NOTICE: *For the convenience of capital market participants, Chugai makes efforts to provide English translations of the information disclosed in Japanese, provided that the Japanese original prevails over its English translation in the case of any discrepancy found between documentation.*

CHUGAI PHARMACEUTICAL CO., LTD.

A member of the Roche group

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) (Non-audited)

(through the third quarter of fiscal year 2013)

Name of Company: Chugai Pharmaceutical Co., Ltd. October 25, 2013

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: Masahiko Uchida, General Manager of Corporate Communications Department

Phone: +81-(0) 3-3273-0881

Date of Submission of Quarterly Marketable Securities Filings: October 31, 2013

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 rounded.)

1. Consolidated results through the third quarter of FY 2013 (January 1, 2013–September 30, 2013)

(1) Consolidated results

	Revenues	% change	Operating profit	% change	Profit before taxes	% change
First nine months of FY 2013	¥306,533 million	11.2	¥58,160 million	14.4	¥56,722 million	14.6
First nine months of FY 2012	¥275,591 million	—	¥50,848 million	—	¥49,515 million	—

	Net income	% change	Net income attributable to Chugai shareholders	% change	Total comprehensive income	% change
First nine months of FY 2013	¥38,984 million	24.2	¥38,164 million	24.2	¥45,746 million	43.0
First nine months of FY 2012	¥31,387 million	—	¥30,738 million	—	¥31,999 million	—

	Net income per share (Basic)	Net income per share (Diluted)
First nine months of FY 2013	¥70.09	¥70.01
First nine months of FY 2012	¥56.48	¥56.46

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 Sep. 30, 2013	¥671,612 million	¥551,914 million	¥550,687 million	82.0%
As of Dec. 31, 2012	¥645,325 million	¥529,161 million	¥527,961 million	81.8%

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. 2012	—	¥20.00	—	¥20.00	¥40.00
FY ending Dec. 2013	—	¥22.00	—		
FY ending Dec. 2013 (Forecast)				¥23.00	¥45.00

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

3. Consolidated forecasts for FY 2013 (January 1, 2013–December 31, 2013)

	Revenues	Achievement/ % change	Core operating profit	Achievement/ % change	Core EPS	Achievement/ % change	Core payout ratio (%)
First nine months of FY 2013 (Results)	¥306,533 million	73.7	¥59,014 million	76.1	¥70.99	76.7	—
FY ending Dec. 2013 (Forecast)	¥416,000 million	7.6	¥77,500 million	2.5	¥92.57	8.1	48.6

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 presented above are calculated as forecasts and actual figures based on Core basis indicators established by the Company and used on a consistent basis.

Notes:

(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 Sep. 30, 2013	559,685,889	As of Dec. 31, 2012	559,685,889
(b) Number of treasury stock at the end of the period	As of Sep. 30, 2013	15,043,847	As of Dec. 31, 2012	15,440,438
(c) Average number of shares issued during the period (nine months)	First nine months of FY 2013	544,478,311	First nine months of FY 2012	544,206,790

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) The Company has applied International Financial Reporting Standards ('IFRS') from the first quarter of the fiscal year ending December 31, 2013. In addition, the consolidated financial statements for the same quarters of the previous year and for the previous fiscal year have been prepared in accordance with IFRS.

(2) 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.

(3) The forecast which is published for shareholders and investors is based on the internal management indicator Core basis. The difference between IFRS results and Core results will be explained at each quarterly event and presentation.

(4) For the specifics of the forecasts, please refer to the items '1. (3) Qualitative Information regarding the Forecast for Consolidated Performance' on page 7 of the attached document.

(5) Please refer to Supplemental Information of 'Notice concerning adoption of International Financial Reporting Standards (IFRS)' http://www.chugai-pharm.co.jp/html/press/pdf/2012/121214eSupplementaryMaterials.pdf on pages 11-13 for details of Core basis.

