

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 2020)

Name of Company: Chugai Pharmaceutical Co., Ltd. April 23, 2020  
 Stock Listing: Tokyo Stock Exchange  
 Security Code No.: 4519 (URL <https://www.chugai-pharm.co.jp/english>)  
 Representative: Tatsuhiro Kosaka, Chairman & CEO  
 Contact: Masahiko Uchida, General Manager of Corporate Communications Department  
 Phone: +81-(0)3-3273-0881

Date of Submission of Quarterly Marketable Securities Filings: April 28, 2020

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 2020 (January 1, 2020–March 31, 2020)

#### (1) Consolidated operating results

	Revenues	% change	Operating profit	% change	Net income	% change
First three months of FY 2020	¥179,424 million	16.3	¥72,411 million	57.1	¥51,533 million	47.1
First three months of FY 2019	¥154,288 million	4.7	¥46,094 million	20.2	¥35,031 million	24.4

	Net income attributable to Chugai shareholders	% change	Total comprehensive income	% change
First three months of FY 2020	¥51,533 million	47.1	¥50,138 million	41.4
First three months of FY 2019	¥35,031 million	25.6	¥35,456 million	38.4

	Earnings per share (Basic)	Earnings per share (Diluted)
First three months of FY 2020	¥94.11	¥93.99
First three months of FY 2019	¥64.01	¥63.91

*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, 2020	¥1,045,605 million	¥854,118 million	¥854,118 million	81.7%
As of Dec. 31, 2019	¥1,058,915 million	¥853,985 million	¥853,985 million	80.6%

## 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. 2019	—	¥48.00	—	¥92.00	¥140.00
FY ending Dec. 2020	—				
FY ending Dec. 2020 (Forecast)		¥75.00	—	¥25.00	—

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

2. Effective July 1, 2020, Chugai Pharmaceutical Co., Ltd. (“Chugai”) has resolved to implement a three-for-one stock split of its common stock. The dividend forecast for the fiscal year ending December 31, 2020 presents the amount prior to the stock split for the end of the second quarter and the amount after the stock split for the end of the fiscal year. The annual dividends per share forecast is not stated because the amounts cannot be simply combined due to the implementation of the stock split. When calculated based on the assumption of no stock split, the year-end dividend is ¥75 and the annual dividend per share is ¥150.

## 3. Consolidated forecasts for FY 2020 (January 1, 2020–December 31, 2020)

	Revenues	% change	Core operating profit	% change	Core net income	% change
First three months of FY 2020 (Results)	¥179,424 million	24.2	¥74,057 million	26.9	¥52,696 million	26.2
FY ending Dec. 2020 (Forecast)	¥740,000 million	7.8	¥275,000 million	22.3	¥201,000 million	19.9

	Core earnings per share		Core dividend payout ratio %
First three months of FY 2020 (Results)	¥96.11	26.3	—
FY ending Dec. 2020 (Forecast)	¥122.00	—	41.0

Notes: 1. Percentages shown for forecasts of revenues, Core operating profit, Core net income 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 earnings per share attributable to Chugai shareholders on a Core basis.

4. Effective July 1, 2020, Chugai has resolved to implement a three-for-one stock split of its common stock. Core EPS for the fiscal year ending December 31, 2020 (forecast) presents the amount after the stock split. The percentage change from the same period of the previous fiscal year for Core EPS is not presented because a simple comparison cannot be made. When calculated based on the assumption of no stock split, Core EPS is ¥366.00 (an increase of 19.7% year on year). The progress ratio of Core EPS for the first three months of FY 2020 against the forecast for FY ending Dec. 2020 is calculated based on the assumption of no stock split.

#### 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, 2020	559,685,889	As of Dec. 31, 2019	559,685,889
As of Mar. 31, 2020	12,065,516	As of Dec. 31, 2019	12,162,354
First three months of FY 2020	547,564,236	First three months of FY 2019	547,256,735

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 7 of the attached document.

(4) Chugai is scheduled to hold a conference call 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, securities analysts and the media (Japanese only): April 23, 2020, Thursday (Japan time).

The English translation of the conference materials will be posted on the website within 2 business days.

