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CHUGAI PHARMACEUTICAL CO., LTD.

A member of the Roche group

CONSOLIDATED FINANCIAL STATEMENTS (IFRS) (Non-Audited)
(for the second quarter of the fiscal year 2021)

Name of Company: Chugai Pharmaceutical Co., Ltd. July 26, 2021
 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: July 29, 2021

Date on which Dividend Payments to Commence: August 30, 2021

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 second quarter of FY 2021 (January 1, 2021–June 30, 2021)

(1) Consolidated operating results

	Revenues	% change	Operating profit	% change	Net income	% change
First six months of FY 2021	¥390,229 million	6.0	¥160,679 million	14.3	¥118,137 million	15.5
First six months of FY 2020	¥368,120 million	14.9	¥140,629 million	47.9	¥102,293 million	47.7

	Net income attributable to Chugai shareholders	% change	Total comprehensive income	% change
First six months of FY 2021	¥118,137 million	15.5	¥120,997 million	18.8
First six months of FY 2020	¥102,293 million	47.7	¥101,835 million	50.7

	Earnings per share (Basic)	Earnings per share (Diluted)
First six months of FY 2021	¥71.86	¥71.81
First six months of FY 2020	¥62.26	¥62.18

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 Jun. 30, 2021	¥1,275,767 million	¥1,052,058 million	¥1,052,058 million	82.5%
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	—	¥30.00			
FY ending Dec. 2021 (Forecast)			—	¥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 six months of FY 2021 (Results)	¥390,229 million	+48.8	¥165,817 million	+51.8	¥121,733 million	+52.5
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 six months of FY 2021 (Results)	¥73.99	+52.5	—
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

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)

As of Jun. 30, 2021	1,679,057,667	As of Dec. 31, 2020	1,679,057,667
As of Jun. 30, 2021	34,848,947	As of Dec. 31, 2020	35,186,586
First six months of FY 2021	1,644,048,643	First six months of FY 2020	1,643,072,220

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

(c) Average number of shares issued during the period (six 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): July 26, 2021, 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 six months of FY 2021.12 (Jan. 1, 2021–Jun. 30, 2021)	First six months of FY 2020.12 (Jan. 1, 2020– Jun. 30, 2020)	% change
Core results			
Revenues	390.2	368.1	+6.0
Sales	304.1	305.7	(0.5)
Royalties and other operating income	86.1	62.5	+37.8
Cost of sales	(121.9)	(131.2)	(7.1)
Gross profit	268.4	236.9	+13.3
Marketing and distribution	(34.0)	(32.3)	+5.3
Research and development	(59.9)	(52.9)	+13.2
General and administration	(8.7)	(8.0)	+8.8
Operating profit	165.8	143.7	+15.4
Net income	121.7	104.5	+16.5
IFRS results			
Revenues	390.2	368.1	+6.0
Operating profit	160.7	140.6	+14.3
Net income	118.1	102.3	+15.4

Consolidated financial highlights (IFRS results)

Revenues for the six months under review were ¥390.2 billion (an increase of 6.0% year on year), operating profit for the six months under review was ¥160.7 billion (an increase of 14.3% year on year), and net income for the six months under review was ¥118.1 billion (an increase of 15.4% year on year). These results include non-Core items, such as amortization of intangible assets of ¥1.5 billion, impairment loss of intangible assets of ¥1.6 billion, and restructuring expenses etc. of ¥2.0 billion, which are excluded from the Core results that Chugai adopts to manage recurring business activities.

Consolidated financial highlights (Core results)

Revenues for the six months under review were ¥390.2 billion (an increase of 6.0% year on year), due to a significant increase in royalties and other operating income, even as both domestic and overseas sales remained comparable with the results for the same period of the previous fiscal year.

Of revenues, sales were ¥304.1 billion (a decrease of 0.5% year on year). Within domestic sales the sales of the mainstay products, Tecentriq, Kadcyla, and Hemlibra continued to increase steadily and the market penetration of a new product Enspryng progressed, while there was a decrease mainly due to the effects of the NHI drug price revisions and market penetration of generic drugs. Overseas sales remained comparable with the results for the same period of the previous fiscal year since the exports of Alecensa and Hemlibra to Roche increased while the export of Actemra decreased significantly. Royalties and other operating income amounted to ¥86.1 billion (an increase of 37.8% year on year), mainly 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 40.1%, a 2.8 percentage point improvement year on year. As a result, gross profit amounted to ¥268.4 billion (an increase of 13.3% year on year).

