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 second quarter of the fiscal year 2022)

Name of Company: Chugai Pharmaceutical Co., Ltd. July 21, 2022
Stock Listing: Tokyo Stock Exchange
Security Code No.: 4519 (URL https://www.chugai-pharm.co.jp/english)
Representative: Osamu Okuda, President & CEO
Contact: Toshiya Sasai, Head of Corporate Communications Department
Phone: +81-(0)3-3273-0554

Date of Submission of Quarterly Marketable Securities Filings: July 22, 2022
Date on which Dividend Payments to Commence: August 30, 2022
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 2022 (January 1, 2022–June 30, 2022)

(1) Consolidated operating results

	Revenues	% change	Operating profit	% change	Net income	% change
First six months of FY 2022	¥596,166 million	52.8	¥286,947 million	78.6	¥204,153 million	72.8
First six months of FY 2021	¥390,229 million	6.0	¥160,679 million	14.3	¥118,137 million	15.5

	Net income attributable to Chugai shareholders	% change	Total comprehensive income	% change
First six months of FY 2022	¥204,153 million	72.8	¥194,538 million	60.8
First six months of FY 2021	¥118,137 million	15.5	¥120,997 million	18.8

	Earnings per share (Basic)	Earnings per share (Diluted)
First six months of FY 2022	¥124.14	¥124.08
First six months of FY 2021	¥71.86	¥71.81

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 Jun. 30, 2022	¥1,625,604 million	¥1,307,340 million	¥1,307,340 million	80.4%
As of Dec. 31, 2021	¥1,538,694 million	¥1,188,017 million	¥1,188,017 million	77.2%

2. Dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
FY ended Dec. 2021	–	¥30.00	–	¥46.00	¥76.00
FY ending Dec. 2022	–	¥38.00			
FY ending Dec. 2022 (Forecast)			–	¥38.00	¥76.00

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

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

	Core revenues	% change	Core operating profit	% change	Core net income	% change
First six months of FY 2022 (Results)	¥504,251 million	+43.8	¥201,427 million	+45.8	¥144,744 million	+46.3
FY ending Dec. 2022 (Forecast)	¥1,150,000 million	+15.0	¥440,000 million	+1.4	¥312,500 million	+0.3

	Core earnings per share		Core dividend payout ratio %
First six months of FY 2022 (Results)	¥87.97	+46.3	–
FY ending Dec. 2022 (Forecast)	¥190.00	+0.3	40.0

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

2. Whether the most recent forecasts for consolidated figures have been revised: No

3. The figures for the consolidated forecasts and actuals are calculated based on Core basis indicators established by Chugai and used on a consistent basis. Core EPS is diluted earnings per share attributable to Chugai shareholders on a Core basis.

4. Others

(1) Changes in the state of material subsidiaries during the period (Changes in the state of specific subsidiaries with change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates
  (a) Changes in accounting policies required by IFRS: None
  (b) Changes in accounting policies other than those in (a) above: None
  (c) Changes in accounting estimates: None

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

(a) Number of shares issued at the end of the period (including treasury stock)	As of June 30, 2022	1,679,057,667	As of Dec. 31, 2021	1,679,057,667
(b) Number of treasury stock at the end of the period	As of June 30, 2022	34,068,838	As of Dec. 31, 2021	34,739,943
(c) Average number of shares issued during the period (six months)	First six months of FY 2022	1,644,590,421	First six months of FY 2021	1,644,048,643

Notes:
The quarterly financial statements are not subject to quarterly reviews.

