



Non-Consolidated Financial Results (Japanese GAAP) for the Fiscal Year Ended December 31, 2018

February 14, 2019

Company Name: Chiome Bioscience Inc. Tokyo Stock Exchange

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Scheduled date of the Annual General Meeting of Shareholders : March 28, 2019

Scheduled dividend payment commencement date: –

Scheduled filing date of the Securities Report : March 28, 2019

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, 2018 (January 1, 2018 to December 31, 2018)

1. Financial Results I

(% 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, 2018	212	(18.1)	(1,539)	—	(1,533)	—	(1,533)	—
Fiscal year ended Dec. 31, 2017	259	3.0	(887)	—	(883)	—	(882)	—

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
Fiscal year ended Dec. 31, 2018	Yen (57.26)	Yen —	% (42.7)	% (42.3)	% (723.1)
Fiscal year ended Dec. 31, 2017	Yen (33.48)	Yen —	% (20.3)	% (19.2)	% (341.6)

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, 2018	2,831	2,676	93.5	98.89
As of Dec. 31, 2017	4,419	4,217	94.6	156.15

(Reference) Equity As of Dec. 31, 2018: 2,648 million yen As of Dec. 31, 2017: 4,181 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
Fiscal year ended Dec. 31, 2018	Million yen (1,688)	Million yen —	Million yen (10)	Million yen 2,328
Fiscal year ended Dec. 31, 2017	Million yen (867)	Million yen (137)	Million yen 478	Million yen 4,027

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, 2017	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended Dec. 31, 2018	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending Dec. 31, 2019 (forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast of Financial Results for the Fiscal Year Ending December 31, 2019 (January 1, 2019 to December 31, 2019)

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 ¥320 million). For details, please refer to "1. Overview of Operating Results (4) Outlook for the Fiscal Year Ending December 31, 2019" on page 4 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, 2018	26,781,500 shares	As of Dec. 31, 2017	26,781,500 shares
As of Dec. 31, 2018	146 shares	As of Dec. 31, 2017	146 shares
Fiscal year ended Dec. 31, 2018	26,781,354 shares	Fiscal year ended Dec. 31, 2017	26,358,221 shares

* This summary report on Chiome's financial statements is not subject to 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 (4) Outlook for the Fiscal Year Ending December 31, 2019" on page 4 of the attached materials.
2. Chiome plans to hold a financial results explanatory meeting for institutional investors and securities analysts on February 15, 2019. 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.

CONTENTS

1. Overview of Operating Results	2
(1) Overview of Operating Results in the Fiscal Year Under Review	2
(2) Overview of Financial Position in the Fiscal Year Under Review	3
(3) Overview of Cash Flows in the Fiscal Year Under Review	4
(4) Outlook for the Fiscal Year Ending December 31, 2019	4
2. Fundamental View on Selection of Accounting Standards	4
3. Financial Statements	5
(1) Balance Sheets	5
(2) Statements of Income	7
(3) Statements of Changes in Net Assets	9
(4) Statements of Cash Flows	11
(5) Notes to Financial Statements	12
(Notes Regarding Going Concern Assumptions)	12
(Equity in earnings or losses)	12
(Segment Information)	12
(Per Share Information)	15
(Important Subsequent Events)	16

1. Overview of Operating Results

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

Antibody drugs are getting more popular in recent years to be used in hospitals for diseases such as cancer and autoimmune disease, and have come to make up half of the top 10 drugs by sales value in the global prescription drug market. With the launch of immune checkpoint inhibitors exemplified by drugs such as Opdivo (generic name: Nivolumab), which attracted attention after Distinguished Professor Tasuku Honjo of the Kyoto University Institute for Advanced Study received the Nobel Prize in Physiology or Medicine, indication has been expanded and their presence is increasing. Also, much development efforts focused on improving response rates and efficacy has been made through the combined use of immune checkpoint inhibitors and other antibody drugs, thus the market for antibody drugs is expected to continue to expand going forward.

