



CHUGAI PHARMACEUTICAL CO., LTD.

Roche A member of the Roche group

## CONSOLIDATED FINANCIAL STATEMENTS (IFRS) (Non-Audited) (for the third quarter of FY 2016)

Name of Company: Chugai Pharmaceutical Co., Ltd. October 25, 2016  
 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: October 31, 2016  
 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 securities analysts)  
*(Note: Amounts of less than one million yen are rounded.)*

### 1. Consolidated results for the third quarter of FY 2016 (January 1, 2016–September 30, 2016)

#### (1) Consolidated operating results

	Revenues	% change	Operating profit	% change	Profit before taxes	% change
First nine months of FY 2016	¥361,517 million	(1.7)	¥58,635 million	(12.6)	¥59,059 million	(12.4)
First nine months of FY 2015	¥367,772 million	10.3	¥67,059 million	13.4	¥67,390 million	13.4

	Net income	% change	Net income attributable to Chugai shareholders	% change	Total comprehensive income	% change
First nine months of FY 2016	¥43,702 million	(10.0)	¥43,084 million	(9.6)	¥35,980 million	(20.9)
First nine months of FY 2015	¥48,584 million	19.7	¥47,647 million	19.9	¥45,480 million	30.5

	Earnings per share (Basic)	Earnings per share (Diluted)
First nine months of FY 2016	¥78.89	¥78.77
First nine months of FY 2015	¥87.31	¥87.15

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, 2016	¥769,863 million	¥631,205 million	¥630,445 million	81.9%
As of Dec. 31, 2015	¥787,401 million	¥627,271 million	¥625,857 million	79.5%

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. 2015	—	¥26.00	—	¥32.00	¥58.00
FY ending Dec. 2016	—	¥26.00	—		
FY ending Dec. 2016 (Forecast)				¥26.00	¥52.00

Notes: 1. Whether the most recent dividend forecast has been revised: No

2. Year-end dividends per share for the fiscal year ended December 31, 2015 include a special dividend of ¥6 per share.

## 3. Consolidated forecasts for FY 2016 (January 1, 2016–December 31, 2016)

	Revenues	% change	Core operating profit	% change	Core earnings per share		Core dividend payout ratio %
	First nine months of FY 2016 (Results)	¥361,517 million	73.0	¥59,586 million	83.9	¥79.93	86.4
FY ending Dec. 2016 (Forecast)	¥495,000 million	(0.8)	¥71,000 million	(21.7)	¥92.54	(20.5)	56.2

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 Pharmaceutical Co., Ltd. (“Chugai”) and used on a consistent basis. Core EPS is diluted earnings per share attributable to Chugai shareholders on a Core basis.

## 4. Others

(1) Changes in the state of material subsidiaries during the period (Changes in the state of specific subsidiaries with change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

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

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

(c) Changes in accounting estimates: None

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

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

As of Sep. 30, 2016	559,685,889	As of Dec. 31, 2015	559,685,889
---------------------	-------------	---------------------	-------------

(b) Number of treasury stock at the end of the period

As of Sep. 30, 2016	13,456,453	As of Dec. 31, 2015	13,641,743
---------------------	------------	---------------------	------------

(c) Average number of shares issued during the period (nine months)

First nine months of FY 2016	546,159,637	First nine months of FY 2015	545,693,763
------------------------------	-------------	------------------------------	-------------

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 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 under International Financial Reporting Standards (“IFRS”). The difference between 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 of the attached document.

(4) Chugai 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 Chugai’s website following the conclusion of the conference call.

