

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) (for the first quarter of the fiscal year 2022)

Name of Company: Chugai Pharmaceutical Co., Ltd. April 25, 2022  
 Stock Listing: Tokyo Stock Exchange  
 Security Code No.: 4519 (URL <https://www.chugai-pharm.co.jp/english>)  
 Representative: Osamu Okuda, President & CEO  
 Contact: Toshiya Sasai, Head of Corporate Communications Department  
 Phone: +81-(0)3-3273-0554  
 Date of Submission of Quarterly Marketable Securities Filings: April 26, 2022  
 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, securities analysts and the media)

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

#### 1. Consolidated results for the first quarter of FY 2022 (January 1, 2022–March 31, 2022)

##### (1) Consolidated operating results

	Revenues	% change	Operating profit	% change	Net income	% change
First three months of FY 2022	¥360,554 million	113.6	¥187,007 million	192.3	¥131,775 million	177.9
First three months of FY 2021	¥168,817 million	(5.9)	¥63,967 million	(11.7)	¥47,411 million	(8.0)

	Net income attributable to Chugai shareholders	% change	Total comprehensive income	% change
First three months of FY 2022	¥131,775 million	177.9	¥127,822 million	147.3
First three months of FY 2021	¥47,411 million	(8.0)	¥51,688 million	3.1

	Earnings per share (Basic)	Earnings per share (Diluted)
First three months of FY 2022	¥80.14	¥80.09
First three months of FY 2021	¥28.84	¥28.82

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

##### (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, 2022	¥1,584,948 million	¥1,240,510 million	¥1,240,510 million	78.3%
As of Dec. 31, 2021	¥1,538,694 million	¥1,188,017 million	¥1,188,017 million	77.2%

## 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. 2021	—	¥30.00	—	¥46.00	¥76.00
FY ending Dec. 2022	—				
FY ending Dec. 2022 (Forecast)		¥38.00	—	¥38.00	¥76.00

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

## 3. Consolidated forecasts on Core basis for FY 2022 (January 1, 2022–December 31, 2022)

	Core revenues	% change	Core operating profit	% change	Core net income	% change
First three months of FY 2022 (Results)	¥268,639 million	+23.4	¥98,946 million	+22.5	¥70,595 million	+22.6
FY ending Dec. 2022 (Forecast)	¥1,150,000 million	+15.0	¥440,000 million	+1.4	¥312,500 million	+0.3

	Core earnings per share		Core dividend payout ratio %
First three months of FY 2022 (Results)	¥42.91	+22.6	—
FY ending Dec. 2022 (Forecast)	¥190.00	+0.3	40.0

Notes: 1. Except for Core dividend payout ratio, percentages represent changes compared with the same period of the previous fiscal year for the forecasts, and the percentage of forecast levels that have been achieved to date for the results.

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 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)
- (b) Number of treasury stock at the end of the period
- (c) Average number of shares issued during the period (three months)

As of Mar. 31, 2022	1,679,057,667	As of Dec. 31, 2021	1,679,057,667
As of Mar. 31, 2022	34,584,281	As of Dec. 31, 2021	34,739,943
First three months of FY 2022	1,644,365,731	First three months of FY 2021	1,643,941,381

Notes:

**The quarterly financial statements are not subject to quarterly reviews.**

#### **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 "Consolidated Forecasts and Other forward-looking Statements" on page 6 of the attachment.

(4) Chugai is scheduled to hold a tele-conference as noted below. The presentation materials, the verbal recording, the Q&A, and other related documents will be posted on the Chugai's website following the conclusion of the conference.

Tele-conference for institutional investors, securities analysts and the media (Japanese only): April 25, 2022, Monday (Japan time).

The English translation of the presentation materials 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 2022.12 (Jan. 1, 2022–Mar. 31, 2022)	First three months of FY 2021.12 (Jan. 1, 2021–Mar. 31, 2021)	% change
<b>Core results</b>			
<b>Revenues</b>	<b>268.6</b>	<b>168.8</b>	<b>+59.1</b>
Sales	242.7	130.3	+86.3
Royalties and other operating income	25.9	38.6	(32.9)
Cost of sales	(114.1)	(55.0)	+107.5
<b>Gross profit</b>	<b>154.5</b>	<b>113.8</b>	<b>+35.8</b>
Marketing and distribution	(16.7)	(15.8)	+5.7
Research and development	(32.9)	(28.7)	+14.6
General and administration	(6.0)	(3.9)	+53.8
<b>Operating profit</b>	<b>98.9</b>	<b>65.4</b>	<b>+51.2</b>
<b>Net income</b>	<b>70.6</b>	<b>48.4</b>	<b>+45.9</b>
<b>IFRS results</b>			
Revenues	360.6	168.8	+113.6
Operating profit	187.0	64.0	+192.2
Net income	131.8	47.4	+178.1