Explanation of the appropriate use of performance forecasts and other related items

(1) Portions of this report that refer to performance forecasts or any other future events are believed to be reasonable under information available at the time of the forecasts. Actual results may differ from these forecasts due to potential risks and uncertainties.
(2) The forecast which is published for shareholders and investors is based on the internal management indicator Core basis under International Financial Reporting Standards ("IFRS"). The difference between IFRS results and Core results will be explained at each event and presentation.
(3) For the specifics of the forecasts, please refer to "Consolidated Forecasts and Other forward-looking Statements" on page 6 of the attachment.
(4) Chugai is scheduled to hold a presentation of the financial statements 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 presentation.
Presentation for institutional investors, securities analysts and the media (An online conference will be held simultaneously) (Japanese only): July 21, 2022, 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

(1) Consolidated operating results in billions of yen

	First six months of FY 2022.12 (Jan. 1, 2022–Jun. 30, 2022)	First six months of FY 2021.12 (Jan. 1, 2021–Jun. 30, 2021)	% change
Core results			
Revenues	**504.3**	**390.2**	**+29.2**
Sales	452.8	304.1	+48.9
Royalties and other operating income	51.4	86.1	(40.3)
Cost of sales	(193.7)	(121.9)	+58.9
Gross profit	**310.6**	**268.4**	**+15.7**
Marketing and distribution	(35.1)	(34.0)	+3.2
Research and development	(65.8)	(59.9)	+9.8
General and administration	(8.3)	(8.7)	(4.6)
Operating profit	**201.4**	**165.8**	**+21.5**
Net income	**144.7**	**121.7**	**+18.9**
IFRS results			
Revenues	596.2	390.2	+52.8
Operating profit	286.9	160.7	+78.5
Net income	204.2	118.1	+72.9

Consolidated financial highlights (IFRS results)
Revenues for the six months under review were ¥596.2 billion (an increase of 52.8% year on year), operating profit for the six months under review was ¥286.9 billion (an increase of 78.5% year on year), and net income for the six months under review was ¥204.2 billion (an increase of 72.9% year on year). These results include non-Core items, such as amortization of intangible assets of ¥0.6 billion, impairment loss of intangible assets of ¥0.2 billion, and restructuring expenses etc. of ¥4.5 billion, as well as the income and other related items which totaled ¥90.7 billion associated with the settlement agreement between Chugai and Alexion Pharmaceuticals, Inc., which are excluded from the Core results that Chugai adopts to manage recurring business activities.

Consolidated financial highlights (Core results)
Revenues for the six months under review were ¥504.3 billion (an increase of 29.2% year on year), due to a significant increase in sales, despite a decrease in royalties and other operating income.

Of revenues, sales were ¥452.8 billion (an increase of 48.9% year on year). Within domestic sales the sales grew significantly over the previous fiscal year primarily due to the steady market penetration of the new products Evyrsdi, Polivy and Enspryng, the favorable sales of the mainstay product Hemlibra, and the supply of Ronapreve to the government, while sales were affected by the NHI drug price revisions of April 2021 and 2022 and market penetration of generic drugs. Overseas sales increased significantly compared to the previous fiscal year due to the major increase in the exports of Hemlibra and Actemra, despite a decrease in the export of Alecensa to Roche. Royalties and other operating income amounted to ¥51.4 billion (a decrease of 40.3% year on year), due to a significant decrease in royalty income from initial shipments of Hemlibra. Furthermore, cost to sales ratio was 42.8%, a 2.7 percentage point rise year on year, reflecting a change in the product mix and other factors. As a result, gross profit amounted to ¥310.6 billion (an increase of 15.7% year on year).

Operating expenses were ¥109.2 billion (an increase of 6.5% year on year). Marketing and distribution expenses were ¥35.1 billion (an increase of 3.2% year on year) due to the effects of foreign exchange and other factors. Research and development expenses amounted to ¥65.8 billion (an increase of 9.8% year on year) due to an increase in expenses associated with the progress of projects and the effects of foreign exchange, etc. General and administration expenses amounted to ¥8.3 billion (a decrease of 4.6% year on year) due to increases in the enterprise tax (pro forma standard taxation) and various expenses, while recognizing gain on sales of property, plant and equipment. As a result, operating profit was ¥201.4 billion (an increase of 21.5% year on year) and net income was ¥144.7 billion (an increase of 18.9%year on year).

