
oncology market*:
17.3% (1st place)**

* The scope of the market is defined by Chugai.

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Tamiflu sales performance

(Billion JPY)		Fiscal Term Sales												Seasonal Sales	Number of Patients* (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	2004/2005	23.2												24.6	1.47
	2005/2006		11.9	9.9										21.8	0.92
	2006/2007				3.7	5.0								8.7	1.01
	2007/2008						5.2	1.4						6.6	0.66
	2008/2009								5.7	11.0				16.7	1.27
	2009/2010										25.2	5.5		30.7	
	2010/2011												15.0		
Ordinary		35.1	(+26.5)	13.6	(-21.5)	10.2	(-3.4)	7.1	(-3.1)	36.2	(+29.1)	20.5	(-15.7)		

Govt. Stockpile etc.	2005/2006		0.2	6.5										6.7	
	2006/2007				17.9	18.9								36.8	
	2007/2008						9.6	0.2						9.8	
	2008/2009								1.1	14.4				15.5	
	2009/2010										25.6	11.3		36.8	
	2010/2011												7.0		
Govt. Stockpile etc.		0.2	(+0.2)	24.4	(+24.2)	28.5	(+4.1)	1.3	(-27.2)	40.0	(+38.7)	18.2	(-21.8)		

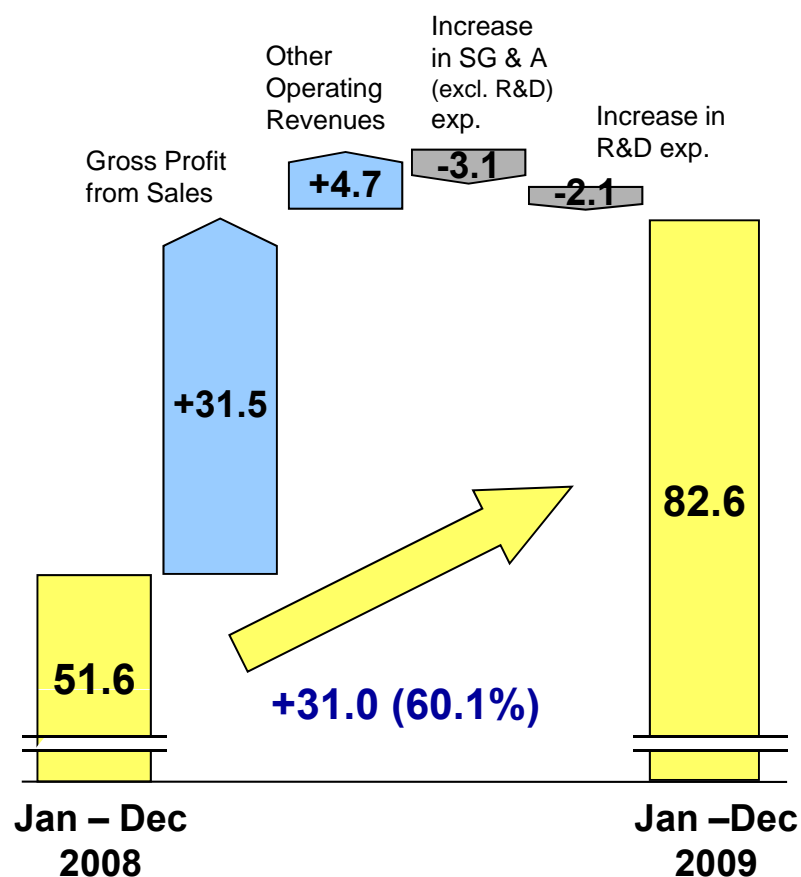
Total		23.2	12.0	16.3	21.6	23.8	14.8	1.6	6.8	25.4	50.8	16.8	22.0		
		35.2	(+26.6)	38.0	(+2.8)	38.7	(+0.7)	8.4	(-30.3)	76.2	(+67.8)	38.7	(-37.5)		

*Total patients number of the controlled samples in the infectious Diseases Weekly Report, period between late October and mid-April, published by Japan's National Institute of Infectious Diseases.

Company forecast

Operating Income Jan - Dec

(Billion JPY)



(Billion JPY)	2008 Jan-Dec	2009 Jan-Dec	Variance	(%)
Revenues	326.9	428.9	+102.0	+31.2
Cost of Sales	127.0	192.9	+65.9	+51.9
Gross Profit	199.9	236.1	+36.2	+18.1
Sales	194.8	226.3	+31.5	+16.2
Other Operating Revenues	5.1	9.8	+4.7	+92.2
SG&A (excl. R&D) exp.	95.1	98.2	+3.1	+3.3
R&D exp.	53.2	55.3	+2.1	+3.9
Operating Income	51.6	82.6	+31.0	+60.1

- **Increase in Gross Profit from Sales** **+31.5**
Increase in Tamflu, Oncology product, Actemra etc.
- **Increase in SG&A (excl. R&D) expenses** **-3.1**
Increase in personnel (pension etc.)
Sales promotion for new products etc. (Actemra, Avastin etc.)
- **Increase in R&D expenses** **-2.1**
Increase in personnel and depreciation (Pharmaceutical technology research facilities)
Increase in expenses for early stage projects