### Consolidated financial highlights (IFRS results)

Revenues for the three months under review were ¥360.6 billion (an increase of 113.6% year on year), operating profit for the three months under review was ¥187.0 billion (an increase of 192.2% year on year), and net income for the three months under review was ¥131.8 billion (an increase of 178.1% year on year). These results include non-Core items, such as amortization of intangible assets of ¥0.3 billion, impairment loss of intangible assets of ¥0.2 billion, and restructuring expenses etc. of ¥3.4 billion, as well as the income from the lump-sum payment of ¥91.9 billion recognized as a result of a settlement agreement between Chugai and Alexion Pharmaceuticals, Inc., which are excluded from the Core results that Chugai adopts to manage recurring business activities.

### Consolidated financial highlights (Core results)

Revenues for the three months under review were ¥268.6 billion (an increase of 59.1% year on year), due to a significant increase in sales, despite a decrease in royalties and other operating income.

Of revenues, sales were ¥242.7 billion (an increase of 86.3% year on year). Within domestic sales the sales grew significantly over the previous fiscal year primarily due to the favorable sales of the mainstay product Hemlibra, the steady market penetration of new products such as Polivy, Evrysdi and Enspryng, and the supply of Ronapreve to the government, while sales were affected by the NHI drug price revisions of April 2021 and market penetration of generic drugs. Overseas sales increased significantly compared to the previous fiscal year due to the major increase in the exports of Hemlibra and Actemra to Roche. Royalties and other operating income amounted to ¥25.9 billion (a decrease of 32.9% year on year), due to a significant decrease in royalty income from initial shipments of Hemlibra. Furthermore, cost to sales ratio was 47.0%, a 4.8 percentage point deterioration year on year, reflecting a change in the product mix and other factors. As a result, gross profit amounted to ¥154.5 billion (an increase of 35.8% year on year).

Operating expenses were ¥55.6 billion (an increase of 14.6% year on year). Marketing and distribution expenses were ¥16.7 billion (an increase of 5.7% year on year) due to increased activities by the overseas subsidiaries and the effects of foreign exchange. Research and development expenses amounted to ¥32.9 billion (an increase of 14.6% year on year) due to an increase in expenses associated with the progress of projects, etc. General and administration expenses amounted to ¥6.0 billion (an increase of 53.8% year on year) primarily due to increases in the enterprise tax (pro forma standard taxation) and various expenses. As a result, operating profit was ¥98.9 billion (an increase of 51.2% year on year) and net income was ¥70.6 billion (an increase of 45.9% year on year).

With regard to the effects of the changing situation in Russia and Ukraine on operating performance for the three months under review, given that Chugai is not directly engaged in any business activities in such countries, there was no major negative impact on revenues and profits. While the progress of certain trials led by Roche being conducted in Russia, Ukraine, and the surrounding countries has been affected, the impact on research and development activities as a whole has been limited. Furthermore, despite the absence of any contract manufacturers or suppliers of raw materials in the countries concerned, Chugai will continue to closely monitor the situation, including the effects which may materialize, should the situation become long-term.

#### 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. Chugai's recognition of non-recurring items may differ from that of Roche due to the difference in the scale of operations, the scope of business and other factors. 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 1, entitled "Reconciliation of IFRS results to Core results."

#### Sales breakdown in billions of yen

	First three months of FY 2022.12 (Jan. 1, 2022–Mar. 31, 2022)	First three months of FY 2021.12 (Jan. 1, 2021–Mar. 31, 2021)	% change
<b>Sales</b>	<b>242.7</b>	<b>130.3</b>	<b>+86.3</b>
<b>Domestic sales</b>	<b>161.7</b>	<b>94.9</b>	<b>+70.4</b>
Oncology	58.4	57.9	+0.9
Primary	103.2	36.9	+179.7
<b>Overseas sales</b>	<b>81.0</b>	<b>35.4</b>	<b>+128.8</b>

#### Domestic sales

Domestic sales were ¥161.7 billion (an increase of 70.4% year on year) due to the favorable market penetration of mainstay products and new products, while sales were significantly affected by the NHI drug price revisions of April 2021 and the market penetration of generic drugs.

