



CHUGAI PHARMACEUTICAL CO., LTD.

A member of the Roche group

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) (Non-Audited)

(for the first quarter of the fiscal year 2016)

Name of Company: Chugai Pharmaceutical Co., Ltd. April 22, 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
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 Date of Submission of Quarterly Marketable Securities Filings: April 28, 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 first quarter of the FY 2016 (January 1, 2016–March 31, 2016)

(1) Consolidated results

	Revenues	% change	Operating profit	% change	Profit before taxes	% change
First three months of FY 2016	¥119,893 million	2.4	¥20,053 million	(3.4)	¥20,134 million	(4.9)
First three months of FY 2015	¥117,083 million	(5.6)	¥20,750 million	(33.3)	¥21,174 million	(32.3)

	Net income	% change	Net income attributable to Chugai shareholders	% change	Total comprehensive income	% change
First three months of FY 2016	¥14,693 million	(0.8)	¥14,500 million	(0.6)	¥10,113 million	(11.8)
First three months of FY 2015	¥14,819 million	(22.3)	¥14,582 million	(22.3)	¥11,460 million	(31.5)

	Net income per share (Basic)	Net income per share (Diluted)
First three months of FY 2016	¥26.55	¥26.51
First three months of FY 2015	¥26.73	¥26.68

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 Mar. 31, 2016	¥762,429 million	¥619,768 million	¥618,682 million	81.1%
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	—				
FY ending Dec. 2016 (Forecast)		¥26.00	—	¥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 the FY 2016 (January 1, 2016–December 31, 2016)

	Revenues	% change	Core operating profit	% change	Core earnings per share		Core dividend payout ratio %
First three months of FY 2016 (Results)	¥119,893 million	24.2	¥20,404 million	28.7	¥26.94	29.1	—
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 and used on a consistent basis. Core EPS is diluted net income 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 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)

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

(c) Average number of shares during the period (three months)

As of Mar. 31, 2016	559,685,889	As of Dec. 31, 2015	559,685,889
As of Mar. 31, 2016	13,537,384	As of Dec. 31, 2015	13,641,743
First three months of FY 2016	546,086,699	First three months of FY 2015	545,487,887

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. The difference between International Financial Reporting Standards (“IFRS”) results and Core results will be explained at each event and presentation.

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

(4) Chugai Pharmaceutical Co., Ltd. (“Chugai”) is scheduled to hold a conference call for investors as noted below. The contents of the call will be posted on Chugai’s website immediately following the conclusion of the conference call.

Teleconference for institutional investors and securities analysts (Japanese only): April 22, 2016, Friday (Japan time). The English translation of the conference call will be posted on the website on the next business day.

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1. Qualitative Information

(1) Consolidated operating results in billions of yen

	First three months of FY 2016.12 (Jan. 1, 2016–Mar. 31, 2016)	First three months of FY 2015.12 (Jan. 1, 2015–Mar. 31, 2015)	% change
Core results			
Revenues	119.9	117.1	+2.4
Sales (excluding Tamiflu)	108.6	106.7	+1.8
Tamiflu sales	7.0	6.7	+4.5
Royalties and other operating income	4.3	3.7	+16.2
Cost of sales	(60.9)	(57.4)	+6.1
Gross profit	59.0	59.7	(1.2)
Marketing and distribution	(16.5)	(16.6)	(0.6)
Research and development	(19.2)	(18.6)	+3.2
General and administration	(2.8)	(3.0)	(6.7)
Operating profit	20.4	21.5	(5.1)
Net income	14.9	15.3	(2.6)
IFRS results			
Revenues	119.9	117.1	+2.4
Operating profit	20.1	20.7	(2.9)
Net income	14.7	14.8	(0.7)

Consolidated financial highlights (IFRS results)

Revenues for the first quarter under review were ¥119.9 billion (an increase of 2.4% year on year), operating profit for the first quarter under review was ¥20.1 billion (a decrease of 2.9% year on year), and net income for the first quarter under review was ¥14.7 billion (a decrease of 0.7% year on year). These results include a non-Core item, amortization of intangible assets of ¥0.4 billion, which is excluded from the Core results that Chugai adopts to manage recurring business activities.

Consolidated financial highlights (Core results)

Revenues for the first quarter under review were ¥119.9 billion (an increase of 2.4% year on year) due to the growth in sales and increase in royalties and other operating income.

Of revenues, sales excluding Tamiflu were ¥108.6 billion (an increase of 1.8% year on year) due to the steady growth of new products and major products. Meanwhile, royalties and other operating income were ¥4.3 billion (an increase of 16.2% year on year) due to the year-on-year increase in income associated with Actemra.