(6) The Company is scheduled to hold a conference call for investors as noted below. The materials used for the call, the verbal recording, the Q&A, and other related documents will be posted on the Company's website immediately following the conclusion of the conference call. Teleconference for institutional investors and analysts (Japanese only): October 25, 2013, Friday (Japan time)

Index of the Attachment

1. Qualitative Information

(1) Qualitative Information regarding Operating Results (Consolidated)

(Billions of Yen)

	First nine months of FY 2013.12 (Jan. 1, 2013–Sep. 30, 2013)	First nine months of FY 2012.12 (Jan. 1, 2012–Sep. 30, 2012)	% change
Core results			
Revenues	**306.5**	**275.6**	**+11.2**
Sales (excluding Tamiflu)	279.7	260.4	+7.4
Tamiflu sales	9.0	8.2	+9.8
Royalties and other operating income	17.8	7.0	+154.3
Cost of sales	(132.5)	(120.6)	+9.9
Gross profit	**174.0**	**155.0**	**+12.3**
Marketing and distribution	(51.9)	(48.7)	+6.6
Research and development	(54.3)	(48.3)	+12.4
General and administration	(8.9)	(6.4)	+39.1
Operating profit	**59.0**	**51.5**	**+14.6**
Net income	**39.5**	**31.8**	**+24.2**
IFRS results			
Revenues	**306.5**	**275.6**	**+11.2**
Operating profit	**58.2**	**50.8**	**+14.6**
Net income	**39.0**	**31.4**	**+24.2**

Consolidated financial highlights (IFRS results)

Operating profit through the third quarter was ¥58.2 billion (an increase of 14.6% year on year), and net income through the third quarter was ¥39.0 billion (an increase of 24.2% year on year). These results include non-Core items, such as intangible assets amortization of ¥0.7 billion, restructuring expenses of ¥0.2 billion, and other items, which are excluded from the Core results.

Consolidated financial highlights (Core results)

Revenues through the third quarter were ¥306.5 billion (an increase of 11.2% year on year), due to the growth in sales and royalties and other operating income offsetting the effects of the National Health Insurance (NHI) drug price revisions and the completion of the sales agreement of Evista (an agent for the treatment of osteoporosis) under which the product is no longer sold by Chugai. Of the revenues, sales excluding Tamiflu were ¥279.7 billion (an increase of 7.4% year on year) through the third quarter.

Royalties and other operating income doubled year on year because of the rise in milestone revenues and an increase in royalties and profit sharing income received related to an increase in overseas sales of Actemra (a humanized anti-IL-6 receptor monoclonal antibody) by Roche Group (hereinafter, Roche).

Cost of sales totaled ¥132.5 billion (an increase of 9.9% year on year). Although depreciation of the yen increased the cost of sales, the effect was limited due to the refinement of allocation method of cost variance made in the third quarter, to more properly reflect the impact of significant depreciation of the yen lasting from the beginning of this year. As a result, gross profit amounted to ¥174.0 billion (an increase of 12.3% year on year).

Marketing and distribution expenses were ¥51.9 billion (an increase of 6.6% year on year), mainly due to the rise in expenses of overseas sales companies owing to the depreciation of the yen and an increase in the sales promotion activities associated with the launch of new products. Research and development expenditures were ¥54.3 billion (an increase of 12.4% year on year) as a result of the depreciation of the yen, the full operation of Chugai Pharmabody Research Pte. Ltd. and expenditures associated with the renewal of buildings and equipment. General and administrative expenses were ¥8.9 billion (an increase of 39.1% year on year), due to the rise in various expenses.

As a consequence, operating profit was ¥59.0 billion (an increase of 14.6% year on year), and net income through the third quarter was ¥39.5 billion (an increase of 24.2% year on year). As a result of the changes in the taxation system (resulting in the incurrence of one-time expenses in the same period of the previous year and a reduction in the tax rate that became effective in the quarters under review), there is a significant difference in year on year changes of net income compared to that of the operating profit.