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

Note: Core results
Chugai discloses its results on a Core basis from 2013 in conjunction with its transition to IFRS. Core results are the results after adjusting non-recurring items recognized by Chugai to IFRS results. Chugai's recognition of non-recurring items may differ from that of Roche due to the difference in the scale of operations, the scope of business and other factors. Core results are used by Chugai as an internal performance indicator, for explaining the status of recurring profits both internally and externally, and as the basis for payment-by-results.

For further details regarding the adjustment to IFRS results, please refer to the Supplementary Materials on page 1, entitled "Reconciliation of IFRS results to Core results."

Sales breakdown in billions of yen

	First six months of FY 2022.12 (Jan. 1, 2022–Jun. 30, 2022)	First six months of FY 2021.12 (Jan. 1, 2021–Jun. 30, 2021)	% change
Sales	**452.8**	**304.1**	**+48.9**
Domestic sales	**273.8**	**203.4**	**+34.6**
Oncology	123.0	124.1	(0.9)
Specialty*	150.9	79.3	+90.3
Overseas sales	**179.0**	**100.7**	**+77.8**

Domestic sales
Domestic sales were ¥273.8 billion (an increase of 34.6% year on year) due to the mainstay products and the favorable market penetration of new products, while sales were significantly affected by the NHI drug price revisions of April 2021 and 2022 and the market penetration of generic drugs.

Oncology products sales were ¥123.0 billion (a decrease of 0.9% year on year). Sales of Avastin (an anti-VEGF humanized monoclonal antibody, anti-cancer agent) and Herceptin (an anti-HER2 humanized monoclonal antibody, anti-cancer agent) declined significantly affected by the NHI drug price revisions and market penetration of generic drugs, and sales of Tecentriq (an anti-PD-L1 humanized monoclonal antibody, anti-cancer agent) also declined, primarily due to a re-pricing for market expansion in August 2021. Meanwhile, thanks to the strong sales of Kadcyla (an anti-HER2 antibody-tubulin polymerization inhibitor conjugate), the favorable market penetration of the new product Polivy (an antimicrotubule binding anti-CD79b monoclonal antibody, anti-cancer agent) and the increase in the number of tests provided by the Foundation Medicine genomic mutation analysis program*, sales increased and were comparable to that of the same period of the previous fiscal year.

Specialty* products sales were ¥150.9 billion (an increase of 90.3% year on year). This was mainly due to the favorable sales of the mainstay product Hemlibra (blood coagulation factor VIII substitute), despite a sales decline of products including Mircera (a long-acting erythropoiesis stimulating agent) and Edirol (an osteoporosis agent) affected by the NHI drug price revisions and market penetration of generic drugs. As for new products, recognizing sales from the supply of Ronapreve (anti-SARS-CoV-2 monoclonal antibody) to the government, which received the special approval for emergency in July 2021, contributed to sales, as did the favorable market penetration of Evrysdi (for the treatment of spinal muscular atrophy) and Enspryng (a pH-dependent binding humanized anti-IL-6 receptor monoclonal antibody). Additionally, Vabysmo (an anti-VEGF/anti-Ang-2 humanized bispecific monoclonal antibody) launched in May 2022 demonstrated favorable market penetration both in the treatment of age-related macular degeneration and diabetic macular edema, resulting in sales of ¥0.9 billion.

* "Primary" used in the names of disease area is replaced with "Specialty" from July 2022.
** "FoundationOne Liquid CDx Cancer Genomic Profiling" and "FoundationOne CDx Cancer Genomic Profiling"

Overseas sales
Overseas sales amounted to ¥179.0 billion (an increase of 77.8% year on year), far exceeding that of the previous fiscal year. The export of Hemlibra to Roche significantly increased to ¥89.7 billion (an increase of 178.6% year on year), as export at a regular shipping price got underway, despite a decrease in the export of Alecensa (an ALK inhibitor, anti-cancer agent) to Roche compared to the previous fiscal year. In addition, sales of Actemra, which was approved in Europe in December 2021 to treat patients with severe COVID-19, were favorable, increasing to ¥61.4 billion (an increase of 68.2% year on year).

