*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 second quarter of fiscal year 2013)

July 25, 2013

Name of Company: Chugai Pharmaceutical Co., Ltd.

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: July 31, 2013

Date on which Dividend Payments to Commence: August 30, 2013

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 second quarter of FY 2013 (January 1, 2013–June 30, 2013)*

(1) Consolidated results (Income: cumulative)

| | Revenues | % change | Operating profit | % change | Profit before taxes | % change |
|---|---|---|---|---|---|---|
| First six months of FY 2013 | ¥201,016 million | 8.4 | ¥38,120 million | 4.7 | ¥36,946 million | 5.1 |
| First six months of FY 2012 | ¥185,452 million | — | ¥36,414 million | — | ¥35,155 million | — |

| | Net income | % change | Net income attributable to Chugai shareholders | % change | Total comprehensive income | % change |
|---|---|---|---|---|---|---|
| First six months of FY 2013 | ¥25,261 million | 14.7 | ¥24,748 million | 14.4 | ¥30,298 million | 35.1 |
| First six months of FY 2012 | ¥22,023 million | — | ¥21,630 million | — | ¥22,431 million | — |

| | Net income per share (Basic) | Net income per share (Diluted) |
|---|---|---|
| First six months of FY 2013 | ¥45.46 | ¥45.41 |
| First six months of FY 2012 | ¥39.75 | ¥39.73 |

*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, and is presented as "Attributable to Chugai shareholders" in the accompanying materials.*

(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, 2013 | ¥654,495 million | ¥548,793 million | ¥547,437 million | 83.6% |
| 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, and is presented as "Attributable to Chugai shareholders" in the accompanying materials.*

## 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 six months of FY 2013 (Results) | ¥201,016 million | 48.3 | ¥38,696 million | 49.9 | ¥46.06 | 49.8 | — |
| 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 and core operating profit 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) | Second quarter of FY 2013 | 559,685,889 | FY 2012 | 559,685,889 |
| (b) Number of treasury stock at the end of the period | Second quarter of FY 2013 | 15,076,660 | FY 2012 | 15,440,438 |
| (c) Average number of shares issued during the period (six months) | Second quarter of FY 2013 | 544,405,164 | Second quarter of FY 2012 | 544,199,915 |

***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. Qualitative Information, (3) “Forecast for Consolidated Performance” on page 7.*

*(5) Please refer to “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 presentation for investors as noted below. The materials used for the presentation, the streaming video, the Q&A, and other related documents will be posted on the Company’s website immediately following the conclusion of the presentation. Presentation for institutional investors and analysts (Japanese only): July 26, 2013, Friday (Japan time)*

## Index of the Attachment

# *1. Qualitative Information*

## (1) Qualitative Information regarding Operating Results (Consolidated)

(Billions of Yen)

| | First six months of FY 2013.12 (Jan. 1, 2013–June 30, 2013) | First six months of FY 2012.12 (Jan. 1, 2012–June 30, 2012) | % change |
|---|---|---|---|
| **Core results** | | | |
| **Revenues** | **201.0** | **185.5** | **+8.4** |
| Sales (excluding Tamiflu) | 179.8 | 171.9 | +4.6 |
| Tamiflu sales | 9.0 | 8.1 | +11.1 |
| Royalties and other operating income | 12.2 | 5.4 | +125.9 |
| Cost of sales | (87.9) | (81.3) | +8.1 |
| **Gross profit** | **113.1** | **104.2** | **+8.5** |
| Marketing and distribution | (34.0) | (32.2) | +5.6 |
| Research and development | (34.8) | (31.1) | +11.9 |
| General and administration | (5.7) | (4.0) | +42.5 |
| **Operating profit** | **38.7** | **36.9** | **+4.9** |
| **Net income** | **25.6** | **22.3** | **+14.8** |
| | | | |
| **IFRS results** | | | |
| **Revenues** | **201.0** | **185.5** | **+8.4** |
| **Operating profit** | **38.1** | **36.4** | **+4.7** |
| **Net income** | **25.3** | **22.0** | **+15.0** |

**Consolidated financial highlights (IFRS results)**

Operating profit through the second quarter was ¥38.1 billion (an increase of 4.7% year on year), and net income through the second quarter was ¥25.3 billion (an increase of 15.0% year on year). These results include non-Core items, such as intangible assets amortization of ¥0.5 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 second quarter were ¥201.0 billion (an increase of 8.4% year on year), 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 this product is no longer sold by Chugai. Sales excluding Tamiflu, comprising product sales and royalties and other operating income, were ¥179.8 billion (an increase of 4.6% year on year) through the second 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 overseas sales of Actemra (a humanized anti-human IL-6 receptor monoclonal antibody) by the Roche Group (hereinafter, Roche).