Financial Overview Oct - Dec

(Billion JPY)

(Billion JPY)	2008 Oct-Dec	As % of Revenues	2009 Oct-Dec	As % of Revenues	Variance	%
Revenues	97.3		119.2		+21.9	+22.5
Sales	97.0		115.7		+18.7	+19.3
excl. Tamiflu	90.3		95.3		+5.0	+5.5
Tamiflu	6.7		20.4		+13.7	+204.5
Other Operating Revenues	0.3		3.6		+3.3	(x 12.0)
Cost of sales	39.4		49.5		+10.1	+25.6
Gross Profit	57.8	59.4	69.7	58.5	+11.9	+20.6
SG&A (excl. R&D) exp.	29.2		28.3		-0.9	-3.1
R&D exp.	16.9		17.5		+0.6	+3.6
Operating Income	11.7	12.0	23.8	20.0	+12.1	+103.4
Recurring Profit	14.6	15.0	24.4	20.5	+9.8	+67.1
Net Income	9.1	9.4	15.7	13.2	+6.6	+72.5

➤ Sales excl. Tamiflu	+5.0
Avastin	+3.3
Actemra (Overseas)	+1.6
Actemra (Domestic)	+1.1
Xeloda	+0.7
Kytril	-0.7
➤ Sales of Tamiflu*	+13.7
➤ Other Operating Revenues	+3.3
Milestone Income	
Co-promotion Income	
➤ Operating Income	+12.1

* Tamiflu	2008 Oct-Dec	2009 Oct-Dec	Variance
Ordinary	5.6	17.7	+12.1
Govt. Stockpile etc.	1.1	2.7	+1.6

Financial Overview Jan - Dec

(Billion JPY)

(Billion JPY)	Revised Forecast Oct. 7		Actual		Variance	
	2009 Jan-Dec	As % of Revenues	2009 Jan-Dec	As % of Revenues		
						Achiev. (%)
Revenues	420.0		428.9		+8.9	102.1
Sales	410.0	97.6	419.1	97.7	+9.1	102.2
excl. Tamiflu	345.2	82.2	342.9	79.9	-2.3	99.3
Tamiflu	64.9	15.5	76.2	17.8	+11.3	117.4
Other Operating Revenues	10.0	2.4	9.8	2.3	-0.2	98.0
Cost of sales	-		192.9		-	-
Gross Profit	-		236.1	55.0	-	-
SG&A (excl. R&D) exp.	-		98.2		-	-
R&D exp.	-		55.3		-	-
Operating Income	67.0	16.0	82.6	19.3	+15.6	123.3
Recurring Profit	74.0	17.6	90.4	21.1	+16.4	122.2
Net Income	46.0	11.0	56.6	13.2	+10.6	123.0

➤ Sales excl. Tamiflu	-2.3
Neutrogin (Overseas)	+1.9
Actemra (Overseas)	+1.8
Avastin	+1.3
Neutrogin (Domestic)	-0.7
Kytril	-0.7
Copegus	-0.7
Epogin	-0.8
Actemra (Domestic)	-1.2
Pegasys	-1.2
➤ Sales of Tamiflu	+11.3
➤ Operating Income	+15.6

Impact from Foreign Exchange Rate

(Billion JPY)	vs. Exchange rate assumption
Revenues	+1.0
	Neutrogin (Overseas) +0.8
	Actemra(Overseas) +0.2
Cost of sales	Cost of Roche products -4.7
SG&A expenses	SG&A of overseas affiliates -0.3
Operating Income	-4.0
Non-operating Inc. / Exp.	Gain on foreign exchanges and exchange forward contract +6.3
Recurring Profit	+2.3

Amounts are our estimation.