R&D activities
R&D expenses on a Core basis for the first six months under review totaled ¥65.8 billion (an increase of 9.8% year on year), and the ratio of R&D expenses to revenues was 13.0%.

Progress made in R&D activities during the period from January 1, 2022 to June 30, 2022 was as follows.

Oncology
- We obtained approval in March 2022 for the combination therapy of HER2 dimerization inhibitory humanized monoclonal antibody RG1273 (Product name: Perjeta) and anti-HER2 humanized monoclonal antibody RG597 (Product name: Herceptin) for the additional indication of advanced or recurrent HER2-positive colon cancer or rectal cancer not amenable to curative resection that has progressed after cancer chemotherapy.
- We obtained approval for an engineered anti-PD-L1 monoclonal antibody RG7446 (Product name: Tecentriq) for the additional indication of non-small cell lung cancer (NSCLC) (adjuvant) in May 2022. We decided to discontinue the development for ovarian cancer (1st Line) in consideration of the results of global Phase III study IMagyn050.
- Based on Public Knowledge-based Applications, we obtained the partial change approval for a recombinant human G-CSF Neutrogin for the indication of relapsed or refractory acute myeloid leukemia in combination with anticancer agents in June 2022.
- We filed for a glycoengineered type II anti-CD20 monoclonal antibody RG7159 (Product name: Gazyva) for the treatment of chronic lymphocytic leukemia in March 2022.
- We started domestic Phase II study for a RET inhibitor RG6396 for the treatment of NSCLC (2nd Line) in June 2022.
- We started Phase I study for an anti-CD20/CD3 bispecific antibody RG7828 for the treatment of follicular lymphoma (3rd Line) in March 2022.
- We decided to discontinue the development of an anti-TIGIT human monoclonal antibody RG6058 for small cell lung cancer (SCLC) (1st Line), in combination with RG7446, in consideration of the results of global Phase III study SKYSCRAPER-02.
- We decided to discontinue the development of AMY109 for solid tumors in consideration of the results of the Phase I study.

Immunology
- The U.S. Food and Drug Administration (FDA) accepted the supplemental Biologics License Application (sBLA) for the humanized anti-human IL-6 receptor monoclonal antibody MRA/RG1569 (Product name: Actemra) for the treatment of COVID-19 in hospitalized adults who are receiving systemic corticosteroids and require supplemental oxygen, non-invasive or invasive mechanical ventilation, or extracorporeal membrane oxygenation (ECMO) in April 2022.
- We started domestic Phase III study for a glycoengineered type II anti-CD20 monoclonal antibody RG7159(Product name: Gazyva) for the treatment of lupus nephritis in June 2022.
- We decided to discontinue the development of a human IL-22 fusion protein RG7880 for inflammatory bowel disease in consideration of the results of overseas study conducted by Roche.

Neuroscience
- We obtained approval for an anti-CD20 monoclonal antibody Rituxan for the additional indication of the prevention of recurrence of neuromyelitis optica spectrum disorder (including neuromyelitis optica) in June 2022.
- We started global Phase II/III study for an anti-latent myostatin sweeping antibody GYM329/RG6237 for the treatment of spinal muscular atrophy, in combination with RG7916 in June 2022.

Hematology
- We obtained approval for an anti-factor IXa/X bispecific antibody ACE910/RG6013 (Product name: Hemlibra) for the additional indication of acquired hemophilia A in June 2022.
- We started Phase II study for an anti-C5 recycling antibody SKY59/RG6107 for the treatment of sickle cell disease in March 2022.

