



**Non-Consolidated Financial Results (Japanese GAAP)  
for the Fiscal Year Ended December 31, 2017**

February 14, 2018

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Stock Code: 4583 URL <http://www.chiome.co.jp>  
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Scheduled date of the Annual General Meeting of Shareholders : March 26, 2018  
Scheduled dividend payment commencement date: —  
Scheduled filing date of the Securities Report : March 26, 2018  
Supplementary materials prepared for the financial results : Yes  
Holding of a financial results explanatory meeting : Yes (For institutional investors and securities analysts)

(Amounts of less than one million yen are rounded down)

**1. Financial Results for the Fiscal Year Ended December 31, 2017 (January 1, 2017 to December 31, 2017)**

**(1) Operating Results**

(% figures are the increase / (decrease) compared with the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Dec. 31, 2017	259	3.0	(887)	—	(883)	—	(882)	—
Fiscal year ended Dec. 31, 2016	252	(10.0)	(1,042)	—	(1,047)	—	(1,491)	—

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Fiscal year ended Dec. 31, 2017	(33.48)	—	(20.3)	(19.2)	(341.6)
Fiscal year ended Dec. 31, 2016	(65.91)	—	(32.9)	(21.6)	(413.3)

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended Dec. 31, 2017: — million yen  
Fiscal year period Dec. 31, 2016: — million yen

Notes:

- Despite the existence of shares with a dilutive effect, diluted net income per share is not stated because Chiome incurred a loss for each respective period.

**(2) Financial Position**

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2017	4,419	4,217	94.6	156.15
As of Dec. 31, 2016	4,789	4,565	94.5	177.87

(Reference) Equity As of Dec. 31, 2017: 4,181 million yen As of Dec. 31, 2016: 4,527 million yen

**(3) Cash Flows**

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents as of the End of the Period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Dec. 31, 2017	(867)	(137)	478	4,027
Fiscal year ended Dec. 31, 2016	(969)	1,988	1,433	4,553

## 2. Dividends

	Annual Dividend					Total Dividend (Annual)	Dividend Payout Ratio	Dividends to Net Assets
	1Q-End	2Q-End	3Q-End	FY-End	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal period ended Dec. 31, 2016	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended Dec. 31, 2017	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending Dec. 31, 2018 (forecast)	—	0.00	—	0.00	0.00		—	

## 3. Forecast of Financial Results for the Fiscal Year Ending December 31, 2018 (January 1, 2018 to December 31, 2018)

As it is difficult to provide reasonable estimates for Drug Discovery and Development Business at present, Chiome discloses only business forecasts for Drug Discovery Support Business (net sales of ¥220 million). For details, please refer to “1. Overview of Operating Results (1) Overview of Operating Results in the Fiscal Year under Review iii. Outlook for the Fiscal Year Ending December 31, 2018” on page 3 of the attached materials.

### Notes:

#### (1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatements

- 1) Changes in accounting policies in line with revisions to accounting and other standards : No
- 2) Changes in accounting policies other than 1) above : No
- 3) Changes in accounting estimates : No
- 4) Retrospective restatements : No

#### (2) Number of Shares Issued (Common Stock)

- 1) Number of shares issued as of the end of the period (including treasury stock)
- 2) Number of treasury stock as of the end of the period
- 3) Average number of shares for the period (cumulative total for the period)

As of Dec. 31, 2017	26,781,500 shares	As of Dec. 31, 2016	25,455,500 shares
As of Dec. 31, 2017	146 shares	As of Dec. 31, 2016	146 shares
Fiscal year ended Dec. 31, 2017	26,358,221 shares	Fiscal period ended Dec. 31, 2016	22,625,200 Shares

\* This summary report on Chiome's financial statements is not subject to quarterly review procedures.