➤ **Exchange rate assumption**

CHF : 85.00JPY EUR : 125.00JPY

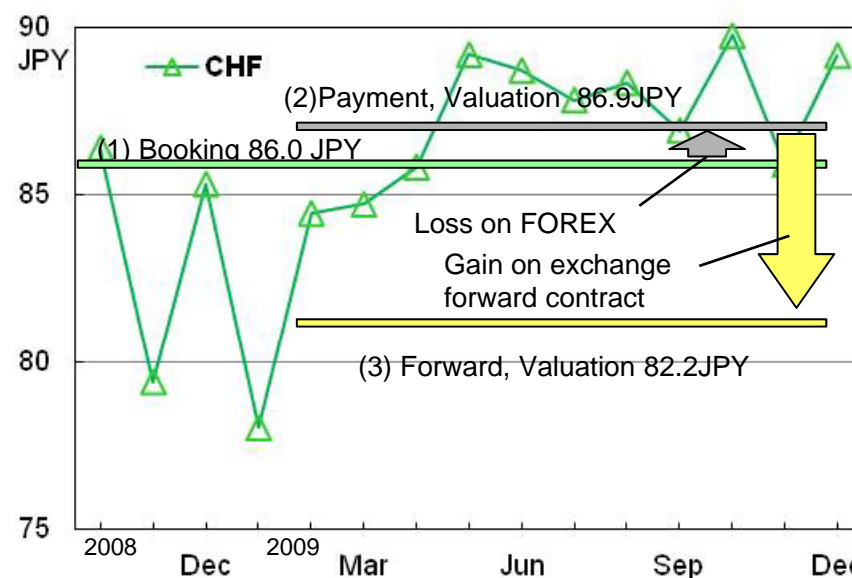
➤ **Cost of Roche products**

-4.7

Price review

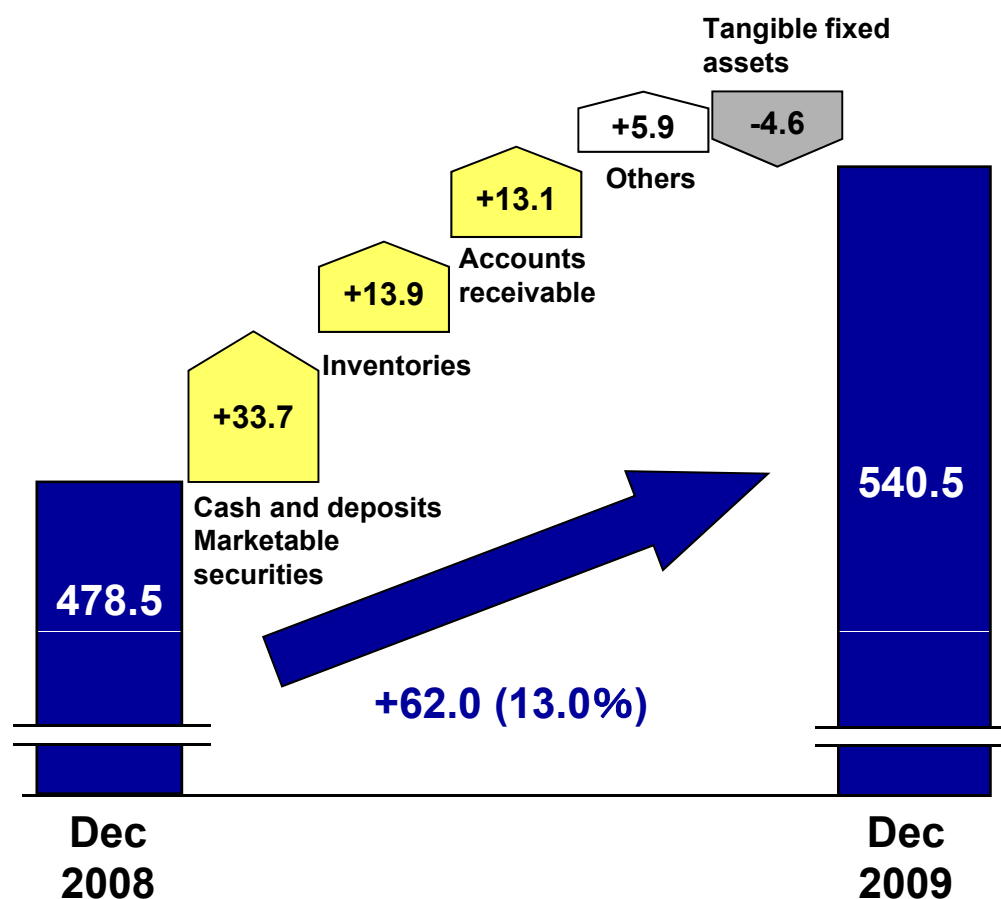
Purchase price variance

➤ **(Reference) FOREX impact on Non-operating Income**



Balance Sheet Items (Assets)

(Billion JPY)



