

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 2021)

Name of Company: Chugai Pharmaceutical Co., Ltd. April 22, 2021
 Stock Listing: Tokyo Stock Exchange
 Security Code No.: 4519 (URL <https://www.chugai-pharm.co.jp/english>)
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Date of Submission of Quarterly Marketable Securities Filings: April 27, 2021

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 2021 (January 1, 2021–March 31, 2021)

(1) Consolidated operating results

	Revenues	% change	Operating profit	% change	Net income	% change
First three months of FY 2021	¥168,817 million	(5.9)	¥63,967 million	(11.7)	¥47,411 million	(8.0)
First three months of FY 2020	¥179,424 million	16.3	¥72,411 million	57.1	¥51,533 million	47.1

	Net income attributable to Chugai shareholders	% change	Total comprehensive income	% change
First three months of FY 2021	¥47,411 million	(8.0)	¥51,688 million	3.1
First three months of FY 2020	¥51,533 million	47.1	¥50,138 million	41.4

	Earnings per share (Basic)	Earnings per share (Diluted)
First three months of FY 2021	¥28.84	¥28.82
First three months of FY 2020	¥31.37	¥31.33

Notes: 1. Percentages represent changes compared with the same period of the previous fiscal year.

2. Effective July 1, 2020, Chugai Pharmaceutical Co., Ltd. (“Chugai”) implemented a three-for-one stock split of its common stock. “Earnings per share (Basic)” and “Earnings per share (Diluted)” are calculated based on the assumption that the stock split was implemented at the beginning 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, 2021	¥1,144,627 million	¥982,608 million	¥982,608 million	85.8%
As of Dec. 31, 2020	¥1,235,498 million	¥980,003 million	¥980,003 million	79.3%

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. 2020	—	¥75.00	—	¥30.00	—
FY ending Dec. 2021	—				
FY ending Dec. 2021 (Forecast)		¥30.00	—	¥30.00	¥60.00

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

2. Effective July 1, 2020, Chugai implemented a three-for-one stock split of its common stock. The dividend for the second quarter of the fiscal year 2020 presents the amount prior to the stock split. The annual dividends per share for the fiscal year ended December 31, 2020 is not stated because the amounts cannot be simply combined due to the implementation of the stock split. The annual dividend per share is ¥165 when calculated based on the assumption of no stock split, and ¥55 when calculated with the stock split taken into account.

3. Consolidated forecasts for FY 2021(January 1, 2021–December 31, 2021)

	Revenues	% change	Core operating profit	% change	Core net income	% change
First three months of FY 2021 (Results)	¥168,817 million	+21.1	¥65,353 million	+20.4	¥48,396 million	+20.9
FY ending Dec. 2021 (Forecast)	¥800,000 million	+1.7	¥320,000 million	+3.9	¥232,000 million	+5.7

	Core earnings per share		Core dividend payout ratio %
First three months of FY 2021 (Results)	¥29.42	+20.9	—
FY ending Dec. 2021 (Forecast)	¥141.00	+5.7	42.6

Notes: 1. Percentages shown for forecasts of revenues, Core operating profit, Core net income and Core EPS represent changes compared with 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

4. Others

- (1) Changes in the state of material subsidiaries during the period (Changes in the state of specific subsidiaries with change in scope of consolidation): None
- (2) Changes in accounting policies and changes in accounting estimates
 - (a) Changes in accounting policies required by IFRS: None
 - (b) Changes in accounting policies other than those in (a) above: None
 - (c) Changes in accounting estimates: None

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

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

As of Mar. 31, 2021	1,679,057,667	As of Dec. 31, 2020	1,679,057,667
As of Mar. 31, 2021	34,996,421	As of Dec. 31, 2020	35,186,586
First three months of FY 2021	1,643,941,381	First three months of FY 2020	1,642,692,709

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

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

Note: Effective July 1, 2020, Chugai implemented a three-for-one stock split of its common stock. The number of shares issued (common stock) is calculated based on the assumption that the stock split was implemented at the beginning of the previous fiscal year.

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 attached document.

(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 22, 2021, Thursday (Japan time).