Oncology products sales were ¥58.4 billion (an increase of 0.9% year on year). Sales of Kadcyla (an anti-HER2 antibody-tubulin polymerization inhibitor conjugate) were favorable, despite a sales decline of Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent) and Herceptin (an anti-HER2 humanized monoclonal antibody, anti-cancer agent) affected by the NHI drug price revisions and market penetration of generic drugs. Together with the growth of the new product Polivy (an antimicrotubule binding anti-CD79b monoclonal antibody, anti-cancer agent) and the increase in the number of tests provided by the Foundation Medicine genomic mutation analysis program\*, sales increased.

Primary products sales were ¥103.2 billion (an increase of 179.7% year on year). This was mainly due to the favorable sales of mainstay products, Hemlibra (blood coagulation factor VIII substitute) and Actemra (a humanized anti-human IL-6 receptor monoclonal antibody), despite a sales decline of products including Mircera (a long-acting erythropoiesis stimulating agent) affected by the NHI drug price revisions and market penetration of generic drugs. As for new products, recognizing sales from the supply of Ronapreve (anti-SARS-CoV-2 monoclonal antibody) to the government, which received the special approval for emergency in July 2021, contributed to sales, as did the favorable market penetration of Enspryng (a pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody) and Evrysdi (SMN2 splicing modifier).

\* "FoundationOne Liquid CDx Cancer Genomic Profiling" and "FoundationOne CDx Cancer Genomic Profiling"

#### Overseas sales

Overseas sales amounted to ¥81.0 billion (an increase of 128.8% year on year), far exceeding that of the previous fiscal year. The export of Hemlibra to Roche significantly increased to ¥44.2 billion (an increase of 452.5% year on year), as export at a regular shipping price got underway, despite a decrease in the export of Alecensa (an ALK inhibitor, anti-cancer agent) to Roche compared to the previous fiscal year. In addition, sales of Actemra, which was approved in Europe in December 2021 to treat patients with severe COVID-19, were favorable.

**R&D activities**

R&D expenses on a Core basis for the first three months under review totaled ¥32.9 billion (an increase of 14.6% year on year), and the ratio of R&D expenses to revenues was 12.2%.

Progress made in R&D activities during the period from January 1, 2022 to March 31, 2022 was as follows.

Oncology

- We obtained approval in March 2022 for the combination therapy of HER2 dimerization inhibitory humanized monoclonal antibody RG1273 (Product name: Perjeta) and anti-HER2 humanized monoclonal antibody RG597 (Product name: Herceptin) for the additional indication of advanced or recurrent HER2-positive colon cancer or rectal cancer not amenable to curative resection that has progressed after cancer chemotherapy.
- We filed for a glycoengineered type II anti-CD20 monoclonal antibody RG7159 (Product name: Gazyva) for the treatment of chronic lymphocytic leukemia in March 2022.
- We started Phase I study for an anti-CD20/CD3 bispecific antibody RG7828 for the treatment of follicular lymphoma (3rd Line) in March 2022.
- We decided to discontinue the development of AMY109 for solid tumors in consideration of the results of the Phase I study.

Hematology

- We started Phase I study for an anti-C5 recycling antibody SKY59/RG6107 for the treatment of acute sickle cell disease and Phase II study for the treatment of chronic sickle cell disease in March 2022, respectively.

Ophthalmology

- We obtained approval for an anti-VEGF/anti Ang-2 bispecific antibody RG7716 (Product name: Vabysmo) for the indications of age-related macular degeneration associated with subfoveal choroidal neovascularization and diabetic macular edema in March 2022.
- We started Phase I/II study for a humanized anti-VEGF monoclonal antibody fragment (Fab) RG6321 [PDS (Port Delivery System with ranibizumab)] for the treatment of neovascular age-related macular degeneration and diabetic macular edema in March 2022.

Other Diseases

- We obtained approval for a humanized anti-human IL-6 receptor monoclonal antibody MRA/RG1569 (Product name: Actemra) for the additional indication of SARS-CoV-2 pneumonia (limited to patients requiring oxygen intervention) in January 2022.
- We decided to discontinue the development of an anti-FGFR1/KLB bispecific antibody RG7992 for non-alcoholic steatohepatitis in consideration of the results of a study conducted by Roche overseas.