➤ **Cash and deposits** +36.2

➤ **Marketable securities** -2.5

➤ **Inventories** +13.9

Increase in stock of new products
Stockpiling for manufacturing site change

➤ **Accounts receivable** +13.1

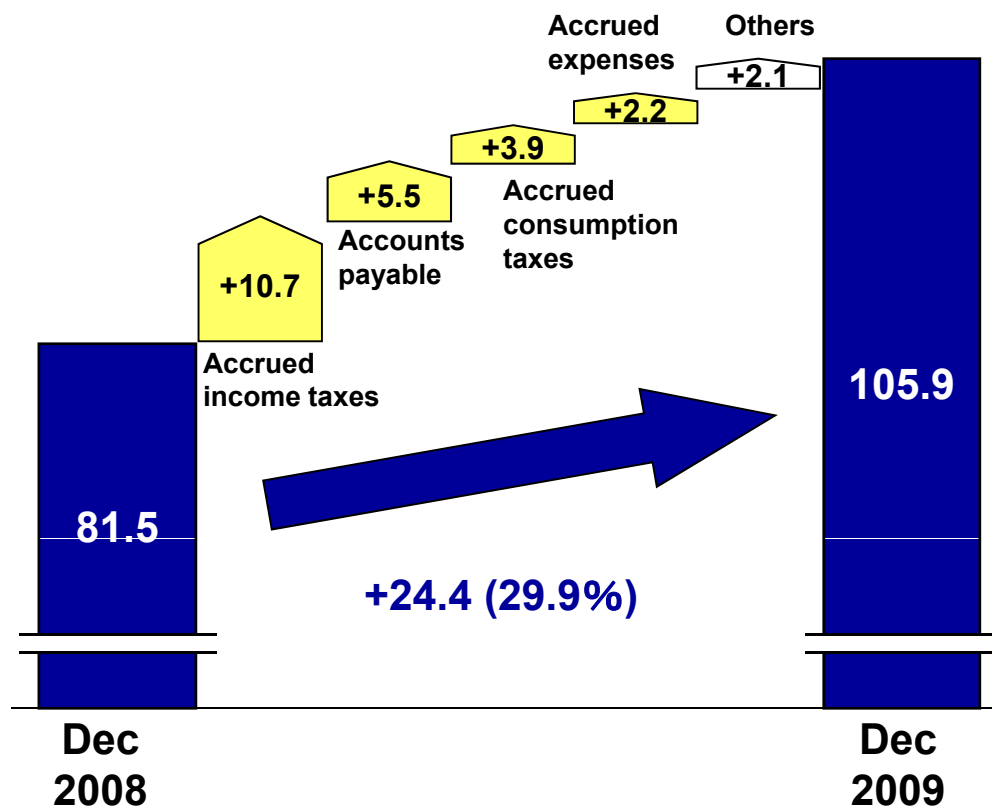
Increase in Sales

➤ **Others** +5.9

Increase in other receivables from Roche

Balance Sheet Items (Liabilities)

(Billion JPY)



➤ **Accrued income taxes** +10.7

➤ **Accounts payable** +5.5

Increase in purchase of Tamiflu

➤ **Accrued consumption taxes** +3.9

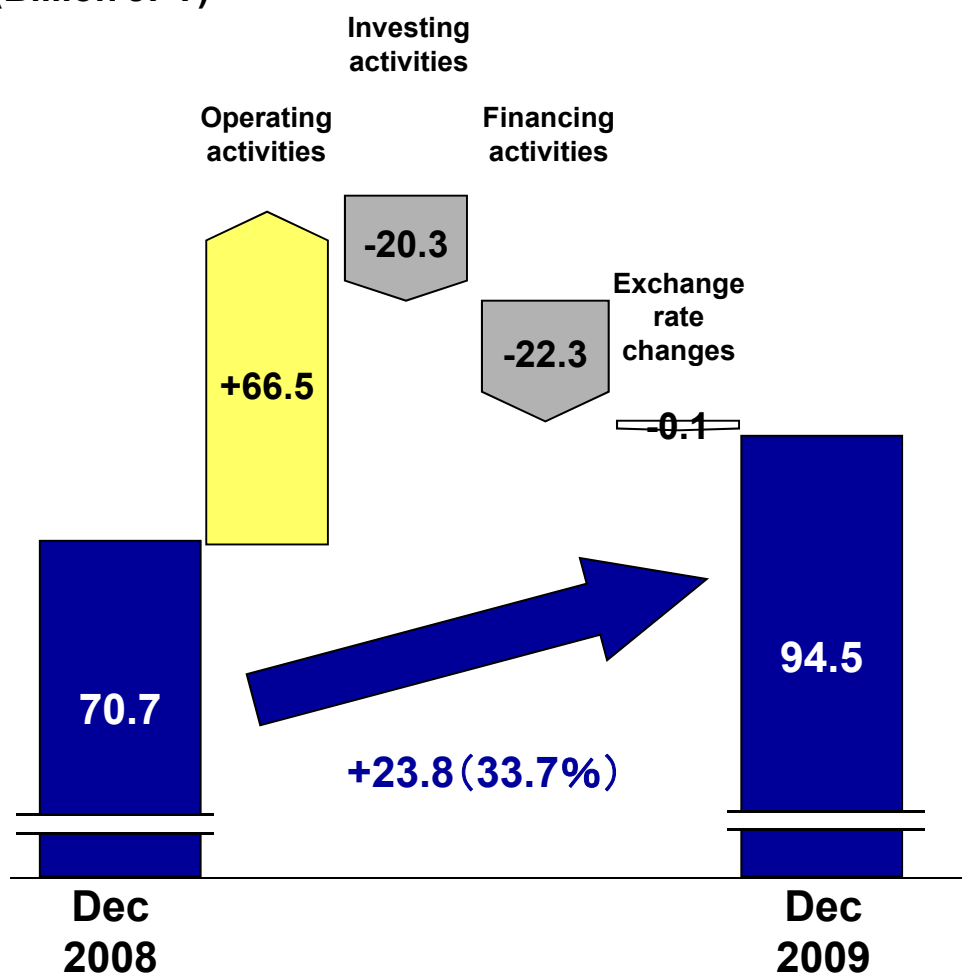
Increase in Sales

Equity Ratio

Dec. 2008	Dec. 2009	Variance
82.6%	80.0%	-2.6%pts

Cash Flow Statement Jan - Dec

(Billion JPY)