Note: Core results

Chugai Pharmaceutical Co., Ltd. ('Chugai' or 'the Company') 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 of the Company to IFRS results, and are consistent with the Core concept disclosed by Roche. Core results are used by the Company as an internal performance indicator, to explain 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

(Billions of Yen)

	First nine months of FY 2013.12 (Jan. 1, 2013–Sep. 30, 2013)	First nine months of FY 2012.12 (Jan. 1, 2012–Sep. 30, 2012)	% change
Sales	**288.8**	**268.6**	**+7.5**
Domestic sales (excluding Tamiflu)	**234.4**	**229.9**	**+2.0**
Oncology	121.5	111.3	+9.2
Bone and joint diseases	43.0	46.9	(8.3)
Renal diseases	34.9	34.8	+0.3
Transplant, immunology, and infectious diseases	13.9	14.8	(6.1)
Others	21.2	22.2	(4.5)
Tamiflu sales	**9.0**	**8.2**	**+9.8**
Ordinary use	8.2	7.9	+3.8
Government stockpiles etc.	0.8	0.4	+100.0
Overseas sales	**45.3**	**30.5**	**+48.5**

Domestic sales (excluding Tamiflu)

Domestic sales through the third quarter, excluding Tamiflu, were ¥234.4 billion (an increase of 2.0% year on year). Overall sales increased, despite the completion of the sales agreement for Evista and the effects of the NHI drug price revisions, because of steady growth in the oncology field, including Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent), and contributions from new products, including Edirol (an active vitamin D_3 derivative) launched in 2011 and Actemra, which in May 2013 launched a new formulation. Excluding the impact of Evista, the pace of growth in the remaining products was 7.4% year on year, indicating continuous strong sales performance.

Oncology product sales through the third quarter continued to rise, to ¥121.5 billion (an increase of 9.2% year on year). This increase was due to steady expansion in sales of major oncology drugs such as Avastin, Herceptin (an anti-HER2 humanized monoclonal antibody, anti-cancer agent), and so on. The sales of Perjeta (an anti-HER2 humanized monoclonal antibody, anti-cancer agent), launched in September 2013 for the indication of HER2-positive breast cancer, was ¥0.5 billion.

Bone and joint diseases product sales were ¥43.0 billion (a decrease of 8.3% year on year). Although sales of new products including Edirol and Actemra showed significant expansion, this was offset by the completion of the sales agreement for Evista. Bonviva (ibandronate sodium hydrate) launched in August 2013 for the indication of osteoporosis registered sales of ¥0.2 billion.

Renal diseases product sales totaled ¥34.9 billion (an increase of 0.3% year on year). Although sales of Epogin (a recombinant human erythropoietin) decreased around 30% year on year due to its switching to Mircera (a long-lasting erythropoiesis-stimulating agent) as well as intensified competition including the impact from follow-on biologics (biosimilars), sales of Mircera increased around 30% year on year due primarily to its growth in the pre-dialysis market.

In the area of transplant, immunology, and infectious diseases products (excluding Tamiflu), sales were ¥13.9 billion (a decrease of 6.1% year on year). This decline was due to decreased 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 amounted to ¥8.2 billion (an increase of 3.8% year on year). Sales to government stockpiles etc. amounted to ¥0.8 billion (an increase of 100.0% year on year).

Overseas sales

Overseas sales were ¥45.3 billion (an increase of 48.5% year on year), due to the depreciation of the yen and an increase of Actemra exports to Roche in volume basis.

(2) Qualitative Information regarding Financial Condition (Consolidated)

Assets, Liabilities, and Net Assets

(Billions of Yen)

	September 30, 2013	December 31, 2012	% change
Movements of assets and liabilities			
Net working capital	167.7	157.9	+6.2
Long-term net operating assets	144.3	150.0	(3.8)
Net operating assets (NOA)	**312.0**	**307.9**	**+1.3**
Net cash	224.6	211.7	+6.1
Other non-operating assets - net	15.3	9.6	+59.4
Total net assets	**551.9**	**529.2**	**+4.3**
Consolidated balance sheet (IFRS basis)			
Total assets	671.6	645.3	+4.1
Total liabilities	(119.7)	(116.2)	+3.0
Total net assets	551.9	529.2	+4.3

Net working capital at September 30, 2013, was ¥167.7 billion (an increase of ¥9.8 billion since December 31, 2012). This was due to an increase in inventories accompanying expansion in the scale of major product sales, and other factors. In addition, long-term net operating assets were ¥5.7 billion lower than at the end of the previous fiscal year, because of a decrease in tangible fixed assets accompanying depreciation and other factors, and stood at ¥144.3 billion at the end of the period under review. As a result, net operating assets (NOA) were ¥312.0 billion, ¥4.1 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 securities and interest bearing-liabilities, increased ¥12.9 billion since December 31, 2012, to ¥224.6 billion. Also, other non-operating assets-net increased ¥5.7 billion since the end of the previous fiscal year to ¥15.3 billion, due mainly to an increase in deferred income tax assets.

