



**CHUGAI PHARMACEUTICAL CO., LTD.**

A member of the Roche group

## CONSOLIDATED FINANCIAL STATEMENTS (IFRS) (Non-Audited)

(for the second quarter of fiscal year 2014)

Name of Company: Chugai Pharmaceutical Co., Ltd. July 24, 2014  
 Stock Listing: Tokyo Stock Exchange  
 Security Code No.: 4519 (URL <http://www.chugai-pharm.co.jp/english>)  
 Representative: Osamu Nagayama, Representative Director, Chairman and CEO  
 Contact: Masahiko Uchida, General Manager of Corporate Communications Department  
 Phone: +81-(0)3-3273-0881  
 Date of Submission of Quarterly Marketable Securities Filings: July 31, 2014  
 Date on which Dividend Payments to Commence: September 1, 2014  
 Supplementary Materials Prepared for the Quarterly Financial Statements: Yes  
 Presentation Held to Explain the Quarterly Financial Statements: Yes (for institutional investors, securities analysts, and press)

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

### 1. Consolidated results for the second quarter of FY 2014 (January 1, 2014–June 30, 2014)

#### (1) Consolidated results

	Revenues	% change	Operating profit	% change	Profit before taxes	% change
First six months of FY 2014	¥222,022 million	10.4	¥43,117 million	13.1	¥43,435 million	17.6
First six months of FY 2013	¥201,016 million	8.4	¥38,120 million	4.7	¥36,946 million	5.1

	Net income	% change	Net income attributable to Chugai shareholders	% change	Total comprehensive income	% change
First six months of FY 2014	¥29,425 million	16.5	¥28,897 million	16.8	¥24,997 million	(17.5)
First six months of FY 2013	¥25,261 million	14.7	¥24,748 million	14.4	¥30,298 million	35.1

	Net income per share (Basic)	Net income per share (Diluted)
First six months of FY 2014	¥53.03	¥52.95
First six months of FY 2013	¥45.46	¥45.41

Notes: 1. Percentages represent changes compared with the same period of the previous fiscal year.

2. The item "Attributable to Chugai shareholders" excludes the portion attributable to non-controlling interests.

#### (2) Consolidated results (balance sheet)

	Total assets	Total equity	Equity attributable to Chugai shareholders	Ratio of equity attributable to Chugai shareholders
As of June 30, 2014	¥708,156 million	¥585,397 million	¥584,390 million	82.5%
As of Dec. 31, 2013	¥697,212 million	¥573,204 million	¥571,692 million	82.0%

Note: The item "Attributable to Chugai shareholders" excludes the portion attributable to non-controlling interests.

## 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. 2013	—	¥22.00	—	¥23.00	¥45.00
FY ending Dec. 2014	—	¥22.00			
FY ending Dec. 2014 (Forecast)			—	¥23.00	¥45.00

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

## 3. Consolidated forecasts for the FY 2014 (January 1, 2014–December 31, 2014)

	Revenues	% change	Core operating profit	% change	Core earnings per share		Core dividend payout ratio %
First six months of FY 2014 (Results)	¥222,022 million	49.2	¥43,741 million	61.6	¥53.66	64.9	—
FY ending Dec. 2014 (Forecast)	¥451,000 million	6.5	¥71,000 million	(11.2)	¥82.62	(12.7)	54.5

Notes: 1. Percentages shown for forecasts of revenues, Core operating profit and Core EPS represent changes from the same period of the previous fiscal year. Percentages for results represent the percentage of forecast levels that have been achieved to date.

2. Whether the most recent forecasts for consolidated figures have been revised: No

3. The figures for the consolidated forecasts and actuals are calculated based on Core basis indicators established by Chugai and used on a consistent basis.

## 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) Changes in accounting principles and changes in accounting estimates

(a) Changes in accounting principles required by IFRS: None

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

(c) Changes in accounting estimates: None

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

(a) Number of shares at the end of the period (including treasury stock)

As of June 30, 2014	559,685,889	As of Dec. 31, 2013	559,685,889
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(b) Number of treasury stock at the end of the period

As of June 30, 2014	14,589,341	As of Dec. 31, 2013	14,944,320
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(c) Average number of shares issued during the period (six months)

First six months of FY 2014	544,877,020	First six months of FY 2013	544,405,164
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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

(1) 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 results may materially differ from these forecasts due to potential risks and uncertainties.