Gross profit was ¥113.1 billion (an increase of 8.5% year on year). This increase was mainly due to the rise in the cost of sales ratio caused by depreciation of the yen and changes in the product mix, bringing the cost of sales to ¥87.9 billion (an increase of 8.1% year on year).

Marketing and distribution expenses were ¥34.0 billion (an increase of 5.6% year on year), mainly due to the rise in expenses of overseas sales companies owing to the depreciation of the yen and other factors. Research and development expenditures were ¥34.8 billion (an increase of 11.9% year on year) as a result of the depreciation of the yen and the full operation of CPR (Chugai Pharmabody Research Pte. Ltd.). General and administrative expenses were ¥5.7 billion (an increase of 42.5% year on year), due to the rise in various expenses.

As a consequence, Core operating profit was ¥38.7 billion (an increase of 4.9% year on year), and Core net income for the quarter was ¥25.6 billion (an increase of 14.8% 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 quarter under review), there is a significant difference in year on year growth 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, in addition to the IFRS results, 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, as well as realignment with the Core concept disclosed by Roche. Core results are used by the Company as an internal performance indicator, to help explain the underlying business performance both internally and externally, and as the basis for performance evaluation and the payout ratio.

For further details regarding the adjustment to IFRS results, please refer to the appendix section on page 5, entitled "Reconciliation of IFRS results to Core results."

**Sales by product domain**

(Billions of Yen)

| | First six months of FY 2013.12 (Jan. 1, 2013–June 30, 2013) | First six months of FY 2012.12 (Jan. 1, 2012–June 30, 2012) | % change |
|---|---|---|---|
| **Sales** | **188.8** | **180.1** | **+4.8** |
| **Domestic sales (excluding Tamiflu)** | **152.0** | **150.5** | **+1.0** |
| Oncology | 78.7 | 72.4 | +8.7 |
| Bone and joint disease | 27.5 | 30.3 | (9.2) |
| Renal diseases field | 22.5 | 22.9 | (1.7) |
| Transplant, immunology, and infectious disease | 9.2 | 9.8 | (6.1) |
| Others | 14.2 | 15.0 | (5.3) |
| **Tamiflu sales** | **9.0** | **8.1** | **+11.1** |
| Ordinary use | 8.2 | 7.8 | +5.1 |
| Government stockpiles etc. | 0.8 | 0.4 | +100.0 |
| **Overseas sales** | **27.8** | **21.5** | **+29.3** |

**Domestic sales (excluding Tamiflu)**

Domestic sales through the second quarter, excluding Tamiflu, were ¥152.0 billion (an increase of 1.0% 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-vascular endothelial growth factor (VEGF) humanized monoclonal antibody, anti-cancer agent), and contributions from new products, including Edirol (an active vitamin D3 derivative) and Actemra, which in May launched a new formulation. Excluding the impact of Evista, the pace of growth in the remaining products was 6.4% year on year, indicating continued strong sales performance.

Oncology product sales through the second quarter continued to rise, to ¥78.7 billion (an increase of 8.7% year on year). This increase was due to steady expansion in sales of Avastin, Herceptin (an anti-HER-2-humanized monoclonal antibody, anti-cancer agent), and other major oncology drugs.

Bone and joint disease product sales were ¥27.5 billion (a decrease of 9.2% year on year). Although sales of Edirol and Actemra showed significant expansion, this was offset by effects of the completion of the sales agreement for Evista.

Renal diseases product sales totaled ¥22.5 billion (a decrease of 1.7% year on year). On the one hand, sales of Mircera (a long-lasting erythropoietin-stimulating agent) expanded about 30% year on year in the market for drug stocks; on the other hand, sales of Epogin (a recombinant human erythropoietin) decreased significantly because of the switching to Mircera and intensified competition, including the impact from follow-on biologics (biosimilars).

In the area of transplant, immunology, and infectious diseases products (excluding Tamiflu), sales were ¥9.2 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 (a 5.1% increase 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 ¥27.8 billion (an increase of 29.3% year on year), due to the depreciation of the yen and an increase in the volume of shipments of Actemra to Roche.