Teleconference for institutional investors and securities analysts (Japanese only): October 25, 2016, Tuesday (Japan time). The English translation of the conference 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 policies 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 nine months of FY 2016.12 (Jan. 1, 2016–Sep. 30, 2016)	First nine months of FY 2015.12 (Jan. 1, 2015–Sep. 30, 2015)	% change
Core results			
<b>Revenues</b>	<b>361.5</b>	<b>367.8</b>	<b>(1.7)</b>
Sales (excluding Tamiflu)	339.1	346.5	(2.1)
Tamiflu sales	8.4	6.7	+25.4
Royalties and other operating income	14.0	14.5	(3.4)
Cost of sales	(183.0)	(177.7)	+3.0
<b>Gross profit</b>	<b>178.6</b>	<b>190.1</b>	<b>(6.0)</b>
Marketing and distribution	(49.9)	(52.0)	(4.0)
Research and development	(60.2)	(58.8)	+2.4
General and administration	(8.9)	(8.9)	0.0
<b>Operating profit</b>	<b>59.6</b>	<b>70.3</b>	<b>(15.2)</b>
<b>Net income</b>	<b>44.3</b>	<b>50.7</b>	<b>(12.6)</b>
IFRS results			
Revenues	361.5	367.8	(1.7)
Operating profit	58.6	67.1	(12.7)
Net income	43.7	48.6	(10.1)

### Consolidated financial highlights (IFRS results)

Revenues for the nine months under review were ¥361.5 billion (a decrease of 1.7% year on year), operating profit for the nine months under review was ¥58.6 billion (a decrease of 12.7% year on year), and net income for the nine months under review was ¥43.7 billion (a decrease of 10.1% year on year). These results include a non-Core item, amortization of intangible assets of ¥1.0 billion, which is excluded from the Core results that Chugai adopts to manage recurring business activities.

### Consolidated financial highlights (Core results)

Revenues for the nine months under review were ¥361.5 billion (a decrease of 1.7% year on year) due to the decrease in sales and royalties and other operating income.

Of revenues, sales excluding Tamiflu were ¥339.1 billion (a decrease of 2.1% year on year). Domestic sales excluding Tamiflu were comparable to the levels of the same term last year at ¥277.2 billion (an increase of 0.7% year on year) due to the steady growth in sales of new products and major products, which absorbed the effects of the NHI drug price revisions in April. Although income associated with Actemra and others remained robust, royalties and other operating income amounted to ¥14.0 billion (a decrease of 3.4% year on year) due to the decrease in one-time income such as milestone income.

Cost to sales ratio was 52.7%, 2.4 percentage points deterioration compared with the same term last year, due to the NHI drug price revisions and a decline in export unit price of Actemra. As a result, gross profit amounted to ¥178.6 billion (a decrease of 6.0% year on year).

Expenditures were ¥119.0 billion (a decrease of 0.7% year on year). Marketing and distribution expenses were ¥49.9 billion (a decrease of 4.0% year on year) due mainly to the effects of foreign exchange rate fluctuations and decrease of various expenses, while research and development expenses amounted to ¥60.2 billion (an increase of 2.4% year on year) due to the increase in research and development activities in line with the progress in development projects, albeit the effects of foreign exchange rate fluctuations. General and administration expenses amounted to ¥8.9 billion (0.0% change year on year).

As a result, Core operating profit was ¥59.6 billion (a decrease of 15.2% year on year). Core net income was ¥44.3 billion (a decrease of 12.6% year on year), due to the reduction of the tax burden ratio due mainly to the changes in the taxation system.

**Note: Core results**

Chugai discloses its results on a Core basis from 2013 in conjunction with its transition to IFRS. Core results are the results after adjusting non-recurring items recognized by Chugai 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 status of recurring profits both internally and externally, and as the basis for payment-by-results.