(2) The forecast which is published for shareholders and investors is based on the internal management indicator Core basis. The difference between International Financial Reporting Standards (“IFRS”) results and Core results will be explained at each event and presentation.

(3) For the specifics of the forecasts, please refer to “Forecast for consolidated performance” on page 5.

(4) Chugai is scheduled to hold financial results presentations as noted below. The materials, the video, and other related documents for the presentation for institutional investors and securities analysts will be posted on the Company’s website following the conclusion of the presentation.

Presentation for the press (Japanese only): July 24, 2014, Thursday (Japan time).

Presentation for institutional investors and securities analysts (Japanese only): July 25, 2014, Friday (Japan time). The English translation of the presentation materials will be posted on the website on the next business day.

## Index of the Attachment

<b>1. Qualitative Information</b> .....	<b>2</b>
(1) Consolidated operating results .....	2
(2) Consolidated financial position .....	4
(3) Forecast for consolidated performance.....	5
<b>2. Other Information</b> .....	<b>6</b>
(1) Changes in the state of material subsidiaries during the period.....	6
(2) Changes in accounting principles and changes in accounting estimates .....	6
<b>3. Interim Condensed Consolidated Financial Statements</b> .....	<b>7</b>
(1) Interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income.....	7
(2) Interim condensed consolidated balance sheet .....	9
(3) Interim condensed consolidated statement of cash flows.....	10
(4) Interim condensed consolidated statement of changes in equity.....	11
(5) Notes regarding the going concern assumption .....	12
(6) Notes regarding the interim condensed consolidated financial statements .....	12

# 1. Qualitative Information

## (1) Consolidated operating results in billions of yen

	First six months of FY 2014.12 (Jan. 1, 2014–June 30, 2014)	First six months of FY 2013.12 (Jan. 1, 2013–June 30, 2013)	% change
<b>Core results</b>			
<b>Revenues</b>	<b>222.0</b>	<b>201.0</b>	<b>+10.4</b>
Sales (excluding Tamiflu)	201.0	179.8	+11.8
Tamiflu sales	7.1	9.0	(21.1)
Royalties and other operating income	13.9	12.2	+13.9
Cost of sales	(102.1)	(87.9)	+16.2
<b>Gross profit</b>	<b>119.9</b>	<b>113.1</b>	<b>+6.0</b>
Marketing and distribution	(34.3)	(34.0)	+0.9
Research and development	(36.6)	(34.8)	+5.2
General and administration	(5.2)	(5.7)	(8.8)
<b>Operating profit</b>	<b>43.7</b>	<b>38.7</b>	<b>+12.9</b>
<b>Net income</b>	<b>29.8</b>	<b>25.6</b>	<b>+16.4</b>
<b>IFRS results</b>			
Revenues	222.0	201.0	+10.4
Operating profit	43.1	38.1	+13.1
Net income	29.4	25.3	+16.2

### Consolidated financial highlights (IFRS results)

Revenues for the second quarter were ¥222.0 billion (an increase of 10.4% year on year), operating profit for the second quarter was ¥43.1 billion (an increase of 13.1% year on year), and net income for the second quarter was ¥29.4 billion (an increase of 16.2% year on year). These results include non-Core items, such as amortization of intangible assets of ¥0.6 billion, restructuring costs of ¥0.1 billion, and other items, which are excluded from the Core results managed by Chugai.

### Consolidated financial highlights (Core results)

Revenues for the second quarter were ¥222.0 billion (an increase of 10.4% year on year) due to the strong growth in sales and increase in royalties and other operating income.

Of revenues, sales excluding Tamiflu were ¥201.0 billion (an increase of 11.8% year on year). For domestic sales excluding Tamiflu, in spite of the National Health Insurance (NHI) drug price revisions in April, the robust growth of new products and major products resulted in an increase of 8.8% year on year. The rebound against temporary rise in demand before the increase in consumption tax effective from April has resolved by the end of second quarter, and the impact was neutralized for the half year. For overseas sales, in addition to the impact of depreciation of the yen, and higher export volume of Actemra (a humanized anti-IL-6 receptor monoclonal antibody), whose subcutaneous injection formulation was launched in Europe and the United States. Royalties and other operating income also increased year on year to reach ¥13.9 billion (an increase of 13.9% year on year), due to the rise in milestone revenues and an increase in royalties and profit sharing income related to an increase in overseas sales of Actemra by the Roche Group (“Roche”).