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# 1. Qualitative Information

## (1) Consolidated operating results in billions of yen

	First three months of FY 2020.12 (Jan. 1, 2020–Mar. 31, 2020)	First three months of FY 2019.12 (Jan. 1, 2019–Mar. 31, 2019)	% change
<b>Core results</b>			
<b>Revenues</b>	<b>179.4</b>	<b>154.3</b>	<b>+16.3</b>
Sales	144.5	137.7	+4.9
Royalties and other operating income	34.9	16.6	+110.2
Cost of sales	(61.0)	(63.7)	(4.2)
<b>Gross profit</b>	<b>118.5</b>	<b>90.6</b>	<b>+30.8</b>
Marketing and distribution	(15.5)	(15.4)	+0.6
Research and development	(25.0)	(23.6)	+5.9
General and administration	(3.9)	(3.7)	+5.4
<b>Operating profit</b>	<b>74.1</b>	<b>47.9</b>	<b>+54.7</b>
<b>Net income</b>	<b>52.7</b>	<b>36.3</b>	<b>+45.2</b>
<b>IFRS results</b>			
Revenues	179.4	154.3	+16.3
Operating profit	72.4	46.1	+57.0
Net income	51.5	35.0	+47.1

### Consolidated financial highlights (IFRS results)

Revenues for the three months under review were ¥179.4 billion (an increase of 16.3% year on year), operating profit for the three months under review was ¥72.4 billion (an increase of 57.0% year on year), and net income for the three months under review was ¥51.5 billion (an increase of 47.1% year on year). These results include non-Core items, such as amortization of intangible assets of ¥0.4 billion, impairment loss of intangible assets of ¥0.1 billion and restructuring expenses of ¥1.2 billion, 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 ¥179.4 billion (an increase of 16.3% year on year), due to increases both in sales and royalties and other operating income.

Of revenues, sales were ¥144.5 billion (an increase of 4.9% year on year), due to the commencement of export of Hemlibra to Roche at a regular shipment price, along with the favorable sales growth of domestic sales of new products as well as mainstay products in the Oncology area and new products in Others area. Royalties and other operating income amounted to ¥34.9 billion (an increase of 110.2% year on year), due to a large increase in royalties for Hemlibra and its profit-sharing income as well as an increase in other operating income resulting from one-time income. Furthermore, cost to sales ratio was 42.2%, a 4.1 percentage point improvement year on year, due to a change in the product mix, etc. As a result, gross profit amounted to ¥118.5 billion (an increase of 30.8% year on year).

Operating expenses were ¥44.4 billion (an increase of 4.0% year on year). Marketing and distribution expenses were ¥15.5 billion (an increase of 0.6% year on year). Research and development expenses amounted to ¥25.0 billion (an increase of 5.9% year on year) due to the increases in the manufacturing expenses of investigational drugs associated with the progress of projects, etc. General and administration expenses amounted to ¥3.9 billion (an increase of 5.4% year on year) primarily due to an increase in the enterprise tax (pro forma standard taxation). As a result, Core operating profit was ¥74.1 billion (an increase of 54.7% year on year) and Core net income was ¥52.7 billion (an increase of 45.2% year on year).

**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 1, entitled “Reconciliation of IFRS results to Core results.”

**Sales breakdown** in billions of yen

	First three months of FY 2020.12 (Jan. 1, 2020–Mar. 31, 2020)	First three months of FY 2019.12 (Jan. 1, 2019–Mar. 31, 2019)	% change
<b>Sales</b>	<b>144.5</b>	<b>137.7</b>	<b>+4.9</b>
<b>Domestic sales</b>	<b>101.9</b>	<b>99.3</b>	<b>+2.6</b>
Oncology	54.7	52.0	+5.2
Bone and joint diseases	24.9	24.2	+2.9
Renal diseases	6.7	7.9	(15.2)
Others	15.5	15.2	+2.0
<b>Overseas sales</b>	<b>42.6</b>	<b>38.4</b>	<b>+10.9</b>

**Domestic sales**

Domestic sales were ¥101.9 billion (an increase of 2.6% year on year) mainly due to the favorable growth of new products as well as mainstay products in the Oncology area and new products in the Others area.