Under these environments, in the Drug Discovery and Development Business, Chiome has signed a Collaborative Development License and Exclusive Option Agreement with Canada's SemaThera Inc. ("ST") for the humanized anti-Semaphorin 3A antibody discovered by Chiome. ST has been evaluating the antibody in ophthalmology area. With regard to CBA-1205, we are making progresses in preparing works for the first-in-human study. Both antibodies above are first-in-class. Also, in terms of new clinical pipeline developments, Chiome concluded an Asset Purchase Agreement with UK-based Biotecnol Limited ("BT") in December 2018 for its T-cell engager antibody "Tb535H", which is now re-coded to CBA-1535, for cancer treatment and multi-specific antibody platform. CBA-1535 is added into the clinical pipeline and is going to be developed in-house up to early clinical stage.

In the Drug Discovery Support Business, in addition to the existing business partnership with Chugai Pharmaceutical Co., Ltd. ("Chugai Pharmaceutical") and its overseas subsidiary Chugai Pharmabody Research Pte. Ltd. ("the Chugai Group"), Chiome has concluded a Master Service Agreement with Ono Pharmaceutical Co., Ltd. ("Ono Pharmaceutical") in May 2018 to provide contract services. Based on positive assessment of the service Ono Pharmaceutical and Chiome has concluded a further agreement in October 2018. We also opened business accounts with Kyowa Hakko Kirin Co., Ltd., ("Kyowa Kirin") and other companies, and provided protein purification services on contract basis. In December 2018 Chugai Pharmaceutical and Chiome have agreed with 3 years extension of the current agreement until 2021 instead of 2 years.

As mentioned above we will reinforce our business infrastructure for further growth by obtaining new accounts and also strengthening partnership with the established customers, continuing our marketing activities with the objective of expanding sales going forward.

As the results, net sales was ¥212,851 thousand for the period under review, a decline of ¥47,044 thousand year on year; an operating loss of ¥1,539,121 thousand (compared to an operating loss of ¥887,868 thousand previously); an ordinary loss of ¥1,533,952 thousand (compared to an ordinary loss of ¥883,627 thousand previously); and a net loss of ¥1,533,502 thousand (compared to a net loss of ¥882,570 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 fiscal year under review, based on a 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

With regard to ADCT-701 (LIV-1205 ADC), development works at ADC Therapeutics in Switzerland are moving forward as scheduled towards the First-in-Human Study. They plan to submit an Investigational New Drug Application (IND) in the second half of 2019.

With regard to the humanized anti-Semaphorin 3A antibody, Chiome and ST have concluded Collaborative Development License and Exclusive Option Agreement in March 2018 under which ST is performing preclinical

studies in animal models of 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.

In relation to CBA-1205 Master Cell Bank of ADCC enhanced cell was established at CMO and manufacture of drug substance and drug product for clinical study is planned. In addition, a new Clinical Development Department was set up. They are responsible for planning a Clinical Development Plan, CRO selection, and performing Phase 1 study.

In addition to CBA-1205 we have added CBA-1535, former Tb535H, a T-cell engager antibody into our clinical pipeline by acquisition from UK based Biotecnol. It has a unique tribody structure based on multispecific antibody platform which also we acquired. Chiome will develop CBA-1535 until early clinical stage.

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 from the previous fiscal year, during the current fiscal year we have invited and encouraged the submission of research themes that may be of use in establishing treatment for refractory cancer, rare diseases and other, specific serious conditions. This has led to joint research projects with domestic research institutions, as well as joint projects related to our antibody generation and associated technology. In new project management and seed discovery, 5 projects (Oncology, infectious disease, CNS) have been identified with considering intensity of unmet needs, innovativeness, creativeness, progress in antibody generation, etc. to put resources with priority. Thus we will make efforts to get results early.

The outcome of the above for this business in the period under review was net sales of ¥2,280 thousand, a decline of ¥57,281 thousand year on year; research and development expenses of ¥1,230,337 thousand (an increase of ¥637,952 thousand year on year); and a segment loss of ¥1,234,364 thousand (compared to a segment loss of ¥535,378 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 Group. In addition, during the period under review the Company posted sales related to transactions with Ono Pharmaceutical and Kyowa Hakko Kirin respectively. Furthermore, the business we conducted for Ono Pharmaceutical was well received in terms of our research capabilities, with the result that, by securing research resources within Chiome to meet Ono Pharmaceutical's needs, we were able to conclude an additional outsourcing agreement with the aim of supporting Ono Pharmaceutical's drug discovery, and have posted sales in relation to this business. 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 ¥210,571 thousand, an increase of ¥10,236 thousand year on year; and a segment profit of ¥115,304 thousand (down ¥2,103 thousand year on year).

