

FY2008 Consolidated 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.

Note: Amounts are rounded to the nearest 0.1 billion yen.

% is calculated based on amounts shown.

Financial Overview Jan – Dec

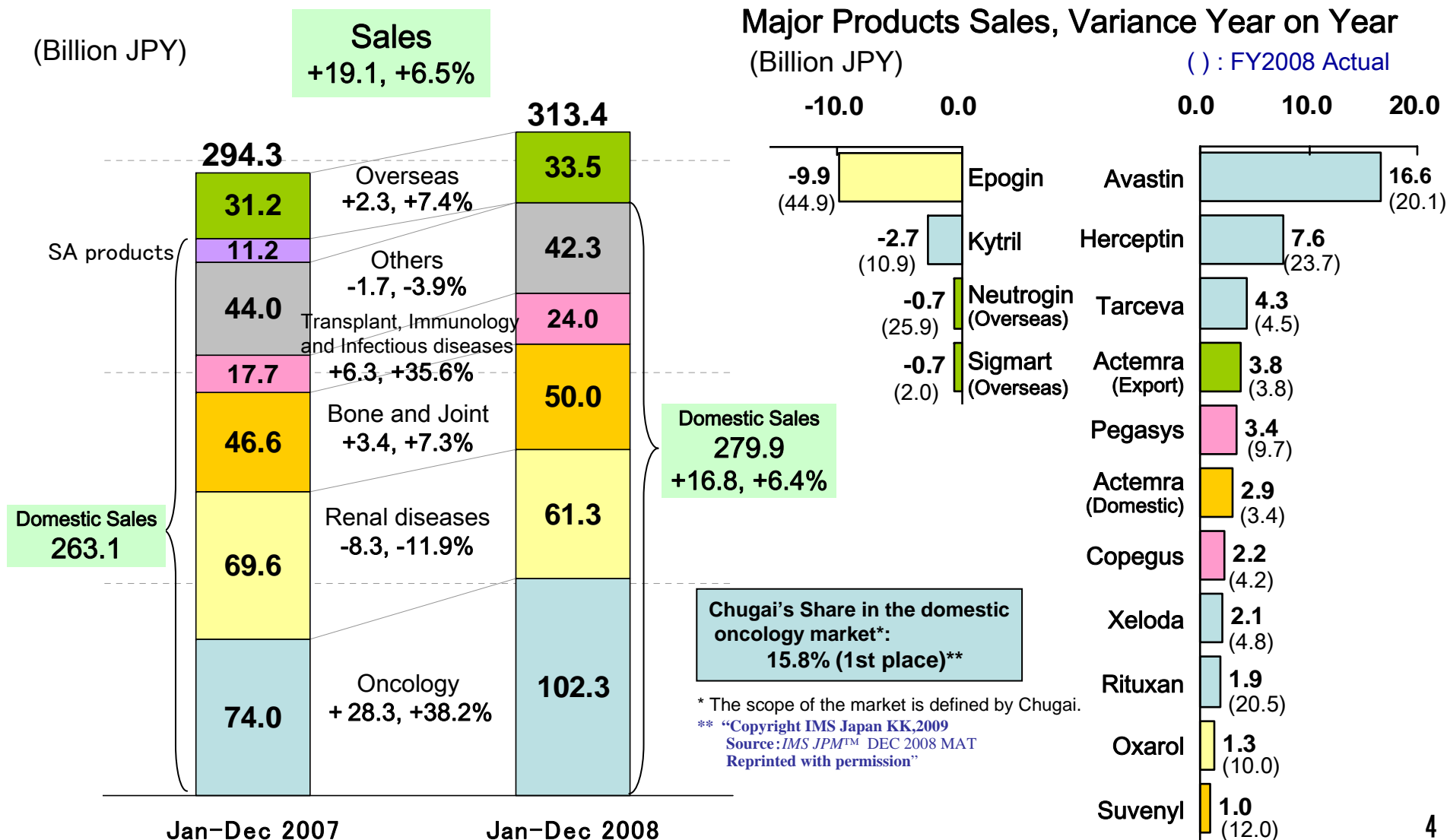
(Billion JPY)	Jan - Dec 2007		Jan - Dec 2008		Variance	
		As % of Revenues		As % of Revenues		(%)
Revenues	344.8		326.9		-17.9	-5.2
Sales	332.9		321.8		-11.1	-3.3
Excl. Tamiflu	294.3		313.4		+19.1	+6.5
Tamiflu	38.7		8.4		-30.3	-78.3
Royalties and OOI*	11.9		5.1		-6.8	-57.1
Operating Income	66.7	19.3	51.6	15.8	-15.1	-22.6
Non-operating Income	4.3		9.9		+5.6	+130.2
Non-operating Expenses	3.3		4.2		+0.9	+27.3
Recurring Profit	67.7	19.6	57.3	17.5	-10.4	-15.4
Extraordinary Gain	0.3		7.3		+7.0	+2333.3
Extraordinary Loss	1.6		1.4		-0.2	-12.5
Net Income	40.1	11.6	39.3	12.0	-0.8	-2.0