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

	March 31, 2022	December 31, 2021	Change in amount
Net operating assets (NOA) and Net assets			
Net working capital	424.1	370.1	54.0
Long-term net operating assets	410.9	402.4	8.5
<b>Net operating assets (NOA)</b>	<b>834.9</b>	<b>772.6</b>	<b>62.3</b>
Net cash	431.8	472.0	(40.2)
Other non-operating assets – net	(26.2)	(56.5)	30.3
<b>Total net assets</b>	<b>1,240.5</b>	<b>1,188.0</b>	<b>52.5</b>
Consolidated balance sheet (IFRS basis)			
Total assets	1,584.9	1,538.7	46.2
Total liabilities	(344.4)	(350.7)	6.3
Total net assets	1,240.5	1,188.0	52.5

Net operating assets (NOA) at March 31, 2022 were ¥834.9 billion, an increase of ¥62.3 billion since the end of the previous fiscal year. Of NOA, net working capital was ¥424.1 billion (an increase of ¥54.0 billion since the end of the previous fiscal year), due mainly to an increase in accounts receivable as a result of a settlement agreement between Chugai and Alexion Pharmaceuticals, Inc., in spite of a decrease in trade accounts receivable. Long-term net operating assets increased by ¥8.5 billion to ¥410.9 billion since the end of the previous fiscal year, mainly due to the investments in the Chugai Life Science Park Yokohama and the manufacturing building for biopharmaceuticals (UK4) in the Ukima Site.

As indicated in “Cash flows” on the next page, net cash, including marketable securities and interest-bearing debt, decreased by ¥40.2 billion since the end of the previous fiscal year to ¥431.8 billion. Other non-operating assets – net increased by ¥30.3 billion since the end of the previous fiscal year to ¥(26.2) billion due mainly to a decrease in current income tax liabilities.

As a consequence, total net assets were ¥1,240.5 billion (an increase of ¥52.5 billion since the end of the previous fiscal year).

**Note: Net operating assets (NOA) and Net assets**

The consolidated balance sheet has been prepared in accordance with International Accounting Standards (IAS) No. 1, “Presentation of Financial Statements.” On the other hand, Net operating assets (NOA) and Net assets are a reconfiguration of the consolidated balance sheet as internal indicators and are identical to the indicators disclosed by Roche. Furthermore, no items from Net operating assets (NOA) and Net assets 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 “Financial position.”

**Note: Net operating assets (NOA)**

Net operating assets allow for an assessment of the Group’s operating performance of the business independently from financing and tax activities. Net operating assets are calculated as net working capital, long-term net operating assets that includes property, plant and equipment, intangible assets etc. minus provisions.



**Cash flows** in billions of yen

	First three months of FY 2022.12 (Jan. 1, 2022–Mar. 31, 2022)	First three months of FY 2021.12 (Jan. 1, 2021–Mar. 31, 2021)	% change
<b>Free cash flows</b>			
Operating profit - IFRS basis	187.0	64.0	+192.2
Operating profit, net of operating cash adjustments	197.9	72.2	+174.1
Operating free cash flows	126.2	78.3	+61.2
<b>Free cash flows</b>	<b>33.9</b>	<b>12.4</b>	<b>+173.4</b>
Net change in net cash	(40.2)	(35.2)	+14.2
<b>Consolidated statement of cash flows (IFRS basis)</b>			
Cash flows from operating activities	72.5	46.5	+55.9
Cash flows from investing activities	(34.0)	(46.9)	(27.5)
Cash flows from financing activities	(76.9)	(51.1)	+50.5
Net change in cash and cash equivalents	(37.3)	(50.3)	(25.8)
Cash and cash equivalents at March 31	230.5	162.0	+42.3

Operating profit, net of operating cash adjustments, amounted to ¥197.9 billion (an increase of 174.1% year on year), which was 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.

Operating free cash flows for the three months under review was a net inflow of ¥126.2 billion (an increase of 61.2% year on year) mainly due to an increase in operating profit, despite expenditures, etc. of ¥34.1 billion for the purchase of property, plant and equipment as well as an increase in net working capital, etc. of ¥33.2 billion. Factors accounting for the increase in net working capital, etc. are as indicated in “Assets, liabilities and net assets” on the previous page.

Free cash flows were a net cash inflow of ¥33.9 billion (an increase of 173.4% year on year) due mainly to income taxes paid of ¥85.5 billion.

The net change in net cash calculated by subtracting dividends paid of ¥75.2 billion, etc. from free cash flows was a decrease of ¥40.2 billion.

The net change in cash and cash equivalents, excluding changes in marketable securities and interest-bearing debt, was a net cash outflow of ¥37.3 billion. The cash and cash equivalents balance at the end of this period amounted to ¥230.5 billion.