Gross profit amounted to ¥59.0 billion (a decrease of 1.2% year on year). This was because cost of sales amounted to ¥60.9 billion (an increase of 6.1% year on year) mainly owing to the impact of the depreciation of the yen, outweighing the expansion in revenues.

Expenditures were ¥38.6 billion (an increase of 1.0% year on year). Marketing and distribution expenses were ¥16.5 billion (a decrease of 0.6% year on year), comparable with the levels of the same period of the previous fiscal year. Research and development expenses were ¥19.2 billion (an increase of 3.2% year on year) due to the increase in research and development activities associated with the progress in development projects. General and administration expenses were ¥2.8 billion (a decrease of 6.7% year on year).

As a result, Core operating profit was ¥20.4 billion (a decrease of 5.1% year on year). Core net income was ¥14.9 billion (a decrease of 2.6% 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 decision to apply 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 by product domain in billions of yen

	First three months of FY 2016.12 (Jan. 1, 2016–Mar. 31, 2016)	First three months of FY 2015.12 (Jan. 1, 2015–Mar. 31, 2015)	% change
Sales	115.6	113.4	+1.9
Domestic sales (excluding Tamiflu)	87.8	83.9	+4.6
Oncology	51.1	47.7	+7.1
Bone and joint diseases	19.8	17.6	+12.5
Renal diseases	9.6	9.9	(3.0)
Transplant, immunology, and infectious diseases	3.2	3.4	(5.9)
Others	4.1	5.3	(22.6)
Tamiflu sales	7.0	6.7	+4.5
Ordinary use	7.0	6.7	+4.5
Government stockpiles	0.0	0.0	0.0
Overseas sales	20.8	22.8	(8.8)

Domestic sales (excluding Tamiflu)

Domestic sales excluding Tamiflu were ¥87.8 billion (an increase of 4.6% year on year) due to the steady growth of new products and major products in the oncology and bone and joint diseases domains.

Oncology products sales were ¥51.1 billion (an increase of 7.1% year on year). This increase was due to the steady expansion in sales of major drugs such as Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent) and Perjeta (an anti-HER2 humanized monoclonal antibody, anti-cancer agent), in addition to the contribution by the products launched in 2014, which are Kadcyla (an anti-HER2 antibody - tubulin polymerization inhibitor conjugate) and Alecensa (an ALK inhibitor, anti-cancer agent).

Bone and joint diseases products sales were ¥19.8 billion (an increase of 12.5% year on year). This increase was due to the strong sales of mainstay products such as Edrol, 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 agent for osteoporosis.

Renal diseases products sales amounted to ¥9.6 billion (a decrease of 3.0% 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 ¥3.2 billion (a decrease of 5.9% year on year) due to a substantial decline in sales of Pegasys (a peginterferon- α -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 ¥7.0 billion (an increase of 4.5% year on year), while sales to government stockpiles etc. were less than ¥0.1 billion.

Overseas sales

Overseas sales amounted to ¥20.8 billion (a decrease of 8.8% year on year) due mainly to the declining export unit price of Actemra to Roche.

(2) Consolidated financial position**Assets, liabilities, and net assets** in billions of yen

	March 31, 2016	December 31, 2015	% change
Movements of assets and liabilities			
Net working capital	213.8	214.6	(0.4)
Long-term net operating assets	173.0	165.8	+4.3
Net operating assets (NOA)	386.8	380.4	+1.7
Net cash	219.0	235.4	(7.0)
Other non-operating assets - net	14.0	11.5	+21.7
Total net assets	619.8	627.3	(1.2)
Consolidated balance sheet (IFRS basis)			
Total assets	762.4	787.4	(3.2)
Total liabilities	(142.7)	(160.1)	(10.9)
Total net assets	619.8	627.3	(1.2)

Net working capital at March 31, 2016 was ¥213.8 billion (a decrease of ¥0.8 billion since December 31, 2015). This was because the sum of the decrease in accounts receivable-trade and the increase in accounts payable-trade related to raw materials imported from Roche outweighed the sum of the increase in inventories and the decrease in accounts payable-other. Long-term net operating assets increased by ¥7.2 billion since the end of the previous fiscal year to ¥173.0 billion, due mainly to the increase in construction in progress. As a result, net operating assets (NOA) were ¥386.8 billion, ¥6.4 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 ¥16.4 billion since December 31, 2015 to ¥219.0 billion. In addition, other non-operating assets - net increased by ¥2.5 billion since the end of the previous fiscal year to ¥14.0 billion mainly due to the decrease in current income tax liabilities due to tax payment offsetting the increase in foreign exchange contracts liabilities.

As a consequence, total net assets were ¥619.8 billion (a decrease of ¥7.5 billion since December 31, 2015).