Cost of sales were ¥102.1 billion (an increase of 16.2% year on year) as a result of the increase in shipment volume, along with an increase in the cost of sales ratio due to the impact of the significant depreciation of the yen. Gross profit amounted to ¥119.9 billion (an increase of 6.0% year on year) thanks to strong sales performance.

Marketing and distribution expenses were ¥34.3 billion (an increase of 0.9% year on year), due primarily to an increase in expenses of overseas sales companies in yen terms, owing to the depreciation of the yen. Research and development expenditures were ¥36.6 billion (an increase of 5.2% year on year) due again to the depreciation of the yen, as well as the progress in development projects originating in Chugai and increased research activities at Chugai Pharmabody Research Pte. Ltd. in Singapore. General and administration expenses were ¥5.2 billion (a decrease of 8.8% year on year) due to the decline in various expenses.

As a result, Core operating profit was ¥43.7 billion (an increase of 12.9% year on year) and Core net income was ¥29.8 billion (an increase of 16.4% year on year).

**Note: Core results**

Chugai discloses its results on a Core basis from 2013 in conjunction with its decision to apply IFRS. Core results are the results after adjusting non-Core items to IFRS results, and are consistent with the Core concept disclosed by Roche. Core results are used by Chugai as an internal performance indicator, for explaining the underlying business performance both internally and externally, and as the basis for payment-by-results such as a return to shareholders.

For further details regarding the adjustment to IFRS results, please refer to the Supplementary Materials on page 5, entitled “Reconciliation of IFRS results to Core results”.

**Sales by product domain** in billions of yen

	First six months of FY 2014.12 (Jan. 1, 2014–June 30, 2014)	First six months of FY 2013.12 (Jan. 1, 2013–June 30, 2013)	% change
<b>Sales</b>	<b>208.1</b>	<b>188.8</b>	<b>+10.2</b>
<b>Domestic sales (excluding Tamiflu)</b>	<b>165.3</b>	<b>152.0</b>	<b>+8.8</b>
Oncology	87.2	78.7	+10.8
Bone and joint diseases	33.0	27.5	+20.0
Renal diseases	21.5	22.5	(4.4)
Transplant, immunology, and infectious diseases	10.6	9.2	+15.2
Others	13.0	14.2	(8.5)
<b>Tamiflu sales</b>	<b>7.1</b>	<b>9.0</b>	<b>(21.1)</b>
Ordinary use	7.0	8.2	(14.6)
Government stockpiles	0.1	0.8	(87.5)
<b>Overseas sales</b>	<b>35.7</b>	<b>27.8</b>	<b>+28.4</b>

**Domestic sales (excluding Tamiflu)**

Domestic sales excluding Tamiflu were ¥165.3 billion (an increase of 8.8% year on year), in spite of the NHI drug price revisions in April driven by steady growth of new products and major products offsetting the price impact. The rebound against temporary rise in demand before the increase in consumption tax enforced from April has resolved by the end of second quarter, and the impact was neutralized for the half year.

Oncology products sales were ¥87.2 billion (an increase of 10.8% year on year). This increase was due to the steady expansion in sales of major oncology drugs such as Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent) and Tarceva (an epidermal growth factor receptor (EGFR) tyrosine kinase inhibitor, anti-cancer agent). In addition, there was a contribution by two new products both for the indication of HER2-positive breast cancer, which are Perjeta (an anti-HER2 humanized monoclonal antibody, anti-cancer agent) launched in September 2013 and Kadcyla (an anti-HER2 antibody - tubulin polymerization inhibitor conjugate) launched in April 2014.

Bone and joint diseases products sales increased substantially to ¥33.0 billion (an increase of 20.0% year on year). This increase was led by the strong sales of Edirof, a top brand in the domestic market of oral therapeutic agents for osteoporosis, Actemra, whose subcutaneous injection formulation was launched in May 2013 and for which the restriction in prescribing period of two-weeks was lifted in June 2014, and Bonviva launched in August 2013 for the indication of osteoporosis.

Renal diseases product sales amounted to ¥21.5 billion (a decrease of 4.4% year on year). This decrease was due to lower sales of Epogin (a recombinant human erythropoietin) resulting from factors such as the effects of the NHI drug price revisions, offsetting the sales growth of Mircera (a long-lasting erythropoiesis-stimulating agent) primarily in the pre-dialysis market.

