



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

November 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: November 14, 2018
Scheduled dividend payment commencement date: —
Supplementary materials prepared for the quarterly financial results: No
Holding of the quarterly financial results No
explanatory meeting: No

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

1. Financial Results for the Nine Months Ended September 30, 2018 (January 1, 2018 to September 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	%
Nine months ended Sep. 30, 2018	142	(23.3)	(932)	—	(927)	—	(927)	—
Nine months ended Sep. 30, 2017	186	6.4	(574)	—	(575)	—	(574)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended Sep. 30, 2018	(34.63)	—
Nine months ended Sep. 30, 2017	(21.92)	—

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 Sep. 30, 2018	3,466	3,283	93.9
As of Dec. 31, 2017	4,419	4,217	94.6

(Reference) Equity As of Sep. 30, 2018: 3,254 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 Sep. 30, 2018	26,781,500 shares	As of Dec. 31, 2017	26,781,500 shares
As of Sep. 30, 2018	146 shares	As of Dec. 31, 2017	146 shares
Nine months ended Sep. 30, 2018	26,781,354 shares	Nine months ended Sep. 30, 2017	26,215,625 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

In the first quarter of the fiscal year under review, ended March 31, 2018, based on a new management policy, Chiome adopted a fresh 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 nine months ended September 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. With regard to CBA-1205, we are making preparations for the start of first-in-human.

Within the Drug Discovery Support Business, in addition to our transactions with the Chugai Group, our dealings with Ono Pharmaceutical Co., Ltd., which began in May 2018, have progressed smoothly and elicited a positive response regarding our services. Moreover, we are in negotiations with a view to signing new agreements. We also provide ongoing protein purification services to Kyowa Hakko Kirin Co., Ltd., and we are continuing our sales activities for new protein preparation and antibody generation services aimed at other pharmaceutical companies.

The outcome of the above was net sales of ¥142,900 thousand for the period under review, a decline of ¥43,509 thousand year on year; an operating loss of ¥932,267 thousand (compared to an operating loss of ¥574,651 thousand in the same period of the previous year); an ordinary loss of ¥927,702 thousand (compared to an ordinary loss of ¥575,504 thousand previously); and a net loss of ¥927,396 thousand (compared to a net loss of ¥574,592 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 humanized anti-Semaphorin 3A antibody, Chiome concluded an exclusive option agreement with SemaThera in March 2018, and granted it 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. Chiome receives an option fee during the period for which the option is active. Currently, SemaThera is in the process of evaluating the antibody.

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, this is proceeding as scheduled through the final stage of pre-clinical and CMC development at ADCT, and towards the First-in-Human Study after submitting a clinical trial protocol notification in the second half of 2019 (Development code : ADCT-701).

In relation to the CBA-1205 currently under in-house development, the development of antibody-producing cell

with enhanced ADCC activity using the glyco-engineering technology at ProBioGen AG, our contract manufacturer in Germany, has completed. We are now examining prescriptions in preparation for future clinical testing. In addition, a new Clinical Development Department was set up with the aim of carrying out clinical development, and is moving forward the process of CRO selection, etc.

In preparation for expanding the future pipeline, we are actively working on research and development in relation to the discovery of new drug candidates, and we continue to gather information and to leverage our network to contact external organizations. In addition, continuing on our initiative from the previous fiscal year, during the current fiscal year we offered an opportunity to external researchers to submit their innovative research themes that may be of use in establishing treatment for refractory cancer, rare diseases and other, specific serious conditions. As a result, Chiome is moving forward with joint research projects (10 as of the end of September 2018) with domestic research institutions, as well as joint projects related to our antibody generation and associated technology. In addition, in preparation for future development and licensing, we will prioritize higher resource allocations to new drugs for which the data looks promising, and implement initiatives aimed at generating results at an early stage.

The outcome of the above for this business in the period under review was net sales of ¥2,015 thousand, a decline of ¥40,678 thousand year on year; research and development expenses of ¥679,577 thousand (an increase of ¥358,189 thousand year on year); and a segment loss of ¥682,823 thousand (compared to a segment loss of ¥280,370 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, during the period under review the Company posted sales related to transactions with Ono Pharmaceutical and Kyowa Hakko Kirin respectively. Customer reaction to our research capabilities, as demonstrated through these services, has been positive, as a result of which negotiations for new contracts are underway, while our initiatives for maintaining a constant flow of transactions are moving forward steadily.

We also offered antibody generation services to domestic and overseas universities, research institutions and companies, making use of the ADLib® system, which incorporates our proprietary antibody generation technology, as well as B cell cloning methods.