Note: Movements of assets and liabilities

The consolidated balance sheet has been prepared in accordance with the International Accounting Standards (IAS) No. 1, “Presentation of Financial Statements”. On the other hand, “Movements of assets and liabilities” including net operating assets (NOA) are a reconfiguration of the consolidated balance sheet as internal indicators and are identical to the indicators disclosed by Roche. Furthermore, no items from the assets and liabilities 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 three months of FY 2016.12 (Jan. 1, 2016–Mar. 31, 2016)	First three months of FY 2015.12 (Jan. 1, 2015–Mar. 31, 2015)	% change
Movements of free cash flows			
Operating profit - IFRS basis	20.1	20.7	(2.9)
Operating profit, net of operating cash adjustments	25.0	25.0	0.0
Operating free cash flows	13.5	39.2	(65.6)
Free cash flows	(15.3)	10.8	—
Net change in net cash	(16.4)	7.9	—
Consolidated statement of cash flows (IFRS basis)			
Cash flows from operating activities	20.3	33.3	(39.0)
Cash flows from investing activities	3.3	(7.8)	—
Cash flows from financing activities	(17.7)	(14.3)	+23.8
Net change in cash and cash equivalents	5.1	9.6	(46.9)
Cash and cash equivalents at March 31	106.8	123.6	(13.6)

Operating profit, net of operating cash adjustments, amounted to ¥25.0 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 ¥3.5 billion in depreciation of property, plant and equipment.

Operating free cash flows, which are calculated by adding a decrease in net working capital of ¥6.3 billion and subtracting expenditures of ¥17.8 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 ¥13.5 billion. Factors accounting for the decrease 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 outflow of ¥15.3 billion. This is calculated by subtracting a total of ¥28.8 billion of non-operating cash outflows from financial asset management, income taxes paid, and dividends paid from operating free cash flows.

As a result, the net change in net cash, after foreign currency translation adjustments, was a decrease of ¥16.4 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 inflow of ¥5.1 billion. The cash and cash equivalents balance at the end of this period amounted to ¥106.8 billion.

Note: Movements of free cash flows (FCF)

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

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

(3) Forecast for consolidated performance

Chugai has not made any changes in its forecast of consolidated results for the fiscal year ending December 31, 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 principles and changes in accounting estimates

None

3. Interim Condensed Consolidated Financial Statements

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

1) Interim condensed consolidated income statement in millions of yen

	First three months ended March 31	
	2016	2015
Revenues	119,893	117,083
Sales	115,592	113,404
Royalties and other operating income	4,301	3,679
Cost of sales	(61,182)	(57,740)
Gross profit	58,711	59,343
Marketing and distribution	(16,566)	(16,629)
Research and development	(19,266)	(18,954)
General and administration	(2,827)	(3,010)
Operating profit	20,053	20,750
Financing costs	(34)	(30)
Other financial income (expense)	115	454
Profit before taxes	20,134	21,174
Income taxes	(5,440)	(6,354)
Net income	14,693	14,819
Attributable to:		
Chugai shareholders	14,500	14,582
Non-controlling interests	193	237
Earnings per share		
Basic (yen)	26.55	26.73
Diluted (yen)	26.51	26.68

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

	First three months ended March 31	
	2016	2015
Net income recognized in income statement	14,693	14,819
Other comprehensive income		
Remeasurements of defined benefit plans	(173)	(309)
Items that will not be reclassified to the income statement	(173)	(309)
Available-for-sale investments	(925)	1,039
Cash flow hedges	(1,865)	(276)
Currency translation of foreign operations	(1,617)	(3,814)
Items that may be reclassified subsequently to the income statement	(4,407)	(3,051)
Other comprehensive income, net of tax	(4,580)	(3,360)
Total comprehensive income	10,113	11,460
Attributable to:		
Chugai shareholders	9,965	11,375
Non-controlling interests	147	85

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

	March 31, 2016	December 31, 2015
Assets		
Non-current assets:		
Property, plant and equipment	159,444	153,545
Intangible assets	13,754	13,511
Financial non-current assets	12,142	13,715
Deferred tax assets	26,391	26,025
Other non-current assets	13,894	12,832
Total non-current assets	225,626	219,628
Current assets:		
Inventories	167,305	161,135
Accounts receivable	134,585	158,668
Current income tax assets	36	49
Marketable securities	112,895	134,419
Cash and cash equivalents	106,778	101,707
Other current assets	15,204	11,796
Total current assets	536,803	567,773
Total assets	762,429	787,401
Liabilities		
Non-current liabilities:		
Long-term debt	(575)	(604)
Deferred tax liabilities	(9,383)	(10,028)
Defined benefit plan liabilities	(2,581)	(2,358)
Long-term provisions	(2,244)	(1,974)
Other non-current liabilities	(11,857)	(12,108)
Total non-current liabilities	(26,640)	(27,071)
Current liabilities:		
Short-term debt	(129)	(131)
Current income tax liabilities	(5,950)	(13,133)
Short-term provisions	(156)	(180)
Accounts payable	(65,591)	(78,353)
Other current liabilities	(44,195)	(41,260)
Total current liabilities	(116,021)	(133,058)
Total liabilities	(142,661)	(160,130)
Total net assets	619,768	627,271
Equity:		
Capital and reserves attributable to Chugai shareholders	618,682	625,857
Equity attributable to non-controlling interests	1,086	1,414
Total equity	619,768	627,271