**Note: 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.

For further details, please refer to the Supplementary Materials on page 9, entitled “Cash flows.”

**(3) Consolidated forecasts and other forward-looking statements**

Chugai has not made any changes in its forecast of consolidated results for the fiscal year ending December 31, 2022 since the announcement regarding the forecast issued on February 3, 2022.

*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. Interim Condensed Consolidated Financial Statements and Major Notes

### (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	
	2022	2021
<b>Revenues</b>	<b>360,554</b>	<b>168,817</b>
Sales	242,716	130,265
Royalties and other operating income	25,924	38,553
Other revenue	91,915	—
Cost of sales	(114,424)	(55,338)
<b>Gross profit</b>	<b>246,130</b>	<b>113,480</b>
Marketing and distribution	(16,790)	(15,874)
Research and development	(33,866)	(29,727)
General and administration	(8,467)	(3,912)
<b>Operating profit</b>	<b>187,007</b>	<b>63,967</b>
Financing costs	(14)	(12)
Other financial income (expense)	1,614	285
Other expense	(2,401)	—
<b>Profit before taxes</b>	<b>186,206</b>	<b>64,240</b>
Income taxes	(54,431)	(16,830)
<b>Net income</b>	<b>131,775</b>	<b>47,411</b>
Attributable to:		
Chugai shareholders	131,775	47,411
Earnings per share		
Basic (yen)	80.14	28.84
Diluted (yen)	80.09	28.82

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

	First three months ended March 31	
	2022	2021
<b>Net income recognized in income statement</b>	<b>131,775</b>	<b>47,411</b>
Other comprehensive income		
Financial assets measured at fair value through OCI	(5)	(107)
<b>Items that will never be reclassified to the income statement</b>	<b>(5)</b>	<b>(107)</b>
Financial assets measured at fair value through OCI	(4)	5
Cash flow hedges	(6,889)	2,675
Currency translation of foreign operations	2,945	1,704
<b>Items that are or may be reclassified to the income statement</b>	<b>(3,948)</b>	<b>4,384</b>
<b>Other comprehensive income, net of tax</b>	<b>(3,953)</b>	<b>4,277</b>
<b>Total comprehensive income</b>	<b>127,822</b>	<b>51,688</b>
Attributable to:		
Chugai shareholders	127,822	51,688

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

	March 31, 2022	December 31, 2021
Assets		
Non-current assets:		
Property, plant and equipment	348,368	338,841
Right-of-use assets	12,763	13,266
Intangible assets	24,897	21,974
Financial non-current assets	2,385	2,393
Deferred tax assets	64,194	56,287
Defined benefit plan assets	993	1,327
Other non-current assets	39,700	40,944
<b>Total non-current assets</b>	<b>493,300</b>	<b>475,033</b>
Current assets:		
Inventories	225,480	208,838
Accounts receivable	390,567	355,081
Current income tax assets	731	928
Marketable securities	201,348	204,217
Cash and cash equivalents	230,474	267,753
Other current assets	43,049	26,844
<b>Total current assets</b>	<b>1,091,648</b>	<b>1,063,661</b>
<b>Total assets</b>	<b>1,584,948</b>	<b>1,538,694</b>
Liabilities		
Non-current liabilities:		
Deferred tax liabilities	(6,334)	(7,614)
Defined benefit plan liabilities	(2,916)	(2,945)
Long-term provisions	(4,584)	(2,101)
Other non-current liabilities	(10,088)	(10,595)
<b>Total non-current liabilities</b>	<b>(23,922)</b>	<b>(23,255)</b>
Current liabilities:		
Current income tax liabilities	(61,179)	(86,312)
Short-term provisions	(2,057)	(2,695)
Accounts payable	(153,074)	(152,266)
Other current liabilities	(104,205)	(86,149)
<b>Total current liabilities</b>	<b>(320,515)</b>	<b>(327,422)</b>
<b>Total liabilities</b>	<b>(344,437)</b>	<b>(350,677)</b>
<b>Total net assets</b>	<b>1,240,510</b>	<b>1,188,017</b>
Equity:		
Capital and reserves attributable to Chugai shareholders	1,240,510	1,188,017
<b>Total equity</b>	<b>1,240,510</b>	<b>1,188,017</b>
<b>Total liabilities and equity</b>	<b>1,584,948</b>	<b>1,538,694</b>

