



**Non-Consolidated Financial Results (Japanese GAAP)  
for the Six Months Ended June 30, 2018**

August 14, 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: August 14, 2018  
Scheduled dividend payment commencement date: —  
Supplementary materials prepared for the quarterly financial results: Yes  
Holding of the quarterly 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 Six Months Ended June 30, 2018 (January 1, 2018 to June 30, 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	%
Six months ended Jun. 30, 2018	92	(9.5)	(607)	—	(603)	—	(603)	—
Six months ended Jun. 30, 2017	102	(22.0)	(388)	—	(389)	—	(389)	—

	Net Income per Share	Diluted Net Income per Share
Six months ended Jun. 30, 2018	Yen (22.55)	Yen —
Six months ended Jun. 30, 2017	Yen (15.02)	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
As of Jun. 30, 2018	Million yen 3,795	Million yen 3,614	% 94.3
As of Dec. 31, 2017	4,419	4,217	94.6

(Reference) Equity As of Jun. 30, 2018: 3,578 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	—	0.00	—	—	—
Fiscal Year Ending Dec. 31, 2018 (Forecast)	—	—	—	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; net sales ¥220 million. 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 Jun. 30, 2018	26,781,500 shares	As of Dec. 31, 2017	26,781,500 shares
As of Jun. 30, 2018	146 shares	As of Dec. 31, 2017	146 shares
Six months ended June. 30, 2018	26,781,354 shares	Six months ended Jun. 30, 2017	25,928,073 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

- 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 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.
- 2. Chiome plans to hold a financial results explanatory meeting for institutional investors and securities analysts on August 15, 2018. Supplementary materials will be available on the Chiome's website after the meeting.

## Contents

1. Qualitative Information Regarding Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Cash Flows	4
(4) Explanation of Forward-Looking Statements including Forecasts of Financial Results	4
2. Quarterly Financial Statements	5
(1) Quarterly Balance Sheets	5
(2) Quarterly Statements of Income	7
(3) Quarterly Statements of Cash Flows	8
(4) Notes Concerning Quarterly Financial Statements	9
(Notes Regarding Going Concern Assumptions)	9
(Notes Regarding Substantial Changes in Shareholders' Equity)	9

## 1. Qualitative Information Regarding Quarterly Financial Results

In the first quarter of the fiscal year under review, ended March 31, 2018, based on a new management policy, Chiome adopted a new research approach for its two business units, namely the Drug Discovery and Development Business, which fulfills unmet medical needs, and the Drug Discovery Support Business, which provides technical services relating to antibody research.

### (1) Explanation of Operating Results

Here follows an overview of Chiome's business activities during the six months ended June 30, 2018 (hereinafter, "the period under review").

In the Drug Discovery and Development Business, Chiome granted a joint development license and concluded an exclusive option agreement with Canada's SemaThera Inc. for the anti-Semaphorin 3A antibody discovered by Chiome.

In the Drug Discovery Support Business, we initiated a broader range of marketing activities for our extended protein preparation and antibody generation services, with the objective of expanding sales. This resulted in the successful conclusion of a master agreement for outsourcing services with Ono Pharmaceutical Co., Ltd.

The outcome of the above was net sales of ¥92,669 thousand for the period under review, a decline of ¥9,684 thousand year on year; an operating loss of ¥607,326 thousand (compared to an operating loss of ¥388,949 thousand in the same period of the previous year); an ordinary loss of ¥603,025 thousand (compared to an ordinary loss of ¥389,614 thousand previously); and a net loss of ¥603,924 thousand (compared to a net loss of ¥389,530 thousand previously).

With regard to research and development expenses, under the previous management approach, cash flows were assumed to be generated by the combination of all assets owned, and so in the previous fiscal year research and development expenses were not allocated by reporting segment. However, from the first quarter of the current fiscal year, based on the above-mentioned new management approach, and with the goal of gaining a better understanding of the results of the different reporting segments, the Company began to allocate, based on a reasonable method of measurement, certain corporate expenses to the reporting segments that had not previously been so allocated.

Results by segment are as follows.

#### (i) Drug Discovery and Development Business

In the Drug Discovery and Development Business, with regard to the anti-Semaphorin 3A antibody that was discovered using Chiome's proprietary ADLib® system technology and developed in collaboration with Yokohama City University, Chiome has concluded an exclusive option agreement with SemaThera, and granted a joint development license for therapeutics and diagnostics in relation to diabetic macular edema (DME), as well as for other diabetic complications, including those in areas of non-ophthalmology. Under the terms of the Agreement, Chiome receives an option fee during the period for which the option is active. SemaThera is currently in the process of evaluating the antibody. In addition, in the event that the option is exercised and the license agreement is concluded, Chiome will receive milestone payments from SemaThera in accordance with progress in development. The agreement also specifies that, after a product has been approved, Chiome will receive a royalty based on the level of sales.