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

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

(2) Consolidated financial position

Assets, liabilities and net assets in billions of yen

	June 30, 2022	December 31, 2021	Change in amount
Net operating assets (NOA) and Net assets			
Net working capital	369.9	370.1	(0.2)
Long-term net operating assets	418.7	402.4	16.3
Net operating assets (NOA)	**788.6**	**772.6**	**16.0**
Net cash	592.2	472.0	120.2
Other non-operating assets – net	(73.5)	(56.5)	(17.0)
Total net assets	**1,307.3**	**1,188.0**	**119.3**
Consolidated balance sheet (IFRS basis)			
Total assets	1,625.6	1,538.7	86.9
Total liabilities	(318.3)	(350.7)	32.4
Total net assets	1,307.3	1,188.0	119.3

Net operating assets (NOA) at June 30, 2022 were ¥788.6 billion, an increase of ¥16.0 billion since the end of the previous fiscal year. Of NOA, net working capital was ¥369.9 billion, comparable to the end of the previous fiscal year, due mainly to a decrease in accounts receivable, in spite of an increase in inventories and the payment for the manufacturing building for active pharmaceutical ingredients (APIs) (FJ3) in the Fujieda Plant. Long-term net operating assets increased by ¥16.3 billion to ¥418.7 billion since the end of the previous fiscal year, mainly due to the investments in the Chugai Life Science Park Yokohama and the manufacturing building for APIs of biopharmaceuticals (UK4) in the Ukima Site.

As indicated in “Cash flows” on the next page, net cash, including marketable securities and interest-bearing debt, increased by ¥120.2 billion since the end of the previous fiscal year to ¥592.2 billion. Other non-operating assets – net decreased by ¥17.0 billion since the end of the previous fiscal year to ¥(73.5) billion due mainly to an increase in foreign exchange contracts liabilities.

As a consequence, total net assets were ¥1,307.3 billion (an increase of ¥119.3 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 2022.12 (Jan. 1, 2022–Jun. 30, 2022)	First six months of FY 2021.12 (Jan. 1, 2021–Jun.30, 2021)	% change
Free cash flows			
Operating profit - IFRS basis	286.9	160.7	+78.5
Operating profit, net of operating cash adjustments	305.8	180.7	+69.2
Operating free cash flows	273.8	123.7	+121.3
Free cash flows	**192.8**	**59.9**	**+221.9**
Net change in net cash	120.2	12.6	+854.0
Consolidated statement of cash flows (IFRS basis)			
Cash flows from operating activities	245.9	103.0	+138.7
Cash flows from investing activities	(76.5)	(76.6)	(0.1)
Cash flows from financing activities	(79.3)	(53.4)	+48.5
Net change in cash and cash equivalents	92.5	(25.2)	−
Cash and cash equivalents at June 30	360.3	187.1	+92.6

Operating profit, net of operating cash adjustments, amounted to ¥305.8 billion (an increase of 69.2% 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 ¥273.8 billion (an increase of 121.3% year on year) mainly due to an increase in operating profit and a decrease in net working capital, etc. of ¥22.1 billion, despite expenditures of ¥43.6 billion for the purchase of property, plant and equipment. Factors accounting for the increase and 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 ¥192.8 billion (an increase of 221.9% year on year) due mainly to income taxes paid of ¥86.2 billion.

The net change in net cash calculated by subtracting dividends paid of ¥75.7 billion, etc. from free cash flows was an increase of ¥120.2 billion.

The net change in cash and cash equivalents, excluding changes in marketable securities and interest-bearing debt, was a net cash inflow of ¥92.5 billion. The cash and cash equivalents balance at the end of this period amounted to ¥360.3 billion.

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

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

(3) Consolidated forecasts and other forward-looking statements
Chugai has not made any changes in its forecast of consolidated results for the fiscal year ending December 31, 2022 since the announcement regarding the forecast issued on February 3, 2022.

Note: In “1. Qualitative Information,” amounts less than ¥0.1 billion have been rounded to the nearest ¥0.1 billion. Figures for changes in amounts and percentages have been calculated using data denominated in ¥0.1 billion units.