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 breakdown** in billions of yen

	First nine months of FY 2016.12 (Jan. 1, 2016–Sep. 30, 2016)	First nine months of FY 2015.12 (Jan. 1, 2015–Sep. 30, 2015)	% change
<b>Sales</b>	<b>347.5</b>	<b>353.3</b>	<b>(1.6)</b>
<b>Domestic sales (excluding Tamiflu)</b>	<b>277.2</b>	<b>275.4</b>	<b>+0.7</b>
Oncology	161.2	156.9	+2.7
Bone and joint diseases	62.4	57.5	+8.5
Renal diseases	29.9	33.1	(9.7)
Transplant, immunology, and infectious diseases	10.0	11.5	(13.0)
Others	13.7	16.5	(17.0)
<b>Tamiflu sales</b>	<b>8.4</b>	<b>6.7</b>	<b>+25.4</b>
Ordinary use	7.3	6.7	+9.0
Government stockpiles	1.2	0.0	—
<b>Overseas sales</b>	<b>61.8</b>	<b>71.1</b>	<b>(13.1)</b>

**Domestic sales (excluding Tamiflu)**

Domestic sales excluding Tamiflu were ¥277.2 billion (an increase of 0.7% year on year) due to the steady growth in sales of new products and mainstay products in oncology and bone and joint diseases area, which absorbed the effects of the NHI drug price revisions including special (huge-seller) re-pricing of Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent).

Oncology products sales were ¥161.2 billion (an increase of 2.7% year on year). This increase was due primarily to the contribution by sales of the products launched in 2014, which are Alecensa (an ALK inhibitor, anti-cancer agent) and Kadcyla (an anti-HER2 antibody - tubulin polymerization inhibitor conjugate), in addition to the steady growth in sales of mainstay products such as Rituxan (an anti-CD20 monoclonal antibody) and Xeloda, an anti-cancer agent which obtained an approval for the indication of postoperative adjuvant chemotherapy for gastric cancer in 2015. Sales of Avastin amounted to ¥67.8 billion (a decrease of 0.6% year on year) due to the impacts of special (huge-seller) re-pricing, despite robust sales on a volume basis.

Bone and joint diseases products sales were ¥62.4 billion (an increase of 8.5% year on year). This increase was due to the steady sales of mainstay products such as Edirof, a top brand in the domestic market of oral therapeutic agents for osteoporosis, Actemra (a humanized anti-IL-6 receptor monoclonal antibody) and Bonviva, a bisphosphonate antiresorptive agent.

Renal diseases products sales amounted to ¥29.9 billion (a decrease of 9.7% year on year) due to a decline in sales of Oxarol (an agent for secondary hyperparathyroidism) resulting from the effects of competitions including generic products.

In the area of transplant, immunology, and infectious diseases products (excluding Tamiflu), sales were ¥10.0 billion (a decrease of 13.0% year on year) due to a substantial decline in sales of Pegasys (a peginterferon- $\alpha$ -2a agent) as a result of the newly launched third party products.

**Tamiflu sales**

Sales of Tamiflu (an anti-influenza agent) for ordinary use were ¥7.3 billion (an increase of 9.0% year on year), while sales to government stockpiles etc. were ¥1.2 billion.

**Overseas sales**

Overseas sales amounted to ¥61.8 billion (a decrease of 13.1% year on year) due mainly to the decline in export unit price of Actemra to Roche.

**(2) Consolidated financial position**

Assets, liabilities, and net assets in billions of yen

	September 30, 2016	December 31, 2015	% change
Movements of assets and liabilities			
Net working capital	236.4	214.6	+10.2
Long-term net operating assets	170.3	165.8	+2.7
<b>Net operating assets (NOA)</b>	<b>406.7</b>	<b>380.4</b>	<b>+6.9</b>
Net cash	208.6	235.4	(11.4)
Other non-operating assets – net	15.9	11.5	+38.3
<b>Total net assets</b>	<b>631.2</b>	<b>627.3</b>	<b>+0.6</b>
Consolidated balance sheet (IFRS basis)			
Total assets	769.9	787.4	(2.2)
Total liabilities	(138.7)	(160.1)	(13.4)
Total net assets	631.2	627.3	+0.6

Net working capital at September 30, 2016 was ¥236.4 billion (an increase of ¥21.8 billion since December 31, 2015). This was because the sum of the increase in inventories and the decrease in accounts payable-other outweighed the sum of the decrease in both accounts receivable-trade and accounts receivable-other. Long-term net operating assets increased by ¥4.5 billion since the end of the previous fiscal year to ¥170.3 billion, due mainly to the increase in construction in progress. As a result, net operating assets (NOA) were ¥406.7 billion, ¥26.3 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, decreased by ¥26.8 billion since December 31, 2015 to ¥208.6 billion. Other non-operating assets - net increased by ¥4.4 billion from the end of the previous fiscal year to ¥15.9 billion, due mainly to a decrease in current income tax liabilities, etc.