In the area of transplant, immunology, and infectious diseases products (excluding Tamiflu), sales were ¥10.6 billion (an increase of 15.2% year on year). This increase was due to higher sales of Pegasys (a peginterferon- $\alpha$ -2a) and Copegus (an anti-viral agent) which are concurrently used with a newly launched 3<sup>rd</sup> party product.

**Tamiflu (an anti-influenza agent)**

Sales of Tamiflu for ordinary use were ¥7.0 billion (a decrease of 14.6% year on year), while sales to government stockpiles etc. were ¥0.1 billion (a decrease of 87.5% year on year).

**Overseas sales**

Overseas sales were ¥35.7 billion (an increase of 28.4% year on year), due to the depreciation of the yen and an increase of exports volume to Roche of Actemra, whose subcutaneous injection formulation was launched in Europe and the United States.

**(2) Consolidated financial position**

**Assets, liabilities, and net assets** in billions of yen

	June 30, 2014	December 31, 2013	% change
<b>Movements of assets and liabilities</b>			
Net working capital	184.4	177.1	+4.1
Long-term net operating assets	147.9	148.1	(0.1)
<b>Net operating assets (NOA)</b>	<b>332.3</b>	<b>325.2</b>	<b>+2.2</b>
Net cash	243.6	234.4	+3.9
Other non-operating assets - net	9.5	13.6	(30.1)
<b>Total net assets</b>	<b>585.4</b>	<b>573.2</b>	<b>+2.1</b>
<b>Consolidated balance sheet (IFRS basis)</b>			
Total assets	708.2	697.2	+1.6
Total liabilities	(122.8)	(124.0)	(1.0)
Total net assets	585.4	573.2	+2.1

Net working capital at June 30, 2014 was ¥184.4 billion (an increase of ¥7.3 billion since December 31, 2013). This was mainly due to an increase in inventories accompanying expansion in the scale of new and major products, an increase in safety stock levels to ensure stable supply, and other factors. In addition, long-term net operating assets remained almost at the same amount as of the end of the previous fiscal year, and stood at ¥147.9 billion. As a result, net operating assets (NOA) were ¥332.3 billion, ¥7.1 billion higher than at the end of the previous fiscal year.

As the table entitled “Cash flows” on the next page indicates, net cash, including marketable securities and interest-bearing debt, increased by ¥9.2 billion since December 31, 2013 to ¥243.6 billion. Also, other non-operating assets - net decreased by ¥4.1 billion since the end of the previous fiscal year to ¥9.5 billion mainly due to a decrease in foreign exchange contracts assets.

As a consequence, total net assets were ¥585.4 billion (an increase of ¥12.2 billion since December 31, 2013).

**Note: Movements of assets and liabilities**

The consolidated balance sheet has been prepared in accordance with the International Accounting Standards (IAS) No. 1, “Presentation of Financial Statements”. On the other hand, “Movements of assets and liabilities” including net operating assets (NOA) are a reconfiguration of the consolidated balance sheet as internal indicators and are identical to the indicators disclosed by Roche. Furthermore, no items from the assets and liabilities of IFRS have been excluded, as the Core results concept only applies to the income statement.

For further details, please refer to the Supplementary Materials on page 8, entitled “Movements of assets and liabilities”.

**Cash flows** in billions of yen

	First six months of FY 2014.12 (Jan. 1, 2014–June 30, 2014)	First six months of FY 2013.12 (Jan. 1, 2013–June 30, 2013)	% change
<b>Movements of free cash flows</b>			
Operating profit - IFRS basis	43.1	38.1	+13.1
Operating profit, net of operating cash adjustments	51.9	47.2	+10.0
Operating free cash flows	35.8	30.6	+17.0
Free cash flows	10.0	7.8	+28.2
Net change in net cash	9.2	11.5	(20.0)
<b>Consolidated statement of cash flows (IFRS basis)</b>			
Cash flows from operating activities	33.0	26.0	+26.9
Cash flows from investing activities	(6.4)	(11.3)	(43.4)
Cash flows from financing activities	(12.4)	(10.9)	+13.8
Net change in cash and cash equivalents	13.7	5.0	+174.0
Cash and cash equivalents at June 30	128.8	100.5	+28.2

Operating profit, net of operating cash adjustments, are calculated by adjusting for depreciation and other items that are included in operating profit but are not accompanied by cash inflows or outflows and all inflows and outflows related to NOA that are not accompanied by profit and loss, which amounted to ¥51.9 billion. The principal items influencing this result were a total of ¥6.8 billion in property, plant and equipment depreciation.