Oncology products sales were ¥54.7 billion (an increase of 5.2% year on year). This increase was due to the favorable sales of a new product, Tecentriq (an anti PD-L1 humanized monoclonal antibody, anti-cancer agent) and a mainstay product, Perjeta (a HER2 dimerization inhibitory humanized monoclonal antibody, anti-cancer agent), despite a decrease in sales of Herceptin (an anti-HER2 humanized monoclonal antibody, anti-cancer agent), etc. mainly as a result of the launch of its generic drugs.

Bone and joint diseases products sales were ¥24.9 billion (an increase of 2.9% year on year). This was due to the steady performance of mainstay products such as Actemra (a humanized anti-human IL-6 receptor monoclonal antibody) and Edirof (an oral therapeutic agent for osteoporosis).

Renal diseases products sales amounted to ¥6.7 billion (a decrease of 15.2% year on year). This was mainly due to a decrease in sales of Mircera (a long-acting erythropoiesis stimulating agent) as a result of intensifying price competition associated with the launch of generic drugs, in addition to the NHI drug price revisions in October 2019.

Others products sales were ¥15.5 billion (an increase of 2.0% year on year) due to the favorable market penetration of a new product, Hemlibra (blood coagulation factor VIII substitute), despite a significant drop in regular seasonal sales of Tamiflu (an anti-influenza agent) compared to the previous fiscal year.

**Overseas sales**

Overseas sales amounted to ¥42.6 billion (an increase of 10.9% year on year) due to the commencement of export of Hemlibra to Roche at a regular shipment price, despite a decrease in export of Alecensa (an ALK inhibitor, anti-cancer agent) to Roche due to the decline in the export unit price.

**<Impact on business and performance due to the spread of new coronavirus infection>**

Our response to the new coronavirus is to set up an Emergency Response Headquarters to take measures to prevent infection of employees and related business personnel, and to build a business continuity system centered on maintaining the product supply system. At present, there are no concerns about the product supply system both domestic and overseas, and in the future, even if this situation prolongs and becomes more serious, we will strive to maintain a stable product supply system centered on the Emergency Response Headquarters.

During the three months under review, the impact of the new coronavirus on performance was minor. On the other hand, we anticipate that the impact on our business will be extensive from April, when the situation has worsened. Regarding the specific impact on business and performance, we are currently collecting information from domestic and overseas. As shown below, it is possible that the business impact will be multifaceted.

In terms of sales, if the spread of infection in Japan prolongs or becomes more serious, due to the restrain or refrain from sales activities and the decrease in number of hospitalizations and outpatients, it is expected that sales of domestic products will be affected by delays in the introduction of new products and those with new additional indications to the market, such as Tecentriq and Hemlibra. In addition, if the spread of infection persists and becomes more serious overseas, the impact on exports, royalties and profit-sharing income is expected due to delays in gaining new patients for Hemlibra during its market penetration period. Regarding regulatory affairs such as filing applications for approval and response for review, there are concerns that the regulatory authorities in each country may delay the review and timing of approval. In projects under development, restrictions on visits by medical facilities and refraining from patient visits may affect the launch of new clinical trials and the progress of ongoing clinical trials. In projects under drug discovery research activities, the transition to the development stage may be delayed in the medium to long term. Projects such as capital investment may be affected by delays in progress and review of schedules. As already announced in our press releases, we plan to conduct a domestic phase III clinical trial of the humanized anti-human IL-6 receptor monoclonal antibody "Actemra" for the new coronavirus pneumonia. However, at this point, the impact on performance is unclear.

As described above, the effects of the new coronavirus are expected in various business activity areas. Going forward, the Emergency Response Headquarters will continue to play a central role in continuing to respond and provide support, and we will continue to assess the impact on our business and performance.

**R&D activities**

R&D expenses on a Core basis for the first three months under review totaled ¥25.0 billion (an increase of 5.9% year on year), and the ratio of R&D expenses to revenue was 13.9%.

Progress made in R&D activities during the period from January 1, 2020 to March 31, 2020 was as follows.