2. Interim Condensed Consolidated Financial Statements and Major Notes

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

1) Interim condensed consolidated income statement in millions of yen

	First six months ended June 30	
	2022	2021
Revenues	**596,166**	**390,229**
Sales	452,811	304,150
Royalties and other operating income	51,440	86,079
Other revenue	91,915	–
Cost of sales	(194,247)	(123,397)
Gross profit	**401,919**	**266,832**
Marketing and distribution	(35,286)	(33,788)
Research and development	(67,685)	(63,289)
General and administration	(12,001)	(9,076)
Operating profit	**286,947**	**160,679**
Financing costs	(29)	(24)
Other financial income (expense)	2,402	606
Other expense	(2,401)	(4)
Profit before taxes	**286,918**	**161,256**
Income taxes	(82,765)	(43,119)
Net income	**204,153**	**118,137**
Attributable to:		
Chugai shareholders	204,153	118,137
Earnings per share		
Basic (yen)	124.14	71.86
Diluted (yen)	124.08	71.81

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

	First six months ended June 30	
	2022	2021
Net income recognized in income statement	**204,153**	**118,137**
Other comprehensive income		
Financial assets measured at fair value through OCI	(59)	26
Items that will never be reclassified to the income statement	**(59)**	**26**
Financial assets measured at fair value through OCI	(3)	10
Cash flow hedges	(16,422)	211
Currency translation of foreign operations	6,870	2,614
Items that are or may be reclassified to the income statement	**(9,556)**	**2,835**
Other comprehensive income, net of tax	**(9,615)**	**2,861**
Total comprehensive income	**194,538**	**120,997**
Attributable to:		
Chugai shareholders	194,538	120,997

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

	June 30, 2022	December 31, 2021
Assets		
Non-current assets:		
Property, plant and equipment	354,787	338,841
Right-of-use assets	12,123	13,266
Intangible assets	25,520	21,974
Financial non-current assets	2,309	2,393
Deferred tax assets	63,032	56,287
Defined benefit plan assets	654	1,327
Other non-current assets	40,656	40,944
Total non-current assets	**499,081**	**475,033**
Current assets:		
Inventories	218,465	208,838
Accounts receivable	268,484	355,081
Current income tax assets	413	928
Marketable securities	231,930	204,217
Cash and cash equivalents	360,311	267,753
Other current assets	46,919	26,844
Total current assets	**1,126,523**	**1,063,661**
Total assets	**1,625,604**	**1,538,694**
Liabilities		
Non-current liabilities:		
Deferred tax liabilities	(7,045)	(7,614)
Defined benefit plan liabilities	(3,054)	(2,945)
Long-term provisions	(4,475)	(2,101)
Other non-current liabilities	(9,247)	(10,595)
Total non-current liabilities	**(23,821)**	**(23,255)**
Current liabilities:		
Current income tax liabilities	(82,315)	(86,312)
Short-term provisions	(1,385)	(2,695)
Accounts payable	(93,258)	(152,266)
Other current liabilities	(117,485)	(86,149)
Total current liabilities	**(294,442)**	**(327,422)**
Total liabilities	**(318,263)**	**(350,677)**
Total net assets	**1,307,340**	**1,188,017**
Equity:		
Capital and reserves attributable to Chugai shareholders	1,307,340	1,188,017
Total equity	**1,307,340**	**1,188,017**
Total liabilities and equity	**1,625,604**	**1,538,694**