Operating free cash flows, which are calculated by deducting an increase in net working capital of ¥5.6 billion and subtracting expenditures of ¥10.5 billion for the purchase of property, plant and equipment and intangible assets from operating profit, net of operating cash adjustments, amounted to a net inflow of ¥35.8 billion. Factors accounting for the change in net working capital are as shown on the previous page in the table entitled “Assets, Liabilities, and Net Assets”. Purchases of property, plant and equipment were mainly expenditures for R&D equipment and plant production machinery.

Free cash flows were a net cash inflow of ¥10.0 billion. This is calculated by subtracting a total of ¥25.8 billion of non-operating cash outflows from financial asset management, income taxes paid, and dividends paid from operating free cash flows.

As a result, the net change in net cash, after foreign currency translation adjustments, increased ¥9.2 billion in comparison with the same period of the previous fiscal year. The net change in cash and cash equivalents, excluding changes in marketable securities and interest-bearing debt, was a net cash inflow on an IFRS basis of ¥13.7 billion. The cash and cash equivalents balance at the end of this period amounted to ¥128.8 billion.

**Note: Movements of free cash flows (FCF)**

The consolidated statement of cash flows has been prepared in accordance with the International Accounting Standard (IAS) No. 7, “Statement of Cash Flows”. The FCF is a reconfiguration of the consolidated statement of cash flows as internal indicators and is identical to the indicators disclosed by Roche. Furthermore, no items from the FCF have been excluded, as the Core results concept only applies to the income statement.

For further details, please refer to the Supplementary Materials on page 9, entitled “Movements of free cash flows”.

**(3) Forecast for consolidated performance**

Chugai has not made any changes in its forecast of consolidated results for the fiscal year ending December 31, 2014 since the announcement regarding the forecast issued on January 30, 2014.

*Note: In “1. Qualitative Information” amounts less than ¥0.1 billion have been rounded to the nearest ¥0.1 billion. Figures for changes in amounts and percentages have been calculated using data denominated in ¥0.1 billion units.*

## **2. Other Information**

### **(1) Changes in the state of material subsidiaries during the period**

None

### **(2) Changes in accounting principles and changes in accounting estimates**

None



### 3. Interim Condensed Consolidated Financial Statements

#### (1) Interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income

##### 1) Interim condensed consolidated income statement in millions of yen

	First six months ended June 30	
	2014	2013
<b>Revenues</b>	<b>222,022</b>	<b>201,016</b>
Sales	208,146	188,842
Royalties and other operating income	13,876	12,174
Cost of sales	(102,623)	(88,337)
<b>Gross profit</b>	<b>119,398</b>	<b>112,679</b>
Marketing and distribution	(34,347)	(34,101)
Research and development	(36,705)	(34,861)
General and administration	(5,230)	(5,598)
<b>Operating profit</b>	<b>43,117</b>	<b>38,120</b>
Financing costs	(14)	(15)
Other financial income (expense)	332	(1,158)
<b>Profit before taxes</b>	<b>43,435</b>	<b>36,946</b>
Income taxes	(14,010)	(11,685)
<b>Net income</b>	<b>29,425</b>	<b>25,261</b>
Attributable to:		
Chugai shareholders	28,897	24,748
Non-controlling interests	528	514
Earnings per share		
Basic (yen)	53.03	45.46
Diluted (yen)	52.95	45.41

**2) Interim condensed consolidated statement of comprehensive income** in millions of yen

	First six months ended June 30	
	2014	2013
<b>Net income</b>	<b>29,425</b>	<b>25,261</b>
Other comprehensive income		
Remeasurements of defined benefit plans	-	-
<b>Items that will not be reclassified to the income statement</b>	<b>-</b>	<b>-</b>
Available-for-sale investments	207	1,399
Cash flow hedges	(2,967)	39
Currency translation of foreign operations	(1,668)	3,598
<b>Items that may be reclassified subsequently to the income statement</b>	<b>(4,428)</b>	<b>5,036</b>
<b>Other comprehensive income, net of tax</b>	<b>(4,428)</b>	<b>5,036</b>
<b>Total comprehensive income</b>	<b>24,997</b>	<b>30,298</b>
Attributable to:		
Chugai shareholders	24,534	29,634
Non-controlling interests	463	664