	(Billion JPY)
> Sales excl. Tamiflu	+19.1
Refer to P.4	
> Royalties and OOI	-6.8
Decrease in milestone income	
> Operating Income	-15.1
Refer to P.5	
> Non-operating Inc. / Exp.	+4.7
Gain on foreign exchanges	
> Extraordinary Gain / Loss	+7.1
Gain on settlement of co-development costs for Actemra	

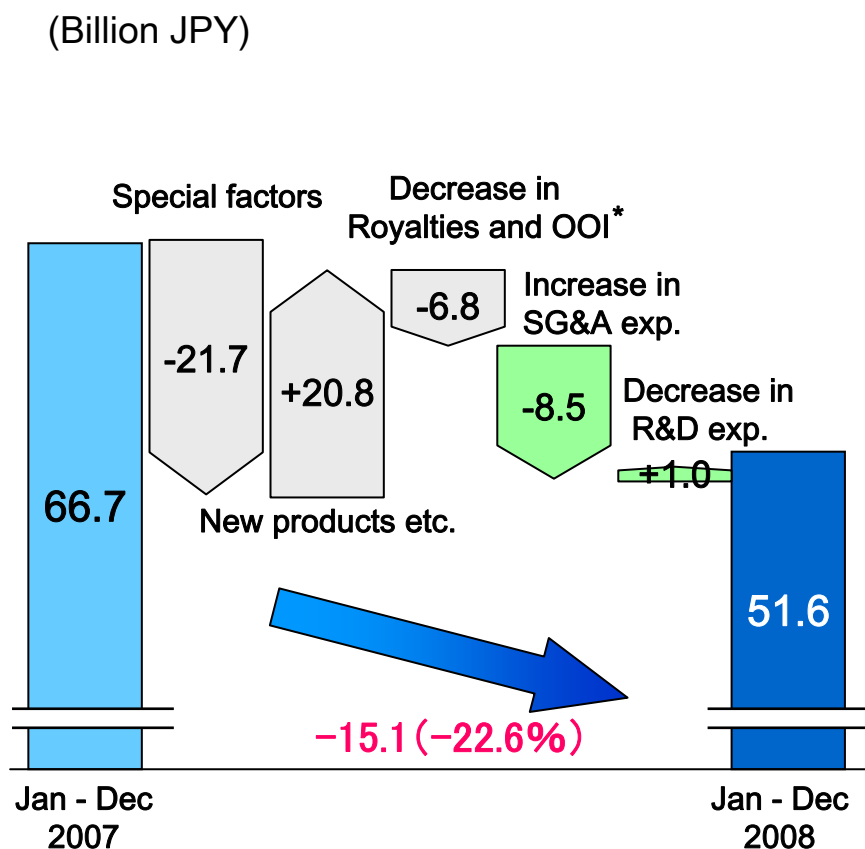
* other operating income

Average rate (Jan. 1 – Dec. 31, 2007) 117.80 JPY/USD, 235.66 JPY/GBP, 98.13 JPY/CHF, 161.17 JPY/EUR
Average rate (Jan. 1 – Dec. 31, 2008) 103.44 JPY/USD, 189.85 JPY/GBP, 95.54 JPY/CHF, 151.38 JPY/EUR

Sales (Excl. Tamiflu) Jan – Dec



Operating Income Jan – Dec



* other operating income

(Billion JPY)	Jan – Dec 2007	Jan – Dec 2008	Variance	
				(%)
Revenues	344.8	326.9	-17.9	-5.2
Cost of Sales	137.3	127.0	-10.3	-7.5
Gross Profit	207.5	199.9	-7.6	-3.7
Sales	195.7	194.8	-0.9	-0.5
Royalties and OOI *	11.9	5.1	-6.8	-57.1
SG&A expenses	86.6	95.1	+8.5	+9.8
R&D expenses	54.2	53.2	-1.0	-1.8
Operating Income	66.7	51.6	-15.1	-22.6

(Billion JPY)

- > Special factors -21.7
 - Decrease in Tamiflu and Epogin sales
 - Return of sanofi-aventis products
- > Increase in Gross Profit from new products etc. +20.8
- > Increase in SG&A expenses -8.5
 - Sales promotion for new products etc. (Actemra, Tarceva, etc.)
 - Increase in PMS and IT expenses
- > Decrease in R&D expenses + 1.0
 - Decrease in development costs of Actemra
 - Increase of co-development themes