Oncology

- We obtained approval for the ROS1/TRK inhibitor RG6268 (Product name: Rozlytrek) for the additional indication of *ROS1* fusion-positive, unresectable, advanced or metastatic non-small cell lung cancer (NSCLC) in February, 2020.
- We filed engineered anti-PD-L1 monoclonal antibody RG7446 (Product name: Tecentriq) for the treatment of unresectable, advanced or metastatic hepatocellular carcinoma (HCC) in February, 2020. We decided to discontinue the development for muscle invasive urothelial carcinoma (adjuvant) considering the results of global Phase III study (IMvigor010).
- We filed anti-VEGF (Vascular Endothelial Growth Factor) humanized monoclonal antibody RG435 (Product name: Avastin) for the treatment of unresectable, advanced or metastatic HCC in February, 2020. We started global Phase III study for the treatment of small cell lung cancer, in combination with RG7446, in January, 2020.
- We started global Phase III studies for the anti-TIGIT human monoclonal antibody RG6058 for the treatment of small cell lung cancer and NSCLC in February and March, 2020, respectively.
- We started Phase II study for the oncolytic type 5 adenovirus OBP-301 for the treatment of esophageal cancer in March, 2020.
- We started Phase I study for AMY109 for the treatment of solid tumors in March, 2020.
- We started Phase I study for STA551 for the treatment of solid tumors in March, 2020.
- We started Phase I study for the anti-CD20/CD3 bispecific antibody RG6026 for the treatment of hematologic tumors in March, 2020.
- We concluded a global licensing agreement with Verastem Oncology for Raf and MEK dual inhibitor CKI27 to grant them an exclusive worldwide license to manufacture, develop and commercialize CKI27 in January, 2020.

Neurology

- We started global Phase II study for RG7906 for the treatment of schizophrenia in February, 2020.
- We decided to discontinue the development of the anti-myostatin adnectin RG6206 for Duchenne muscular dystrophy in consideration of the results of global Phase II/III study (SPITFIRE).

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

	March 31, 2020	December 31, 2019	% change
Net operating assets (NOA) and Net assets			
Net working capital	251.6	237.2	+6.1
Long-term net operating assets	334.5	309.8	+8.0
<b>Net operating assets (NOA)</b>	<b>586.1</b>	<b>547.0</b>	<b>+7.1</b>
Net cash	272.7	333.1	(18.1)
Other non-operating assets – net	(4.7)	(26.1)	(82.0)
<b>Total net assets</b>	<b>854.1</b>	<b>854.0</b>	<b>+0.0</b>
Consolidated balance sheet (IFRS basis)			
Total assets	1,045.6	1,058.9	(1.3)
Total liabilities	(191.5)	(204.9)	(6.5)
Total net assets	854.1	854.0	+0.0

Net operating assets (NOA) at March 31, 2020 were ¥586.1 billion, an increase of ¥39.1 billion since the end of the previous fiscal year. Of NOA, net working capital was ¥251.6 billion (an increase of ¥14.4 billion since the end of the previous fiscal year), due mainly to increases in accounts receivable as well as inventories. Long-term operating assets increased by ¥24.7 billion to ¥334.5 billion since the end of the previous fiscal year, mainly due to the investment in the Chugai Life Science Park Yokohama.

As indicated in “Cash flows” on the next page, net cash, including marketable securities and interest-bearing debt, decreased by ¥60.4 billion since the end of the previous fiscal year to ¥272.7 billion. Other non-operating assets – net increased by ¥21.4 billion since the end of the previous fiscal year to ¥(4.7) billion, due mainly to a decrease in current income tax liabilities.