**(2) Interim condensed consolidated balance sheet** in millions of yen

	June 30, 2014	December 31, 2013
Assets		
Non-current assets:		
Property, plant and equipment	139,953	140,445
Intangible assets	9,588	9,514
Financial non-current assets	9,443	9,066
Deferred tax assets	19,473	19,244
Defined benefit plan assets	3,635	3,862
Other non-current assets	10,657	10,846
<b>Total non-current assets</b>	<b>192,749</b>	<b>192,977</b>
Current assets:		
Inventories	141,771	128,536
Accounts receivable	118,113	128,182
Current income tax assets	20	205
Marketable securities	115,055	119,573
Cash and cash equivalents	128,765	115,070
Other current assets	11,683	12,669
<b>Total current assets</b>	<b>515,407</b>	<b>504,235</b>
<b>Total assets</b>	<b>708,156</b>	<b>697,212</b>
Liabilities		
Non-current liabilities:		
Long-term debt	(179)	(195)
Deferred tax liabilities	(11,063)	(12,211)
Defined benefit plan liabilities	(1,697)	(1,269)
Long-term provisions	(2,239)	(2,082)
Other non-current liabilities	(10,066)	(10,584)
<b>Total non-current liabilities</b>	<b>(25,245)</b>	<b>(26,341)</b>
Current liabilities:		
Short-term debt	(38)	(38)
Current income tax liabilities	(12,834)	(12,673)
Short-term provisions	(194)	(105)
Accounts payable	(60,667)	(59,544)
Other current liabilities	(23,780)	(25,307)
<b>Total current liabilities</b>	<b>(97,513)</b>	<b>(97,667)</b>
<b>Total liabilities</b>	<b>(122,758)</b>	<b>(124,008)</b>
<b>Total net assets</b>	<b>585,397</b>	<b>573,204</b>
Equity:		
Capital and reserves attributable to Chugai shareholders	584,390	571,692
Equity attributable to non-controlling interests	1,008	1,512
<b>Total equity</b>	<b>585,397</b>	<b>573,204</b>

**(3) Interim condensed consolidated statement of cash flows** in millions of yen

	First six months ended June 30	
	2014	2013
Cash flows from operating activities		
Cash generated from operations	53,519	48,821
(Increase) decrease in working capital	(5,610)	(9,659)
Payments made for defined benefit plans	(862)	(1,354)
Utilization of provisions	(43)	(54)
Other operating cash flows	(683)	122
<b>Cash flows from operating activities, before income taxes paid</b>	<b>46,320</b>	<b>37,876</b>
Income taxes paid	(13,284)	(11,876)
<b>Total cash flows from operating activities</b>	<b>33,036</b>	<b>26,001</b>
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,207)	(6,476)
Purchase of intangible assets	(1,267)	(425)
Disposal of property, plant and equipment	(35)	(74)
Interest and dividends received	305	215
Purchases of marketable securities	(113,244)	(122,189)
Sales of marketable securities	116,907	117,653
Other investing cash flows	104	(3)
<b>Total cash flows from investing activities</b>	<b>(6,436)</b>	<b>(11,298)</b>
Cash flows from financing activities		
Interest paid	(2)	(6)
Dividends paid to Chugai shareholders	(12,531)	(10,892)
Dividends paid to non-controlling shareholders	(385)	(507)
Exercise of equity compensation plans	541	601
(Increase) decrease in own equity instruments	(6)	(5)
Other financing cash flows	(65)	(63)
<b>Total cash flows from financing activities</b>	<b>(12,449)</b>	<b>(10,871)</b>
Net effect of currency translation on cash and cash equivalents	(456)	1,184
<b>Increase (decrease) in cash and cash equivalents</b>	<b>13,695</b>	<b>5,016</b>
Cash and cash equivalents at January 1	115,070	95,445
<b>Cash and cash equivalents at June 30</b>	<b>128,765</b>	<b>100,461</b>

**(4) Interim condensed consolidated statement of changes in equity** in millions of yen**For the first six months ended June 30, 2014 (Jan. 1, 2014 – June 30, 2014)**