As a consequence, total net assets were ¥631.2 billion (an increase of ¥3.9 billion since December 31, 2015).

**Note: Movements of assets and liabilities**

The consolidated balance sheet has been prepared in accordance with 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 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 nine months of FY 2016.12 (Jan. 1, 2016–Sep. 30, 2016)	First nine months of FY 2015.12 (Jan. 1, 2015–Sep. 30, 2015)	% change
<b>Movements of free cash flows</b>			
Operating profit - IFRS basis	58.6	67.1	(12.7)
Operating profit, net of operating cash adjustments	72.6	80.6	(9.9)
Operating free cash flows	31.3	68.6	(54.4)
Free cash flows	10.5	43.5	(75.9)
Net change in net cash	(26.8)	12.6	—
<b>Consolidated statement of cash flows (IFRS basis)</b>			
Cash flows from operating activities	43.8	65.9	(33.5)
Cash flows from investing activities	(9.1)	(28.8)	(68.4)
Cash flows from financing activities	(33.4)	(28.4)	+17.6
Net change in cash and cash equivalents	(1.7)	7.5	—
Cash and cash equivalents at September 30	100.0	121.6	(17.8)

Operating profit, net of operating cash adjustments, amounted to ¥72.6 billion. This is 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. The principal items influencing this result were a total of ¥11.1 billion in depreciation of property, plant and equipment.

Operating free cash flows, which are calculated by subtracting an increase in net working capital of ¥9.1 billion and also subtracting expenditures of ¥32.3 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 ¥31.3 billion. Factors accounting for the increase 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 buildings and equipment of the laboratories and plants.

Free cash flows were a net cash inflow of ¥10.5 billion. This is calculated by subtracting a total of ¥20.7 billion of non-operating cash outflows from financial asset management, income taxes paid from operating free cash flows.

As a result, the net change in net cash, after dividends paid and foreign currency translation adjustments, was a decrease of ¥26.8 billion in comparison with the end 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 outflow of ¥1.7 billion. The cash and cash equivalents balance at the end of the third quarter amounted to ¥100.0 billion.

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

The consolidated statement of cash flows has been prepared in accordance with International Accounting Standard (IAS) No. 7, “Statement of Cash Flows.” 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 FCF have been excluded, as the Core results concept only applies to the income statement.

Previously, FCF represents the amount net of dividends paid. However, effective from the second quarter of FY 2016, FCF represents the amount before the deduction of dividends paid to conform to the general definition of FCF, following Roche’s change in definition of FCF. This change is reflected from the financial results for the second quarter of FY 2016, and FCF for the third quarter of FY 2015 has been amended for comparison purpose. The change has no effect on operating FCF.

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, 2016 since the announcement regarding the forecast issued on January 28, 2016.

*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 policies 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 nine months ended September 30	
	2016	2015
<b>Revenues</b>	<b>361,517</b>	<b>367,772</b>
Sales	347,476	353,253
Royalties and other operating income	14,041	14,519
Cost of sales	(183,862)	(178,722)
<b>Gross profit</b>	<b>177,655</b>	<b>189,050</b>
Marketing and distribution	(49,883)	(52,149)
Research and development	(60,263)	(60,696)
General and administration	(8,874)	(9,145)
<b>Operating profit</b>	<b>58,635</b>	<b>67,059</b>
Financing costs	(68)	(54)
Other financial income (expense)	492	385
<b>Profit before taxes</b>	<b>59,059</b>	<b>67,390</b>
Income taxes	(15,356)	(18,806)
<b>Net income</b>	<b>43,702</b>	<b>48,584</b>
Attributable to:		
Chugai shareholders	43,084	47,647
Non-controlling interests	618	937
Earnings per share		
Basic (yen)	78.89	87.31
Diluted (yen)	78.77	87.15