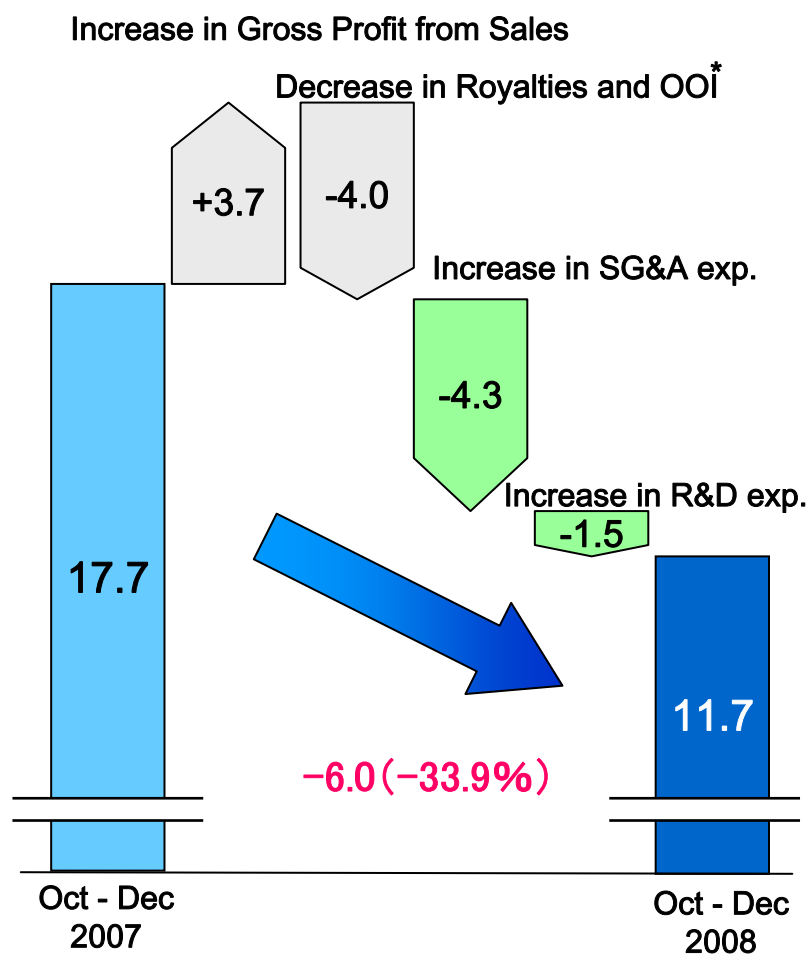
Financial Overview Oct – Dec (4th Quarter)

(Billion JPY)		Oct - Dec 2007		Oct - Dec 2008		Variance		(Billion JPY)	
			As % of Revenues		As % of Revenues		(%)		
Revenues		94.4		97.3		+2.9	+3.1	> Sales excl. Tamiflu	+7.0
Sales		90.1		97.0		+6.9	+7.7	Avastin	+5.1
Excl. Tamiflu		83.3		90.3		+7.0	+8.4	Herceptin	+3.1
Tamiflu		6.8		6.7		-0.1	-1.5	Epogin	-2.3
Royalties and OOI*		4.3		0.3		-4.0	-93.0	Actemra	+3.6
Operating Income		17.7	18.8	11.7	12.0	-6.0	-33.9	> Royalties and OOI	-4.0
Non-operating Income		1.3		5.6		+4.3	+330.8	Decrease in milestone income	
Non-operating Expenses		2.3		2.8		+0.5	+21.7	> Operating Income	-6.0
Recurring Profit		16.7	17.7	14.6	15.0	-2.1	-12.6	Refer to P.7	
Extraordinary Gain		0.0		0.0		+0.0		> Non-operating Inc. / Exp.	+3.7
Extraordinary Loss		0.4		1.1		+0.7	+175.0	Gain on foreign exchanges	
Net Income		9.8	10.4	9.1	9.4	-0.7	-7.1	> Extraordinary Gain / Loss	-0.7
								Loss on office realignment costs	

* other operating income

Operating Income Oct – Dec (4th Quarter)

(Billion JPY)



* other operating income

(Billion JPY)	Oct – Dec 2007	Oct – Dec 2008	Variance	
				(%)
Revenues	94.4	97.3	+2.9	+3.1
Cost of Sales	36.3	39.4	+3.1	+8.5
Gross Profit	58.0	57.8	-0.2	-0.3
Sales	53.8	57.5	+3.7	+6.9
Royalties and OOI*	4.3	0.3	-4.0	-93.0
SG&A expenses	24.9	29.2	+4.3	+17.3
R&D expenses	15.4	16.9	+1.5	+9.7
Operating Income	17.7	11.7	-6.0	-33.9

(Billion JPY)

- > Increase in Gross Profit from Sales +3.7
- > Increase in SG&A expenses -4.3
 - Sales promotion for newly launched products etc.
 - Increase in IT expenses
- > Increase in R&D expenses -1.5
 - Increase of preclinical themes
 - Increase in depreciation

Financial Overview Jan – Dec

(Billion JPY)	Revised Forecast Jul. 31		Jan – Dec 2008		Variance	
		As % of Revenues		As % of Revenues		(%)
Revenues	326.0		326.9		+0.9	+0.3
Excl. Tamiflu	321.0		318.5		-2.5	-0.8
Tamiflu	5.0		8.4		+3.4	+68.0
Operating Income	48.0	14.7	51.6	15.8	+3.6	+7.5
Non-operating Income	-		9.9		-	-
Non-operating Expenses	-		4.2		-	-
Recurring Profit	49.0	15.0	57.3	17.5	+8.3	+16.9
Extraordinary Gain	-		7.3		-	-
Extraordinary Loss	-		1.4		-	-
Net Income	33.0	10.1	39.3	12.0	+6.3	+19.1