	Attributable to Chugai shareholders				Subtotal	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves			
<b>At January 1, 2014</b>	<b>72,967</b>	<b>65,768</b>	<b>426,213</b>	<b>6,744</b>	<b>571,692</b>	<b>1,512</b>	<b>573,204</b>
Net income	-	-	28,897	-	28,897	528	29,425
Available-for-sale investments	-	-	-	207	207	-	207
Cash flow hedges	-	-	-	(2,967)	(2,967)	-	(2,967)
Currency translation of foreign operations	-	-	-	(1,604)	(1,604)	(65)	(1,668)
<b>Total comprehensive income</b>			<b>28,897</b>	<b>(4,363)</b>	<b>24,534</b>	<b>463</b>	<b>24,997</b>
Dividends	-	-	(12,529)	-	(12,529)	(968)	(13,497)
Equity compensation plans	-	(44)	-	-	(44)	-	(44)
Own equity instruments	-	737	-	-	737	-	737
<b>At June 30, 2014</b>	<b>72,967</b>	<b>66,461</b>	<b>442,581</b>	<b>2,381</b>	<b>584,390</b>	<b>1,008</b>	<b>585,397</b>

**For the first six months ended June 30, 2013 (Jan. 1, 2013 – June 30, 2013)**

	Attributable to Chugai shareholders				Subtotal	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves			
<b>At January 1, 2013</b>	<b>72,967</b>	<b>64,668</b>	<b>397,221</b>	<b>(6,895)</b>	<b>527,961</b>	<b>1,200</b>	<b>529,161</b>
Net income	-	-	24,748	-	24,748	514	25,261
Available-for-sale investments	-	-	-	1,399	1,399	-	1,399
Cash flow hedges	-	-	-	39	39	-	39
Currency translation of foreign operations	-	-	-	3,449	3,449	150	3,598
<b>Total comprehensive income</b>	-	-	<b>24,748</b>	<b>4,887</b>	<b>29,634</b>	<b>664</b>	<b>30,298</b>
Dividends	-	-	(10,885)	-	(10,885)	(508)	(11,392)
Equity compensation plans	-	29	-	-	29	-	29
Own equity instruments	-	697	-	-	697	-	697
<b>At June 30, 2013</b>	<b>72,967</b>	<b>65,394</b>	<b>411,084</b>	<b>(2,008)</b>	<b>547,437</b>	<b>1,356</b>	<b>548,793</b>

**(5) Notes regarding the going concern assumption**

None

**(6) Notes regarding the interim condensed consolidated financial statements****General accounting principles and significant accounting policies****(a) Basis of preparation of the consolidated financial statements**

These financial statements are the interim condensed consolidated financial statements (“Interim Financial Statements”) of Chugai Pharmaceutical Co., Ltd. (“Chugai”), a company registered in Japan, and its subsidiaries. The common stock of Chugai is publicly traded and listed on the Tokyo Stock Exchange under the stock code “TSE: 4519”. The Interim Financial Statements were approved by the Board of Directors on July 24, 2014.

Roche Holding Ltd. is a public company registered in Switzerland and the parent company of the Roche Group, which discloses its results in accordance with IFRS. The shareholding percentage of Roche Holding Ltd. in Chugai is 59.8% (61.5% of the total number of shares issued excluding treasury stock). Chugai and its subsidiaries became principal members of the Roche Group after entering into a strategic alliance in October 2002.

The Group meets all of the requirements for a “Specified Company” as stipulated under Article 1-2 of the “Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance of Japan Regulation No. 28, 1976). Hence, in accordance with Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Japanese Cabinet Ordinance No. 64, 2007), the Interim Financial Statements have been prepared in accordance with the International Accounting Standard (IAS) No. 34 “Interim Financial Reporting”.

The Interim Financial Statements should be used with the consolidated financial statements for the year ended December 31, 2013 as it does not include all the information as required for the consolidated financial statements for the full fiscal year.

The Interim Financial Statements are presented in Japanese yen, which is Chugai’s functional currency and amounts are rounded to the nearest ¥1 million. They have been prepared using the historical cost convention except for items that are required to be accounted for at fair value.

**(b) Key accounting judgments, estimates and assumptions**

The preparation of the Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and contingent amounts. Actual outcomes could differ from those management estimates. The estimates and underlying assumptions are reviewed on an on-going basis and are based on historical experience and various other factors. Revisions to estimates are recognized in the period in which the estimate is revised.

The information for judgment, estimates and assumptions that have a material impact on the amount recognized in the Interim Financial Statements of the Group is principally the same for the prior fiscal year.

**(c) Significant accounting policies**

The Group applies the same significant accounting policies that are used for the prior fiscal year’s consolidated financial statements to the Interim Financial Statements.