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

(Current assets)

As of December 31, 2018, current assets stood at ¥2,609,952 thousand, down ¥1,586,729 thousand compared to the balance as of December 31, 2017. This was mainly due to selling, general and administrative expenses and declines in cash on hand and in banks, caused by expenses related to the manufacture of drug substance.

(Non-current assets)

As of December 31, 2018, non-current assets stood at ¥221,241 thousand, down ¥1,542 thousand compared to 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 an increase in long-term prepaid expenses.

(Liabilities)

As of December 31, 2018, liabilities stood at ¥154,474 thousand, down ¥47,416 thousand compared to the balance as of December 31, 2017. The main component of the decline was payments leading to a reduction in accounts payable, other.

(Net assets)

As of December 31, 2018, net assets stood at ¥2,676,719 thousand, down ¥1,540,855 thousand compared to the balance 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) Overview of Cash Flows in the Fiscal Year Under Review

The balance of cash and cash equivalents (hereinafter, "funds") as of December 31, 2018 stood at ¥2,328,513 thousand, down ¥1,698,953 thousand compared to the balance as of December 31, 2017. 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, 2018, net funds used in operating activities were ¥1,688,713 thousand. The major movements was loss before income taxes.

(Cash flows from investing activities)

For the fiscal year ending December 31, 2018, there is no increase or decrease in the cash by investing activities.

(Cash flows from financing activities)

For the fiscal year ending December 31, 2018, net funds used in financing activities amounted to ¥10,239 thousand. The movements were the purchase of treasury subscription rights to shares and the repayments of long-term loans payable.

(4) Outlook for the Fiscal Year Ending December 31, 2019

In the Drug Discovery and Development Business, we expect to see IND for ADCT-701 and for the first phase of clinical testing to begin in 2019. In accordance with that progress, Chiome is scheduled to receive a development milestone payment from ADCT. With regard to other items in the pipeline and the pre-clinical stage, in addition to licensing activities and activities aimed at implementing initial clinical testing, we will move forward with drug discovery projects at the drug discovery research stage. Also, for CBA-1205 Phase 1 study is not planned to start before the end of 2020. In the fiscal year ending December 31, 2019 manufacturing cost of drug substance and drug product for Phase 1, as well as expenses related to GLP-tox contract testing will be incurred. As a result, research and development expenses in the fiscal year ending December 31, 2019 are expected to be similar to those posted in the fiscal year ended December 31, 2018.

In the Drug Discovery Support Business, Chiome will utilize its multiple antibody generation technologies, as well as the technical know-how we have accumulated, strengthening our response to customer requests while at the same time continuing to expand our outsourced business for new antibody generation, and protein purification services, with pharmaceutical companies, diagnostic pharmaceutical firms and academic institutions. In the fiscal year ending December 31, 2019, our goal is to expand the ongoing business with the Chugai Group, extend transactions with Ono Pharmaceutical and Kyowa Kirin, and move forward with initiatives to begin new transactions with further 2-3 pharmaceutical companies, with the aim of posting consistent sales and profits in this business.

As a consequence, Drug Discovery Support Business is forecasted to produce net sales of ¥320 million for the fiscal year ending December 31, 2019.