(Billion JPY)

> Revenues + 0.9 (+0.3%)

Tamiflu + 3.4

Rituxan + 1.1

Avastin + 1.1

Actemra -0.9

Evista -0.7

Neutrogin -0.6

> Operating Income + 3.6 (+7.5%)

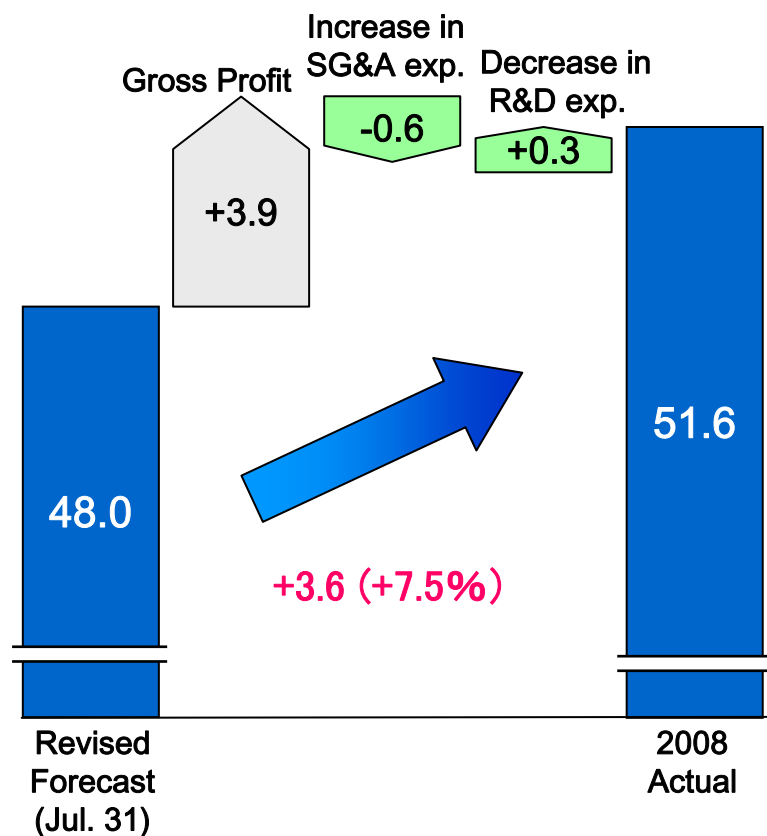
Refer to P.9

> Non-operating Inc. / Exp. +4.7

Gain on foreign exchanges

Operating Income Jan – Dec

(Billion JPY)



(Billion JPY)	Revised Forecast (Jul. 31)	Jan – Dec 2008	Variance	
				(%)
Revenues	326.0	326.9	+0.9	+0.3
Cost of Sales	130.0	127.0	-3.0	-2.3
Gross Profit	196.0	199.9	+3.9	+2.0
SG&A expenses	94.5	95.1	+0.6	+0.6
R&D expenses	53.5	53.2	-0.3	-0.6
Operating Income	48.0	51.6	+3.6	+7.5

(Billion JPY)

