



**Non-Consolidated Financial Results (Japanese GAAP)
for the Three Months Ended March 31, 2018**

May 15, 2018

Company Name: Chiome Bioscience Inc. Tokyo Stock Exchange
Stock Code: 4583 URL <http://www.chiome.co.jp/english/>
Representative: Shigeru Kobayashi, President & CEO
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Scheduled filing date of quarterly financial results: May15, 2018
Scheduled dividend payment commencement date: —
Supplementary materials prepared for the quarterly financial results: Yes
Holding of the quarterly financial results No
explanatory meeting:

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

1. Financial Results for the Three Months Ended March 31, 2018 (January 1, 2018 to March 31, 2018)

(1) Operating Results (Cumulative)

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

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income | |
|----------------------------------|-------------|--------|------------------|---|-----------------|---|-------------|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three months ended Mar. 31, 2018 | 45 | (17.6) | (302) | — | (300) | — | (301) | — |
| Three months ended Mar. 31, 2017 | 55 | 6.2 | (203) | — | (204) | — | (205) | — |

| | Net Income per Share | Diluted Net Income per Share |
|----------------------------------|----------------------|------------------------------|
| Three months ended Mar. 31, 2018 | Yen (11.25) | Yen — |
| Three months ended Mar. 31, 2017 | Yen (7.93) | 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 |
|---------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of Mar. 31, 2018 | 4,075 | 3,917 | 95.2 |
| As of Dec. 31, 2017 | 4,419 | 4,217 | 94.6 |

(Reference) Equity As of Mar. 31, 2018: 3,880 million yen As of Dec. 31, 2017: 4,181 million yen

2. Dividends

| | Annual Dividends | | | | |
|---|------------------|-------------|----------|-------------|-------------|
| | 1Q-End | 2Q-End | 3Q-End | FY-End | Total |
| Fiscal Year Ending Dec. 31, 2017 | Yen — | Yen 0.00 | Yen — | Yen 0.00 | Yen 0.00 |
| Fiscal Year Ending Dec. 31, 2018 | — | — | — | — | — |
| Fiscal Year Ending Dec. 31, 2018 (Forecast) | — | 0.00 | — | 0.00 | 0.00 |

Note: Revision to the most recently announced dividend forecast: No

**3. Forecasts 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. There is no revision to the most recently announced forecasts of financial results.

[Notes]

(1) Application of Special Accounting Practices in the Preparation of Quarterly Financial Statements: No

(2) 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

(3) 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 Mar. 31, 2018 | 26,781,500 shares | As of Dec. 31, 2017 | 26,781,500 shares |
| As of Mar. 31, 2018 | 146 shares | As of Dec. 31, 2017 | 146 shares |
| Three months ended Mar. 31, 2018 | 26,781,354 shares | Three months ended Mar. 31, 2017 | 25,858,599 shares |

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

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

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 the "1. Qualitative Information Regarding Quarterly Financial Results (3) Explanation of Forward-Looking Statements including Forecasts of Financial Results" on page 4 of this report.

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1. Qualitative Information Regarding Quarterly Financial Results

Chiome promotes two business segments, one is Drug Discovery and Development for diseases with high unmet medical needs, and the other is Drug Discovery Support Business which provides technology services oriented to antibody related protein fields. In the past research and development expenses had not been allocated to each reporting segment due to the former management policy under which all Chiome's assets were assumed to form cash flow as a whole, and not separable to each business segment. However, from the first quarter of the fiscal year under review, Chiome allocates a part of the total corporate expenses adequately to each corresponding segment, which was not the practice in the past, to make reviewing its business results properly.

(1) Explanation of Operating Results

In business activities during the first three months of the fiscal year under review, Chiome has executed a Collaborative Development License and Exclusive Option Agreement with Canadian biotech company, SemaThera Inc. (hereinafter, "ST") for anti-Semaphorin 3A antibody developed by Chiome. For LIV-1205 naked antibody, development work directed to clinical study is steadily ongoing. In addition, aiming to boost sales in the Drug Discovery Support Business, Chiome made efforts to offer broader range of services in antigen preparation and antibody generation for clients locally and globally, which has led to obtaining a new account pharmaceutical companies.