As a consequence, total net assets were ¥551.9 billion (an increase of ¥22.7 billion since December 31, 2012).

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 an independent reconfiguration of the consolidated balance sheet and are consistent with the NOA concepts 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 (Assets, Liabilities, and Net Assets)’.

Cash Flows

(Billions of Yen)

	First nine months of FY 2013.12 (Jan. 1, 2013–Sep. 30, 2013)	First nine months of FY 2012.12 (Jan. 1, 2012–Sep. 30, 2012)	% change
Movements of free cash flows			
Operating profit - IFRS basis	58.2	50.8	+14.6
Operating profit, net of operating cash adjustments	72.7	59.6	+22.0
Operating free cash flows	55.0	76.9	(28.5)
Free cash flows	8.2	28.4	(71.1)
Net change in net cash	13.0	28.4	(54.2)
Consolidated statement of cash flows (IFRS basis)			
Cash flows from operating activities	43.0	62.3	(31.0)
Cash flows from investing activities	(4.5)	(51.5)	(91.3)
Cash flows from financing activities	(23.1)	(22.6)	+2.2
Net change in cash and cash equivalents	16.9	(11.8)	—
Cash and cash equivalents at September 30	112.4	82.7	+35.9

Operating profit, net of operating cash adjustments, which 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, amounted to a net cash inflow of ¥72.7 billion. The principal items influencing this result were a total of ¥11.8 billion in tangible fixed assets depreciation and impairment.

Operating free cash flows, which are calculated by deducting an increase in net working capital of ¥6.6 billion and subtracting expenditures of ¥11.1 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 ¥55.0 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, which are calculated by subtracting a total of ¥46.8 billion comprising cash flows from financial asset management, income taxes paid, and dividends paid from operating free cash flows, amounted to a net cash inflow of ¥8.2 billion.

As a result, the net change in net cash, after foreign currency translation adjustments, increased ¥13.0 billion in comparison with the same period of the previous fiscal year. The net change in cash and cash equivalents, excluding changes in securities and interest-bearing debt, was a net cash inflow of ¥16.9 billion. As a result, the cash and cash equivalents balance at the end of this quarter amounted to ¥112.4 billion.

Note: Movements of free cash flows

The consolidated statement of cash flows has been prepared in accordance with the International Accounting Standard (IAS) No. 7, 'Statement of Cash Flows'. On the other hand, the Company prepares operating Free Cash Flow (FCF) for use as an internal management metric. This metric provides a defined mechanism that is a cohesive and consistent basis across operating profit, operating FCF, and NOA. In addition, this metric is also aligned to the FCF disclosed by Roche. FCF represents the IFRS consolidated statement of cash flows that has been reconfigured on a different presentation basis with no eliminations such as the Core results.

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

(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 2013 since the announcement regarding the forecast issued on January 30, 2013.

Note: In the items (1), (2) and (3), 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 Statement of Income and Interim Condensed Consolidated Statement of Comprehensive Income

1) Interim Condensed Consolidated Statement of Income

(Millions of Yen)

	First nine months of FY 2013 (Jan. 1, 2013 – Sep. 30, 2013)	First nine months of FY 2012 (Jan. 1, 2012 – Sep. 30, 2012)
Revenues	**306,533**	**275,591**
Sales	288,765	268,609
Royalties and other operating income	17,768	6,982
Cost of sales	(133,191)	(121,266)
Gross profit	**173,342**	**154,325**
Marketing and distribution	(51,992)	(48,745)
Research and development	(54,373)	(48,295)
General and administration	(8,817)	(6,437)
Operating profit	**58,160**	**50,848**
Financing costs	(14)	(34)
Other financial income (expense)	(1,423)	(1,299)
Profit before taxes	**56,722**	**49,515**
Income taxes	(17,738)	(18,128)
Net income	**38,984**	**31,387**
Attributable to:		
Chugai shareholders	38,164	30,738
Non-controlling interests	820	649
Earnings per share		
Basic (Yen)	70.09	56.48
Diluted (Yen)	70.01	56.46

2) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of Yen)

	First nine months of FY 2013 (Jan. 1, 2013 – Sep. 30, 2013)	First nine months of FY 2012 (Jan. 1, 2012 – Sep. 30, 2012)
Net income	**38,984**	**31,387**
Other comprehensive income		
Items that will not be reclassified to profit or loss	—	—
Total items that will not be reclassified to profit or loss	**—**	**—**
Items that may be reclassified subsequently to profit or loss		
(a) Currency translation of foreign operations	4,800	55
(b) The portion of gains or losses on effective cash flow hedges recognized in other comprehensive income	1,586	—
(c) The portion of gains or losses on effective cash flow hedges reclassified from other comprehensive income to profit or loss	(742)	—
(d) Net change in fair value of available-for-sale investments	2,143	717
(e) Net change in fair value of available-for-sale investments reclassified to profit or loss	3	135
(f) Income tax relating to items (a) to (e) that may be reclassified	(1,028)	(295)
Total items that may be reclassified subsequently to profit or loss	**6,762**	**612**
Other comprehensive income, net of tax	**6,762**	**612**
Total comprehensive income	**45,746**	**31,999**
Attributable to:		
Chugai shareholders	44,735	31,345
Non-controlling interests	1,010	654

(2) Interim Condensed Consolidated Balance Sheet

(Millions of Yen)

	September 30, 2013	December 31, 2012	January 1, 2012 (Date of transition to IFRS)
Assets			
Non-current assets:			
Property, plant and equipment	138,437	143,056	143,356
Intangible assets	8,386	6,500	6,548
Financial long-term assets	8,450	6,332	4,946
Other long-term assets	10,391	10,921	11,316
Deferred income tax assets	25,089	20,735	24,042
Post-employment benefit assets	2,147	2,680	993
Total non-current assets	**192,900**	**190,224**	**191,202**
Current assets:			
Inventories	128,571	108,413	102,834
Accounts receivable	117,220	128,306	119,506
Current income tax assets	137	344	27
Other current assets	7,903	6,108	4,035
Marketable securities	112,523	116,484	75,177
Cash and cash equivalents	112,357	95,445	94,474
Total current assets	**478,712**	**455,100**	**396,054**
Total assets	**671,612**	**645,325**	**587,255**

(Millions of Yen)

	September 30, 2013	December 31, 2012	January 1, 2012 (Date of transition to IFRS)
Liabilities			
Non-current liabilities:			
Long-term debt	(203)	(213)	(170)
Deferred income tax liabilities	(11,560)	(9,963)	(9,342)
Post-employment benefit liabilities	(798)	(747)	(655)
Long-term provisions	(2,123)	(1,893)	(1,907)
Other non-current liabilities	(10,750)	(8,630)	(4,531)
Total non-current liabilities	**(25,434)**	**(21,446)**	**(16,606)**
Current liabilities:			
Short-term debt	(41)	(44)	(22)
Current income tax liabilities	(9,335)	(11,437)	(13,731)
Short-term provisions	(180)	(5)	(273)
Accounts payable	(59,142)	(60,096)	(35,895)
Accrued and other current liabilities	(25,567)	(23,135)	(21,740)
Total current liabilities	**(94,263)**	**(94,718)**	**(71,661)**
Total liabilities	**(119,698)**	**(116,164)**	**(88,266)**
Total net assets	**551,914**	**529,161**	**498,989**
Equity attributable to:			
Capital and reserves attributable to Chugai shareholders	550,687	527,961	497,782
Equity attributable to non-controlling interests	1,227	1,200	1,207
Total equity	**551,914**	**529,161**	**498,989**

(3) Interim Condensed Consolidated Statement of Cash Flows

(Millions of Yen)