As a consequence, total net assets were ¥854.1 billion (an increase of ¥0.1 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 2020.12 (Jan. 1, 2020–Mar. 31, 2020)	First three months of FY 2019.12 (Jan. 1, 2019–Mar. 31, 2019)	% change
<b>Free cash flows</b>			
Operating profit - IFRS basis	72.4	46.1	+57.0
Operating profit, net of operating cash adjustments	81.0	54.1	+49.7
Operating free cash flows	31.8	38.3	(17.0)
<b>Free cash flows</b>	<b>(9.1)</b>	<b>19.7</b>	<b>—</b>
Net change in net cash	(60.4)	(11.8)	+411.9
<b>Consolidated statement of cash flows (IFRS basis)</b>			
Cash flows from operating activities	5.0	33.0	(84.8)
Cash flows from investing activities	(17.0)	(20.1)	(15.4)
Cash flows from financing activities	(52.0)	(33.6)	+54.8
Net change in cash and cash equivalents	(65.2)	(21.0)	+210.5
Cash and cash equivalents at March 31	138.7	125.8	+10.3

Operating profit, net of operating cash adjustments, amounted to ¥81.0 billion (an increase of 49.7% 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 limited to a net inflow of ¥31.8 billion (a decrease of 17.0% year on year) mainly due to the subtraction of an increase in net working capital, etc. of ¥34.8 billion as well as expenditures of ¥12.3 billion for the purchase of property, plant and equipment and intangible assets, despite a significant increase in operating profit, etc. 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 outflow of ¥9.1 billion due mainly to income taxes paid of ¥41.0 billion and settlement for transfer pricing taxation of ¥0.5 billion paid from operating free cash flows.

The net change in net cash calculated by subtracting dividends paid of ¥50.1 billion, etc. from free cash flows was a decrease of ¥60.4 billion.

The net change in cash and cash equivalents, excluding changes in marketable securities and interest-bearing debt, was a net cash outflow of ¥65.2 billion. The cash and cash equivalents balance at the end of this period amounted to ¥138.7 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, 2020 since the announcement regarding the forecast issued on January 30, 2020.

*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	
	2020	2019
<b>Revenues</b>	<b>179,424</b>	<b>154,288</b>
Sales	144,535	137,714
Royalties and other operating income	34,889	16,575
Cost of sales	(61,272)	(63,908)
<b>Gross profit</b>	<b>118,152</b>	<b>90,380</b>
Marketing and distribution	(15,774)	(15,437)
Research and development	(26,100)	(25,139)
General and administration	(3,867)	(3,710)
<b>Operating profit</b>	<b>72,411</b>	<b>46,094</b>
Financing costs	(12)	(38)
Other financial income (expense)	(648)	203
Other expense	(536)	(839)
<b>Profit before taxes</b>	<b>71,214</b>	<b>45,421</b>
Income taxes	(19,681)	(10,390)
<b>Net income</b>	<b>51,533</b>	<b>35,031</b>
Attributable to:		
Chugai shareholders	51,533	35,031
Earnings per share		
Basic (yen)	94.11	64.01
Diluted (yen)	93.99	63.91

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

	First three months ended March 31	
	2020	2019
<b>Net income recognized in income statement</b>	<b>51,533</b>	<b>35,031</b>
Other comprehensive income		
Financial assets measured at fair value through OCI	(106)	564
<b>Items that will never be reclassified to the income statement</b>	<b>(106)</b>	<b>564</b>
Financial assets measured at fair value through OCI	(71)	(1)
Cash flow hedges	199	268
Currency translation of foreign operations	(1,417)	(406)
<b>Items that are or may be reclassified to the income statement</b>	<b>(1,289)</b>	<b>(138)</b>
<b>Other comprehensive income, net of tax</b>	<b>(1,395)</b>	<b>425</b>
<b>Total comprehensive income</b>	<b>50,138</b>	<b>35,456</b>
Attributable to:		
Chugai shareholders	50,138	35,456