As a result, in the first three months of the fiscal year under review, Chiome posted net sales of ¥45,354 thousand (a decrease of ¥9,676 thousand year-on-year), an operating loss of ¥302,748 thousand (an operating loss of ¥203,838 thousand in the same period of the previous fiscal year), an ordinary loss of ¥300,612 thousand (an ordinary loss of ¥204,564 thousand in the same period of the previous fiscal year), and a net loss of ¥301,217 thousand (a net loss of ¥205,169 thousand in the same period of the previous fiscal year).

Operating results by segment are as follows.

(i) Drug Discovery and Development Business

In this business segment, in March 2018, Chiome executed a Collaborative Development License and Exclusive Option Agreement with ST for anti-Semaphorin 3A antibody developed by Chiome, for the development of therapeutics and diagnostics in Diabetic Macular Edema (DME) and other diabetic complications including non-ocular diseases. Upon the conclusion of the Agreement, Chiome received option fees corresponding to an option period. Under the Agreement, in the event that the option right is exercised and Chiome and ST enter into a license agreement in future, Chiome will receive milestone payments along with the progresses of the development, and in addition, Chiome is eligible to receive sales-tied royalties of the product.

Regarding LIV-1205 that was licensed out to Switzerland-based ADC Therapeutics SA (hereinafter, "ADCT") for Antibody Drug Conjugate (ADC) purpose in September 2017, is now coded ADCT-701. Its development is on track where the final stage of pre-clinical study and CMC works are proceeding to meet the regulatory requirements before entering into a clinical study. .

For the development of LIV-1205 naked antibody in-house, cell development of clone with enhanced ADCC activity has been in progress as planned at ProBioGen AG, a German Contract Development and Manufacturing Organization (CDMO) towards clinical development.

To fulfill product pipeline down the road, Chiome has proactively continued research and development works to find out novel seeds for drug discovery and development. In parallel, Chiome persistently communicated with external

parties through its own networks, and consequently launched new collaborative research for drug discovery with domestic research institutions, while initiating new joint research projects by leveraging its antibody generation platforms and related technologies.

As a result, in the first three months of the fiscal year under review, the Drug Discovery and Development Business posted net sales of ¥88 thousand (a decrease of ¥2,776 thousand year-on-year), research and development expenses ¥205,055 thousand (an increase of ¥104,516 thousand year-on-year) and a segment loss of ¥206,786 thousand (a segment loss of ¥97,673 thousand in the same period of the previous fiscal year).

(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. In addition, as new business development activities, Chiome started providing antibody generation services using platforms such like ADLib® system and also B cell cloning for targets owned by academia, institutes, and companies.

As a result, in the first three months of the fiscal year under review, the Drug Discovery Support Business posted net sales of ¥45,265 thousand (a decrease of ¥6,900 thousand year-on-year) and a segment profit of ¥32,516 thousand (an increase of ¥3,177 thousand year-on-year).

(2) Explanation of Financial Position

(Current Assets)

As of March 31, 2018, current assets stood at ¥3,855,176 thousand, down ¥341,504 thousand compared with the balance as of December 31, 2017. The decline was primarily attributable to a decrease in cash on hand and in banks and accounts receivable.

(Non-current assets)

As of March 31, 2018, non-current assets came to ¥220,512 thousand, down ¥2,271 thousand compared with the balance as of December 31, 2017. The decrease was mainly due to a decline in property and equipment that resulted from the booking of depreciation.

(Liabilities)

As of March 31, 2018, liabilities stood at ¥158,646 thousand, down ¥43,243 thousand compared with the balance as of December 31, 2017. The decline was primarily due to reduced accounts payable-other that resulted from the payment and a decrease in income taxes payable that resulted from the payment of income taxes.

(Net assets)

As of March 31, 2018, net assets stood at ¥3,917,042 thousand, down ¥300,532 thousand compared with the balance as of December 31, 2017. The major underlying factor for the decline was a decline in retained earnings reflecting the net loss for the period.

(3) Explanation of Forward-Looking Statements including Forecasts of Financial Results

There are no changes to the financial results forecasts for the fiscal year ending December 31, 2018 announced on February 14, 2018.

2. Summary Information (Notes)

Not applicable.