With regard to LIV-1205, which was licensed to Swiss-based ADC Therapeutics SA (hereinafter, "ADCT"), specifically for antibody drug conjugate (ADC) applications in September 2017, and coded ADCT-701, this is proceeding as scheduled through the final stage of pre-clinical and CMC development at ADCT, and towards the First-in-Human

Study. Moreover, with regard to the LIV-1205 naked antibody currently under in-house development, the development of antibody-producing cells with enhanced ADCC activity using glyco-engineering technology, and the manufacturing process for clinical development at ProBioGen AG, our contract manufacturer in Germany, is proceeding as planned. In addition, to reflect the progress of this development, the clinical development code for this antibody has been revised to CBA-1205.

In preparation for expanding the future pipeline, we are actively working on research and development in relation to the discovery of new drugs, and we continue to leverage our network to contact external organizations. As a result, Chiome has begun a total of six joint research projects with domestic research institutions, as well as joint projects related to our antibody generation and associated technology.

The outcome of the above for the period under review was net sales of ¥353 thousand, a decline of ¥2,512 thousand year on year; research and development expenses of ¥433,929 thousand (an increase of ¥236,122 thousand year on year); a segment loss of ¥436,808 thousand (compared to a segment loss of ¥194,942 thousand previously).

#### (ii) Drug Discovery Support Business

In the Drug Discovery Support Business, the bulk of transactions were derived from an agreement for outsourced research services with Chugai Pharmaceutical Co., Ltd. and its overseas subsidiary, Chugai Pharmabody Research Pte. Ltd.

In addition, in May 2018 Chiome concluded a master service agreement for outsourced services with Ono Pharmaceutical, under which Chiome will generate antibodies using our proprietary ADLib® system technology and B cell cloning methods, and provide services for the preparation of recombinant proteins such as antibodies/antigens. During the period under review we began to provide services for the preparation of recombinant proteins.

Also, in April 2018 we began new transactions with Kyowa Hakko Kirin Co., Ltd., providing services related to protein engineering.

We offered antibody generation services, making use of not only the previous ADLib® system but also of B cell cloning methods, to domestic universities, research institutions and companies.

The outcome of the above for this business in the period under review was net sales of ¥92,316 thousand, a decline of ¥7,172 thousand year on year; research and development expenses of ¥1,356 thousand (an increase of ¥1,356 thousand year on year); and a segment profit of ¥53,090 thousand (down ¥5,435 thousand year on year).

## (2) Explanation of Financial Position

### (Current Assets)

As of June 30, 2018, current assets stood at ¥3,578,013 thousand, down ¥618,667 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 June 30, 2018, non-current assets came to ¥217,308 thousand, down ¥5,475 thousand compared with the balance as of December 31, 2017. The decrease was due to a decline in property and equipment that resulted from the booking of depreciation and a decline in long-term prepaid expenses that resulted from the booking of expenses.

### (Liabilities)

As of June 30, 2018, liabilities stood at ¥180,614 thousand, down ¥21,276 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.

(Net assets)

As of June 30, 2018, net assets stood at ¥3,614,708 thousand, down ¥602,866 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 Cash Flows

The balance of cash and cash equivalents as of the end of the second quarter (June 30, 2018) of the fiscal year under review stood at ¥3,332,869 thousand, down ¥694,597 thousand compared to the balance as of December 31, 2017. Details of cash flows of each activity, as well as major factors behind their movements, are outlined as follows.

(Cash flows from operating activities)

For the six-month period of the fiscal year under review, net cash used in operating activities were ¥690,438 thousand. The major movements were loss before income taxes and a decrease in accounts payable (other).

(Cash flows from investing activities)

For the six-month period of the fiscal year under review, there is no increase or decrease in the cash by investing activities.

(Cash flows from financing activities)

For the six-month period of the fiscal year under review, net cash used by financing activities totaled ¥4,159 thousand. The movements were proceeds from the repayments of long-term loans payable.

(4) 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. Quarterly Financial Statements

### (1) Quarterly Balance Sheets

	Thousand yen	
	As of Dec. 31, 2017	As of Jun. 30, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash on hand and in banks	4,027,466	3,332,869
Accounts receivable	43,722	35,055
Inventories	34,979	39,939
Consumption taxes receivable	31,923	50,244
Other current assets	58,588	119,904
<b>Total current assets</b>	<u>4,196,681</u>	<u>3,578,013</u>
<b>Non-current assets</b>		
Property and equipment		
Machinery	345,381	345,381
Accumulated depreciation	(330,266)	(332,201)
Machinery, net	<u>15,115</u>	<u>13,179</u>
Tools and equipment	107,520	107,520
Accumulated depreciation	(99,670)	(101,242)
Tools and equipment, net	<u>7,850</u>	<u>6,277</u>
Total property and equipment	<u>22,965</u>	<u>19,457</u>
Investments and other assets		
Investment Securities	150,000	150,000
Long-term prepaid expenses	2,333	366
Lease deposits and others	47,485	47,485
Total investments and other assets	<u>199,818</u>	<u>197,851</u>
<b>Total non-current assets</b>	<u>222,783</u>	<u>217,308</u>
<b>Total assets</b>	<b>4,419,465</b>	<b>3,795,322</b>