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

	First three months ended March 31	
	2016	2015
Cash flows from operating activities		
Cash generated from operations	25,926	26,036
(Increase) decrease in working capital	6,346	21,397
Payments made for defined benefit plans	(703)	(673)
Utilization of provisions	(23)	(10)
Other operating cash flows	1,050	2,023
Cash flows from operating activities, before income taxes paid	32,597	48,773
Income taxes paid	(12,306)	(15,478)
Total cash flows from operating activities	20,290	33,295
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,073)	(5,096)
Purchase of intangible assets	(753)	(2,133)
Disposal of property, plant and equipment	0	(80)
Interest and dividends received	38	32
Purchases of marketable securities	(55,936)	(43,000)
Sales of marketable securities	77,000	43,085
Other investing cash flows	(2)	(606)
Total cash flows from investing activities	3,274	(7,798)
Cash flows from financing activities		
Interest paid	(2)	(1)
Dividends paid to Chugai shareholders	(17,336)	(14,043)
Dividends paid to non-controlling shareholders	(475)	(575)
Exercise of equity compensation plans	231	394
(Increase) decrease in own equity instruments	(2)	(4)
Other financing cash flows	(67)	(40)
Total cash flows from financing activities	(17,651)	(14,269)
Net effect of currency translation on cash and cash equivalents	(842)	(1,647)
Increase (decrease) in cash and cash equivalents	5,072	9,581
Cash and cash equivalents at January 1	101,707	114,037
Cash and cash equivalents at March 31	106,778	123,618

(4) Interim condensed consolidated statement of changes in equity in millions of yen**For the first three months ended March 31, 2015 (Jan. 1, 2015 – March 31, 2015)**

	Attributable to Chugai shareholders					Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves	Subtotal		
At January 1, 2015	72,967	60,817	457,720	4,594	596,099	1,657	597,756
Net income	-	-	14,582	-	14,582	237	14,819
Available-for-sale investments	-	-	-	1,039	1,039	-	1,039
Cash flow hedges	-	-	-	(276)	(276)	-	(276)
Currency translation of foreign operations	-	-	-	(3,661)	(3,661)	(153)	(3,814)
Remeasurements of defined benefit plans	-	-	(309)	-	(309)	-	(309)
Total comprehensive income	-	-	14,273	(2,898)	11,375	85	11,460
Dividends	-	-	(14,181)	-	(14,181)	(575)	(14,756)
Equity compensation plans	-	(30)	-	-	(30)	-	(30)
Own equity instruments	-	512	-	-	512	-	512
At March 31, 2015	72,967	61,300	457,813	1,696	593,775	1,167	594,942

For the first three months ended March 31, 2016 (Jan. 1, 2016 – March 31, 2016)

	Attributable to Chugai shareholders					Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves	Subtotal		
At January 1, 2016	72,967	62,567	488,954	1,369	625,857	1,414	627,271
Net income	-	-	14,500	-	14,500	193	14,693
Available-for-sale investments	-	-	-	(925)	(925)	-	(925)
Cash flow hedges	-	-	-	(1,865)	(1,865)	-	(1,865)
Currency translation of foreign operations	-	-	-	(1,572)	(1,572)	(46)	(1,617)
Remeasurements of defined benefit plans	-	-	(173)	-	(173)	-	(173)
Total comprehensive income	-	-	14,327	(4,361)	9,965	147	10,113
Dividends	-	-	(17,473)	-	(17,473)	(475)	(17,949)
Equity compensation plans	-	31	-	-	31	-	31
Own equity instruments	-	301	-	-	301	-	301
At March 31, 2016	72,967	62,900	485,808	(2,992)	618,682	1,086	619,768

(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 April 22, 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 the International Accounting Standard (IAS) No. 34 “Interim Financial Reporting”.

The Interim Financial Statements should be used with the consolidated financial statements for the year ended December 31, 2015 as it does not include all the information as required for the consolidated financial statements for the full fiscal year.

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

(b) Key accounting judgments, estimates and assumptions

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

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

(c) Significant accounting policies

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