#### \* Explanation Concerning the Proper Use of Financial Results Forecasts and Other Relevant Specific Items

1. Forward-looking statements including forecasts of financial results contained in this report are based on management's assumptions and beliefs that are determined to be reasonable in light of currently available information. Chiome cautions readers that due to a variety of factors actual results may differ materially from forecasts. For the assumptions that underpin financial results forecasts as well as other related items, please refer to “1. Overview of Operating Results (1) Overview of Operating Results in the Fiscal Year under Review iii. Outlook for the Fiscal Year Ending December 31, 2018” on page 3 of the attached materials.
2. Chiome plans to hold a financial results explanatory meeting for institutional investors and securities analysts on February 16, 2018. Plans are also in place to post a copy of the supplementary materials distributed at the meeting on Chiome's website in conjunction with disclosure to the Tokyo Stock Exchange today.

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## 1. Overview of Operating Results

### (1) Overview of Operating Results in the Fiscal Year under Review

In the fiscal year under review, the biopharmaceuticals market continued to grow steadily with the appearance of Immune checkpoint inhibitor typified by Opdivo. In the field of antibody drug discovery and development, which is driver for biopharmaceutical, seven novel antibody pharmaceutical products were newly approved domestically in 2017. Furthermore, technologies related to antibody generation and modification have been advanced extensively in various field. Such technologies, if advanced further, are expected to boost commercialization of antibody drugs with greatly improved effectiveness or fewer side effects, as well as expand treatment for diseases with unmet medical needs.

Under these external circumstances, concerning LIV-1205 naked antibody, Chiome has undertaken the preparation for licensing activities and first clinical development, gathering basic data to improve its product value. Meanwhile, it has proactively engaged in marketing and sales activities aimed at creating new antibody generation business at home and abroad, with the goal of boosting sales in the Drug Discovery Support Business.

As a consequence, in the fiscal year under review, Chiome posted net sales of ¥259,895 thousand (an increase of ¥7,680 thousand year-on-year), an operating loss of ¥887,868 thousand (a decrease of ¥154,489 thousand year-on-year), ordinary loss of ¥883,627 thousand (a decrease of ¥163,530 thousand year-on-year), and net loss of ¥882,570 thousand (a decrease of ¥608,591 thousand year-on-year). Research and development expenses stood at ¥592,384 thousand in the fiscal year under review (a decrease of ¥34,314 thousand year-on-year).

Every facet of Chiome's business development activities is based on its drug discovery platform technology ADLib® system and multiple antibody generation technologies. As a result, and taking into consideration that all of Chiome's assets are used in unison to generate cash flows, research and development expenses are not allocated to individual reportable segments.

Operating results by segment are as follows.

#### i. Drug Discovery and Development Business

In the Drug Discovery and Development Business, in September 2017, Chiome executed a License Agreement with Switzerland-based ADC Therapeutics SA (ADCT) for the development, manufacture, and commercialization of an antibody drug conjugate (ADC) of LIV-1205. Under the License Agreement, ADCT obtained the exclusive, worldwide, and sub-licensable rights to LIV-1205, and Chiome received an up-front payment. With the steady progress of development by ADCT, Chiome received a payment upon the completion of the first milestone in November. Regarding LIV-1205 naked antibody, in September 2017, Chiome selected Germany-based ProBioGen AG as an entrusted partner for the Master cell banking and GMP manufacturing toward clinical development, and launched its manufacture. By leveraging the partner's unique technology named GlymaxX®, Chiome started to develop antibody-producing cells which has greater antibody-dependent cellular cytotoxicity (ADCC) activity.

Meanwhile, Chiome was advised by ADCT in June 2017 that it would not exercise its option right for LIV-2008b, which resulted in the termination of the Option License Agreement with ADCT. Accordingly, Chiome has continued to conduct research and development and licensing activities based on our pre-clinical data obtained previously.

Concerning BMAA (Anti Semaphorin 3A), Chiome has continued licensing activities aiming at a new facet.