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, 2017	As of Dec. 31, 2018
Assets		
Current assets		
Cash on hand and in banks	4,027,466	2,328,513
Accounts receivable	43,722	42,307
Inventories	34,979	45,413
Advance payments - trade	12,315	126,700
Prepaid expenses	46,263	31,598
Consumption taxes receivable	31,923	35,126
Other current assets	9	291
Total current assets	<u>4,196,681</u>	<u>2,609,952</u>
Non-current assets		
Property and equipment		
Machinery	345,381	344,675
Accumulated depreciation	(330,266)	(333,430)
Machinery, net	<u>15,115</u>	<u>11,244</u>
Tools and equipment		
Accumulated depreciation	107,520	104,448
Tools and equipment, net	(99,670)	(99,743)
Total property and equipment	<u>7,850</u>	<u>4,705</u>
Investments and other assets		
Investment Securities	150,000	150,000
Long-term prepaid expenses	2,333	7,807
Lease deposits and others	47,485	47,485
Total investments and other assets	<u>199,818</u>	<u>205,292</u>
Total non-current assets	<u>222,783</u>	<u>221,241</u>
Total assets	<u>4,419,465</u>	<u>2,831,193</u>

	Thousand yen	
	As of Dec. 31, 2017	As of Dec. 31, 2018
Liabilities		
Current liabilities		
Accounts payable, trade	27,638	31,888
Current portion of long-term loans payable	4,159	—
Accounts payable, other	64,858	18,960
Accrued expenses	20,748	20,846
Income taxes payable	29,481	28,776
Advances received	—	1,829
Deposits received	4,014	4,428
Unearned revenue	—	176
Provision for bonuses	10,376	6,538
Total liabilities	<u>161,276</u>	<u>113,445</u>
Non-current liabilities		
Asset retirement obligations	<u>40,613</u>	<u>41,028</u>
Total non-current liabilities	<u>40,613</u>	<u>41,028</u>
Total liabilities	<u>201,890</u>	<u>154,474</u>
Net assets		
Shareholders' equity		
Capital stock	5,454,775	5,454,775
Capital reserve		
Legal Capital reserve	<u>5,444,775</u>	<u>5,444,775</u>
Total capital reserve	<u>5,444,775</u>	<u>5,444,775</u>
Retained earnings		
Other retained earnings		
Retained earnings brought forward	<u>(6,717,328)</u>	<u>(8,250,831)</u>
Total retained earnings	<u>(6,717,328)</u>	<u>(8,250,831)</u>
Treasury stock	<u>(292)</u>	<u>(292)</u>
Total shareholders' equity	<u>4,181,929</u>	<u>2,648,426</u>
Subscription rights to shares	35,645	28,292
Total net assets	<u>4,217,574</u>	<u>2,676,719</u>
Total liabilities and net assets	<u>4,419,465</u>	<u>2,831,193</u>

(2) Statements of Income

	Thousand yen	
	Fiscal Year Ended Dec. 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)	Fiscal Year Ended Dec. 31, 2018 (Jan. 1, 2018 to Dec. 31, 2018)
Net sales	259,895	212,851
Cost of sales	85,481	101,574
Gross profit	<u>174,414</u>	<u>111,276</u>
Selling, general and administrative expenses		
Research and development expenses	592,384	1,230,337
Other, net	<u>469,898</u>	<u>420,060</u>
Total selling, general and administrative expenses	<u>1,062,282</u>	<u>1,650,398</u>
Operating loss	<u>(887,868)</u>	<u>(1,539,121)</u>
Non-operating income		
Interest income	41	42
Foreign exchange gains	1,517	3,348
Subsidy income	4,477	1,516
Other, net	<u>627</u>	<u>261</u>
Total non-operating income	<u>6,663</u>	<u>5,169</u>
Non-operating expenses		
Interest paid	185	—
Share issuance cost	1,894	—
Other, net	<u>343</u>	<u>—</u>
Total non-operating expenses	<u>2,423</u>	<u>—</u>
Ordinary loss	<u>(883,627)</u>	<u>(1,533,952)</u>
Extraordinary income		
Gain on sales of non-current assets	2,050	—
Gain on reversal of subscription rights to shares	<u>3,181</u>	<u>2,869</u>
Total extraordinary income	<u>5,232</u>	<u>2,869</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>(880,150)</u>	<u>(1,531,082)</u>
Income taxes-current	<u>2,420</u>	<u>2,420</u>
Total income taxes	<u>2,420</u>	<u>2,420</u>
Net loss	<u>(882,570)</u>	<u>(1,533,502)</u>

