



**Non-Consolidated Financial Results (Japanese GAAP)
for the Three Months Ended March 31, 2020**

May 15, 2020

Company Name: Chiome Bioscience Inc. Tokyo Stock Exchange
Stock Code: 4583 URL <http://www.chiome.co.jp/english/>
Representative: Shigeru Kobayashi, President & CEO
Inquiries: Arihiko Bijohira, Executive Director & CFO
Scheduled filing date of quarterly financial results: May 15, 2020
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, 2020 (January 1, 2020 to March 31, 2020)

(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, 2020	90	42.3	(426)	—	(424)	—	(425)	—
Three months ended Mar. 31, 2019	63	40.6	(426)	—	(432)	—	(430)	—

	Net Income per Share	Diluted Net Income per Share
Three months ended Mar. 31, 2020	Yen (12.78)	Yen —
Three months ended Mar. 31, 2019	Yen (15.59)	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, 2020	2,556	2,199	85.1
As of Dec. 31, 2019	2,808	2,621	92.6

(Reference) Equity As of Mar. 31, 2020: 2,175 million yen As of Dec. 31, 2019: 2,599 million yen

2. Dividends

	Annual Dividends				
	1Q-End	2Q-End	3Q-End	FY-End	Total
Fiscal Year Ending Dec. 31, 2019	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal Year Ending Dec. 31, 2020	—	—	—	—	—
Fiscal Year Ending Dec. 31, 2020 (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, 2020 (January 1, 2020 to December 31, 2020)

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 ¥480 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, 2020	33,291,500 Shares	As of Dec. 31, 2019	33,283,500 shares
As of Mar. 31, 2020	146 Shares	As of Dec. 31, 2019	146 shares
Three months ended Mar. 31, 2020	33,283,530 shares	Three months ended Mar. 31, 2019	27,631,888 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.

Contents

1. Qualitative Information Regarding Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Forward-Looking Statements including Forecasts of Financial Results	3
2. Quarterly Financial Statements	4
(1) Quarterly Balance Sheets	4
(2) Quarterly Statements of Income	6
(3) Notes Concerning Quarterly Financial Statements	7
(Notes Regarding Going Concern Assumptions)	7
(Notes Regarding Substantial Changes in Shareholders' Equity)	7
(Important subsequent events)	7

1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended March 31, 2020 (hereinafter, "the period under review"), the outlook for the global economic environment remains unclear due to the pandemic of the Coronavirus Disease 2019 (hereinafter, "COVID-19"). Drug development activities in the pharmaceutical industry, there is also concern about the delays in research and development.

Under the current business environment, sales in the drug discovery support business achieved Net sales of ¥90,755 thousand, an increase of ¥26,973 thousand year-on-year. Operating loss was ¥426,377 thousand (an operating loss of ¥426,347 thousand previously) mainly for GLP toxicology study and CMC development cost in CBA-1205 program towards initiation of clinical study. Ordinary loss was ¥424,826 thousand (an ordinary loss of ¥432,460 thousand previously), and net loss was ¥425,431 thousand (compared to a net loss of ¥430,731 thousand previously). Chiome's business activities during the period under review are as followings..

Our main focuses are:

- Drug Discovery and Development in disease areas where high unmet medical needs exist
- Drug Discovery Support Business to support pharma companies by providing technical services related to antibody drug development

In the Drug Discovery and Development, CBA-1205 project progressed on track. GLP toxicology study to support clinical trials has completed and IND was submitted on March 24, 2020. CBA-1535, a multispecific antibody project is making progress in CMC development as planned. For discovery projects, Chiome is continuing research activities to obtain lead antibodies and to build a portfolio of intellectual property assets. Chiome continues making efforts to expand pipelines which address the unmet medical needs, and in R&D, collaboration with bio-ventures and academia aiming to start new projects for novel drug discovery.

➤ Development pipeline

With regard to ADCT-701, an ADC format of LIV-1205 that was licensed out to Switzerland-based ADC Therapeutics SA in September 2017, it is under preparation work for the IND submission.

In CBA-1205 development, first dosing to the first subject in Phase 1 study is expected within 2020.

In relation to the development of CBA-1535, works on CMC development are progressing as well. Submission of Clinical Trial Application (CTA) is aimed for the second half of 2021.