Chiome has also actively engaged in a number of exploratory research and development programs. In addition, in order to expand its pipelines, Chiome has made a public offering to the scientists at academic/public institutions focusing on the research themes related to refractory cancer, rare diseases, and designated intractable diseases. Chiome has also striven to create contacts with academic/public institutions and institutions devoted to academic-industrial collaboration organization. As a result, the number of projects on the stage of drug discovery has achieved 8 projects including joint research and development. Furthermore, in December 2017, Chiome executed a Joint Research and Development Agreement with Trans Chromosomics Inc., which Chiome had capitalized in February 2017. From now on, Chiome will speed up more the drug discovery activities by utilizing animals (mice and rats) producing a fully human antibody, which Trans Chromosomics Inc. has, added to Chiome's technology.

Taking all of these factors into account, the Drug Discovery and Development Business posted net sales of ¥59,561 thousand (an increase of ¥32,146 thousand year-on-year) and gross profit of ¥57,006 thousand (an increase of ¥36,821 thousand year-on-year) in the fiscal year under review.

#### ii. Drug Discovery Support Business

In the Drug Discovery Support Business, transactions under the agreement with Chugai Pharmaceutical Co., Ltd. and its overseas subsidiary Chugai Pharmabody Research Pte. Ltd. (Chugai Pharmaceutical Group) have served as a major business line. Although the Business terminated the joint research and development activity on antibody isolation with Chugai Pharmaceutical Co., Ltd. as of December 31, 2017, it has continued transactions with the counterpart with respect to entrusted research, a core part sustaining sales of the Business. In addition, the Business has been working on an antibody generation project under an agreement with Mitsubishi Tanabe Pharma Corporation and Tanabe Research Laboratories U.S.A., Inc. (Mitsubishi Tanabe Pharma Group). Furthermore, the Business has engaged in new entrusted projects and joint research activities that involve the use of Chiome's own antibody generation technology, including the ADLib® system and relevant technical skills.

As a result, the Drug Discovery Support Business posted net sales of ¥200,334 thousand (a decrease of ¥24,466 thousand year-on-year), which resulted in the same level as the previously disclosed sales forecast (net sales of ¥201,000 thousand), and gross profit of ¥117,407 thousand (an increase of ¥23,175 thousand year-on-year) in the fiscal year under review.

#### iii. Outlook for the Fiscal Year Ending December 31, 2018

In the Drug Discovery and Development Business, Chiome will accelerate the out-licensing activities or the development toward early clinical study for the pre-clinical stage pipelines and will make effort to push forward the discovery stage projects to pre-clinical stage. Chiome will also bolster collaborative work with academic/public institutions, bio-venture firms, and other entities at home and abroad to secure new drug targets and will seek projects to open new pipelines with a focus on areas with greater unmet needs. Furthermore, to expand near-term clinical pipeline development, Chiome will initiate projects, including in-licensing of drug candidate from outside. As for LIV-1205 naked, which is at the preparatory stage for clinical development, expenses of the GMP manufacturing for clinical development are expected to increase in the fiscal year ending December 31, 2018.

In the Drug Discovery Support Business, Chiome will address customer needs more proactively, leveraging its own multiple core technologies for drug discovery and accumulated technical know-how. In addition, it will continue to expand entrusted businesses, including transactions for new antibody generation and antigen preparation for pharmaceutical companies, diagnostic pharmaceutical firms, and academic/public institutions. Chiome forecasts, as seen in the past operating results, that sales and profits will be attributed mainly to continued business with Chugai Pharmaceutical Group and Mitsubishi Tanabe Pharma Group.

As a consequence, Drug Discovery Support Business is forecasted to produce net sales of ¥220 million for the fiscal year ending December 31, 2018.

### (2) Overview of Financial Position in the Fiscal Year under Review

#### i. Assets, Liabilities, and Net Assets

##### (Current assets)

As of December 31, 2017, current assets stood at ¥4,196,681 thousand, down ¥484,836 thousand compared to the balance as of December 31, 2016. This decline could be primarily attributed to a decrease in cash and deposits due to payments of selling, general and administrative expenses.