➤ **Cash flow from operating activities +66.5**

Income before taxes and minority interests	+89.4
Depreciation and amortization	+19.5
Increase in working capital	-21.1
Increase in notes and accounts receivable	-13.0
Increase in inventories	-13.5
Increase in notes and accounts payable	+5.3
Income taxes paid	-24.1

➤ **Cash flow from investing activities -20.3**

Payment into time deposits	-12.2
Decrease of marketable and investment securities	+7.6
Purchases of fixed assets	-16.1

➤ **Cash flow from financing activities -22.3**

Payment of dividends	-19.6
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2010 Forecast Jan - Dec

(Billion JPY)	Actual		Forecast		Variance	
	2009 Jan-Dec	As % of Revenues	2010 Jan-Dec	As % of Revenues		%
Revenues	428.9		418.5		-10.4	-2.4
Sales	419.1		414.0		-5.1	-1.2
excl. Tamiflu	342.9		375.3		+32.4	+9.4
Tamiflu	76.2		38.7		-37.5	-49.2
Other Operating Revenues	9.8		4.5		-5.3	-54.1
Cost of sales	192.9	45.0	184.5	44.1	-8.4	-4.4
Gross Profit	236.1	55.0	234.0	55.9	-2.1	-0.9
SG&A (excl. R&D) exp.	98.2	22.9	105.0	25.1	+6.8	+6.9
R&D exp.	55.3	12.9	59.0	14.1	+3.7	+6.7
Operating Income	82.6	19.3	70.0	16.7	-12.6	-15.3
Recurring Profit	90.4	21.1	70.5	16.8	-19.9	-22.0
Net Income	56.6	13.2	44.0	10.5	-12.6	-22.3
(EPS*)	103.98 JPY		80.85 JPY		-23.13 JPY	

Exchange rate (JPY)