Operating expenses were ¥102.5 billion (an increase of 10.0% year on year). Marketing and distribution expenses were ¥34.0 billion (an increase of 5.3% year on year). Research and development expenses amounted to ¥59.9 billion (an increase of 13.2% year on year) due to an increase in expenses associated with the progress of projects, etc. General and administration expenses amounted to ¥8.7 billion (an increase of 8.8% year on year). As a result, Core operating profit was ¥165.8 billion (an increase of 15.4% year on year) and Core net income was ¥121.7 billion (an increase of 16.5% year on year).

Regarding the impact of COVID-19 on performance during the six 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 six months of FY 2021.12 (Jan. 1, 2021– Jun. 30, 2021)	First six months of FY 2020.12 (Jan. 1, 2020– Jun. 30, 2020)	% change
Sales	304.1	305.7	(0.5)
Domestic sales	203.4	204.6	(0.6)
Oncology	124.1	113.4	+9.4
Primary	79.3	91.2	(13.0)
Overseas sales	100.7	101.0	(0.3)

Domestic sales

Domestic sales were ¥203.4 billion (a decrease of 0.6% 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 2021 and the market penetration of generic drugs.

Oncology products sales were ¥124.1 billion (an increase of 9.4% year on year). Sales increased 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 Herceptin (an anti-HER2 humanized monoclonal antibody, anti-cancer agent) and Rituxan (an anti-CD20 monoclonal antibody, anti-cancer agent) affected by the market penetration of generic drugs.

Primary products sales were ¥79.3 billion (a decrease of 13.0% year on year). This was mainly due to a significant decline in sales of Edirof (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 ¥100.7 billion (a decrease of 0.3% year on year). The export of Actemra (a humanized anti-human IL-6 receptor monoclonal antibody) to Roche significantly decreased compared to the previous fiscal year. This was due to an increase in export of Actemra, including those for clinical trials for COVID-19 pneumonia, in the same period of the previous fiscal year. Meanwhile, the exports of Hemlibra and Alecensa (an ALK inhibitor, anti-cancer agent) to Roche were favorable and significantly increased compared to the previous fiscal year.

R&D activities

R&D expenses on a Core basis for the first six months under review totaled ¥59.9 billion (an increase of 13.2% year on year), and the ratio of R&D expenses to revenue was 15.4%.

Progress made in R&D activities during the period from January 1, 2021 to June 30, 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 and launched in May 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, and muscle-invasive bladder cancer (adjuvant) in March and May 2021, respectively.
- 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 started Phase I study for anti-latent TGF-β1 monoclonal antibody SOF10/RG6440 for the treatment of solid tumors in June 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.

Neurology

- We obtained approval for the pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody SA237/RG6168 (Product name: Enspryng) for the indication of neuromyelitis optica spectrum disorder in EU in June 2021.
- We obtained approval for SMN2 splicing modifier RG7916 (Product name: Evrysdi) for the treatment of spinal muscular atrophy in June 2021.

Other Diseases

- We started Phase I study for SARS-CoV-2 neutralizing antibody cocktail RG6413/RG6412 (Product name: Ronapreve) for the treatment of COVID-19 in March and filed in June 2021.
- We filed anti-VEGF/Ang2 bispecific antibody RG7716 for the treatment of diabetic macular edema and neovascular age-related macular degeneration in June 2021. Also, we started global Phase III study for RG7716 for the treatment of retinal vein occlusion in March 2021.
- We started global Phase III study for RNA polymerase inhibitor RG6422 for the treatment of COVID-19 in April 2021.
- We started Phase I study for anti-FGFR1/KLB bispecific antibody RG7992 for the treatment of non-alcoholic steatohepatitis in June 2021.

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

	June 30, 2021	December 31, 2020	Change in amount
Net operating assets (NOA) and Net assets			
Net working capital	315.0	300.0	15.0
Long-term net operating assets	366.8	346.0	20.8
Net operating assets (NOA)	681.8	646.0	35.8
Net cash	391.2	378.6	12.6
Other non-operating assets – net	(21.0)	(44.6)	23.6
Total net assets	1,052.1	980.0	72.1
Consolidated balance sheet (IFRS basis)			
Total assets	1,275.8	1,235.5	40.3
Total liabilities	(223.7)	(255.5)	31.8
Total net assets	1,052.1	980.0	72.1

Net operating assets (NOA) at June 30, 2021 were ¥681.8 billion, an increase of ¥35.8 billion since the end of the previous fiscal year. Of NOA, net working capital was ¥315.0 billion (an increase of ¥15.0 billion since the end of the previous fiscal year), due mainly to an increase in inventories. Long-term net operating assets increased by ¥20.8 billion to ¥366.8 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, increased by ¥12.6 billion since the end of the previous fiscal year to ¥391.2 billion. Other non-operating assets – net increased by ¥23.6 billion since the end of the previous fiscal year to ¥(21.0) billion due mainly to a decrease in current income tax liabilities.