##### (Non-current assets)

As of December 31, 2017, non-current assets stood at ¥222,783 thousand, up ¥115,147 thousand compared to the balance as of December 31, 2016. This increase was mainly due to a rise in investment securities due to contributions

to Trans Chromosomes Inc.

(Liabilities)

As of December 31, 2017, liabilities stood at ¥201,890 thousand, down ¥22,184 thousand compared to the balance as of December 31, 2016. The major contributing factors were decreases in the current portion of long-term loans payable and a decrease in assets retirement obligation.

(Net assets)

As of December 31, 2017, net assets stood at ¥4,217,574 thousand, down ¥347,503 thousand compared to the balance of December 31, 2016. This was because the decrease in the amount of retained earnings resulted from net loss was greater than the increase in the amount of capital stock and capital reserves due to exercises of subscription rights to shares.

ii. Analysis of Cash Flows

The balance of cash and cash equivalents (hereinafter, "funds") as of December 31, 2017 stood at ¥4,027,466 thousand, down ¥525,711 thousand compared to the balance as of December 31, 2016. Details of cash flows of each activity and major factors are outlined as follows.

(Cash flows from operating activities)

For the fiscal year ending December 31, 2017, net funds used in operating activities were ¥867,201 thousand. The major movements were loss before income taxes and a decrease in accrued expenses.

(Cash flows from investing activities)

For the fiscal year ending December 31, 2017, net funds used in investing activities amounted to ¥137,113 thousand. The major movement was due to the purchase of investment securities.

(Cash flows from financing activities)

For the fiscal year ending December 31, 2017, net funds obtained in financing activities amounted to ¥478,603 thousand. The movements were proceeds from issuance of common shares and the repayments of long-term loans payable.

(3) Significant Events Relating to Going Concern Assumptions

Not applicable

2. Fundamental View on Selection of Accounting Standards

Chiome currently adopts Japanese GAAP as its accounting standards. With regard to adoption of International Financial Reporting Standards (IFRS) in the coming years, Chiome will look at various cases globally and make an appropriate decision.

3. Financial Statements

(1) Balance Sheets

	Thousand yen	
	As of Dec. 31, 2016	As of Dec. 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and in banks	4,553,178	4,027,466
Accounts receivable	46,950	43,722
Inventories	35,475	34,979
Prepaid expenses	10,856	46,263
Consumption taxes receivable	31,926	31,923
Other current assets	3,129	12,325
<b>Total current assets</b>	<u>4,681,517</u>	<u>4,196,681</u>
<b>Non-current assets</b>		
<b>Property and equipment</b>		
Machinery	459,689	345,381
Accumulated depreciation	(437,473)	(330,266)
Machinery, net	<u>22,216</u>	<u>15,115</u>
Tools and equipment	118,453	107,520
Accumulated depreciation	(105,353)	(99,670)
Tools and equipment, net	<u>13,100</u>	<u>7,850</u>
<b>Total property and equipment</b>	<u>35,316</u>	<u>22,965</u>
<b>Investments and other assets</b>		
Investment Securities	—	150,000
Long-term prepaid expenses	—	2,333
Lease deposits and others	71,995	47,485
Other investment securities	324	—
<b>Total investments and other assets</b>	<u>72,319</u>	<u>199,818</u>
<b>Total non-current assets</b>	<u>107,635</u>	<u>222,783</u>
<b>Total assets</b>	<u>4,789,153</u>	<u>4,419,465</u>