The English translation of the presentation materials will be posted on the website on the next business day.

Index of the Attachment

1. Qualitative Information	2
(1) Consolidated operating results	2
(2) Consolidated financial position	5
(3) Consolidated forecasts and other forward-looking statements	6
2. Interim Condensed Consolidated Financial Statements and Major Notes	7
(1) Interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income	7
(2) Interim condensed consolidated balance sheet	9
(3) Interim condensed consolidated statement of cash flows	10
(4) Interim condensed consolidated statement of changes in equity	11
(5) Notes regarding the going concern assumption	12
(6) Notes regarding the interim condensed consolidated financial statements	12

1. Qualitative Information

(1) Consolidated operating results in billions of yen

	First three months of FY 2021.12 (Jan. 1, 2021–Mar. 31, 2021)	First three months of FY 2020.12 (Jan. 1, 2020–Mar.31, 2020)	% change
Core results			
Revenues	168.8	179.4	(5.9)
Sales	130.3	144.5	(9.8)
Royalties and other operating income	38.6	34.9	+10.6
Cost of sales	(55.0)	(61.0)	(9.8)
Gross profit	113.8	118.5	(4.0)
Marketing and distribution	(15.8)	(15.5)	+1.9
Research and development	(28.7)	(25.0)	+14.8
General and administration	(3.9)	(3.9)	0.0
Operating profit	65.4	74.1	(11.7)
Net income	48.4	52.7	(8.2)
IFRS results			
Revenues	168.8	179.4	(5.9)
Operating profit	64.0	72.4	(11.6)
Net income	47.4	51.5	(8.0)

Consolidated financial highlights (IFRS results)

Revenues for the three months under review were ¥168.8 billion (a decrease of 5.9% year on year), operating profit for the three months under review was ¥64.0 billion (a decrease of 11.6% year on year), and net income for the three months under review was ¥47.4 billion (a decrease of 8.0% year on year). These results include non-Core items, such as amortization of intangible assets of ¥0.3 billion and restructuring expenses of ¥1.1 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 ¥168.8 billion (a decrease of 5.9% year on year), due to declines in both domestic and overseas sales, even as royalties and other operating income increased.

Of revenues, sales were ¥130.3 billion (a decrease of 9.8% year on year). Domestic sales declined mainly due to the effects of the NHI drug price revisions of April 2020 and market penetration of generic drugs, despite the continued increase in sales of the mainstay product, Tecentriq, in the Oncology area. Overseas sales declined mainly due to a decrease in exports to Roche, including the export of Actemra. Royalties and other operating income amounted to ¥38.6 billion (an increase of 10.6% year on year), due to an increase in royalties for Hemlibra and its profit-sharing income, despite a decrease in other operating income resulting from one-time income. Furthermore, cost to sales ratio was 42.2%, almost unchanged from the same period of the previous fiscal year. As a result, gross profit amounted to ¥113.8 billion (a decrease of 4.0% year on year).

Operating expenses were ¥48.5 billion (an increase of 9.2% year on year). Marketing and distribution expenses were ¥15.8 billion (an increase of 1.9% year on year). Research and development expenses amounted to ¥28.7 billion (an increase of 14.8% year on year) due to an increase in expenses associated with the progress of projects, etc. General and administration expenses amounted to ¥3.9 billion (0.0% year on year). As a result, Core operating profit was ¥65.4 billion (a decrease of 11.7% year on year) and Core net income was ¥48.4 billion (a decrease of 8.2% year on year).

Regarding the impact of COVID-19 on performance during the three months under review, there were no major negative impacts on revenues and profits at each stage. Although the pandemic continued to have a limited effect on the progress of certain business activities, we have maintained a stable product supply system both in Japan and overseas.

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 2021.12 (Jan. 1, 2021–Mar. 31, 2021)	First three months of FY 2020.12 (Jan. 1, 2020–Mar.31, 2020)	% change
Sales	130.3	144.5	(9.8)
Domestic sales	94.9	101.9	(6.9)
Oncology	57.9	55.3	+4.7
Primary	36.9	46.6	(20.8)
Overseas sales	35.4	42.6	(16.9)

Domestic sales

Domestic sales were ¥94.9 billion (a decrease of 6.9% year on year) due to a decrease in sales of mainstay products in each area affected by the NHI drug price revisions of April 2020 and the market penetration of generic drugs.