As a consequence, total net assets were ¥1,052.1 billion (an increase of ¥72.1 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 six months of FY 2021.12 (Jan. 1, 2021–Jun. 30, 2021)	First six months of FY 2020.12 (Jan. 1, 2020– Jun. 30, 2020)	% change
Free cash flows			
Operating profit - IFRS basis	160.7	140.6	+14.3
Operating profit, net of operating cash adjustments	180.7	157.6	+14.7
Operating free cash flows	123.7	49.0	+152.4
Free cash flows	59.9	8.4	+613.1
Net change in net cash	12.6	(42.4)	—
Consolidated statement of cash flows (IFRS basis)			
Cash flows from operating activities	103.0	55.4	+85.9
Cash flows from investing activities	(76.6)	(7.7)	+894.8
Cash flows from financing activities	(53.4)	(54.3)	(1.7)
Net change in cash and cash equivalents	(25.2)	(7.3)	+245.2
Cash and cash equivalents at June 30	187.1	196.6	(4.8)

Operating profit, net of operating cash adjustments, amounted to ¥180.7 billion (an increase of 14.7% 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 six months under review was a net inflow of ¥123.7 billion (an increase of 152.4% year on year) mainly due to an increase in operating profit despite an increase in net working capital, etc. of ¥12.9 billion, as well as expenditures, etc. of ¥35.4 billion for the purchase of property, plant and equipment. 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 ¥59.9 billion (an increase of 613.1% year on year) due mainly to income taxes paid of ¥64.3 billion.

The net change in net cash calculated by subtracting dividends paid of ¥49.3 billion, etc. from free cash flows was an increase of ¥12.6 billion.

The net change in cash and cash equivalents, excluding changes in marketable securities and interest-bearing debt, was a net cash outflow of ¥25.2 billion. The cash and cash equivalents balance at the end of this period amounted to ¥187.1 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 six months ended June 30	
	2021	2020
Revenues	390,229	368,120
Sales	304,150	305,654
Royalties and other operating income	86,079	62,466
Cost of sales	(123,397)	(131,841)
Gross profit	266,832	236,279
Marketing and distribution	(33,788)	(32,822)
Research and development	(63,289)	(54,874)
General and administration	(9,076)	(7,954)
Operating profit	160,679	140,629
Financing costs	(24)	(23)
Other financial income (expense)	606	(157)
Other expense	(4)	(884)
Profit before taxes	161,256	139,565
Income taxes	(43,119)	(37,272)
Net income	118,137	102,293
Attributable to:		
Chugai shareholders	118,137	102,293
Earnings per share		
Basic (yen)	71.86	62.26
Diluted (yen)	71.81	62.18

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

	First six months ended June 30	
	2021	2020
Net income recognized in income statement	118,137	102,293
Other comprehensive income		
Financial assets measured at fair value through OCI	26	491
Items that will never be reclassified to the income statement	26	491
Financial assets measured at fair value through OCI	10	(22)
Cash flow hedges	211	(140)
Currency translation of foreign operations	2,614	(786)
Items that are or may be reclassified to the income statement	2,835	(949)
Other comprehensive income, net of tax	2,861	(457)
Total comprehensive income	120,997	101,835
Attributable to:		
Chugai shareholders	120,997	101,835

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

	June 30, 2021	December 31, 2020
Assets		
Non-current assets:		
Property, plant and equipment	310,588	289,218
Right-of-use assets	6,285	8,272
Intangible assets	25,269	23,880
Financial non-current assets	2,879	2,841
Deferred tax assets	45,817	47,934
Defined benefit plan assets	—	492
Other non-current assets	27,807	27,954
Total non-current assets	418,644	400,592
Current assets:		
Inventories	199,163	183,893
Accounts receivable	243,224	253,342
Current income tax assets	—	12
Marketable securities	204,097	166,287
Cash and cash equivalents	187,131	212,333
Other current assets	23,508	19,039
Total current assets	857,123	834,906
Total assets	1,275,767	1,235,498
Liabilities		
Non-current liabilities:		
Deferred tax liabilities	(8,509)	(9,166)
Defined benefit plan liabilities	(2,532)	(2,282)
Long-term provisions	(2,024)	(2,142)
Other non-current liabilities	(4,734)	(5,835)
Total non-current liabilities	(17,799)	(19,425)
Current liabilities:		
Current income tax liabilities	(40,576)	(63,171)
Short-term provisions	(119)	(358)
Accounts payable	(106,811)	(100,396)
Other current liabilities	(58,404)	(72,146)
Total current liabilities	(205,910)	(236,070)
Total liabilities	(223,709)	(255,495)
Total net assets	1,052,058	980,003
Equity:		
Capital and reserves attributable to Chugai shareholders	1,052,058	980,003
Total equity	1,052,058	980,003
Total liabilities and equity	1,275,767	1,235,498