	Thousand yen	
	As of Dec. 31, 2016	As of Dec. 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable, trade	22,565	27,638
Current portion of long-term loans payable	50,004	4,159
Accounts payable, other	34,705	64,858
Accrued expenses	20,546	20,748
Income taxes payable	20,702	29,481
Deposits received	5,815	4,014
Unearned revenue	2,815	—
Provision for bonuses	11,932	10,376
Total liabilities	<u>169,088</u>	<u>161,276</u>
<b>Non-current liabilities</b>		
Long-term loans payable	4,159	—
Asset retirement obligations	<u>50,827</u>	<u>40,613</u>
Total non-current liabilities	<u>54,986</u>	<u>40,613</u>
Total liabilities	<u>224,075</u>	<u>201,890</u>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,186,379	5,454,775
Capital reserve		
Legal Capital reserve	<u>5,176,379</u>	<u>5,444,775</u>
Total capital reserve	<u>5,176,379</u>	<u>5,444,775</u>
Retained earnings		
Other retained earnings		
Retained earnings brought forward	<u>(5,834,757)</u>	<u>(6,717,328)</u>
Total retained earnings	<u>(5,834,757)</u>	<u>(6,717,328)</u>
Treasury stock	<u>(292)</u>	<u>(292)</u>
Total shareholders' equity	<u>4,527,709</u>	<u>4,181,929</u>
Subscription rights to shares	37,368	35,645
Total net assets	<u>4,565,078</u>	<u>4,217,574</u>
Total liabilities and net assets	<u>4,789,153</u>	<u>4,419,465</u>

(2) Statements of Income

	Thousands yen	
	Fiscal Year Ended Dec. 31, 2016 (Jan. 1, 2016 to Dec. 31, 2016)	Fiscal Year Ended Dec. 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)
Net sales	252,215	259,895
Cost of sales	137,798	85,481
Gross profit	114,417	174,414
Selling, general and administrative expenses		
Research and development expenses	626,699	592,384
Other, net	530,075	469,898
Total selling, general and administrative expenses	1,156,774	1,062,282
Operating loss	(1,042,357)	(887,868)
Non-operating income		
Interest income	150	41
Interest on securities	2,156	—
Foreign exchange gains	525	1,517
Subsidy income	4,007	4,477
Other, net	805	627
Total non-operating income	7,645	6,663
Non-operating expenses		
Interest paid	483	185
Share issuance cost	4,949	1,894
Subscription rights issuance cost	6,896	—
Other, net	115	343
Total non-operating expenses	12,445	2,423
Ordinary loss	(1,047,157)	(883,627)
Extraordinary income		
Gain on sales of non-current assets	—	2,050
Gain on reversal of subscription rights to shares	6,228	3,181
Total extraordinary income	6,228	5,232
Extraordinary loss		
Loss on sales of non-current assets	—	1,755
Impairment loss of non-current assets	321,466	—
Loss on valuation of investment securities	113,999	—
Special retirement expenses	24,800	—
Other, net	84	—
Total extraordinary loss	460,351	1,755
Loss before income taxes	(1,501,280)	(880,150)
Income taxes-current	2,420	2,420
Income taxes-deferred	(12,537)	—
Total income taxes	(10,117)	2,420
Net loss	(1,491,162)	(882,570)

【Details of Cost of Sales】

		Fiscal Year Ended Dec. 31, 2016 (Jan. 1, 2016 to Dec. 31, 2016)		Fiscal Year Ended Dec. 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)	
Category	note	Amount (Thousand yen)	Proportion of cost of sales (%)	Amount (Thousand yen)	Proportion of cost of sales (%)
I Cost of materials	* 1	45,135	33.3	30,321	36.1
II Labor costs		41,805	30.9	24,116	28.7
III Expenses		48,469	35.8	29,570	35.2
Total manufacturing costs		135,410	100.0	84,007	100.0
Opening balance of work-in-progress under inventories		5,602		3,214	
Total		141,013		87,222	
Closing balance of work-in-progress under inventories		3,214		1,741	
Cost of sales		137,798		85,481	

Method of calculating cost of sales: Cost of sales is calculated based on the specific identification method by project

(Note)\*1 The following are major items.