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

	First nine months ended September 30	
	2016	2015
<b>Net income recognized in income statement</b>	<b>43,702</b>	<b>48,584</b>
Other comprehensive income		
Remeasurements of defined benefit plans	(173)	(309)
<b>Items that will not be reclassified to the income statement</b>	<b>(173)</b>	<b>(309)</b>
Available-for-sale investments	(1,011)	1,012
Cash flow hedges	149	(1,168)
Currency translation of foreign operations	(6,687)	(2,639)
<b>Items that may be reclassified subsequently to the income statement</b>	<b>(7,549)</b>	<b>(2,795)</b>
<b>Other comprehensive income, net of tax</b>	<b>(7,722)</b>	<b>(3,103)</b>
<b>Total comprehensive income</b>	<b>35,980</b>	<b>45,480</b>
Attributable to:		
Chugai shareholders	35,529	44,649
Non-controlling interests	451	832

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

	September 30, 2016	December 31, 2015
Assets		
Non-current assets:		
Property, plant and equipment	156,388	153,545
Intangible assets	17,304	13,511
Financial non-current assets	12,017	13,715
Deferred tax assets	27,168	26,025
Other non-current assets	14,098	12,832
<b>Total non-current assets</b>	<b>226,974</b>	<b>219,628</b>
Current assets:		
Inventories	187,115	161,135
Accounts receivable	131,774	158,668
Current income tax assets	36	49
Marketable securities	109,219	134,419
Cash and cash equivalents	100,048	101,707
Other current assets	14,697	11,796
<b>Total current assets</b>	<b>542,889</b>	<b>567,773</b>
<b>Total assets</b>	<b>769,863</b>	<b>787,401</b>
Liabilities		
Non-current liabilities:		
Long-term debt	(523)	(604)
Deferred tax liabilities	(9,324)	(10,028)
Defined benefit plan liabilities	(3,662)	(2,358)
Long-term provisions	(2,102)	(1,974)
Other non-current liabilities	(15,344)	(12,108)
<b>Total non-current liabilities</b>	<b>(30,956)</b>	<b>(27,071)</b>
Current liabilities:		
Short-term debt	(132)	(131)
Current income tax liabilities	(5,102)	(13,133)
Short-term provisions	(84)	(180)
Accounts payable	(59,208)	(78,353)
Other current liabilities	(43,177)	(41,260)
<b>Total current liabilities</b>	<b>(107,703)</b>	<b>(133,058)</b>
<b>Total liabilities</b>	<b>(138,659)</b>	<b>(160,130)</b>
<b>Total net assets</b>	<b>631,205</b>	<b>627,271</b>
Equity:		
Capital and reserves attributable to Chugai shareholders	630,445	625,857
Equity attributable to non-controlling interests	760	1,414
<b>Total equity</b>	<b>631,205</b>	<b>627,271</b>