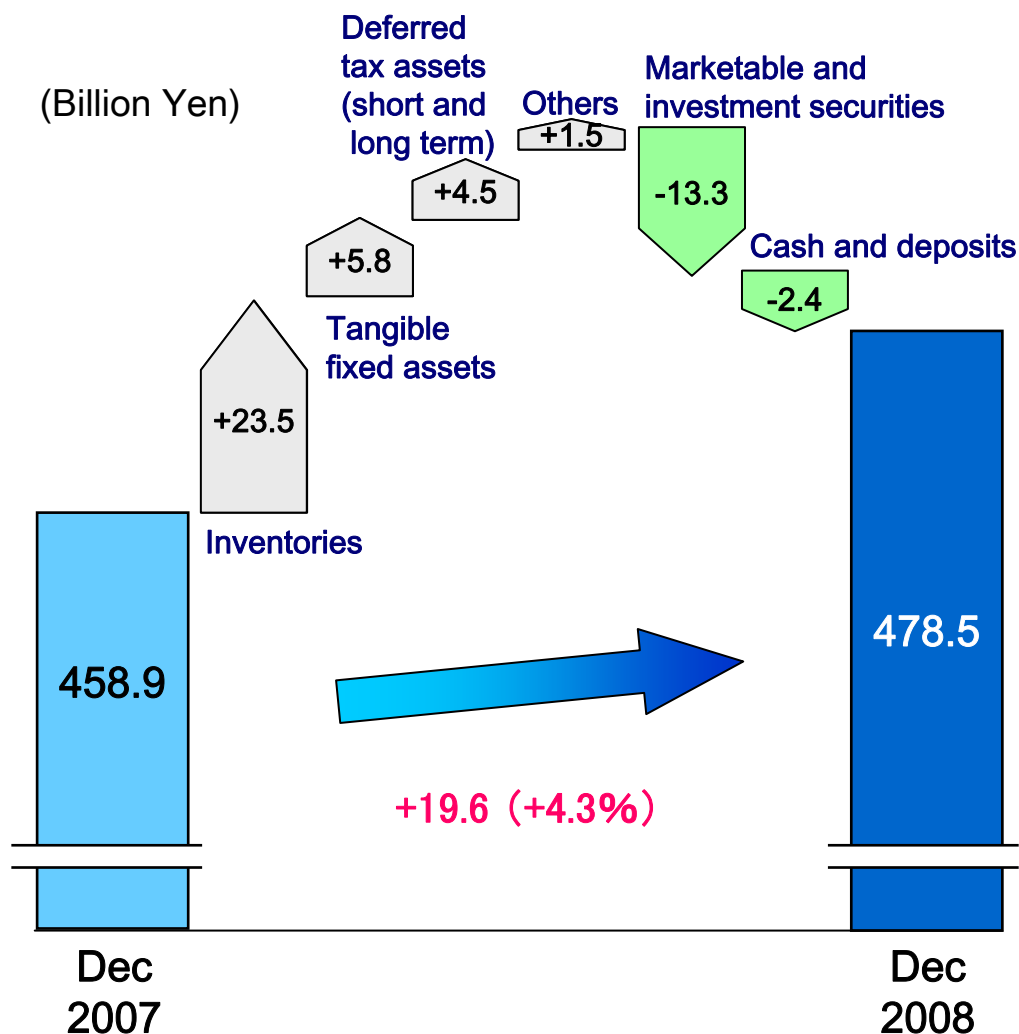
- > Increase in Gross Profit +3.9
Gain on foreign exchanges
- > Increase in SG&A expenses -0.6
Sales promotion for new products etc.
- > Decrease in R&D expenses +0.3
Decrease in development costs of Actemra

Impact from Foreign Exchange Rate

(Billion JPY)	Vs. Revised Forecast (Jul. 31)		(Reference) Year on Year	
Revenues	-1.8		-1.9	
	Neutrogin (Overseas)	-1.0	Neutrogin (Overseas)	-1.7
	Actemra (Overseas)	-0.7		
Cost of sales SG&A expenses	Purchase Price Variance	+3.1	Purchase Price Variance	+0.7
	Unrealized Profit in Inv.	+1.3	Unrealized Profit in Inv.	+1.4
	SG&A of overseas affiliates	+0.3	SG&A of overseas affiliates	+0.7
Operating Income	+2.9		+0.8	
Non-operating Inc. / Exp.	Gain on foreign exchanges	+6.1	Gain on foreign exchanges	+5.7
	Exchange Forward Contract	-1.5	Exchange Forward Contract	-1.7
Recurring Profit	+7.4		+4.8	

Amounts are our estimation.

Balance Sheet Items (Assets)



> Inventories

(Billion Yen)

+23.5

Increase in stock of Actemra, Tamiflu, etc.
Stockpiling for manufacturing site change

> Tangible fixed assets

+5.8

Solid pharmaceutical production lines (Fujieda)
Injection products building No.3 (Utsunomiya)
Formulation and packaging pilot plant No.2 (Ukima)
Bio-product technology research building No.2(Ukima)