## (2) Qualitative Information regarding Financial Condition (Consolidated)

**Assets, Liabilities, and Net Assets**

(Billions of Yen)

| | June 30, 2013 | December 31, 2012 | % change |
|---|---|---|---|
| Movements of assets and liabilities | | | |
| Net working capital | 171.1 | 157.9 | +8.4 |
| Long-term net operating assets | 145.0 | 150.0 | (3.3) |
| **Net operating assets (NOA)** | **316.1** | **307.9** | **+2.7** |
| Net cash | 223.2 | 211.7 | +5.4 |
| Other non-operating assets - net | 9.6 | 9.6 | 0.0 |
| **Total net assets** | **548.8** | **529.2** | **+3.7** |
| | | | |
| Consolidated balance sheet (IFRS basis) | | | |
| Total assets | 654.5 | 645.3 | +1.4 |
| Total liabilities | (105.7) | (116.2) | (9.0) |
| Total net assets | 548.8 | 529.2 | +3.7 |

Net working capital at June 30, 2013, was ¥171.1 billion (an increase of ¥13.2 billion since December 31, 2012). This was due to a decrease in trade accounts receivable, because of appropriate adjustments in procurement timing in view of inventory levels, demand forecasts, and other factors, an increase in inventories accompanying expansion in the scale of major product sales, and other factors. In addition, long-term net operating assets were ¥5.0 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 ¥145.0 billion at the end of the period under review. As a result, net operating assets (NOA) were ¥316.1 billion, ¥8.2 billion higher than at the end of the previous fiscal year.

As the table entitled “Cash Flows” on page 6 indicates, net cash, including securities and interest bearing-liabilities, increased ¥11.5 billion, to ¥223.2 billion. Also, other non-operating assets-net which amounted to ¥9.6 billion, were approximately level with the end of the previous fiscal year.

As a consequence, total net assets were ¥548.8 billion (an increase of ¥19.6 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, “Movement 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 appendix section on page 8, “Movements of assets and liabilities (Assets, Liabilities, and Net Assets).”

**Cash Flows**

(Billions of Yen)

| | First six months of FY 2013.12 (Jan. 1, 2013–June. 30, 2013) | First six months of FY 2012.12 (Jan. 1, 2012–June 30, 2012) | % change |
|---|---|---|---|
| Movements of free cash flows | | | |
| Operating profit - IFRS basis | 38.1 | 36.4 | +4.7 |
| Operating cash flows after adjustments | 47.2 | 41.5 | +13.7 |
| Operating free cash flows | 30.6 | 56.9 | (46.2) |
| Free cash flows | 7.8 | 31.5 | (75.2) |
| Net change in net cash | 11.5 | 31.2 | (63.1) |
| | | | |
| Consolidated statement of cash flows (IFRS basis) | | | |
| Cash flows from operating activities | 26.0 | 50.3 | (48.3) |
| Cash flows from investing activities | (11.3) | (15.8) | (28.5) |
| Cash flows from financing activities | (10.9) | (11.4) | (4.4) |
| Net change in cash and cash equivalents | 5.0 | 23.0 | (78.3) |
| Cash and cash equivalents at June 30 | 100.5 | 117.5 | (14.5) |

Operating cash flows after adjustments, which are calculated by adjusting for depreciation and other items that are included in operating profit but are not accompanied by cash outflows and all inflows and outflows related to NOA that are not accompanied by cash outflows or inflows, amounted to a net cash inflow of ¥47.2 billion. The principal items influencing this result were a total of ¥7.2 billion in tangible fixed assets depreciation and impairment.

Operating free cash flows, which are calculated by deducting an increase in net working capital of ¥9.7 billion and subtracting expenditures of ¥6.9 billion for the purchase of property, plant and equipment and intangible assets from operating cash flows after adjustments, amounted to a net inflow of ¥30.6 billion. Factors accounting for the change net working capital are as shown on page 5 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 ¥22.8 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 ¥7.8 billion.

As a result, the net change in net cash, after foreign currency translation adjustments, increased ¥11.5 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 ¥5.0 billion. As a result, the cash and cash equivalents balance at the end of this quarter amounted to ¥100.5 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 appendix section on page 9, “Movements of free cash flows”.