Oncology products sales were ¥57.9 billion (an increase of 4.7% year on year). This increase was due to the favorable sales of Kadcylla (an anti-HER2 antibody-tubulin polymerization inhibitor conjugate), in addition to the steady market penetration of the mainstay product, Tecentriq (an anti PD-L1 humanized monoclonal antibody, anti-cancer agent), 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 the market penetration of generic drugs.

Primary products sales were ¥36.9 billion (a decrease of 20.8% year on year). This was mainly due to a significant decline in sales of Ediol (an osteoporosis agent) affected by the market penetration of generic drugs, despite the steady sales of the mainstay product, Hemlibra (blood coagulation factor VIII substitute), in addition to the steady market penetration of Enspryng (a pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody), which was launched in August of last year.

Overseas sales

Overseas sales amounted to ¥35.4 billion (a decrease of 16.9% year on year) due to a decrease in exports to Roche, including the export of Actemra (a humanized anti-human IL-6 receptor monoclonal antibody) compared to the previous fiscal year.

R&D activities

R&D expenses on a Core basis for the first three months under review totaled ¥28.7 billion (an increase of 14.8% year on year), and the ratio of R&D expenses to revenue was 17.0%.

Progress made in R&D activities during the period from January 1, 2021 to March 31, 2021 was as follows.

Oncology

- We obtained approval for anti-CD79b antibody-drug conjugate RG7596 (Product name: Polivy) for the indication of relapsed or refractory diffuse large B-cell lymphoma in March 2021.
- We started global Phase III study for engineered anti-PD-L1 monoclonal antibody RG7446 (Product name: Tecentriq) for the treatment of hepatocellular carcinoma (HCC) (intermediate stage), in combination with RG435, in March 2021.
- We started global Phase III study for anti-VEGF (Vascular Endothelial Growth Factor) humanized monoclonal antibody RG435 (Product name: Avastin) for the treatment of HCC (intermediate stage), in combination with RG7446, in March 2021.
- We started Phase I study for the oncolytic type 5 adenovirus OBP-301 for the treatment of HCC, in combination with RG7446 and RG435, in January 2021.
- We decided to discontinue the development of the anti-FAP humanized antibody-engineered IL-2 variant fusion protein RG7461 for solid tumors in consideration of the results of multiple overseas studies conducted by Roche.

Autoimmune Diseases

- We decided to discontinue the development of the BTK inhibitor RG7845 for rheumatoid arthritis in consideration of the results of multiple overseas studies conducted by Roche.

Other Diseases

- We started global Phase III study for anti-VEGF/Ang2 bispecific antibody RG7716 for the treatment of retinal vein occlusion in March 2021.
- We started Phase I study for SARS-CoV-2 neutralizing antibody cocktail RG6413/RG6412 for the treatment of COVID-19 in March 2021.

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

	March 31, 2021	December 31, 2020	Change in amount
Net operating assets (NOA) and Net assets			
Net working capital	281.3	300.0	(18.7)
Long-term net operating assets	350.3	346.0	4.3
Net operating assets (NOA)	631.6	646.0	(14.4)
Net cash	343.4	378.6	(35.2)
Other non-operating assets – net	7.7	(44.6)	52.3
Total net assets	982.6	980.0	2.6
Consolidated balance sheet (IFRS basis)			
Total assets	1,144.6	1,235.5	(90.9)
Total liabilities	(162.0)	(255.5)	93.5
Total net assets	982.6	980.0	2.6

Net operating assets (NOA) at March 31, 2021 were ¥631.6 billion, a decrease of ¥14.4 billion since the end of the previous fiscal year. Of NOA, net working capital was ¥281.3 billion (a decrease of ¥18.7 billion since the end of the previous fiscal year), due mainly to a decrease in accounts receivable, even as accounts payable - other for the construction of the Chugai Life Science Park Yokohama decreased. Long-term net operating assets increased by ¥4.3 billion to ¥350.3 billion since the end of the previous fiscal year.