	First nine months of FY 2013 (Jan. 1, 2013 – Sep. 30, 2013)	First nine months of FY 2012 (Jan. 1, 2012 – Sep. 30, 2012)
Cash flows from operating activities		
Cash generated from operations	75,464	62,189
(Increase) decrease in working capital	(6,573)	26,612
Payments made for defined benefit post-employment plans	(1,824)	(2,036)
Utilization of provisions	(149)	(276)
Other operating cash flows	(585)	893
Cash flows from operating activities, before income taxes paid	**66,333**	**87,381**
Income taxes paid	(23,375)	(25,098)
Total cash flows from operating activities	**42,957**	**62,284**
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,391)	(10,925)
Purchase of intangible assets	(1,740)	(490)
Disposal of property, plant and equipment	(176)	20
Interest and dividends received	282	312
Purchases of marketable securities	(167,988)	(144,116)
Sales of marketable securities	174,533	103,891
Other investing cash flows	(4)	(223)
Total cash flows from investing activities	**(4,484)**	**(51,532)**
Cash flows from financing activities		
Interest paid	(9)	(6)
Dividends paid	(22,672)	(21,543)
Dividends paid—non-controlling interests	(983)	(929)
Exercise of equity compensation plan	653	10
(Increase) decrease in own equity instruments	(7)	(3)
Other financing cash flows	(99)	(93)
Total cash flows from financing activities	**(23,117)**	**(22,564)**
Net effect of currency translation on cash and cash equivalents	1,556	53
Increase in cash and cash equivalents	**16,912**	**(11,759)**
Cash and cash equivalents at January 1	95,445	94,474
Cash and cash equivalents at September 30	**112,357**	**82,715**

(4) Interim Condensed Consolidated Statement of Changes in Equity
For the third quarter ended September 30, 2013 (Jan. 1, 2013 – Sep. 30, 2013)

(Millions of Yen)

	Attributable to Chugai shareholders						
	Share capital	Capital surplus	Retained earnings	Reserves	**Subtotal**	Non-controlling interests	**Total equity**
At January 1, 2013	**72,967**	**64,668**	**397,221**	**(6,895)**	**527,961**	**1,200**	**529,161**
Net income recognized in income statement	—	—	38,164	—	**38,164**	820	**38,984**
Available-for-sale investments	—	—	—	1,438	**1,438**	—	**1,438**
Cash flow hedges	—	—	—	524	**524**	—	**524**
Currency translation of foreign operations	—	—	—	4,609	**4,609**	191	**4,800**
Total comprehensive income	—	—	**38,164**	**6,571**	**44,735**	**1,010**	**45,746**
Dividends	—	—	(22,866)	—	**(22,866)**	(983)	**(23,850)**
Equity compensation plans, net of transaction in own equity instruments	—	97	—	—	**97**	—	**97**
Own equity instruments	—	761	—	—	**761**	—	**761**
Other movements	—	—	—	—	—	—	—
At September 30, 2013	**72,967**	**65,525**	**412,520**	**(324)**	**550,687**	**1,227**	**551,914**

For the third quarter ended September 30, 2012 (Jan. 1, 2012 – Sep. 30, 2012)

(Millions of Yen)

	Attributable to Chugai shareholders						
	Share capital	Capital surplus	Retained earnings	Reserves	**Subtotal**	Non-controlling interests	**Total equity**
At January 1, 2012	**72,967**	**64,385**	**371,560**	**(11,129)**	**497,782**	**1,207**	**498,989**
Net income recognized in income statement	—	—	30,738	—	**30,738**	649	**31,387**
Available-for-sale investments	—	—	—	557	**557**	—	**557**
Cash flow hedges	—	—	—	—	—	—	—
Currency translation of foreign operations	—	—	—	50	**50**	5	**55**
Total comprehensive income	**—**	**—**	**30,738**	**607**	**31,345**	**654**	**31,999**
Dividends	—	—	(21,768)	—	**(21,768)**	(930)	**(22,698)**
Equity compensation plans, net of transaction in own equity instruments	—	145	—	—	**145**	—	**145**
Own equity instruments	—	43	—	—	**43**	—	**43**
Other movements	—	—	102	—	**102**	—	**102**
At September 30, 2012	**72,967**	**64,573**	**380,632**	**(10,523)**	**507,648**	**931**	**508,579**