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

	First six months ended June 30	
	2022	2021
Cash flows from operating activities		
Cash generated from operations	308,034	182,060
(Increase) decrease in working capital	22,104	(12,890)
Payments made for defined benefit plans	(1,281)	(1,373)
Utilization of provisions	(1,252)	(342)
Other operating cash flows	4,546	(129)
Cash flows from operating activities, before income taxes paid	**332,150**	**167,326**
Income taxes paid	(86,223)	(64,324)
Total cash flows from operating activities	**245,927**	**103,002**
Cash flows from investing activities		
Purchase of property, plant and equipment	(43,600)	(35,424)
Purchase of intangible assets	(6,715)	(4,442)
Disposal of property, plant and equipment	1,155	1,086
Interest and dividends received	101	70
Purchases of marketable securities	(229,972)	(192,768)
Sales of marketable securities	202,768	155,000
Purchases of investment securities	(265)	(117)
Sales of investment securities	1	−
Total cash flows from investing activities	**(76,527)**	**(76,595)**
Cash flows from financing activities		
Interest paid	(29)	(24)
Lease liabilities paid	(3,737)	(4,264)
Dividends paid to Chugai shareholders	(75,741)	(49,312)
Exercise of equity compensation plans	202	223
(Increase) decrease in own equity instruments	(3)	(6)
Total cash flows from financing activities	**(79,307)**	**(53,384)**
Net effect of currency translation on cash and cash equivalents	2,465	1,774
Increase (decrease) in cash and cash equivalents	**92,558**	**(25,202)**
Cash and cash equivalents at January 1	267,753	212,333
Cash and cash equivalents at June 30	**360,311**	**187,131**

(4) Interim condensed consolidated statement of changes in equity in millions of yen

For the first six months ended June 30, 2021 (Jan. 1, 2021–Jun. 30, 2021)

	Attributable to Chugai shareholders					
	Share capital	Capital surplus	Retained earnings	Other reserves	Subtotal	Total equity
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**

For the first six months ended June 30, 2022 (Jan. 1, 2022–Jun. 30, 2022)

	Attributable to Chugai shareholders					
	Share capital	Capital surplus	Retained earnings	Other reserves	Subtotal	Total equity
At January 1, 2022	**73,202**	**68,223**	**1,054,050**	**(7,457)**	**1,188,017**	**1,188,017**
Net income	–	–	204,153	–	204,153	204,153
Financial assets measured at fair value through OCI	–	–	–	(63)	(63)	(63)
Cash flow hedges	–	–	–	(16,422)	(16,422)	(16,422)
Currency translation of foreign operations	–	–	–	6,870	6,870	6,870
Total comprehensive income	**–**	**–**	**204,153**	**(9,615)**	**194,538**	**194,538**
Dividends	–	–	(75,639)	–	(75,639)	(75,639)
Equity compensation plans	–	(475)	–	–	(475)	(475)
Own equity instruments	–	899	–	–	899	899
Transfer from other reserves to retained earnings	–	–	0	(0)	–	–
At June 30, 2022	**73,202**	**68,647**	**1,182,564**	**(17,073)**	**1,307,340**	**1,307,340**

(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 July 21, 2022.

Roche Holding Ltd. is a public company registered in Switzerland and the parent company of the Roche Group, which discloses its results in accordance with IFRS. The shareholding percentage of Roche Holding Ltd. in Chugai is 59.89% (61.13% of the total number of shares issued excluding treasury stock). The Group became principal members of the Roche Group after entering into a strategic alliance in October 2002.

The Group meets all of the requirements for a "Specified Company under Designated International Financial Reporting Standards" as stipulated under Article 1-2 of the "Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements" (Japanese Cabinet Ordinance No. 64, 2007). Hence, in accordance with Article 93 of the same Ordinance, the Interim Financial Statements have been prepared in accordance with International Accounting Standard (IAS) No. 34 "Interim Financial Reporting."

The Interim Financial Statements should be used with the consolidated financial statements for the year ended December 31, 2021 as they do not include all the information as required for the consolidated financial statements for the full fiscal year.

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

(b) Key accounting judgments, estimates and assumptions

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

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

(c) Significant accounting policies

The Group applies the same significant accounting policies that were used for the Consolidated Financial Statements in the previous fiscal year to the Interim Financial Statements.