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

	First nine months ended September 30	
	2016	2015
Cash flows from operating activities		
Cash generated from operations	75,965	83,936
(Increase) decrease in working capital	(9,051)	9,353
Payments made for defined benefit plans	(1,820)	(1,788)
Utilization of provisions	(69)	(107)
Other operating cash flows	3,776	2,678
<b>Cash flows from operating activities, before income taxes paid</b>	<b>68,800</b>	<b>94,072</b>
Income taxes paid	(24,989)	(28,151)
<b>Total cash flows from operating activities</b>	<b>43,811</b>	<b>65,921</b>
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,419)	(15,470)
Purchase of intangible assets	(4,838)	(5,868)
Disposal of property, plant and equipment	(178)	(359)
Interest and dividends received	189	212
Purchases of marketable securities	(161,832)	(150,998)
Sales of marketable securities	185,018	144,246
Other investing cash flows	(5)	(606)
<b>Total cash flows from investing activities</b>	<b>(9,065)</b>	<b>(28,843)</b>
Cash flows from financing activities		
Interest paid	(6)	(5)
Dividends paid to Chugai shareholders	(31,571)	(28,270)
Dividends paid to non-controlling shareholders	(1,105)	(1,064)
Exercise of equity compensation plans	420	1,279
(Increase) decrease in own equity instruments	(6)	(14)
Other financing cash flows	(1,107)	(337)
<b>Total cash flows from financing activities</b>	<b>(33,374)</b>	<b>(28,411)</b>
Net effect of currency translation on cash and cash equivalents	(3,031)	(1,153)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,659)</b>	<b>7,515</b>
Cash and cash equivalents at January 1	101,707	114,037
<b>Cash and cash equivalents at September 30</b>	<b>100,048</b>	<b>121,552</b>

**(4) Interim condensed consolidated statement of changes in equity** in millions of yen**For the first nine months ended September 30, 2015 (January 1, 2015–September 30, 2015)**

	Attributable to Chugai shareholders				Subtotal	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves			
<b>At January 1, 2015</b>	<b>72,967</b>	<b>60,817</b>	<b>457,720</b>	<b>4,594</b>	<b>596,099</b>	<b>1,657</b>	<b>597,756</b>
Net income	-	-	47,647	-	47,647	937	48,584
Available-for-sale investments	-	-	-	1,012	1,012	-	1,012
Cash flow hedges	-	-	-	(1,168)	(1,168)	-	(1,168)
Currency translation of foreign operations	-	-	-	(2,534)	(2,534)	(105)	(2,639)
Remeasurements of defined benefit plans	-	-	(309)	-	(309)	-	(309)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>47,338</b>	<b>(2,690)</b>	<b>44,649</b>	<b>832</b>	<b>45,480</b>
Dividends	-	-	(28,372)	-	(28,372)	(1,064)	(29,436)
Equity compensation plans	-	(112)	-	-	(112)	-	(112)
Own equity instruments	-	1,661	-	-	1,661	-	1,661
Changes in non-controlling interests	-	(8)	-	-	(8)	(275)	(283)
<b>At September 30, 2015</b>	<b>72,967</b>	<b>62,359</b>	<b>476,687</b>	<b>1,905</b>	<b>613,918</b>	<b>1,150</b>	<b>615,068</b>

**For the first nine months ended September 30, 2016 (January 1, 2016–September 30, 2016)**

	Attributable to Chugai shareholders				Subtotal	Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves			
<b>At January 1, 2016</b>	<b>72,967</b>	<b>62,567</b>	<b>488,954</b>	<b>1,369</b>	<b>625,857</b>	<b>1,414</b>	<b>627,271</b>
Net income	-	-	43,084	-	43,084	618	43,702
Available-for-sale investments	-	-	-	(1,011)	(1,011)	-	(1,011)
Cash flow hedges	-	-	-	149	149	-	149
Currency translation of foreign operations	-	-	-	(6,520)	(6,520)	(167)	(6,687)
Remeasurements of defined benefit plans	-	-	(173)	-	(173)	-	(173)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>42,911</b>	<b>(7,382)</b>	<b>35,529</b>	<b>451</b>	<b>35,980</b>
Dividends	-	-	(31,675)	-	(31,675)	(1,105)	(32,780)
Equity compensation plans	-	188	-	-	188	-	188
Own equity instruments	-	545	-	-	545	-	545
<b>At September 30, 2016</b>	<b>72,967</b>	<b>63,300</b>	<b>500,190</b>	<b>(6,013)</b>	<b>630,445</b>	<b>760</b>	<b>631,205</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, a company registered in Japan, and its subsidiaries (“the Group”). 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 October 25, 2016.

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 59.89% (61.37% of the total number of shares issued excluding treasury stock). The Group 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 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, 2015 as they do 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.