> Marketable securities

-10.8

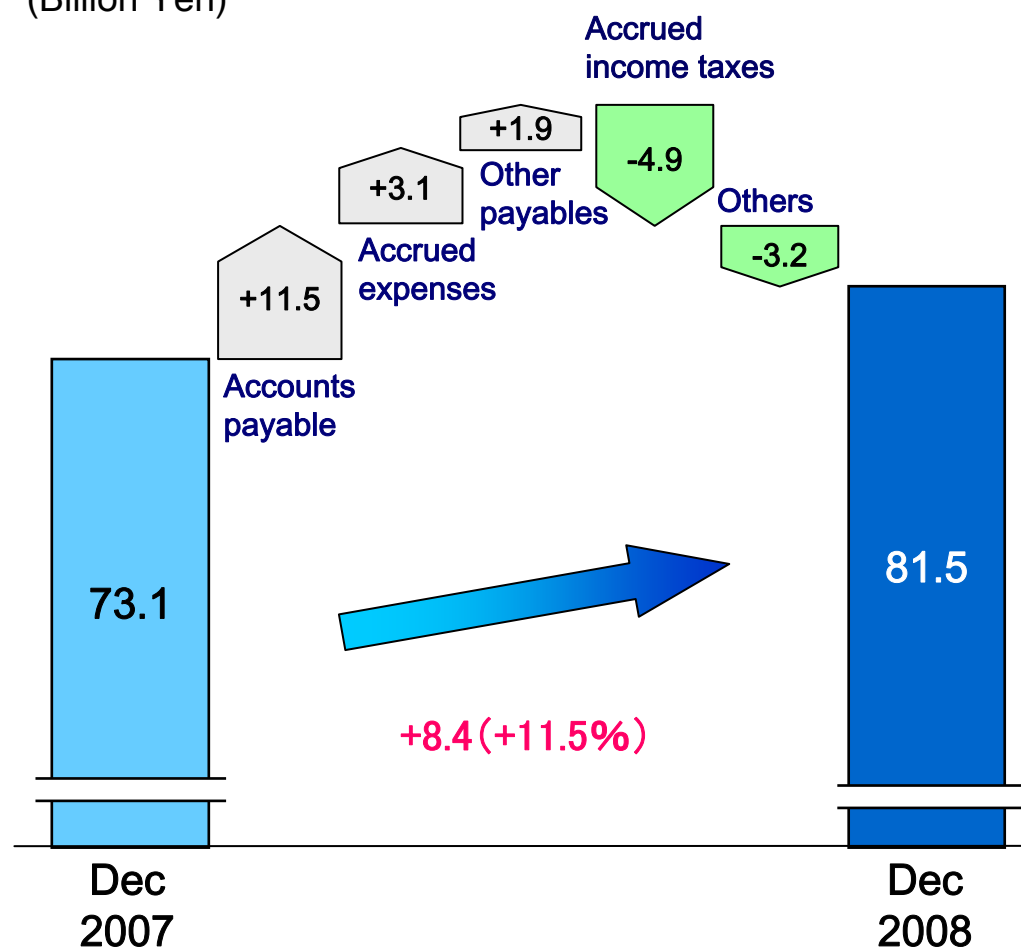
> Investment securities

-2.4

Balance Sheet Items (Liabilities)

(Billion Yen)

(Billion Yen)



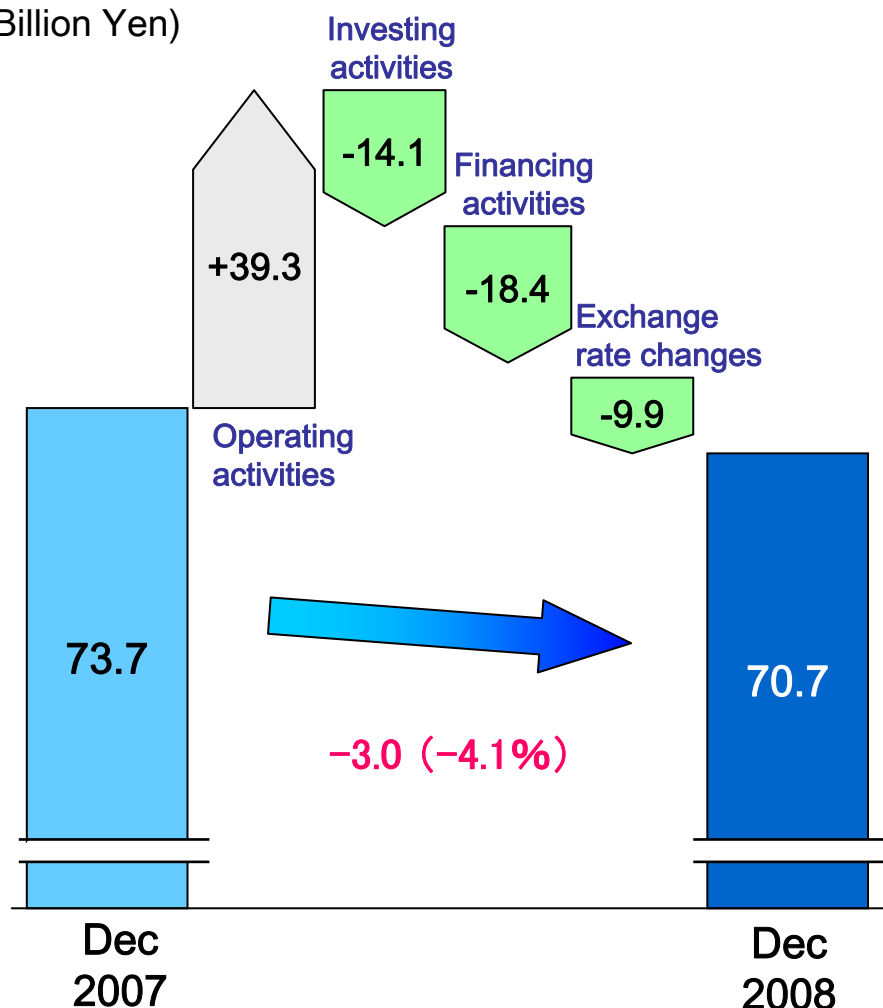
- > **Accounts payable** **+11.5**
Increase in balance of Avastin and Tamiflu
- > **Accrued expenses** **+3.1**
Increase in SG&A and R&D expenses
- > **Other payables** **+1.9**
Increase in capital expenditures
- > **Accrued income taxes** **-4.9**

Equity Ratio

Dec 2007	Dec 2008	Variance
83.5%	82.6%	-0.9%pts

Cash Flow Statement

(Billion Yen)



(Billion Yen)

> Cash flow from operating activities +39.3

- Income before income taxes and minority interests +63.1
- Depreciation and amortization +20.1
- Increase in working capital -15.8
 - Increase in notes and accounts receivable -2.5
 - Increase in inventories -25.6
 - Increase in notes and accounts payable +12.3
- Income taxes paid -30.1

> Cash flow from investing activities -14.1

- Decrease of marketable and investment securities +10.8
- Acquisition of fixed assets -25.2

> Cash flow from financing activities -18.4

- Payment of dividends -16.3

Dividend Policy

> Policy

Considering medium-to-long-term strategic investment funding needs and earnings prospect, we aim to expand the return of profit for all shareholders and ensure a consolidated dividend payout ratio of ...