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

	First three months ended March 31	
	2022	2021
Cash flows from operating activities		
Cash generated from operations	199,662	73,516
(Increase) decrease in working capital	(33,158)	40,168
Payments made for defined benefit plans	(760)	(831)
Utilization of provisions	(664)	(289)
Other operating cash flows	(7,055)	(2,704)
<b>Cash flows from operating activities, before income taxes paid</b>	<b>158,025</b>	<b>109,861</b>
Income taxes paid	(85,484)	(63,320)
<b>Total cash flows from operating activities</b>	<b>72,541</b>	<b>46,541</b>
Cash flows from investing activities		
Purchase of property, plant and equipment	(34,119)	(28,948)
Purchase of intangible assets	(2,615)	(2,945)
Disposal of property, plant and equipment	(54)	20
Interest and dividends received	74	36
Purchases of marketable securities	(120,000)	(110,000)
Sales of marketable securities	122,768	95,000
Purchases of investment securities	(36)	(59)
Sales of investment securities	1	—
<b>Total cash flows from investing activities</b>	<b>(33,982)</b>	<b>(46,896)</b>
Cash flows from financing activities		
Interest paid	(14)	(12)
Lease liabilities paid	(1,840)	(2,220)
Dividends paid to Chugai shareholders	(75,160)	(49,049)
Exercise of equity compensation plans	147	161
(Increase) decrease in own equity instruments	(1)	(4)
<b>Total cash flows from financing activities</b>	<b>(76,869)</b>	<b>(51,124)</b>
Net effect of currency translation on cash and cash equivalents	1,031	1,196
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(37,279)</b>	<b>(50,284)</b>
Cash and cash equivalents at January 1	267,753	212,333
<b>Cash and cash equivalents at March 31</b>	<b>230,474</b>	<b>162,049</b>

**(4) Interim condensed consolidated statement of changes in equity** in millions of yen**For the first three months ended March 31, 2021 (Jan. 1, 2021–Mar. 31, 2021)**

	Attributable to Chugai shareholders					Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves	Subtotal	
<b>At January 1, 2021</b>	<b>73,202</b>	<b>67,586</b>	<b>849,093</b>	<b>(9,879)</b>	<b>980,003</b>	<b>980,003</b>
Net income	—	—	47,411	—	47,411	47,411
Financial assets measured at fair value through OCI	—	—	—	(101)	(101)	(101)
Cash flow hedges	—	—	—	2,675	2,675	2,675
Currency translation of foreign operations	—	—	—	1,704	1,704	1,704
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>47,411</b>	<b>4,277</b>	<b>51,688</b>	<b>51,688</b>
Dividends	—	—	(49,316)	—	(49,316)	(49,316)
Equity compensation plans	—	(19)	—	—	(19)	(19)
Own equity instruments	—	253	—	—	253	253
<b>At March 31, 2021</b>	<b>73,202</b>	<b>67,820</b>	<b>847,188</b>	<b>(5,601)</b>	<b>982,608</b>	<b>982,608</b>

**For the first three months ended March 31, 2022 (Jan. 1, 2022–Mar. 31, 2022)**

	Attributable to Chugai shareholders					Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves	Subtotal	
<b>At January 1, 2022</b>	<b>73,202</b>	<b>68,223</b>	<b>1,054,050</b>	<b>(7,457)</b>	<b>1,188,017</b>	<b>1,188,017</b>
Net income	—	—	131,775	—	131,775	131,775
Financial assets measured at fair value through OCI	—	—	—	(9)	(9)	(9)
Cash flow hedges	—	—	—	(6,889)	(6,889)	(6,889)
Currency translation of foreign operations	—	—	—	2,945	2,945	2,945
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>131,775</b>	<b>(3,953)</b>	<b>127,822</b>	<b>127,822</b>
Dividends	—	—	(75,639)	—	(75,639)	(75,639)
Equity compensation plans	—	(134)	—	—	(134)	(134)
Own equity instruments	—	444	—	—	444	444
Transfer from other reserves to retained earnings	—	—	0	(0)	—	—
<b>At March 31, 2022</b>	<b>73,202</b>	<b>68,533</b>	<b>1,110,186</b>	<b>(11,411)</b>	<b>1,240,510</b>	<b>1,240,510</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 April 25, 2022.

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% (61.15% 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 under Designated International Financial Reporting Standards” as stipulated under Article 1-2 of the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Japanese Cabinet Ordinance No. 64, 2007). Hence, in accordance with Article 93 of the same Ordinance, 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, 2021 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 were used for the Consolidated Financial Statements in the previous fiscal year to the Interim Financial Statements.