As indicated in “Cash flows” on the next page, net cash, including marketable securities and interest-bearing debt, decreased by ¥35.2 billion since the end of the previous fiscal year to ¥343.4 billion. Other non-operating assets – net increased by ¥52.3 billion since the end of the previous fiscal year to ¥7.7 billion due mainly to a decrease in current income tax liabilities.

As a consequence, total net assets were ¥982.6 billion (an increase of ¥2.6 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 2021.12 (Jan. 1, 2021–Mar. 31, 2021)	First three months of FY 2020.12 (Jan. 1, 2020–Mar.31, 2020)	% change
Free cash flows			
Operating profit - IFRS basis	64.0	72.4	(11.6)
Operating profit, net of operating cash adjustments	72.2	81.0	(10.9)
Operating free cash flows	78.3	31.8	+146.2
Free cash flows	12.4	(9.1)	—
Net change in net cash	(35.2)	(60.4)	(41.7)
Consolidated statement of cash flows (IFRS basis)			
Cash flows from operating activities	46.5	5.0	+830.0
Cash flows from investing activities	(46.9)	(17.0)	+175.9
Cash flows from financing activities	(51.1)	(52.0)	(1.7)
Net change in cash and cash equivalents	(50.3)	(65.2)	(22.9)
Cash and cash equivalents at March 31	162.0	138.7	+16.8

Operating profit, net of operating cash adjustments, amounted to ¥72.2 billion (a decrease of 10.9% 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 ¥78.3 billion (an increase of 146.2% year on year) mainly due to a decrease in net working capital, etc. of ¥40.2 billion, despite the decrease in operating profit, as well as expenditures, etc. of ¥28.9 billion for the purchase of property, plant and equipment. Factors accounting for the decrease 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 ¥12.4 billion due mainly to income taxes paid of ¥63.3 billion.

The net change in net cash calculated by subtracting dividends paid of ¥49.0 billion, etc. from free cash flows was a decrease of ¥35.2 billion.

The net change in cash and cash equivalents, excluding changes in marketable securities and interest-bearing debt, was a net cash outflow of ¥50.3 billion. The cash and cash equivalents balance at the end of this period amounted to ¥162.0 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, 2021 since the announcement regarding the forecast issued on February 4, 2021.

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	
	2021	2020
Revenues	168,817	179,424
Sales	130,265	144,535
Royalties and other operating income	38,553	34,889
Cost of sales	(55,338)	(61,272)
Gross profit	113,480	118,152
Marketing and distribution	(15,874)	(15,774)
Research and development	(29,727)	(26,100)
General and administration	(3,912)	(3,867)
Operating profit	63,967	72,411
Financing costs	(12)	(12)
Other financial income (expense)	285	(648)
Other expense	—	(536)
Profit before taxes	64,240	71,214
Income taxes	(16,830)	(19,681)
Net income	47,411	51,533
Attributable to:		
Chugai shareholders	47,411	51,533
Earnings per share		
Basic (yen)	28.84	31.37
Diluted (yen)	28.82	31.33

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

	First three months ended March 31	
	2021	2020
Net income recognized in income statement	47,411	51,533
Other comprehensive income		
Financial assets measured at fair value through OCI	(107)	(106)
Items that will never be reclassified to the income statement	(107)	(106)
Financial assets measured at fair value through OCI	5	(71)
Cash flow hedges	2,675	199
Currency translation of foreign operations	1,704	(1,417)
Items that are or may be reclassified to the income statement	4,384	(1,289)
Other comprehensive income, net of tax	4,277	(1,395)
Total comprehensive income	51,688	50,138
Attributable to:		
Chugai shareholders	51,688	50,138