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

	First six months ended June 30	
	2021	2020
Cash flows from operating activities		
Cash generated from operations	182,060	159,804
(Increase) decrease in working capital	(12,890)	(61,368)
Payments made for defined benefit plans	(1,373)	(1,216)
Utilization of provisions	(342)	—
Other operating cash flows	(129)	29
Cash flows from operating activities, before income taxes paid	167,326	97,249
Income taxes paid	(64,324)	(41,875)
Total cash flows from operating activities	103,002	55,373
Cash flows from investing activities		
Purchase of property, plant and equipment	(35,424)	(40,641)
Purchase of intangible assets	(4,442)	(2,311)
Disposal of property, plant and equipment	1,086	(61)
Interest and dividends received	70	56
Purchases of marketable securities	(192,768)	(88,000)
Sales of marketable securities	155,000	123,000
Purchases of investment securities	(117)	(49)
Sales of investment securities	—	326
Total cash flows from investing activities	(76,595)	(7,680)
Cash flows from financing activities		
Interest paid	(24)	(9)
Lease liabilities paid	(4,264)	(4,236)
Dividends paid to Chugai shareholders	(49,312)	(50,352)
Exercise of equity compensation plans	223	337
(Increase) decrease in own equity instruments	(6)	(24)
Total cash flows from financing activities	(53,384)	(54,285)
Net effect of currency translation on cash and cash equivalents	1,774	(746)
Increase (decrease) in cash and cash equivalents	(25,202)	(7,337)
Cash and cash equivalents at January 1	212,333	203,941
Cash and cash equivalents at June 30	187,131	196,603

(4) Interim condensed consolidated statement of changes in equity in millions of yen**For the first six months ended June 30, 2020 (Jan. 1, 2020 – Jun. 30, 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	—	—	102,293	—	102,293	102,293
Financial assets measured at fair value through OCI	—	—	—	470	470	470
Cash flow hedges	—	—	—	(140)	(140)	(140)
Currency translation of foreign operations	—	—	—	(786)	(786)	(786)
Total comprehensive income	—	—	102,293	(457)	101,835	101,835
Dividends	—	—	(50,372)	—	(50,372)	(50,372)
Equity compensation plans	186	(846)	—	—	(660)	(660)
Own equity instruments	—	1,153	—	—	1,153	1,153
Transfer from other reserves to retained earnings	—	—	106	(106)	—	—
At June 30, 2020	73,202	67,344	774,102	(8,706)	905,941	905,941

For the first six months ended June 30, 2021 (Jan. 1, 2021 – Jun. 30, 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	—	—	118,137	—	118,137	118,137
Financial assets measured at fair value through OCI	—	—	—	36	36	36
Cash flow hedges	—	—	—	211	211	211
Currency translation of foreign operations	—	—	—	2,614	2,614	2,614
Total comprehensive income	—	—	118,137	2,861	120,997	120,997
Dividends	—	—	(49,316)	—	(49,316)	(49,316)
Equity compensation plans	—	(154)	—	—	(154)	(154)
Own equity instruments	—	528	—	—	528	528
At June 30, 2021	73,202	67,960	917,914	(7,018)	1,052,058	1,052,058

(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 July 26, 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.

2) Subsequent events

The Group decided to construct a new manufacturing building for active pharmaceutical ingredients (APIs) on July April 26, 2021.

a. Purpose of the construction

The new manufacturing building for APIs (FJ3) aims to address the manufacturing functions of small and mid-size molecule drugs with high potency, covering APIs for late-stage clinical trials and early production after launch. By adding FJ3 to the existing manufacturing building for APIs (FJ1) and the manufacturing building for APIs which is under construction (FJ2) in the Fujieda Plant, the Group will gain the capability to consistently supply APIs throughout early clinical development to early commercial production, which will greatly strengthen the foundation that supports the rapid development and launch of innovative new drug candidates.

b. Details of the assets

Location: 2500, Takayanagi, Fujieda-shi, Shizuoka (In Fujieda Plant of Chugai Pharma Manufacturing Co., Ltd.)

Total Investment: 55.5 billion yen

c. Construction timetable

Date of approval by the Board of Directors: July 26, 2021

Start of Construction: March, 2022

Completion of Construction: February, 2024

Completion of Building: October, 2024

Start of Operation: May, 2025