### (3) 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 six months of FY 2013 (Jan. 1, 2013 – June 30, 2013) | First six months of FY 2012 (Jan. 1, 2012 – June 30, 2012) |
|---|---|---|
| **Revenues** | **201,016** | **185,452** |
| Sales | 188,842 | 180,087 |
| Royalties and other operating income | 12,174 | 5,365 |
| Cost of sales | (88,337) | (81,723) |
| **Gross profit** | **112,679** | **103,728** |
| Marketing and distribution | (34,101) | (32,154) |
| Research and development | (34,861) | (31,149) |
| General and administration | (5,598) | (4,012) |
| **Operating profit** | **38,120** | **36,414** |
| Financing costs | (15) | (29) |
| Other financial income (expense) | (1,158) | (1,230) |
| **Profit before taxes** | **36,946** | **35,155** |
| Income taxes | (11,685) | (13,132) |
| **Net income** | **25,261** | **22,023** |
| Attributable to: | | |
| Chugai shareholders | 24,748 | 21,630 |
| Non-controlling interests | 514 | 393 |
| Earnings per share | | |
| Basic (Yen) | 45.46 | 39.75 |
| Diluted (Yen) | 45.41 | 39.73 |

## 2) Interim Condensed Consolidated Statement of Comprehensive Income

(Millions of Yen)

| | First six months of FY 2013 (Jan. 1, 2013 – June 30, 2013) | First six months of FY 2012 (Jan. 1, 2012 – June 30, 2012) |
|---|---|---|
| **Net income** | **25,261** | **22,023** |
| 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 | 3,598 | (263) |
| (b) The portion of gains or losses on effective cash flow hedges recognized in other comprehensive income | 506 | — |
| (c) The portion of gains or losses on effective cash flow hedges reclassified from other comprehensive income to profit or loss | (443) | — |
| (d) Net change in fair value of available-for-sale financial assets | 2,081 | 912 |
| (e) Net change in fair value of available-for-sale financial assets reclassified to profit or loss | 3 | 108 |
| (f) Income tax relating to items (a) to (e) that may be reclassified | (709) | (350) |
| **Total items that may be reclassified subsequently to profit or loss** | **5,036** | **408** |
| **Other comprehensive income, net of tax** | **5,036** | **408** |
| **Total comprehensive income** | **30,298** | **22,431** |
| Attributable to: | | |
| Chugai shareholders | 29,634 | 22,031 |
| Non-controlling interests | 664 | 400 |

## (2) Interim Condensed Consolidated Balance Sheet

(Millions of Yen)

| | June 30, 2013 | December 31, 2012 | January 1, 2012 (Date of transition to IFRS) |
|---|---|---|---|
| Assets | | | |
| Non-current assets: | | | |
| Property, plant and equipment | 139,902 | 143,056 | 143,356 |
| Intangible assets | 7,162 | 6,500 | 6,548 |
| Financial long-term assets | 8,423 | 6,332 | 4,946 |
| Other long-term assets | 10,650 | 10,921 | 11,316 |
| Deferred income tax assets | 22,088 | 20,735 | 24,042 |
| Post-employment benefit assets | 2,567 | 2,680 | 993 |
| **Total non-current assets** | **190,792** | **190,224** | **191,202** |
| Current assets: | | | |
| Inventories | 114,092 | 108,413 | 102,834 |
| Accounts receivable | 119,932 | 128,306 | 119,506 |
| Current income tax assets | 69 | 344 | 27 |
| Other current assets | 6,202 | 6,108 | 4,035 |
| Marketable securities | 122,946 | 116,484 | 75,177 |
| Cash and cash equivalents | 100,461 | 95,445 | 94,474 |
| **Total current assets** | **463,703** | **455,100** | **396,054** |
| **Total assets** | **654,495** | **645,325** | **587,255** |

(Millions of Yen)

| | June 30, 2013 | December 31, 2012 | January 1, 2012 (Date of transition to IFRS) |
|---|---|---|---|
| Liabilities | | | |
| Non-current liabilities: | | | |
| Long-term debt | (210) | (213) | (170) |
| Deferred income tax liabilities | (10,347) | (9,963) | (9,342) |
| Post-employment benefit liabilities | (775) | (747) | (655) |
| Long-term provisions | (1,818) | (1,893) | (1,907) |
| Other non-current liabilities | (10,919) | (8,630) | (4,531) |
| **Total non-current liabilities** | **(24,069)** | **(21,446)** | **(16,606)** |
| Current liabilities: | | | |
| Short-term debt | (44) | (44) | (22) |
| Current income tax liabilities | (12,602) | (11,437) | (13,731) |
| Short-term provisions | (237) | (5) | (273) |
| Accounts payable | (48,130) | (60,096) | (35,895) |
| Accrued and other current liabilities | (20,620) | (23,135) | (21,740) |
| **Total current liabilities** | **(81,632)** | **(94,718)** | **(71,661)** |
| **Total liabilities** | **(105,702)** | **(116,164)** | **(88,266)** |
| **Total net assets** | **548,793** | **529,161** | **498,989** |
| Equity attributable to: | | | |
| Capital and reserves attributable to Chugai shareholders | 547,437 | 527,961 | 497,782 |
| Equity attributable to non-controlling interests | 1,356 | 1,200 | 1,207 |
| **Total equity** | **548,793** | **529,161** | **498,989** |