【Details of Cost of Sales】

		Fiscal Year Ended Dec. 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)		Fiscal Year Ended Dec. 31, 2018 (Jan. 1, 2018 to Dec. 31, 2018)	
Category	note	Amount (Thousand yen)	Proportion of cost of sales (%)	Amount (Thousand yen)	Proportion of cost of sales (%)
I Cost of materials	* 1	30,321	36.1	39,468	38.4
II Labor costs		24,116	28.7	27,760	27.0
III Expenses		29,570	35.2	35,530	34.6
Total manufacturing costs		84,007	100.0	102,759	100.0
Opening balance of work-in-progress under inventories		3,214		1,741	
Total		87,222		104,501	
Closing balance of work-in-progress under inventories		1,741		2,926	
Cost of sales		85,481		101,574	

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, 2017 (Jan. 1, 2017 to Dec. 31, 2017)
Royalties paid		251
Outsourcing expenses		214
Other expenses		29,104
		30,627

(3) Statements of Changes in Net Assets

The Fiscal Year 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

The Fiscal Period Ended December 31, 2018 (January 1, 2018 to December 31, 2018)

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	5,454,775	5,444,775	5,444,775	(6,717,328)	(6,717,328)
Changes during the period					
Issuance of new stock					
Net loss				(1,533,502)	(1,533,502)
Net changes of items other than shareholders' equity					
Total changes during the period	—	—	—	(1,533,502)	(1,533,502)
Balance as of the end of the period	5,454,775	5,444,775	5,444,775	(8,250,831)	(8,250,831)

	Shareholders' Equity		Subscription rights to shares	Total Net Assets
	Treasury Stock	Total Shareholders' Equity		
Balance as of the beginning of the period	(292)	4,181,929	35,645	4,217,574
Changes during the period				
Issuance of new stock				
Net loss		(1,533,502)		(1,533,502)
Net changes of items other than shareholders' equity			(7,352)	(7,352)
Total changes during the period	—	(1,533,502)	(7,352)	(1,540,855)
Balance as of the end of the period	(292)	2,648,426	28,292	2,676,719

(4) Statements of Cash Flows

	Thousand yen	
	Fiscal Year Ended Dec. 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)	Fiscal Year Ended Dec. 31, 2018 (Jan. 1, 2018 to Dec. 31, 2018)
Cash flows from operating activities		
Loss before income taxes	(880,150)	(1,531,082)
Depreciation and amortization	10,593	7,016
Decrease (increase) in notes and accounts receivable-trade	3,228	1,414
Decrease (increase) in inventories	495	(10,434)
Decrease (increase) in advance payments	(9,663)	(114,385)
Increase (decrease) in notes and accounts payable-trade	5,072	4,250
Increase (decrease) in accounts payable-other	35,128	(45,898)
Increase (decrease) in accrued expenses	201	97
Other, net	(34,080)	1,168
Subtotal	(869,173)	(1,687,852)
Interest income received	35	36
Interest expenses paid	(185)	—
Proceeds from subsidy income	4,477	1,516
Income taxes paid	(2,420)	(2,420)
Income taxes refund	65	6
Net cash used in operating activities	(867,201)	(1,688,713)
Cash flows from investing activities		
Purchase of property and equipment	(4,975)	—
Proceeds from sales of property and equipment	2,051	—
Purchase of investment securities	(150,000)	—
Payments for asset retirement obligations	(8,700)	—
Proceeds from collection of lease and guarantee deposits	24,510	—
Net cash used in investing activities	(137,113)	—
Cash flows from financing activities		
Repayments of long-term loans payable	(50,004)	(4,159)
Proceeds from issuance of common shares	528,607	—
Purchase of treasury subscription rights to shares	—	(6,080)
Net cash provided by (used in) financing activities	478,603	(10,239)
Net decrease in cash and cash equivalents	(525,711)	(1,698,953)
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 year	4,027,466	2,328,513

(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.

Chiome has two reportable segments, Drug Discovery and Development Business and Drug Discovery Support Business. Under Drug Discovery and Development Business, Chiome discover and develop novel antibody drugs in therapeutic areas where high unmet medical needs exist. The drug candidates will be out-licensed to pharmaceutical company under appropriate financial conditions such like upfront, milestone, and royalty payments etc. Under Drug Discovery Support Business, Chiome provides “fee-for-service” to pharmaceutical and diagnostics company, and academia to support their research works. Main line of this business is to generate a monoclonal antibody for their targets by our proprietary platform, and to express, culture, and purify proteins including antigen and antibody.