	Thousand yen	
	As of Dec. 31, 2017	As of Jun. 30, 2018
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable, trade	27,638	39,634
Current portion of long-term loans payable	4,159	—
Accounts payable, other	64,858	38,917
Accrued expenses	20,748	19,112
Income taxes payable	29,481	24,638
Deposits received	4,014	7,311
Unearned revenue	—	706
Provision for bonuses	10,376	9,473
<b>Total Current liabilities</b>	<b>161,276</b>	<b>139,792</b>
<b>Non-current liabilities</b>		
Asset retirement obligations	40,613	40,821
<b>Total non-current liabilities</b>	<b>40,613</b>	<b>40,821</b>
<b>Total liabilities</b>	<b>201,890</b>	<b>180,614</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,454,775	5,454,775
Capital reserve	5,444,775	5,444,775
Retained earnings	(6,717,328)	(7,321,252)
Treasury stock	(292)	(292)
<b>Total shareholders' equity</b>	<b>4,181,929</b>	<b>3,578,005</b>
Subscription rights to shares	35,645	36,702
<b>Total net assets</b>	<b>4,217,574</b>	<b>3,614,708</b>
<b>Total liabilities and net assets</b>	<b>4,419,465</b>	<b>3,795,322</b>

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

	Thousand yen	
	Six Months Ended Jun. 30, 2017 (Jan. 1, 2017 to Jun. 30, 2017)	Six Months Ended Jun. 30, 2018 (Jan. 1, 2018 to Jun. 30, 2018)
Net sales	102,353	92,669
Cost of sales	40,962	41,100
Gross profit	<u>61,391</u>	<u>51,569</u>
Selling, general and administrative expenses		
Research and development expenses	197,807	435,286
Other, net	<u>252,533</u>	<u>223,608</u>
Total selling, general and administrative expenses	<u>450,341</u>	<u>658,895</u>
Operating loss	<u>(388,949)</u>	<u>(607,326)</u>
Non-operating income		
Interest income	19	25
Foreign exchange gains	201	2,687
Subsidy income	—	1,516
Other, net	<u>322</u>	<u>71</u>
Total non-operating income	<u>543</u>	<u>4,300</u>
Non-operating expenses		
Interest expenses	148	—
Share issuance expenses	716	—
Other, net	<u>343</u>	<u>—</u>
Total non-operating expenses	<u>1,208</u>	<u>—</u>
Ordinary loss	<u>(389,614)</u>	<u>(603,025)</u>
Extraordinary income		
Gain on sales of non-current assets	1,863	—
Gain on reversal of subscription rights to shares	<u>1,185</u>	<u>311</u>
Total extraordinary income	<u>3,049</u>	<u>311</u>
Extraordinary loss		
Loss on sales of non-current assets	1,755	—
Total extraordinary loss	<u>1,755</u>	<u>—</u>
Loss before income taxes	<u>(388,320)</u>	<u>(602,714)</u>
Income taxes-current	1,210	1,210
Total income taxes	<u>1,210</u>	<u>1,210</u>
Net loss	<u>(389,530)</u>	<u>(603,924)</u>

(3) Statements of Cash Flows

	Thousand yen	
	Six Months Ended Jun. 30, 2017 (Jan. 1, 2017 to Jun. 30, 2017)	Six Months Ended Jun. 30, 2018 (Jan. 1, 2018 to Jun. 30, 2018)
Cash flows from operating activities		
Loss before income taxes	(388,320)	(602,714)
Depreciation and amortization	5,422	3,508
Decrease (increase) in notes and accounts receivable-trade	(3,218)	8,666
Decrease (increase) in inventories	(3,863)	(4,959)
Increase (decrease) in notes and accounts payable-trade	1,762	11,996
Decrease (increase) in consumption taxes refund receivable	18,032	(18,321)
Increase (decrease) in accounts payable-other	(10,064)	(25,941)
Increase (decrease) in accrued expenses	(4,499)	(1,636)
Increase (decrease) in income taxes payable - factor based tax	11,003	(3,633)
Other, net	(9,656)	(56,528)
Subtotal	<u>(383,403)</u>	<u>(689,562)</u>
Interest income received	16	21
Interest expenses paid	(148)	—
Proceeds from subsidy income	—	1,516
Income taxes paid	(2,420)	(2,420)
Income taxes refund	65	6
Net cash used in operating activities	<u>(385,889)</u>	<u>(690,438)</u>
Cash flows from investing activities		
Purchase of property and equipment	(4,975)	—
Purchase of investment securities	<u>(150,000)</u>	<u>—</u>
Net cash provided by investing activities	<u>(154,975)</u>	<u>—</u>
Cash flows from financing activities		
Repayments of long-term loans payable	(29,169)	(4,159)
Proceeds from issuance of common shares	529,785	—
Net cash provided by financing activities	<u>500,616</u>	<u>(4,159)</u>
Net increase (decrease) in cash and cash equivalents	(40,248)	(694,597)
Cash and cash equivalents as of the beginning of the year	4,553,178	4,027,466
Cash and cash equivalents as of the end of the period	<u>4,512,929</u>	<u>3,332,869</u>

(4) Notes Concerning Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.