The outcome of the above for this business in the period under review was net sales of ¥140,885 thousand, a decline of ¥2,830 thousand year on year; research and development expenses of ¥5,960 thousand (an increase of ¥5,960 thousand year on year); and a segment profit of ¥70,301 thousand (down ¥13,265 thousand year on year).

(2) Explanation of Financial Position

(Current Assets)

As of September 30, 2018, current assets stood at ¥3,251,418 thousand, down ¥945,262 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.

(Non-current assets)

As of September 30, 2018, non-current assets came to ¥215,188 thousand, down ¥7,595 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 September 30, 2018, liabilities stood at ¥183,032 thousand, down ¥18,857 thousand compared with the balance as of December 31, 2017. The main components of the decline were payments leading to a reduction in accounts payable, other; as well as tax payments resulting in a decline in income taxes payable; and purchases of research materials pushing up accounts payable, trade.

(Net assets)

As of September 30, 2018, net assets stood at ¥3,283,574 thousand, down ¥934,000 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 Performance

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 Sep. 30, 2018
Assets		
Current assets		
Cash on hand and in banks	4,027,466	2,992,591
Accounts receivable	43,722	45,074
Inventories	34,979	44,172
Consumption taxes receivable	31,923	28,771
Other current assets	58,588	140,808
Total current assets	<u>4,196,681</u>	<u>3,251,418</u>
Non-current assets		
Property and equipment		
Machinery	345,381	345,381
Accumulated depreciation	<u>(330,266)</u>	<u>(333,169)</u>
Machinery, net	<u>15,115</u>	<u>12,211</u>
Tools and equipment	107,520	107,520
Accumulated depreciation	<u>(99,670)</u>	<u>(102,028)</u>
Tools and equipment, net	<u>7,850</u>	<u>5,491</u>
Total property and equipment	<u>22,965</u>	<u>17,703</u>
Investments and other assets		
Investment Securities	150,000	150,000
Long-term prepaid expenses	2,333	—
Lease deposits and others	47,485	47,485
Total investments and other assets	<u>199,818</u>	<u>197,485</u>
Total non-current assets	<u>222,783</u>	<u>215,188</u>
Total assets	4,419,465	3,466,607

	Thousand yen	
	As of Dec. 31, 2017	As of Sep. 30, 2018
Liabilities		
Current liabilities		
Accounts payable, trade	27,638	45,567
Current portion of long-term loans payable	4,159	—
Accounts payable, other	64,858	45,931
Accrued expenses	20,748	20,289
Income taxes payable	29,481	16,457
Deposits received	4,014	9,827
Unearned revenue	—	441
Provision for bonuses	10,376	3,592
Total Current liabilities	161,276	142,107
Non-current liabilities		
Asset retirement obligations	40,613	40,924
Total non-current liabilities	40,613	40,924
Total liabilities	201,890	183,032
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)	(7,644,725)
Treasury stock	(292)	(292)
Total shareholders' equity	4,181,929	3,254,532
Subscription rights to shares	35,645	29,041
Total net assets	4,217,574	3,283,574
Total liabilities and net assets	4,419,465	3,466,607

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

	Thousands yen	
	Nine Months Ended Sep. 30, 2017 (Jan. 1, 2017 to Sep. 30, 2017)	Nine Months Ended Sep. 30, 2018 (Jan. 1, 2018 to Sep. 30, 2018)
Net sales	186,410	142,900
Cost of sales	61,827	69,885
Gross profit	<u>124,583</u>	<u>73,015</u>
Selling, general and administrative expenses		
Research and development expenses	321,388	685,537
Other, net	<u>377,847</u>	<u>319,745</u>
Total selling, general and administrative expenses	<u>699,235</u>	<u>1,005,282</u>
Operating loss	<u>(574,651)</u>	<u>(932,267)</u>
Non-operating income		
Interest income	41	42
Foreign exchange gains	1,095	2,749
Subsidy income	—	1,516
Other, net	<u>418</u>	<u>255</u>
Total non-operating income	<u>1,555</u>	<u>4,564</u>
Non-operating expenses		
Interest expenses	170	—
Share issuance expenses	1,894	—
Other, net	<u>343</u>	<u>—</u>
Total non-operating expenses	<u>2,408</u>	<u>—</u>
Ordinary loss	<u>(575,504)</u>	<u>(927,702)</u>
Extraordinary income		
Gain on sales of non-current assets	2,050	—
Gain on reversal of subscription rights to shares	<u>2,433</u>	<u>2,121</u>
Total extraordinary income	<u>4,483</u>	<u>2,121</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>(572,777)</u>	<u>(925,581)</u>
Income taxes-current	1,815	1,815
Total income taxes	<u>1,815</u>	<u>1,815</u>
Net loss	<u>(574,592)</u>	<u>(927,396)</u>

(3) Notes Concerning Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.