	2009 Jan-Dec	2010 Jan-Dec (Assumption)
CHF	86.20	88.00
EUR	131.10	130.00

Sensitivity to currency (Estimation)
-1JPY / CHF or EUR

CHF :+0.7 billion JPY

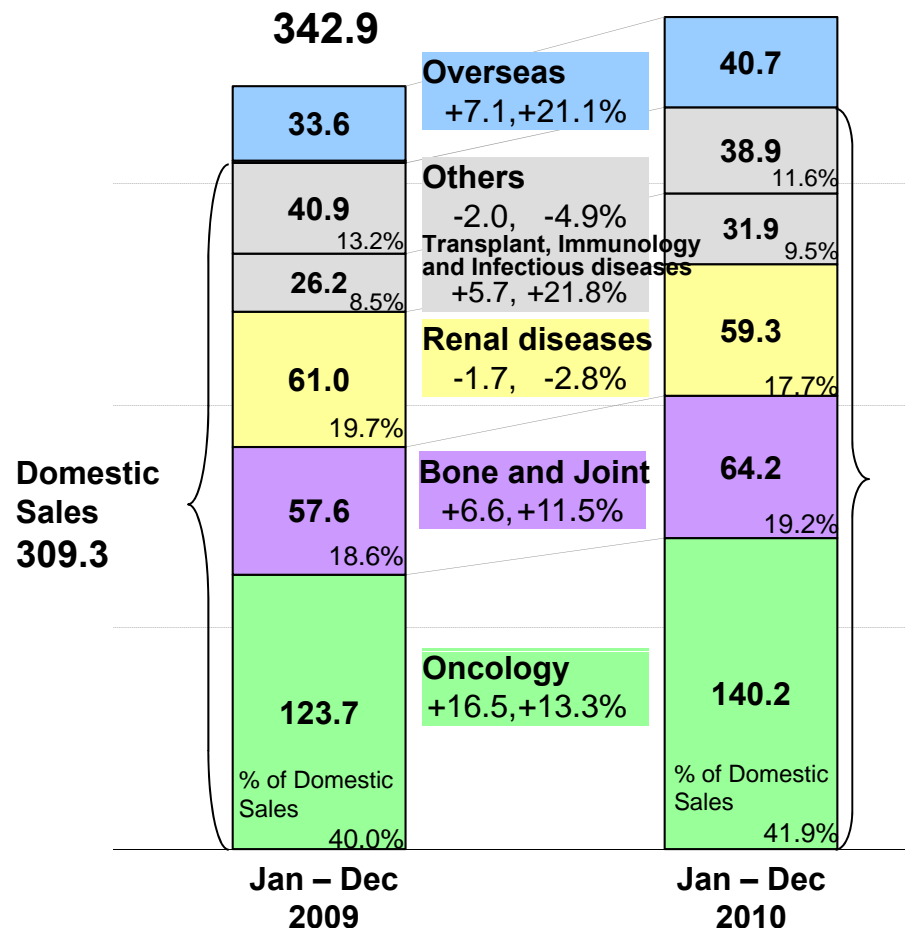
EUR :-0.1 billion JPY

to Operating Income

* EPS(2009) : After adjustment for latent stock

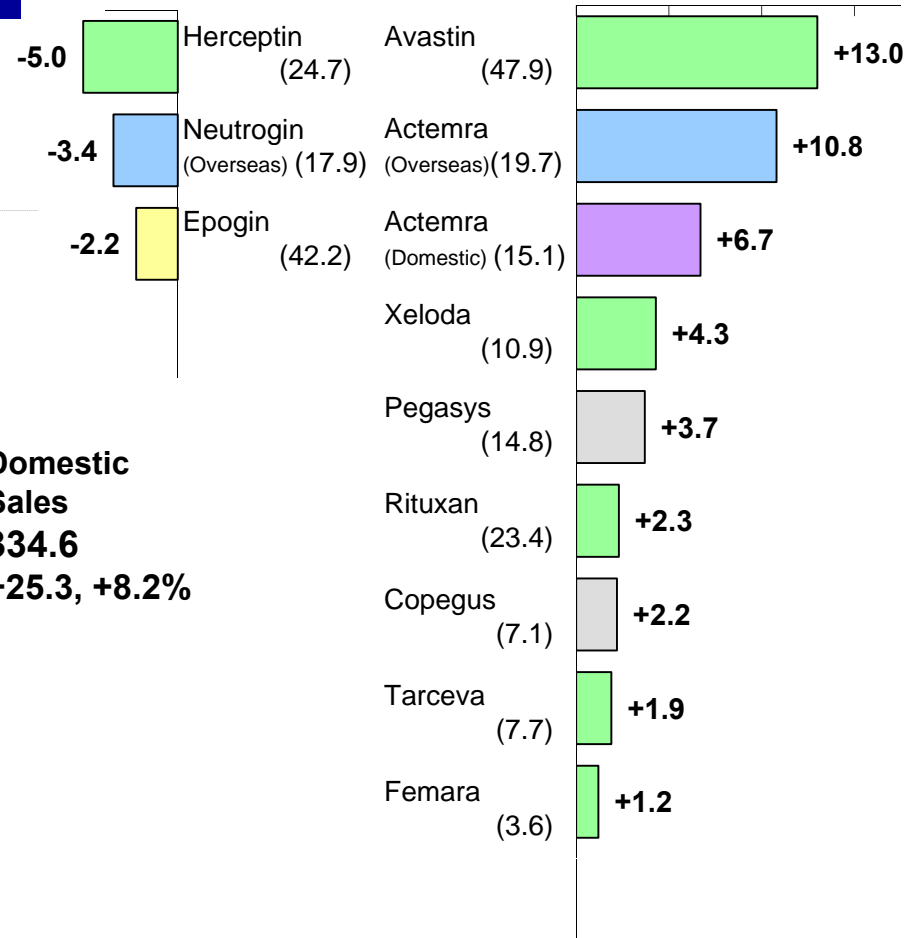
Sales (Excl. Tamiflu) Jan - Dec

(Billion JPY)

Sales (Excl. Tamiflu)
375.3 +32.4, +9.4%


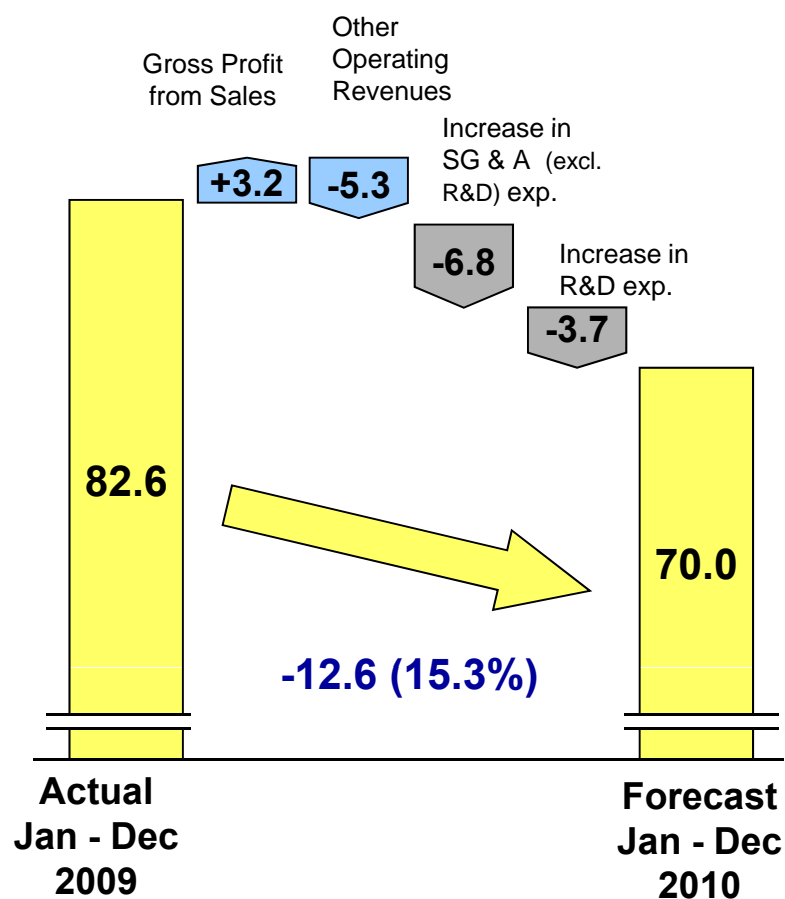
Left : Disease field

Right : Variance Year on Year () : FY2010 Forecast



Operating Income Jan - Dec

(Billion JPY)