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

	March 31, 2020	December 31, 2019
Assets		
Non-current assets:		
Property, plant and equipment	277,442	255,559
Right-of-use assets	8,380	9,749
Intangible assets	23,819	23,540
Financial non-current assets	2,653	2,958
Deferred tax assets	41,490	42,680
Other non-current assets	28,569	24,750
<b>Total non-current assets</b>	<b>382,353</b>	<b>359,235</b>
Current assets:		
Inventories	174,355	168,122
Accounts receivable	195,046	181,641
Current income tax assets	0	0
Marketable securities	134,009	129,117
Cash and cash equivalents	138,710	203,941
Other current assets	21,130	16,858
<b>Total current assets</b>	<b>663,251</b>	<b>699,680</b>
<b>Total assets</b>	<b>1,045,605</b>	<b>1,058,915</b>
Liabilities		
Non-current liabilities:		
Deferred tax liabilities	(8,565)	(9,304)
Defined benefit plan liabilities	(7,504)	(7,094)
Long-term provisions	(2,315)	(2,348)
Other non-current liabilities	(5,896)	(6,914)
<b>Total non-current liabilities</b>	<b>(24,280)</b>	<b>(25,662)</b>
Current liabilities:		
Current income tax liabilities	(19,128)	(41,047)
Short-term provisions	(4)	(4)
Accounts payable	(89,481)	(77,635)
Other current liabilities	(58,593)	(60,582)
<b>Total current liabilities</b>	<b>(167,207)</b>	<b>(179,268)</b>
<b>Total liabilities</b>	<b>(191,486)</b>	<b>(204,930)</b>
<b>Total net assets</b>	<b>854,118</b>	<b>853,985</b>
Equity:		
Capital and reserves attributable to Chugai shareholders	854,118	853,985
<b>Total equity</b>	<b>854,118</b>	<b>853,985</b>
<b>Total liabilities and equity</b>	<b>1,045,605</b>	<b>1,058,915</b>

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

	First three months ended March 31	
	2020	2019
Cash flows from operating activities		
Cash generated from operations	82,118	55,173
(Increase) decrease in working capital	(34,791)	(2,506)
Payments made for defined benefit plans	(683)	(1,248)
Other operating cash flows	(635)	(604)
<b>Cash flows from operating activities, before income taxes paid</b>	<b>46,009</b>	<b>50,815</b>
Income taxes paid	(41,000)	(17,775)
<b>Total cash flows from operating activities</b>	<b>5,009</b>	<b>33,040</b>
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,090)	(7,370)
Purchase of intangible assets	(1,226)	(3,758)
Disposal of property, plant and equipment	11	(1)
Interest and dividends received	31	22
Purchases of marketable securities	(68,000)	(65,000)
Sales of marketable securities	63,000	56,000
Purchases of investment securities	(35)	—
Sales of investment securities	326	—
<b>Total cash flows from investing activities</b>	<b>(16,982)</b>	<b>(20,106)</b>
Cash flows from financing activities		
Purchase of non-controlling interests	—	(1,730)
Interest paid	(5)	(7)
Lease liabilities paid	(2,115)	(2,181)
Dividends paid to Chugai shareholders	(50,102)	(29,923)
Exercise of equity compensation plans	265	250
(Increase) decrease in own equity instruments	(10)	(6)
Other financing cash flows	—	(8)
<b>Total cash flows from financing activities</b>	<b>(51,966)</b>	<b>(33,605)</b>
Net effect of currency translation on cash and cash equivalents	(1,291)	(370)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(65,230)</b>	<b>(21,042)</b>
Cash and cash equivalents at January 1	203,941	146,860
<b>Cash and cash equivalents at March 31</b>	<b>138,710</b>	<b>125,818</b>

**(4) Interim condensed consolidated statement of changes in equity** in millions of yen**For the first three months ended March 31, 2019 (Jan. 1, 2019 – Mar. 31, 2019)**

	Attributable to Chugai shareholders					Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves	Subtotal		
<b>At January 1, 2019</b>	<b>73,000</b>	<b>66,043</b>	<b>618,091</b>	<b>(1,270)</b>	<b>755,864</b>	<b>664</b>	<b>756,529</b>
Net income	—	—	35,031	—	35,031	—	35,031
Financial assets measured at fair value through OCI	—	—	—	563	563	—	563
Cash flow hedges	—	—	—	268	268	—	268
Currency translation of foreign operations	—	—	—	(406)	(406)	—	(406)
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>35,031</b>	<b>425</b>	<b>35,456</b>	<b>—</b>	<b>35,456</b>
Dividends	—	—	(30,097)	—	(30,097)	—	(30,097)
Equity compensation plans	11	(32)	—	—	(20)	—	(20)
Own equity instruments	—	327	—	—	327	—	327
Changes in non-controlling interests	—	—	(1,084)	19	(1,065)	(664)	(1,730)
<b>At March 31, 2019</b>	<b>73,012</b>	<b>66,338</b>	<b>621,940</b>	<b>(825)</b>	<b>760,464</b>	<b>—</b>	<b>760,464</b>