With regard to LIV-2008, foreign pharmaceutical companies are evaluating and testing the antibody.

For the humanized anti-Semaphorin3A antibody, SemaThera Inc., a Canadian biotech company entered the 3rd year of evaluation under a Collaborative Development License and Exclusive Option Agreement concluded in March 2018. Chiome has recognized the option fee corresponding to the period under review as net sales.

➤ Discovery projects

In addition to the abovementioned programs, several drug discovery projects are being progressed. We are actively pursuing R&D for pipeline expansion. Chiome has completed filing a patent application on one of among projects in oncology area in the end of the 2019. The lead antibody is evaluated its potential as ADC in collaboration with pharmaceutical company.

As a result, net sales of the Drug Discovery and Development was ¥825 thousand, an increase of ¥374 thousand

year on year; research and development expenses of ¥342,580 thousand (a decrease of ¥20,453 thousand year on year), and a segment loss of ¥341,907 thousand (a segment loss of ¥362,436 previously) were recorded.

Drug Discovery Support Business contributes to the company's stable earnings. Chiome offers technical support services to pharmaceutical companies and research institutions by leveraging know-hows in protein production and multiple antibody generation technologies including the ADLib® system, our proprietary antibody generation platform, and B cell cloning methods, etc.

In the first quarter of this fiscal year, in addition to the stable business with the existing customers, we recorded net sales by antibody generation using the ADLib® system.

Also, Chiome is working on the antibody generation against COVID-19 for a customer, and we expect to record sales in the second quarter of this fiscal year.

In this business segment, our service has been assessed favorable and well received, the demand for our service is expected to increase. We are currently expanding working space and increasing equipment and instruments to respond to these needs. We will continue to aim to expand the scale of transactions.

The sales from the Drug Discovery Support Business has grown due to higher transactions with mainly Pharmaceutical companies. As a result, net sales in the period under review was ¥89,930 thousand, an increase of ¥26,599 thousand year on year. Segment profit was ¥28,928 thousand, down by ¥7,708 thousand year on year due to advance investment in abovementioned expansion of capacity in expectation of an increase of business. Segment profit margin was 32.2% (Targeting margin is 50% in FY2020).

(2) Explanation of Financial Position

(Assets)

As of March 31, 2020, assets stood at ¥2,556,082 thousand, down ¥2252,008 thousand compared with the balance as of December 31, 2019. The decrease was mainly due to a decrease in cash on hand and in banks.

(Liabilities)

As of March 31, 2020, liabilities stood at ¥356,703 thousand, up ¥170,121 thousand compared to the balance as of December 31, 2019. The increase was primarily due to increased short-term borrowings.

(Net assets)

As of March 31, 2020, net assets stood at ¥2,199,378 thousand, down ¥422,130 thousand compared to the balance of December 31, 2019. The decrease was attributed mainly to 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, 2020 announced on February 14, 2020.

2. Quarterly Financial Statements

(1) Quarterly Balance Sheets

	Thousand yen	
	As of Dec. 31, 2019	As of Mar. 31, 2020
Assets		
Current assets		
Cash on hand and in banks	2,105,976	1,967,438
Accounts receivable	95,138	42,990
Inventories	66,626	62,711
Advance payment-trade	217,658	147,445
Consumption taxes receivable	35,693	59,531
Other current assets	39,934	29,177
Total current assets	2,561,028	2,309,295
Non-current assets		
Property and equipment		
Machinery	316,629	316,629
Accumulated depreciation	(308,343)	(308,925)
Machinery, net	<u>8,285</u>	<u>7,703</u>
Tools and equipment	103,416	103,416
Accumulated depreciation	(100,595)	(100,949)
Tools and equipment, net	<u>2,820</u>	<u>2,466</u>
Total property and equipment	11,106	10,169
Investments and other assets		
Investment Securities	150,000	150,000
Long-term prepaid expenses	12,048	12,708
Lease deposits and others	73,908	73,908
Total investments and other assets	235,956	236,616
Total non-current assets	247,062	246,786
Total assets	2,808,090	2,556,082