Thousand yen		
		Fiscal Year Ended Dec. 31, 2016 (Jan. 1, 2016 to Dec. 31, 2016)
Royalties paid	374	251
Outsourcing expenses	178	214
Other expenses	47,916	29,104

(3) Statements of Changes in Net Assets

The Fiscal Year Ended December 31, 2016 (January 1, 2016 to December 31, 2016)

Thousand yen

	Shareholders' Equity				
	Capital Stock	Capital Reserve		Retained Earnings	
		Legal Capital reserve	Total capital reserve	Other retained earnings	Total retained earnings brought forward
Balance as of the beginning of the period	4,445,258	4,435,258	4,435,258	(4,343,594)	(4,343,594)
Changes during the period					
Issuance of new stock	741,121	741,121	741,121		
Net loss				(1,491,162)	(1,491,162)
Net changes of items other than shareholders' equity					
Total changes during the period	741,121	741,121	741,121	(1,491,162)	(1,491,162)
Balance as of the end of the period	5,186,379	5,176,379	5,176,379	(5,834,757)	(5,834,757)

	Shareholders' Equity		Subscription rights to shares	Total Net Assets
	Treasury Stock	Total Shareholders' Equity		
Balance as of the beginning of the period	(292)	4,536,629	27,611	4,564,241
Changes during the period				
Issuance of new stock		1,482,242		1,482,242
Net loss		(1,491,162)		(1,491,162)
Net changes of items other than shareholders' equity			9,757	9,757
Total changes during the period	—	(8,920)	9,757	837
Balance as of the end of the period	(292)	4,527,709	37,368	4,565,078

The Fiscal Period Ended December 31, 2017 (January 1, 2017 to December 31, 2017)

Thousand yen

	Shareholders' Equity				
	Capital Stock	Capital Reserve		Retained Earnings	
		Legal Capital reserve	Total capital reserve	Other retained earnings	Total retained earnings brought forward
Balance as of the beginning of the period	5,186,379	5,176,379	5,176,379	(5,834,757)	(5,834,757)
Changes during the period					
Issuance of new stock	268,395	268,395	268,395		
Net loss				(882,570)	(882,570)
Net changes of items other than shareholders' equity					
Total changes during the period	268,395	268,395	268,395	(882,570)	(882,570)
Balance as of the end of the period	5,454,775	5,444,775	5,444,775	(6,717,328)	(6,717,328)

	Shareholders' Equity		Subscription rights to shares	Total Net Assets
	Treasury Stock	Total Shareholders' Equity		
Balance as of the beginning of the period	(292)	4,527,709	37,368	4,565,078
Changes during the period				
Issuance of new stock		536,791		536,791
Net loss		(882,570)		(882,570)
Net changes of items other than shareholders' equity			(1,723)	(1,723)
Total changes during the period	—	(345,779)	(1,723)	(347,503)
Balance as of the end of the period	(292)	4,181,929	35,645	4,217,574