(Billion JPY)	Actual 2009 Jan-Dec	Forecast 2010 Jan-Dec	Variance	(%)
Revenues	428.9	418.5	-10.4	-2.4
Cost of Sales	192.9	184.5	-8.4	-4.4
Gross Profit	236.1	234.0	-2.1	-0.9
Sales	226.3	229.5	+3.2	+1.4
Other Operating Revenues	9.8	4.5	-5.3	-54.1
SG&A (excl. R&D) exp.	98.2	105.0	+6.8	+6.9
R&D exp.	55.3	59.0	+3.7	+6.7
Operating Income	82.6	70.0	-12.6	-15.3

- **Increase in Gross Profit from Sales +3.2**
Decrease due to special factors (Tamiflu, Drug prices revisions)
Volume Growth
- **Increase in SG&A, R&D expenses -10.5**
Sales promotion for new products etc.
Co-promotion of Actemra
Increase in expenses for early stage projects

Dividend Policy

➤ Policy

Aiming to ensure stable profit for all shareholders and a consolidated dividend payout ratio of around 40% on average, taking account of strategic funding needs and earnings prospects.

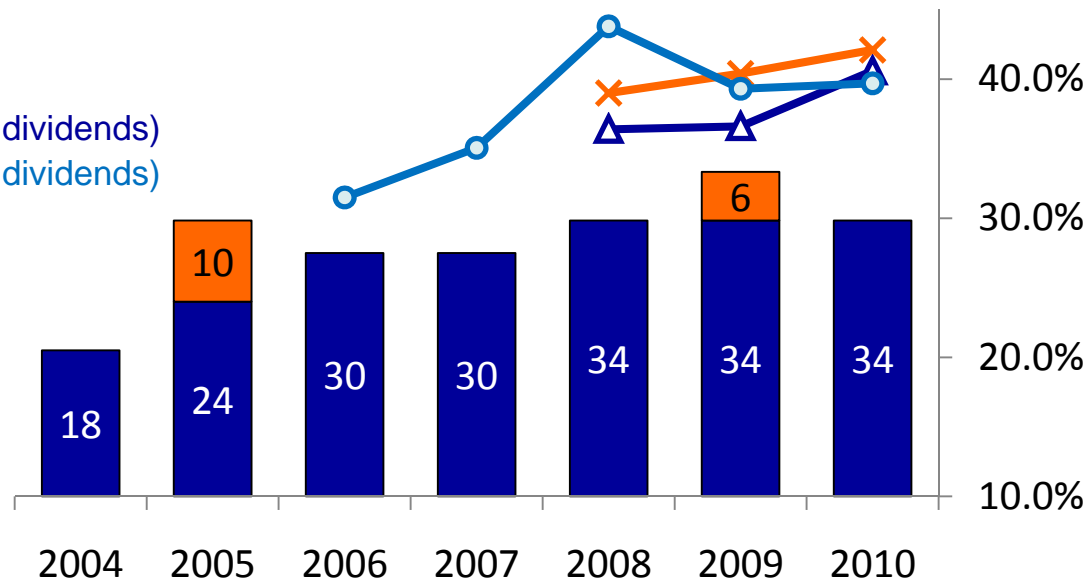
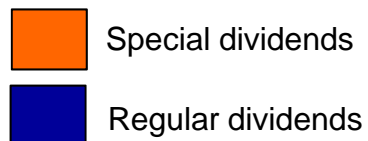
- **Dividends for FY2009 (Forecast) 40JPY : 17+17+6 (Special dividends)**
- **Dividends for FY2010 (Forecast) 34JPY : 17+17**

Dividends payout ratio

x: 5 years average

△: 5 years average (excl. special dividends)

○: 3 years average (excl. special dividends)





Roche Roche Group

Overview of Development Pipeline

CHUGAI PHARMACEUTICAL CO., LTD.
Senior Vice President
Head of Portfolio Management Unit
Yutaka Tanaka

February 3/4, 2010

Projects under Development (as of February, 2010)

	Phase I	Phase II	Phase III	Filed
Oncology	CIF/RG7167 - solid tumors CKI27/RG7304 - solid tumors GC33 - liver cancer RG7159/GA101 - NHL RG3502(T-DM1) - BC	MRA/Actemra - PC TP300 - GC RG435/Avastin - glioblastoma (relapsed)	RG340/Xeloda - GC RG435/Avastin - aCC - GC - aBC - glioblastoma RG597/Herceptin - GC RG1273/pertuzumab - BC	EPOCH/Epogin - CIA★ RG435/Avastin - BC RG1415/Tarceva - PC
Bone & Joint		MRA/Actemra - RA(sc) RG484/Bonviva(oral) - osteoporosis	MRA/Actemra (overseas) - sJIA RG1594/ocrelizumab - RA RG484/Bonviva(inj) - osteoporosis	ED-71 - osteoporosis
Renal				RG744/Mircera - renal anemia
Others	NA808 - HCV NTZ - HCV RG1450 - Alzheimer's disease	CSG452/RG7201 - diabetes RG1583/taspoglutide - diabetes RG1678/(GLYT1) - schizophrenia	RG442/Pegasys - HBV RG442+RG964/Pegasys + Copegus - cirrhosis	EPOCH/Epogin - autologous blood transfusion
			Letters in orange in-house projects ★:Projects with advances in stages since Oct 27, 2009	