(Current)

30% or more on average, taking account of short-term fluctuation in earnings by the effect of a flu epidemic.

(Revised)

around 40% on average.

> Dividends for FY2008 (Forecast) 34 JPY (15+19)

2004-2008 Total (Forecast): Dividends 136 JPY (Excl. special dividends in FY 2005)
EPS 373.92 JPY Dividend Ratio 36.4%

> Dividends for FY2009 (Forecast) 34 JPY (17+17)

2005-2009 Total (Forecast): Dividends 152 JPY (Excl. special dividends in FY 2005)
EPS 385.07 JPY Dividend Ratio 39.5%

2009 Forecast Jan – Dec

(Billion JPY)	Jan - Dec 2008		Jan - Dec 2009		Variance	
		As % of Revenues		As % of Revenues		(%)
Revenues	326.9		400.0		+73.1	+22.4
Sales	321.8		390.3		+68.5	+21.3
Excl. Tamiflu	313.4		337.3		+23.9	+7.6
Tamiflu	8.4		53.0		+44.6	+531.0
Royalties and OOI	5.1		9.7		+4.6	+90.2
Cost of Sales	127.0	38.8	176.0	44.0	+49.0	+38.6
Gross Profit	199.9	61.2	224.0	56.0	+24.1	+12.1
SG&A expenses	95.1	29.1	100.5	25.1	+5.4	+5.7
R&D expenses	53.2	16.3	60.5	15.1	+7.3	+13.7
Operating Income	51.6	15.8	63.0	15.8	+11.4	+22.1
Recurring Profit	57.3	17.5	63.5	15.9	+6.2	+10.8
Net Income	39.3	12.0	40.0	10.0	+0.7	+1.8
(EPS*)	72.04 JPY		73.42 JPY		+1.38 JPY	

Sensitivity (Bil. JPY)

Operating Income	
CHF	+0.6
EUR	-0.1

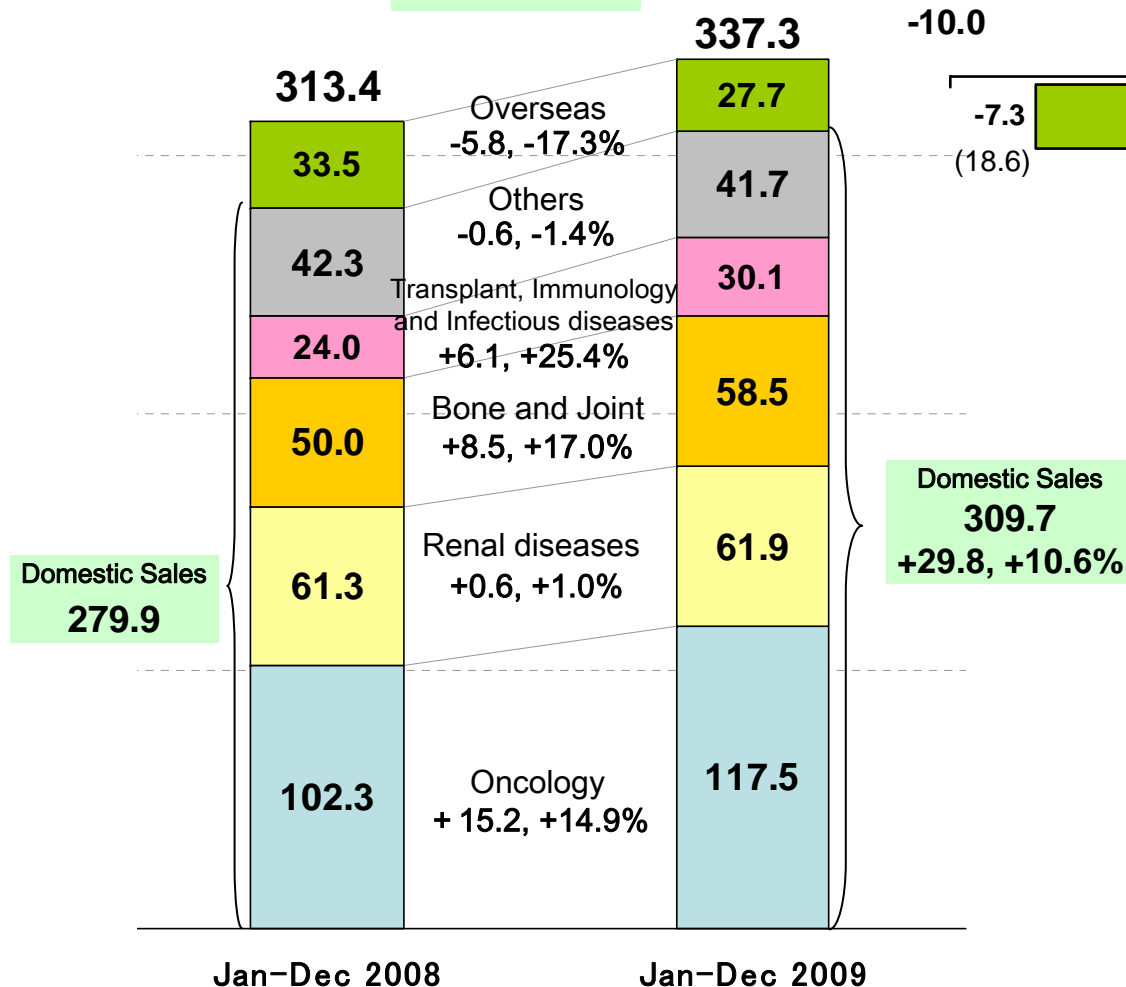
- 1JPY/CHForEUR
(Estimation)