## (3) Interim Condensed Consolidated Statement of Cash Flows

(Millions of Yen)

| | First six months of FY 2013 (Jan. 1, 2013 – June 30, 2013) | First six months of FY 2012 (Jan. 1, 2012 – June 30, 2012) |
|---|---|---|
| Cash flows from operating activities | | |
| Cash generated from operations | 48,821 | 42,960 |
| (Increase) decrease in working capital | (9,659) | 20,710 |
| Payments made for defined benefit post-employment plans | (1,354) | (1,396) |
| Utilization of provisions | (54) | (2) |
| Other operating cash flows | 122 | 1,942 |
| **Cash flows from operating activities, before income taxes paid** | **37,876** | **64,214** |
| Income taxes paid | (11,876) | (13,893) |
| **Total cash flows from operating activities** | **26,001** | **50,321** |
| | | |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (6,476) | (7,084) |
| Purchase of intangible assets | (425) | (318) |
| Disposal of property, plant and equipment | (74) | 4 |
| Interest and dividends received | 215 | 250 |
| Purchases of marketable securities | (122,189) | (82,128) |
| Sales of marketable securities | 117,653 | 73,692 |
| Other investing cash flows | (3) | (225) |
| **Total cash flows from investing activities** | **(11,298)** | **(15,808)** |
| | | |
| Cash flows from financing activities | | |
| Interest paid | (6) | (4) |
| Dividends paid | (10,892) | (10,887) |
| Dividends paid—non-controlling interests | (507) | (429) |
| Exercise of equity compensation plan | 601 | 0 |
| (Increase) decrease in own equity instruments | (5) | (2) |
| Other financing cash flows | (63) | (67) |
| **Total cash flows from financing activities** | **(10,871)** | **(11,389)** |
| | | |
| Net effect of currency translation on cash and cash equivalents | 1,184 | (93) |
| **Increase in cash and cash equivalents** | **5,016** | **23,031** |
| | | |
| Cash and cash equivalents at January 1 | 95,445 | 94,474 |
| **Cash and cash equivalents at June 30** | **100,461** | **117,505** |

## (4) Interim Condensed Consolidated Statement of Changes in Equity
## For the second quarter ended June 30, 2013 (Jan. 1, 2013 – June 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 | — | — | 24,748 | — | **24,748** | 514 | **25,261** |
| Available-for-sale financial assets | — | — | — | 1,399 | **1,399** | — | **1,399** |
| Cash flow hedges | — | — | — | 39 | **39** | — | **39** |
| Currency translation of foreign operations | — | — | — | 3,449 | **3,449** | 150 | **3,598** |
| **Total comprehensive income** | **—** | **—** | **24,748** | **4,887** | **29,634** | **664** | **30,298** |
| Dividends | — | — | (10,885) | — | **(10,885)** | (508) | **(11,392)** |
| Equity compensation plans, net of transaction in own equity instruments | — | 29 | — | — | **29** | — | **29** |
| Own equity instruments | — | 697 | — | — | **697** | — | **697** |
| Other movements | — | — | — | — | — | — | — |
| **At June 30, 2013** | **72,967** | **65,394** | **411,084** | **(2,008)** | **547,437** | **1,356** | **548,793** |

## For the second quarter ended June 30, 2012 (Jan. 1, 2012 – June 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 | — | — | 21,630 | — | **21,630** | 393 | **22,023** |
| Available-for-sale investments | — | — | — | 670 | **670** | — | **670** |
| Cash flow hedges | — | — | — | — | — | — | — |
| Currency translation of foreign operations | — | — | — | (270) | **(270)** | 7 | **(263)** |
| **Total comprehensive income** | — | — | **21,630** | **401** | **22,031** | **400** | **22,431** |
| Dividends | — | — | (10,884) | — | **(10,884)** | (431) | **(11,315)** |
| Equity compensation plans, net of transaction in own equity instruments | — | 83 | — | — | **83** | — | **83** |
| Own equity instruments | — | 34 | — | — | **34** | — | **34** |
| Other movements | — | — | 102 | — | **102** | — | **102** |
| **At June 30, 2012** | **72,967** | **64,502** | **382,408** | **(10,729)** | **509,148** | **1,176** | **510,324** |