(5) Notes regarding the Assumption as a Going Concern

None

(6) Notes regarding the Interim Condensed Consolidated Financial Statements

1) Significant Accounting Policies

I. Basis of preparation

These financial statements are the interim condensed consolidated financial statements (hereafter 'the Interim Financial Statements') of Chugai Pharmaceutical Co., Ltd. ('Chugai'), a company incorporated in Tokyo, Japan, and its subsidiaries (collectively, the 'Chugai Group'). The common stock of Chugai Pharmaceutical Co., Ltd. is publicly traded and is listed on the Tokyo Stock Exchange under the security code 'TSE: 4519'. The Interim Financial Statements were approved by the Board of Directors at a meeting held on October 25, 2013.

Chugai is 59.89%, which is the percentage of the total number of issued shares (including treasury stock held by Chugai) owned by Roche Holding Ltd., a public company registered in Switzerland and parent company of Roche, which discloses its results with IFRS. The Chugai Group became principal members of Roche after entering into a strategic alliance in October 2002.

The Chugai Group meets all of the requirements for the 'Specified Company', which is stipulated under Article 1-2, Paragraph 1, Item 1 of the 'Regulations Concerning Terminology, Forms, and Preparation Methods of Consolidated Financial Statements' (Ministry of Finance of Japan Regulation No. 28, 1976). Hence, and 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.

The Interim Financial Statements are denominated in Japanese yen and the amounts are rounded to the nearest ¥1 million. The measurement uses the historical cost convention, except for some items which are disclosed based on fair value, such as derivatives and available-for-sale investments.

Through the end of the fiscal year ended December 31, 2012, consolidated financial statements were prepared in conformity with accounting principles generally accepted in Japan ('JGAAP'). The most recent consolidated financial statements prepared under JGAAP were for the fiscal year ended December 31, 2012.

The date of transition to IFRS for the Chugai Group is January 1, 2012. Included in 2) Transition to International Financial Reporting Standards is reconciliations of Chugai's equity under JGAAP as compared to under IFRS as at January 1, 2012, September 30, 2012, and December 31, 2012. 2) Transition to International Financial Reporting Standards also includes a reconciliation of the net income and comprehensive income reported for the year ended December 31, 2012, nine months ended September 30, 2012, and three months ended September 30, 2012 between JGAAP and IFRS.

The Chugai Group applies significant accounting policies to the Interim Financial Statements consistently throughout all the periods, including the consolidated balance sheet on the date of transition to IFRS, as presented in these financial statements.

II. Significant accounting policies

The significant accounting policies of the Chugai Group, which were applied along with the adoption of the IFRS, are stated in the Interim Financial Statements for the first quarter of the current fiscal year (from January 1, 2013 through March 31, 2013).

2) Transition to International Financial Reporting Standards

The Chugai Group has applied IFRS starting with the fiscal year commencing on January 1, 2012. The date of transition to IFRS is January 1, 2012. Previously, the Chugai Group prepared its financial statements in conformity with JGAAP. The year ended December 31, 2012 was the most recent period for the Chugai Group's consolidated financial statements issued under JGAAP.

Roche has issued consolidated financial statements using IFRS since 1990. Since entering into the strategic alliance, as a member of Roche, the Chugai Group has prepared financial reports in accordance with IFRS for inclusion in Roche's consolidated financial statements.

The Chugai Group voluntarily adopted IFRS Article 1, Paragraph D16, Item (a) 'First-time Adoption of International Financial Reporting Standards' for their first-time IFRS adoption, and has measured their book value of assets and liabilities, based on the book value included in Roche's consolidated financial statements (excluding the impact of business combination accounting of the Chugai Group by Roche).

