



**Non-Consolidated Financial Results (Japanese GAAP)
for the Three Months Ended March 31, 2019**

May 13, 2019

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: May 13, 2019
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, 2019 (January 1, 2019 to March 31, 2019)

(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, 2019	63	40.6	(426)	—	(432)	—	(430)	—
Three months ended Mar. 31, 2018	45	(17.6)	(302)	—	(300)	—	(301)	—

	Net Income per Share	Diluted Net Income per Share
Three months ended Mar. 31, 2019	Yen (15.59)	Yen —
Three months ended Mar. 31, 2018	Yen (11.25)	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, 2019	3,266	3,048	92.5
As of Dec. 31, 2018	2,831	2,676	93.5

(Reference) Equity As of Mar. 31, 2019: 3,020 million yen As of Dec. 31, 2018: 2,648 million yen

2. Dividends

	Annual Dividends				
	1Q-End	2Q-End	3Q-End	FY-End	Total
Fiscal Year Ending Dec. 31, 2018	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal Year Ending Dec. 31, 2019	—				
Fiscal Year Ending Dec. 31, 2019 (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, 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). 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, 2019	30,303,500 Shares	As of Dec. 31, 2018	26,781,500 shares
As of Mar. 31, 2019	146 Shares	As of Dec. 31, 2018	146 shares
Three months ended Mar. 31, 2019	27,631,888 shares	Three months ended Mar. 31, 2018	26,781,354 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 3 of this report.

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1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended March 31, 2019 (hereinafter, “the period under review”), transactions under the agreement with Chugai Pharmaceutical Group and with Ono Pharmaceutical, on the drug discovery support business were increased. As the result, net sales of ¥63,782 thousand, an increase of ¥18,427 thousand year-on-year. Operating loss was ¥426,347 thousand (an operating loss of ¥302,748 thousand previously) mainly due to increase of development cost in CBA-1205 program towards clinical stage. Ordinary loss was ¥432,460 thousand (an ordinary loss of ¥300,612 thousand previously), and net loss was ¥430,731 thousand (compared to a net loss of ¥301,217 thousand previously). Chiome’s business activities during the period under review is as followings.

Our business segments are;

Drug Discovery and Development Business:

Drug Discovery Support Business:

In the Drug Discovery and Development Business, manufacturing of drug substance of CBA-1205 and technical transfer of CBA-1535 have progressed as planned. Furthermore, for expanding the product pipelines with quality and quantity, Chiome actively promoted R&D efforts towards the discovery of new drug candidates, and continued collaborative research with academia to set up new drug discovery projects.

With regard to ADCT-701, an Antibody Drug Conjugate (ADC) form of LIV-1205 that was licensed out to Switzerland-based ADC Therapeutics SA for ADC purpose only in September 2017, its development is on track where the final stage of pre-clinical study. They plan to submit an Investigational New Drug Application (IND) in the second half of 2019.

In relation to the development of CBA-1205, the establishment of Master Cell Bank which produce antibody with enhanced ADCC activity has completed and CMC works are proceeding to meet the regulatory requirements aiming to start the clinical study after 2020.

With regard to the multispecific antibody CBA-1535, we are in the process of CMO and CRO selection towards clinical development. We expect to submit an Investigational New Drug Application (IND) in the second half of 2021.

With regard to the humanized anti-Semaphorin3A antibody, Chiome and SemaThera Inc. (“ST”), a Canadian biotech company, have concluded Collaborative Development License and Exclusive Option Agreement in March 2018 under which ST is in the process of evaluating the antibody. Chiome recognized the revenue corresponding to the period under review as net sales.

In addition to the above mentioned program, several exploratory research projects are being progressed. We are actively working on R&D to stage-up them to clinical and compiling data package for licensing opportunity.

The outcome of the above for this business in the period under review was net sales of ¥451 thousand, an increase of ¥362 thousand year on year; research and development expenses of ¥363,033 thousand (an increase of ¥157,978 thousand year on year); and a segment loss of ¥362,436 thousand (a segment loss of ¥206,786 previously).

Drug Discovery Support Business contributes to the company’s stable earnings. Chiome offers research support services to pharmaceutical company and research institutions using its technology for protein processing and

multiple antibody generation technologies including the ADLib® system which is our proprietary antibody platform, B cell cloning methods and hybridoma methods. In the Drug Discovery Support Business, net sales steady increased due to growth in transactions with Chugai Pharmaceutical Group and Ono Pharmaceutical, in addition to the gains of service revenues related antibody generation services from universities and research institutes.

We will continue to strive for expanding new accounts by offering high quality service and for improving our technologies.

The outcome from the above business in the period under review was net sales of ¥63,330 thousand, an increase of ¥18,065 thousand year on year; and a segment profit of ¥36,637 thousand (up ¥4,121 thousand year on year).

(2) Explanation of Financial Position

(Assets)

As of March 31, 2019, assets stood at ¥3,266,619 thousand, up ¥435,425 thousand compared with the balance as of December 31, 2018. The increase was mainly due to an increase in cash on hand and in banks.