(4) Statements of Cash Flows

	Thousand yen	
	Fiscal Year Ended Dec. 31, 2016 (Jan. 1, 2016 to Dec. 31, 2016)	Fiscal Year Ended Dec. 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)
<b>Cash flows from operating activities</b>		
Loss before income taxes	(1,501,280)	(880,150)
Depreciation and amortization	113,102	10,593
Impairment loss	321,466	—
Loss (gain) on valuation of investment securities	113,999	—
Decrease (increase) in notes and accounts receivable-trade	(1,366)	3,228
Decrease (increase) in inventories	6,801	495
Increase (decrease) in notes and accounts payable-trade	(7,467)	5,072
Increase (decrease) in unearned revenue	(27,031)	—
Increase (decrease) in accounts payable-other	(22,998)	35,128
Increase (decrease) in accrued expenses	(15,373)	201
Other, net	70,026	(43,743)
<b>Subtotal</b>	<b>(950,120)</b>	<b>(869,173)</b>
Interest income received	5,443	35
Interest expenses paid	(483)	(185)
Proceeds from subsidy income	4,007	4,477
Extra retirement payments	(24,800)	—
Income taxes paid	(4,294)	(2,420)
Income taxes refund	342	65
<b>Net cash used in operating activities</b>	<b>(969,906)</b>	<b>(867,201)</b>
<b>Cash flows from investing activities</b>		
Purchase of securities	(300,568)	—
Proceeds from redemption of securities	2,300,000	—
Purchase of property and equipment	(10,455)	(4,975)
Proceeds from sales of property and equipment	—	2,051
Purchase of intangible assets	(500)	—
Purchase of investment securities	—	(150,000)
Payments for asset retirement obligations	—	(8,700)
Proceeds from collection of lease and guarantee deposits	—	24,510
Other, net	150	—
<b>Net cash provided by (used in) investing activities</b>	<b>1,988,626</b>	<b>(137,113)</b>
<b>Cash flows from financing activities</b>		
Repayments of long-term loans payable	(45,837)	(50,004)
Proceeds from issuance of common shares	1,461,435	528,607
Proceeds from issuance of subscription rights to shares	18,233	—
<b>Net cash provided by financing activities</b>	<b>1,433,831</b>	<b>478,603</b>
Net increase (decrease) in cash and cash equivalents	2,452,551	(525,711)
Cash and cash equivalents as of the beginning of the year	2,100,626	4,553,178
Cash and cash equivalents as of the end of the year	4,553,178	4,027,466

(5) Notes to Financial Statements

(Notes regarding going concern assumptions)

No item to report.

(Equity in earnings or losses)

Not applicable as Chiome does not have non-consolidated subsidiaries and affiliates.

(Segment information)

i. Overview of reportable segments

The business segments for reporting purposes are the business units for which Chiome is able to obtain respective financial information separately in order for its Board of Directors to conduct periodic assessments and reviews to determine the proper allocation of management resources and to evaluate business results.

With the major business territory focused on the antibody research phase, covering investigation research, research for drug discovery, and early clinical development, Chiome puts forward comprehensive global strategies and runs business activities.

Every facet of Chiome's business development activities is based on its drug discovery platform technology ADLib® system and multiple antibody generation technologies and Chiome has two reportable segments, Drug Discovery and Development and Drug Discovery Support, centered on the technology for drug discovery ADLib® system. Under its Drug Discovery and Development business, Chiome produces specific antibodies based on new antigens and mechanisms for the purpose of out-licensing to pharmaceutical companies. Under its Drug Discovery Support Business, Chiome generates lead antibodies for the purpose of developing therapeutic drugs partnering with domestic and international pharmaceutical companies.

ii. Method for computing the amounts of operating revenue, income or loss, assets, and liabilities as well as other items for reportable segments:

The accounting method for reportable segments is pursuant to the accounting policies adopted for the preparation of financial statements."

Chiome records selling, general and administrative expenses, including research and development expenses for running business. Because these expenses are recognized as costs associated with all business segments, they are posted without allocations to particular reportable segments. Accordingly, earnings on each reportable segment reflect the numerical values of total sales.

iii. Information relating to the amounts of operating revenue, income or loss, assets, and liabilities as well as other items for reportable segments:

The Fiscal Year Ended December 31, 2016 (January 1, 2016 to December 31, 2016)

(Thousands of yen)

	Reportable Segments		Total	Adjustments (Note 1)	Amount Recorded on the Balance Sheet (Note 2)
	Drug Discovery and Development Business	Drug Discovery Support Business			
Operating revenue					
External customer operating revenue	27,414	224,800	252,215	—	252,215
Intersegment operating revenue and transfers	—	—	—	—	—
Total	27,414	224,800	252,215	—	252,215
Segment income (loss)	20,184	94,232	114,417	(1,156,774)	(1,042,357)
Segment assets	—	—	—	4,789,153	4,789,153
Others					
Impairment loss	—	—	—	321,466	321,466