Reconciliation of equity

(Millions of Yen)

		December 31, 2012	September 30, 2012	January 1, 2012 (Date of transition to IFRS)
	Total net assets in previously published JGAAP financial statements	**490,075**	**467,718**	**459,073**
(a)	Property, plant and equipment	60,784	60,444	60,420
(b)	Intangible assets	4,865	4,803	4,714
(c)	Pensions and other post-employment benefits	4,652	2,605	2,608
(d)	Long-term prepaid expense	2,060	2,178	2,534
(e)	Inventories	(481)	(682)	(2,149)
(f)	Deferred income	(7,521)	(2,750)	(3,027)
(g)	Accrued vacation	(2,946)	(3,036)	(2,995)
	Other differences	(179)	(155)	(217)
(h)	Income taxes	(22,148)	(22,546)	(21,972)
	Total adjustments to total net assets	**39,086**	**40,862**	**39,916**
	Equity in these IFRS financial statements	**529,161**	**508,579**	**498,989**

Reconciliation of net income

(Millions of Yen)

		FY 2012 (Jan. 1, 2012 – Dec. 31, 2012)	First nine months of FY 2012 (Jan. 1, 2012 – Sep. 30, 2012)	Third quarter of FY 2012 (July 1, 2012 – Sep. 30, 2012)
	Income before minority interests in previously published JGAAP financial statements	**48,992**	**30,490**	**9,208**
(a)	Property, plant and equipment	1,060	718	389
(b)	Intangible assets	369	166	(44)
(c)	Pensions and other post-employment benefits	208	147	49
(d)	Long-term prepaid expense	(474)	(356)	(119)
(e)	Inventories	1,393	1,522	359
(f)	Deferred income	(4,640)	203	83
(g)	Accrued vacation	49	(41)	(3)
	Other differences	(610)	(912)	(64)
(h)	Income taxes	494	(550)	(496)
	Total adjustments to net income	**(2,151)**	**896**	**156**
	Net income in these IFRS consolidated financial statements	**46,841**	**31,387**	**9,364**

Reconciliation of comprehensive income

(Millions of Yen)

		FY 2012 (Jan. 1, 2012 – Dec. 31, 2012)	First nine months of FY 2012 (Jan. 1, 2012 – Sep. 30, 2012)	Third quarter of FY 2012 (July 1, 2012 – Sep. 30, 2012)
	Comprehensive income in previously published JGAAP consolidated financial statements	**53,318**	**31,054**	**9,676**
	Total adjustments to net income (from previous table)	(2,151)	896	156
(c)	Pensions and other post-employment benefits	1,275	—	—
	Other differences	46	49	(263)
	Total adjustments to comprehensive income	**(830)**	**946**	**(107)**
	Comprehensive income in these IFRS consolidated financial statements	**52,488**	**31,999**	**9,569**

Notes to the reconciliations

(a) Under IFRS, the straight-line method is applied to depreciation of property, plant and equipment excluding lease assets, whereas the declining-balance method is used in JGAAP. The period of useful lives is different as well. Start-up and validation costs are expensed as incurred under JGAAP, whereas they are included in the acquisition cost of machinery and equipment under IFRS.

(b) In-licensing contract payments are recognized as intangible assets under IFRS, while they are expensed under JGAAP.

(c) Some of the calculations for employee benefit obligations are different, such as the allocation method and discount rate. Actuarial gain and loss are amortized by the declining-balance method over the period of average remaining service years of employees at the time of occurrence from the following year of occurrence under JGAAP. Under IFRS, actuarial gain and loss are recognized in the other comprehensive income in the consolidated comprehensive income statement.

(d) Start-up and validation costs at outsourced plants are expensed as incurred under JGAAP, whereas they are treated as long-term prepaid expenses under IFRS.

(e) The difference in the production cost is adjusted caused by the difference in depreciation, etc.

(f) Up-front income from an out-licensing contract is recognized as one-time income under JGAAP, whereas it is treated as deferred income under IFRS.

(g) Unused paid annual leave is not recognized under JGAAP, but it is accrued under IFRS.

(h) The matters described above in (a) to (g) result in deferred tax differences between the JGAAP and IFRS financial statements. In addition, there is the difference in the tax rate used for the calculation of the tax effect to eliminate unrealized gains.

Explanation of material adjustments to the cash flow statement for the year ended December 31, 2012

There are no significant differences between the consolidated cash flow statements which are already disclosed in conformity with JGAAP and IFRS.