Exchange rate assumption for 2009 90.00 JPY/USD, 135.00 JPY/GBP, 85.00 JPY/CHF, 125.00 JPY/EUR

* EPS (2008): Fully diluted.

Sales (Excl. Tamiflu) Jan – Dec

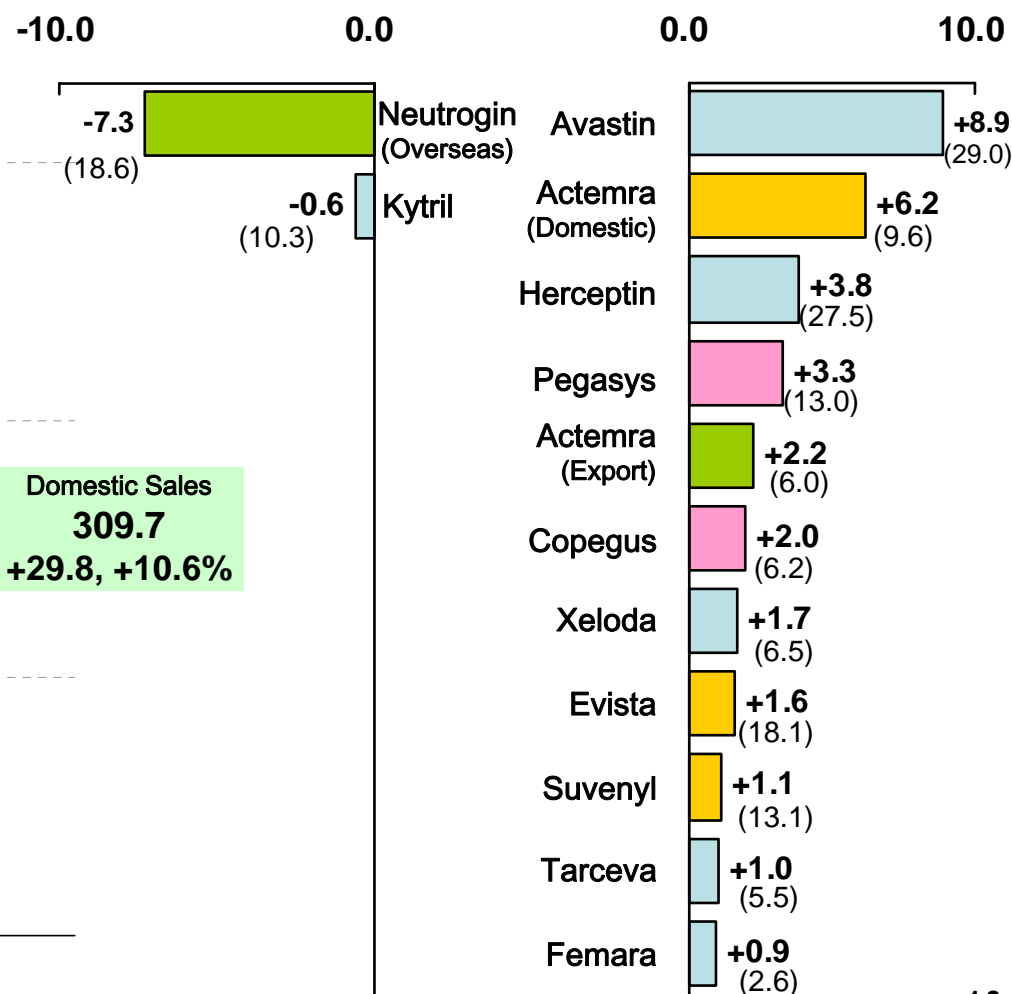
(Billion JPY)

Sales
+23.9, +7.6%


Major Products Sales, Variance Year on Year

(Billion JPY)

() : FY2009 Forecast



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