3. Quarterly Financial Statements

(1) Quarterly Balance Sheets

| | Thousand yen | |
|------------------------------------|------------------------|------------------------|
| | As of Dec. 31, 2017 | As of Mar. 31, 2018 |
| Assets | | |
| Current assets | | |
| Cash on hand and in banks | 4,027,466 | 3,645,174 |
| Accounts receivable | 43,722 | 27,427 |
| Inventories | 34,979 | 42,009 |
| Consumption taxes receivable | 31,923 | 40,872 |
| Other current assets | 58,588 | 99,692 |
| Total current assets | <u>4,196,681</u> | <u>3,855,176</u> |
| Non-current assets | | |
| Property and equipment | | |
| Machinery | 345,381 | 345,381 |
| Accumulated depreciation | (330,266) | (331,234) |
| Machinery, net | <u>15,115</u> | <u>14,147</u> |
| Tools and equipment | 107,520 | 107,520 |
| Accumulated depreciation | (99,670) | (100,456) |
| Tools and equipment, net | <u>7,850</u> | <u>7,063</u> |
| Total property and equipment | <u>22,965</u> | <u>21,211</u> |
| Investments and other assets | | |
| Investment Securities | 150,000 | 150,000 |
| Long-term prepaid expenses | 2,333 | 1,815 |
| Lease deposits and others | 47,485 | 47,485 |
| Total investments and other assets | <u>199,818</u> | <u>199,300</u> |
| Total non-current assets | <u>222,783</u> | <u>220,512</u> |
| Total assets | 4,419,465 | 4,075,688 |

Thousand yen

| | As of Dec. 31, 2017 | As of Mar. 31, 2018 |
|--|------------------------|------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable, trade | 27,638 | 31,959 |
| Current portion of long-term loans payable | 4,159 | — |
| Accounts payable, other | 64,858 | 40,344 |
| Accrued expenses | 20,748 | 19,436 |
| Income taxes payable | 29,481 | 12,319 |
| Deposits received | 4,014 | 8,499 |
| Provision for bonuses | 10,376 | 5,371 |
| Total Current liabilities | 161,276 | 117,929 |
| Non-current liabilities | | |
| Asset retirement obligations | 40,613 | 40,717 |
| Total non-current liabilities | 40,613 | 40,717 |
| Total liabilities | 201,890 | 158,646 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,454,775 | 5,454,775 |
| Capital reserve | 5,444,775 | 5,444,775 |
| Retained earnings | (6,717,328) | (7,018,546) |
| Treasury stock | (292) | (292) |
| Total shareholders' equity | 4,181,929 | 3,880,712 |
| Subscription rights to shares | 35,645 | 36,329 |
| Total net assets | 4,217,574 | 3,917,042 |
| Total liabilities and net assets | 4,419,465 | 4,075,688 |

(2) Quarterly Statement of Income
(First Quarter Cumulative)

| | Thousands yen | |
|--|---|---|
| | Three Months Ended Mar. 31, 2017 (Jan. 1, 2017 to Mar. 31, 2017) | Three Months Ended Mar. 31, 2018 (Jan. 1, 2018 to Mar. 31, 2017) |
| Net sales | 55,031 | 45,354 |
| Cost of sales | 22,826 | 14,569 |
| Gross profit | <u>32,204</u> | <u>30,785</u> |
| Selling, general and administrative expenses | | |
| Research and development expenses | 100,539 | 205,055 |
| Other, net | <u>135,503</u> | <u>128,478</u> |
| Total selling, general and administrative expenses | <u>236,042</u> | <u>333,533</u> |
| Operating loss | <u>(203,838)</u> | <u>(302,748)</u> |
| Non-operating income | | |
| Interest income | 19 | 25 |
| Foreign exchange gains | 59 | 2,055 |
| Other, net | <u>8</u> | <u>55</u> |
| Total non-operating income | <u>87</u> | <u>2,136</u> |
| Non-operating expenses | | |
| Interest expenses | 97 | — |
| Share issuance expenses | 716 | — |
| Total non-operating expenses | <u>814</u> | <u>—</u> |
| Ordinary loss | <u>(204,564)</u> | <u>(300,612)</u> |
| Loss before income taxes | <u>(204,564)</u> | <u>(300,612)</u> |
| Income taxes-current | <u>605</u> | <u>605</u> |
| Total income taxes | <u>605</u> | <u>605</u> |
| Net loss | <u>(205,169)</u> | <u>(301,217)</u> |

(3) Notes Concerning Quarterly Financial Statements
(Notes Regarding Going Concern Assumptions)
Not applicable.