Notes:

1. Details regarding adjustments are presented as follows:
  - (1) Adjustments to segment income (loss) are mainly research and development expenses which do not belong to segment as well as selling, general and administrative expenses that relate to areas other than research and development.
  - (2) Segment assets are not allocated between segments because all assets of the Company are unified in their generation of cash flows and apply to the technology for drug discovery ADLib® system and multiple antibody generation technologies. Accordingly, the amount of total assets recorded on the balance sheet and the amount of impairment loss on the statements of income is presented as the adjustment balance.
2. The total amount of segment income (loss) is reconciled with operating loss recorded in the statement of income.

The Fiscal Year Ended December 31, 2017 (January 1, 2017 to December 31, 2017)

(Thousands of yen)

	Reportable Segments		Total	Adjustments (Note 1)	Amount Recorded on the Balance Sheet (Note 2)
	Drug Discovery and Development Business	Drug Discovery Support Business			
Operating revenue					
External customer operating revenue	59,561	200,334	259,895	—	259,895
Intersegment operating revenue and transfers	—	—	—	—	—
Total	59,561	200,334	259,895	—	259,895
Segment income (loss)	57,006	117,407	174,414	(1,062,282)	(887,868)
Segment assets	—	—	—	4,419,465	4,419,465
Others					
Impairment loss	—	—	—	—	—

Notes:

1. Details regarding adjustments are presented as follows:
  - (1) Adjustments to segment income (loss) are mainly research and development expenses which do not belong to segment as well as selling, general and administrative expenses that relate to areas other than research and development.
  - (2) Segment assets are not allocated between segments because all assets of the Company are unified in their generation of cash flows and apply to the technology for drug discovery ADLib® system and multiple antibody generation technologies. Accordingly, the amount of total assets recorded on the balance sheet is presented as the adjustment balance.
2. The total amount of segment income (loss) is reconciled with operating loss recorded in the statement of income.

(Per share information)

(Yen)

	Fiscal Year Ended Dec. 31, 2016 (Jan. 1, 2016 to Dec. 31, 2016)	Fiscal Year Ended Dec. 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)
Net assets per share	177.87	156.15
Net loss per share	(65.91)	(33.48)

Notes:

1. Details regarding diluted net income per share are not provided despite the existence of shares with the potential to have a dilutive effect. This is because of the net loss for the period.
2. The basis for calculations are presented as follows:
  - (1) Net assets per share

(Thousands of yen unless otherwise stated)

	Fiscal Year Ended Dec. 31, 2016 (Jan. 1, 2016 to Dec. 31, 2016)	Fiscal Year Ended Dec. 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)
Total net assets	4,565,078	4,217,574
Amount deducted from total net assets	37,368	35,645
(New subscription rights to shares)	(37,368)	(35,645)
Net assets allocated to capital stock	4,527,709	4,181,929
Number of shares of capital stock used to calculate net assets per share (shares)	25,455,354	26,781,354

- (2) Net loss per share

(Thousands of yen unless otherwise stated)

	Fiscal Year Ended Dec. 31, 2016 (Jan. 1, 2015 to Dec. 31, 2016)	Fiscal Year Ended Dec. 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)
Net loss	(1,491,162)	(882,570)
Amount not attributable to shareholders of capital stock	—	—
Net loss allocated to capital stock	(1,491,162)	(882,570)
Average number of shares for the period (shares)	22,625,200	26,358,221
Details of dilutive shares not included in calculations relating to net income per diluted share because there was no dilutive effect	New subscription rights to shares: 7 types Number of new subscription rights to shares: 4,369	New subscription rights to shares: 5 types Number of new subscription rights to shares: 1,985

(Important subsequent events)

Not applicable.