(Liabilities)

As of March 31, 2019, liabilities stood at ¥218,553 thousand, up ¥64,079 thousand compared to the balance as of December 31, 2018. The increase was primarily due to increased accounts payable-other related to research and development expenses.

(Net assets)

As of March 31, 2018, net assets stood at ¥3,048,065 thousand, up ¥371,346 thousand compared to the balance of December 31, 2018. The increase was attributed mainly to an increase in capital stock and capital reserve resulting from the exercise of subscription rights to shares, and a drop 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, 2019 announced on February 14, 2019.

2. Quarterly Financial Statements

(1) Quarterly Balance Sheets

	Thousand yen	
	As of Dec. 31, 2018	As of Mar. 31, 2019
Assets		
Current assets		
Cash on hand and in banks	2,328,513	2,776,462
Accounts receivable	42,307	67,940
Inventories	45,413	52,272
Advance payment-trade	126,700	50,187
Consumption taxes receivable	35,126	45,641
Other current assets	31,890	55,053
Total current assets	2,609,952	3,047,557
Non-current assets		
Property and equipment		
Machinery	344,675	344,235
Accumulated depreciation	(333,430)	(333,731)
Machinery, net	<u>11,244</u>	<u>10,504</u>
Tools and equipment	104,448	104,448
Accumulated depreciation	(99,743)	(100,214)
Tools and equipment, net	<u>4,705</u>	<u>4,233</u>
Total property and equipment	15,949	14,738
Investments and other assets		
Investment Securities	150,000	150,000
Long-term prepaid expenses	7,807	6,837
Lease deposits and others	47,485	47,485
Total investments and other assets	205,292	204,322
Total non-current assets	221,241	219,061
Total assets	2,831,193	3,266,619

	Thousand yen	
	As of Dec. 31, 2018	As of Mar. 31, 2019
Liabilities		
Current liabilities		
Accounts payable, trade	31,888	37,053
Accounts payable, other	18,960	77,435
Accrued expenses	20,846	18,589
Income taxes payable	28,776	12,892
Advances received	1,829	18,442
Deposits received	4,428	9,774
Unearned revenue	176	—
Provision for bonuses	6,538	3,233
Total Current liabilities	113,445	177,420
Non-current liabilities		
Asset retirement obligations	41,028	41,133
Total non-current liabilities	41,028	41,133
Total liabilities	154,474	218,553
Net assets		
Shareholders' equity		
Capital stock	5,454,775	5,855,950
Capital reserve	5,444,775	5,845,950
Retained earnings	(8,250,831)	(8,681,563)
Treasury stock	(292)	(292)
Total shareholders' equity	2,648,426	3,020,046
Subscription rights to shares	28,292	28,019
Total net assets	2,676,719	3,048,065
Total liabilities and net assets	2,831,193	3,266,619

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

	Thousand yen	
	Three Months Ended Mar. 31, 2018 (Jan.1, 2018 to Mar. 31, 2018)	Three Months Ended Mar. 31, 2019 (Jan. 1, 2019 to Mar. 31, 2019)
Net sales	45,354	63,782
Cost of sales	14,569	26,547
Gross profit	<u>30,785</u>	<u>37,234</u>
Selling, general and administrative expenses		
Research and development expenses	205,055	363,033
Other, net	<u>128,478</u>	<u>100,548</u>
Total selling, general and administrative expenses	<u>333,533</u>	<u>463,582</u>
Operating loss	<u>(302,748)</u>	<u>(426,347)</u>
Non-operating income		
Interest income	25	13
Foreign exchange gains	2,055	148
Other, net	<u>55</u>	<u>7</u>
Total non-operating income	<u>2,136</u>	<u>168</u>
Non-operating expenses		
Share issuance expenses	—	556
Subscription rights issuance cost	—	5,724
Total non-operating expenses	<u>—</u>	<u>6,281</u>
Ordinary loss	<u>(300,612)</u>	<u>(432,460)</u>
Extraordinary income		
Gain on reversal of share acquisition rights	—	2,333
Total extraordinary income	—	2,333
Loss before income taxes	<u>(300,612)</u>	<u>(430,126)</u>
Income taxes-current	605	605
Total income taxes	605	605
Net loss	<u>(301,217)</u>	<u>(430,731)</u>

(3) Notes Concerning Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

During the first three months, the balance of capital stock and capital reserve increased separately by ¥401,175 thousand due to exercise of the Subscription Rights to Shares. As a result, as of March 31, 2019, the balance of capital stock and capital reserve came to ¥5,855,950 thousand and ¥5,845,950 thousand, respectively.

(Important subsequent events)

Capital increase attributed to the exercise of subscription rights to shares

During the period from April 1, 2019 to April 30, 2019, some of the 14th subscription rights to shares with an exercise price amendment clause were exercised. The summary of the exercised subscription rights to shares is as follows.

(1) Type and number of shares issued: Common stock, 1,311,000 shares

(2) Increased capital stock: ¥129,192 thousand

(3) Increased legal capital reserve: ¥129,192 thousand

As a result, as of April 30, 2019, the total number of the common stock issued is 31,614,500 shares. Capital stock and capital reserve are ¥5,985,143 thousand and ¥5,975,143 thousand respectively.