**For the first three months ended March 31, 2020 (Jan. 1, 2020 – Mar. 31, 2020)**

	Attributable to Chugai shareholders					Total equity
	Share capital	Capital surplus	Retained earnings	Other reserves	Subtotal	
<b>At January 1, 2020</b>	<b>73,016</b>	<b>67,037</b>	<b>722,076</b>	<b>(8,143)</b>	<b>853,985</b>	<b>853,985</b>
Net income	—	—	51,533	—	51,533	51,533
Financial assets measured at fair value through OCI	—	—	—	(177)	(177)	(177)
Cash flow hedges	—	—	—	199	199	199
Currency translation of foreign operations	—	—	—	(1,417)	(1,417)	(1,417)
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>51,533</b>	<b>(1,395)</b>	<b>50,138</b>	<b>50,138</b>
Dividends	—	—	(50,372)	—	(50,372)	(50,372)
Equity compensation plans	21	(72)	—	—	(52)	(52)
Own equity instruments	—	418	—	—	418	418
Transfer from other reserves to retained earnings	—	—	106	(106)	—	—
<b>At March 31, 2020</b>	<b>73,037</b>	<b>67,383</b>	<b>723,343</b>	<b>(9,644)</b>	<b>854,118</b>	<b>854,118</b>

**(5) Notes regarding the going concern assumption**

None

**(6) Notes regarding the interim condensed consolidated financial statements****1) 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 23, 2020.

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% (61.21% 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, 2019 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 Consolidated Financial Statements in the previous fiscal year to the Interim Financial Statements.

**2) Additional information**

The Company resolved at the meeting of the Board of Directors held on January 21, 2020, the stock split and partial amendment to the articles of incorporation.

**a. Purpose of the stock split**

The stock split aims to reduce the investment unit price for the Company's stock, increase the liquidity of the stocks, and to further expand the investor base.

**b. Outline of the stock split****(a) Method**

Fixing Tuesday, June 30, 2020 as a record date, the company will split its ordinary share owned by shareholders listed or recorded in the shareholder registry three-for-one.

**(b) Number of shares to be increased by the stock split**

(i) Total number of shares issued before the stock split	559,685,889
(ii) Increase in the number of shares upon the stock split	1,119,371,778
(iii) Total number of shares issued after the stock split	1,679,057,667
(iv) Total number of shares issuable after the stock split	2,399,415,150

**(c) Schedule**

(i) Announcement of record date	Monday, June 15, 2020
(ii) Record date	Tuesday, June 30, 2020
(iii) Effective date	Wednesday, July 1, 2020

**c. Effect of these changes on per share information**

Per-share information calculated as if this stock split had taken place at the beginning of previous fiscal year is as follows:

	First three months of FY 2020	First three months of FY 2019
Basic earnings per share (yen)	31.37	21.34
Diluted earnings per share (yen)	31.33	21.30

**d. Partial amendment to the articles of incorporation****(a) Reasons for the amendment**

In line with the stock split, pursuant to the Article 184.2 of the Companies Act of Japan, the Company will amend as of Wednesday, July 1, 2020, the total number of shares issuable set by Article 6 in the Articles of Incorporation of the Company.

**(b) Details of the amendment**

Details are as follows.

Before the amendment	After the amendment
Article 6. (Total Number of Shares Issuable) The total number of shares issuable of the Company shall be <u>799,805,050</u> shares.	Article 6. (Total Number of Shares Issuable) The total number of shares issuable of the Company shall be <u>2,399,415,150</u> shares.

**(c) Schedule**

Effective date of the amendment to the articles of incorporation: Wednesday, July 1, 2020

**e. Others****(a) Change in the amount of stated capital**

The stock split will not change the amount of stated capital.