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.

(Change in the measurement of business segment profit or loss)

From the fiscal year under review, the Company started to conduct research and development investment based on a new management policy. 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.

As a result of such change, segment loss in the Drug Discovery and Development Business in the fiscal year under review increased by ¥1,230,337 thousand, compared with the amount calculated under the previous measurement.

The segment information for the previous fiscal year presented herein has been restated to reflect the change in measurement of segment profit.

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, 2017 (January 1, 2017 to December 31, 2017)

(Thousand 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)	(535,378)	117,407	(417,970)	(469,898)	(887,868)
Segment assets	—	—	—	4,419,465	4,419,465

Notes:

1. Details regarding adjustments are presented as follows:
 - (1) Adjustments to segment income (loss) are 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 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.

The Fiscal Year Ended December 31, 2018 (January 1, 2018 to December 31, 2018)

(Thousand 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	2,280	210,571	212,851	—	212,851
Intersegment operating revenue and transfers	—	—	—	—	—
Total	2,280	210,571	212,851	—	212,851
Segment income (loss)	(1,234,364)	115,304	(1,119,060)	(420,060)	(1,539,121)
Segment assets	—	—	—	2,831,193	2,831,193

Notes:

1. Details regarding adjustments are presented as follows:
 - (1) Adjustments to segment income (loss) are 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 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)

	Fiscal Year Ended Dec. 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)	Fiscal Year Ended Dec. 31, 2018 (Jan. 1, 2018 to Dec. 31, 2018)	(Yen)
Net assets per share	156.15	98.89	
Net loss per share	(33.48)	(57.26)	

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

(Thousand yen unless otherwise stated)

	As of Dec. 31, 2017	As of Dec. 31, 2018
Total net assets	4,217,574	2,676,719
Amount deducted from total net assets	35,645	28,292
(New subscription rights to shares)	(35,645)	(28,292)
Net assets allocated to capital stock	4,181,929	2,648,426
Number of shares of capital stock used to calculate net assets per share (shares)	26,781,354	26,781,354

- (2) Net loss per share

(Thousand yen unless otherwise stated)

	Fiscal Year Ended Dec. 31, 2017 (Jan. 1, 2017 to Dec. 31, 2017)	Fiscal Year Ended Dec. 31, 2018 (Jan. 1, 2018 to Dec. 31, 2018)
Net loss	(882,570)	(1,533,502)
Amount not attributable to shareholders of capital stock	—	—
Net loss allocated to capital stock	(882,570)	(1,533,502)
Average number of shares for the period (shares)	26,358,221	26,781,354
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: 5 types Number of subscription rights to shares: 1,985	New subscription rights to shares: 4 types Number of subscription rights to shares: 595

(Important subsequent events)

i. Issuance of Subscription Rights to Shares with Exercise Price Amendment Clause

The Company, at its Board of Directors meeting held on December 20, 2018, adopted a resolution to issue the 14th subscription rights to shares with an exercise price amendment clause (through third-party allotment) (hereinafter referred to as the “Subscription Rights to Shares”) and to conclude a third-party allotment agreement with a commitment clause (hereinafter referred to as the “Third-Party Allotment Agreement”). Payment of the total amount of the issue price of the Subscription Rights to Shares was completed on January 8, 2019. The details of the Subscription Rights to Shares are as follows.

(1) Date of allotment	January 8, 2019
(2) Number of subscription rights to shares issued	6,428
(3) Issue price	709 yen per subscription right to shares (total amount: 4,557,452 yen)
(4) Number of potential shares arising from the issuance	Number of potential shares: 6,428,000 There is no maximum exercise price. The minimum exercise price is 140 yen. The number of potential shares remains at 6,428,000 regardless of the level of exercise price including the minimum exercise price.
(5) Amount of funds raised	1,482,281,452 yen (estimated amount of net proceeds)
(6) Exercise price and amendment conditions of exercise price	Initial exercise price: 233 yen The exercise price will be amended to an amount equivalent to 92% of the closing price of ordinary trading of common shares of the Company on the trading day of Tokyo Stock Exchange immediately preceding the effective date of each exercise request for the Subscription Rights to Shares (hereinafter referred to as the “closing price”). However, if the amended exercise price calculated as above is less than the minimum exercise price, the minimum exercise price shall be the exercise price after amendment.
(7) Offering or allotment method	Third-party allotment
(8) Allotted party	Merrill Lynch Japan Securities Co., Ltd. (hereinafter referred to as “Merrill Lynch Japan Securities”)
(9) Exercise period of the Subscription Rights to Shares	From January 9, 2019 to January 8, 2021