## (5) Notes regarding the Assumption as a Going Concern

None

## (6) Notes regarding the Interim Condensed Consolidated Financial Statements

## 1. Significant Accounting Policies

### 1. 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. The common stock of Chugai Pharmaceutical Co., Ltd. is publicly traded and is listed on the Tokyo Stock Exchange under the stock code 'TSE: 4519.' The Interim Financial Statements were approved by the Board of Directors at a meeting held on July 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. Chugai and its subsidiaries 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 Note 2 to these financial statements are reconciliations of Chugai's equity under JGAAP as compared to under IFRS as at January 1, 2012, June 30, 2012, and December 31, 2012. Note 2 also includes a reconciliation of the net income and comprehensive income reported for the year ended December 31, 2012, six months ended June 30, 2012, and three months ended June 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.

### 2. 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 Company 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 | June 30, 2012 | January 1, 2012 (Date of transition to IFRS) |
|---|---|---|---|---|
| | **Total net assets in previously published JGAAP financial statements** | **490,075** | **469,355** | **459,073** |
| (a) | Property, plant and equipment | 60,784 | 60,055 | 60,420 |
| (b) | Intangible assets | 4,865 | 4,869 | 4,714 |
| (c) | Pensions and other post-employment benefits | 4,652 | 2,556 | 2,608 |
| (d) | Long-term prepaid expense | 2,060 | 2,297 | 2,534 |
| (e) | Inventories | (481) | (646) | (2,149) |
| (f) | Deferred income | (7,521) | (2,847) | (3,027) |
| (g) | Accrued vacation | (2,946) | (3,033) | (2,995) |
| | Other differences | (179) | (55) | (217) |
| (h) | Income taxes | (22,148) | (22,226) | (21,972) |
| | **Total adjustments to total net assets** | **39,086** | **40,969** | **39,916** |
| | **Equity in these IFRS financial statements** | **529,161** | **510,324** | **498,989** |

**Reconciliation of net income**

(Millions of Yen)

| | | FY 2012 (Jan. 1, 2012 - Dec. 31, 2012) | FY 2012 (Jan. 1, 2012 – June 30, 2012) | Second quarter of FY 2012 (April 1, 2012 – June 30, 2012) |
|---|---|---|---|---|
| | **Income before minority interests in previously published JGAAP financial statements** | **48,992** | **21,282** | **11,738** |
| (a) | Property, plant and equipment | 1,060 | 328 | 265 |
| (b) | Intangible assets | 369 | 210 | 242 |
| (c) | Pensions and other post-employment benefits | 208 | 98 | 49 |
| (d) | Long-term prepaid expense | (474) | (237) | (119) |
| (e) | Inventories | 1,393 | 1,163 | 422 |
| (f) | Deferred income | (4,640) | 120 | 83 |
| (g) | Accrued vacation | 49 | (38) | (5) |
| | Other differences | (610) | (848) | (1,271) |
| (h) | Income taxes | 494 | (54) | (293) |
| | **Total adjustments to net income** | **(2,151)** | **741** | **(625)** |
| | **Net income in these IFRS consolidated financial statements** | **46,841** | **22,023** | **11,112** |

**Reconciliation of comprehensive income**

(Millions of Yen)

| | | FY 2012 (Jan. 1, 2012 - Dec. 31, 2012) | FY 2012 (Jan. 1, 2012 – June 30, 2012) | Second quarter of FY 2012 (April 1, 2012 – June 30, 2012) |
|---|---|---|---|---|
| | **Comprehensive income in previously published JGAAP consolidated financial statements** | **53,318** | **21,378** | **8,546** |
| | Total adjustments to net income (from previous table) | (2,151) | 741 | (625) |
| (c) | Pensions and other post-employment benefits | 1,275 | — | — |
| | Other differences | 46 | 312 | 625 |
| | **Total adjustments to comprehensive income** | **(830)** | **1,053** | **(0)** |
| | **Comprehensive income in these IFRS consolidated financial statements** | **52,488** | **22,431** | **8,546** |

**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)–(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.