Development Status - Oncology (1)

In-house

Epogin: chemotherapy-induced anemia

Filed in Nov. 09

In-house

CIF (RG7167, MEK inhibitor): solid tumors

Started P1 in Japan in Nov. 09

In-house

CKI27 (RG7304): solid tumors

Started P1 in Japan in Jan. 10

Development Status - Oncology (2)

In-
licensed

Avastin: non-small cell lung cancer

Approved in Nov.09

- In combination with standard chemotherapy

In-
licensed

RG1507 (IGF-1R mAb): solid tumor

Development suspended

- Results from overseas Phase II clinical trials conducted by Roche (target indication: non-small cell lung cancer, sarcoma) did not meet the efficacy criteria to proceed. No safety or tolerability signals were observed.

Development Status - Bone & Joint, Others

In-house

ACTEMRA (US): Rheumatoid Arthritis

Approved on Jan. 8, 2010

- Approved on the PDUFA DATE
- For the treatment of adult patients with moderately to severely active rheumatoid arthritis (RA) who have had an inadequate response to one or more tumor necrosis factor (TNF) antagonist therapies
- Used alone or in combination with methotrexate or other DMARDs
- 4 mg/kg is the recommended starting dose, and it may be increased to 8 mg/kg based on clinical response
- Launched in the week of January 18

In-licensed

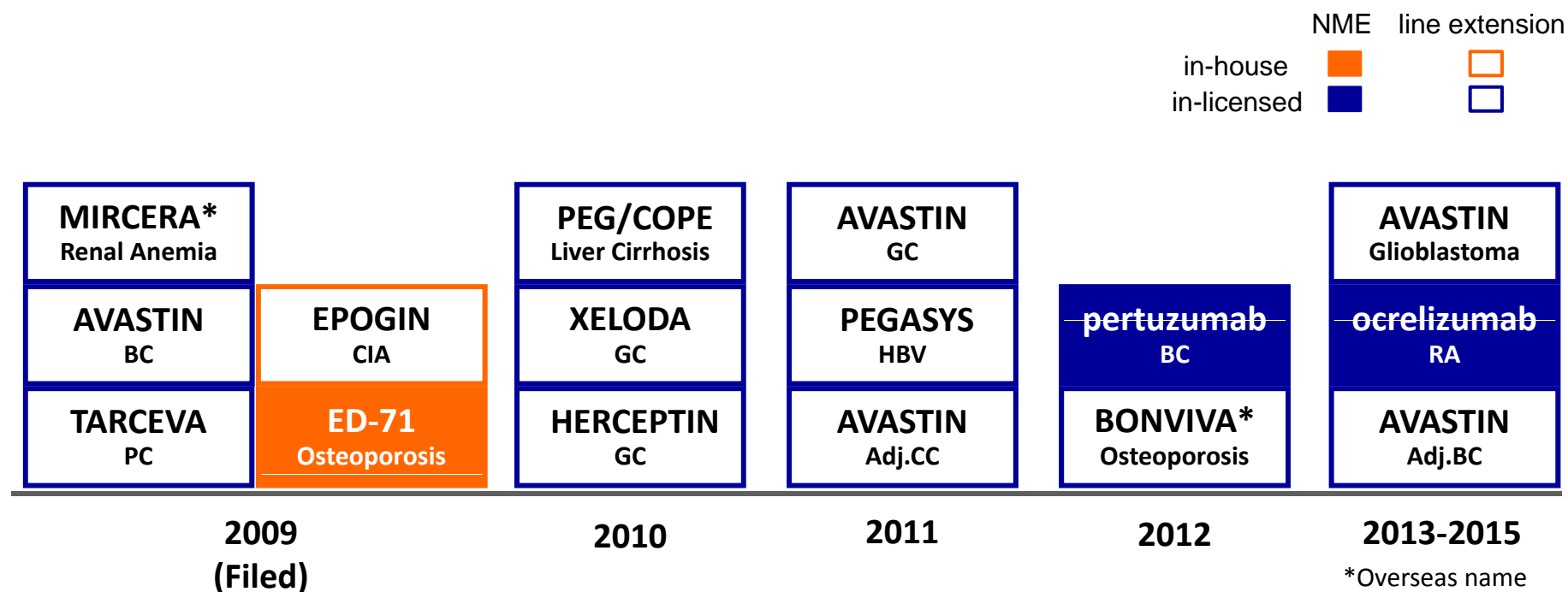
Tamiflu: Prophylaxis of Influenza in Infants and Children

Approved in Dec.09

- Enables the prophylaxis administration of Tamiflu to infants and children under the age of 13

Projected Submissions

Filings for 4 products (2 projects) are planned in 2010



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