(10)	<p>Capital and capital reserve to be increased in the event of the issuance of shares upon the exercise of the Subscription Rights to Shares</p> <p>The amount of increase in capital in the event of the issuance of shares upon the exercise of Subscription Rights to Shares shall be the amount obtained by multiplying 0.5 by the maximum increase in capital, etc. calculated in accordance with Article 17 of the Regulation on Accounting of Companies, with any fraction less than one yen resulting from the calculation rounded up to the nearest yen. The amount of increase in capital reserve shall be the amount determined by deducting the amount of increase in capital from the maximum increase in capital, etc.</p>						
(11) Use of funds raised	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; padding: 5px;">Specific use</th> <th style="text-align: center; padding: 5px;">Amount (million yen)</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">(i) Research and development funds for early clinical testing of antibody for cancer treatment (development code: CBA-1535) and development of active pharmaceutical ingredient and drug product</td> <td style="text-align: center; padding: 5px;">1,200</td> </tr> <tr> <td style="padding: 5px;">(ii) Basic research and development funds for discovering novel therapeutic antibodies</td> <td style="text-align: center; padding: 5px;">282</td> </tr> </tbody> </table>	Specific use	Amount (million yen)	(i) Research and development funds for early clinical testing of antibody for cancer treatment (development code: CBA-1535) and development of active pharmaceutical ingredient and drug product	1,200	(ii) Basic research and development funds for discovering novel therapeutic antibodies	282
Specific use	Amount (million yen)						
(i) Research and development funds for early clinical testing of antibody for cancer treatment (development code: CBA-1535) and development of active pharmaceutical ingredient and drug product	1,200						
(ii) Basic research and development funds for discovering novel therapeutic antibodies	282						

	<p>After the notification under the Financial Instruments and Exchange Act came into force, the Company entered into the Third-Party Allotment Agreement with Merrill Lynch Japan Securities. The Third-Party Allotment Agreement provides for the following:</p> <ul style="list-style-type: none"> · Designation of exercise of the Subscription Rights to Shares by the Company · Suspension of exercise of the Subscription Rights to Shares by the Company · Request for purchase of the Subscription Rights to Shares by Merrill Lynch Japan Securities · The Company shall take measures to restrict the exercise of subscription rights to shares pursuant to Article 434, Paragraph 1 of the Securities Listing Regulations stipulated by the Tokyo Stock Exchange, Article 436, Paragraph 1 through 5 of the Enforcement Rules for Securities Listing Regulations, and the “Regulations Concerning Handling of Allocation of New Shares to a Third Party, etc.” as defined by the Japan Securities Dealers Association. <p>The agreement provides that Merrill Lynch Japan Securities cannot transfer the Subscription Rights to Shares to another party without the approval of the Board of Directors of the Company and that, even if the Subscription Rights to Shares are transferred, the transferee shall succeed to the rights and obligations of Merrill Lynch Japan Securities.</p>
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ii. Capital increase attributed to the exercise of subscription rights to shares

During the period from the date after the fiscal year under review to February 8, 2019, some of the Subscription Rights to Shares were exercised. The summary of the exercised subscription rights to shares is as follows.

- (1) Type and number of shares issued: Common stock, 229,000 shares
- (2) Increased capital stock: ¥23,208 thousand
- (3) Increased legal capital reserve: ¥23,208 thousand

As a result, as of February 8, 2019, the total number of the common stock issued is 27,010,500 shares. Capital stock and legal capital reserve are ¥5,477,983 thousand and ¥5,467,983 thousand respectively.