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

	March 31, 2021	December 31, 2020
Assets		
Non-current assets:		
Property, plant and equipment	291,379	289,218
Right-of-use assets	7,435	8,272
Intangible assets	26,018	23,880
Financial non-current assets	2,688	2,841
Deferred tax assets	47,182	47,934
Defined benefit plan assets	173	492
Other non-current assets	28,782	27,954
Total non-current assets	403,656	400,592
Current assets:		
Inventories	184,659	183,893
Accounts receivable	190,707	253,342
Current income tax assets	2	12
Marketable securities	181,317	166,287
Cash and cash equivalents	162,049	212,333
Other current assets	22,237	19,039
Total current assets	740,971	834,906
Total assets	1,144,627	1,235,498
Liabilities		
Non-current liabilities:		
Deferred tax liabilities	(7,909)	(9,166)
Defined benefit plan liabilities	(2,175)	(2,282)
Long-term provisions	(2,110)	(2,142)
Other non-current liabilities	(5,722)	(5,835)
Total non-current liabilities	(17,916)	(19,425)
Current liabilities:		
Current income tax liabilities	(18,302)	(63,171)
Short-term provisions	(53)	(358)
Accounts payable	(61,571)	(100,396)
Other current liabilities	(64,178)	(72,146)
Total current liabilities	(144,103)	(236,070)
Total liabilities	(162,019)	(255,495)
Total net assets	982,608	980,003
Equity:		
Capital and reserves attributable to Chugai shareholders	982,608	980,003
Total equity	982,608	980,003
Total liabilities and equity	1,144,627	1,235,498

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

	First three months ended March 31	
	2021	2020
Cash flows from operating activities		
Cash generated from operations	73,516	82,118
(Increase) decrease in working capital	40,168	(34,791)
Payments made for defined benefit plans	(831)	(683)
Utilization of provisions	(289)	—
Other operating cash flows	(2,704)	(635)
Cash flows from operating activities, before income taxes paid	109,861	46,009
Income taxes paid	(63,320)	(41,000)
Total cash flows from operating activities	46,541	5,009
Cash flows from investing activities		
Purchase of property, plant and equipment	(28,948)	(11,090)
Purchase of intangible assets	(2,945)	(1,226)
Disposal of property, plant and equipment	20	11
Interest and dividends received	36	31
Purchases of marketable securities	(110,000)	(68,000)
Sales of marketable securities	95,000	63,000
Purchases of investment securities	(59)	(35)
Sales of investment securities	—	326
Total cash flows from investing activities	(46,896)	(16,982)
Cash flows from financing activities		
Interest paid	(12)	(5)
Lease liabilities paid	(2,220)	(2,115)
Dividends paid to Chugai shareholders	(49,049)	(50,102)
Exercise of equity compensation plans	161	265
(Increase) decrease in own equity instruments	(4)	(10)
Total cash flows from financing activities	(51,124)	(51,966)
Net effect of currency translation on cash and cash equivalents	1,196	(1,291)
Increase (decrease) in cash and cash equivalents	(50,284)	(65,230)
Cash and cash equivalents at January 1	212,333	203,941
Cash and cash equivalents at March 31	162,049	138,710

(4) Interim condensed consolidated statement of changes in equity in millions of yen**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	
At January 1, 2020	73,016	67,037	722,076	(8,143)	853,985	853,985
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)
Total comprehensive income	—	—	51,533	(1,395)	50,138	50,138
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)	—	—
At March 31, 2020	73,037	67,383	723,343	(9,644)	854,118	854,118

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	
At January 1, 2021	73,202	67,586	849,093	(9,879)	980,003	980,003
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
Total comprehensive income	—	—	47,411	4,277	51,688	51,688
Dividends	—	—	(49,316)	—	(49,316)	(49,316)
Equity compensation plans	—	(19)	—	—	(19)	(19)
Own equity instruments	—	253	—	—	253	253
At March 31, 2021	73,202	67,820	847,188	(5,601)	982,608	982,608

(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, 2021.

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% (61.16% 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, 2020 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.

In addition, as described in “1. Qualitative Information (1) Consolidated operating results,” the effects of COVID-19 on the first quarter of the fiscal year ending December 31, 2021 have been limited. Therefore, the impact on performance for the fiscal year ending December 31, 2021 will also be limited, and there is no material impact on the accounting estimates used.

There is a possibility that future changes in the epidemic situation of COVID-19 may pose a significant risk that will cause material corrections to the carrying amounts of assets and liabilities in the next fiscal year and beyond.

(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.