Thousand yen

	As of Dec. 31, 2019	As of Mar. 31, 2020
Liabilities		
Current liabilities		
Accounts payable, trade	29,936	36,217
Short-term borrowings	—	142,000
Accounts payable, other	33,438	98,491
Accrued expenses	17,663	13,371
Income taxes payable	38,106	4,353
Advances received	15,956	13,014
Deposits received	5,239	5,656
Unearned revenue	554	—
Provision for bonuses	4,237	2,044
Total Current liabilities	145,133	315,149
Non-current liabilities		
Asset retirement obligations	41,447	41,553
Total non-current liabilities	41,447	41,553
Total liabilities	186,581	356,703
Net assets		
Shareholders' equity		
Capital stock	6,132,216	6,132,964
Capital reserve	6,122,216	6,122,964
Retained earnings	(9,654,653)	(10,080,085)
Treasury stock	(292)	(292)
Total shareholders' equity	2,599,488	2,175,552
Subscription rights to shares	22,020	23,826
Total net assets	2,621,508	2,199,378
Total liabilities and net assets	2,808,090	2,556,082

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

	Thousands yen	
	Three Months Ended Mar. 31, 2019 (Jan. 1, 2019 to Mar. 31, 2019)	Three Months Ended Mar. 31, 2020 (Jan. 1, 2020 to Mar. 31, 2020)
Net sales	63,782	90,755
Cost of sales	26,547	61,153
Gross profit	<u>37,234</u>	<u>29,601</u>
Selling, general and administrative expenses		
Research and development expenses	363,033	342,580
Other, net	<u>100,548</u>	<u>113,398</u>
Total selling, general and administrative expenses	<u>463,582</u>	<u>455,978</u>
Operating loss	<u>(426,347)</u>	<u>(426,377)</u>
Non-operating income		
Interest income	13	14
Foreign exchange gains	148	—
Subsidy income	—	1,570
Other, net	7	5
Total non-operating income	<u>168</u>	<u>1,590</u>
Non-operating expenses		
Share issuance expenses	556	—
Subscription rights issuance cost	5,724	—
Foreign exchange losses	—	39
Total non-operating expenses	<u>6,281</u>	<u>39</u>
Ordinary loss	<u>(432,460)</u>	<u>(424,826)</u>
Extraordinary income		
Gain on reversal of share acquisition rights	2,333	—
Total extraordinary income	<u>2,333</u>	<u>—</u>
Loss before income taxes	<u>(430,126)</u>	<u>(424,826)</u>
Income taxes-current	605	605
Total income taxes	605	605
Net loss	<u>(430,731)</u>	<u>(425,431)</u>

(3) Notes Concerning Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Important subsequent events)

Capital reduction and disposal of surplus

At the 16th Ordinary General Meeting of Shareholders held on March 27, 2020, the Company received approval of a resolution on the reduction of the amount of capital and capital reserves and the disposal of surplus, and the effect became effective on May 1, 2020.

1). Purpose of capital reduction and disposal of surplus

The Company had a deficit of retained earnings carried forward of 9,654,653,632 yen as of December 31, 2019. In order to resolving the deficit in retained earnings above, enabling financial stability for flexibility and mobility in future capital policies, the amount of capital is reduced and transferred to other capital surplus in accordance with the provisions of Article 447, Paragraph 1 and Article 448 Paragraph 1 of the Company Law.

2). Details of the reduction of capital stock and capital reserve

(1) Reduction amount of capital stock and capital reserve

- The amount of the capital stock will be reduced without compensation by 5,632,216,961 yen from current 6,132,964,961 yen to 500,748,000 yen.
- The amount of the capital reserve will be reduced without compensation by 4,022,436,671 yen from current 6,122,964,958 yen to 2,100,528,287 yen.

(2) Method of capital reduction

Capital reduction without compensation that is no changing the total number of issued shares, reducing the amount of capital stock and capital reserve, are transferred to other capital surplus.

3). Contents of disposal of surplus

The amount of 9,654,653,632 yen that other capital surplus transferred from capital will be transferred to retained earnings and used to cover deficits.

4). Schedule

Date of resolution of the Board of Directors	February 14, 2020
Date of resolution of the Ordinary General Meeting of Shareholders	March 27, 2020
Creditor Opposition Notification Day	March 30, 2020
Creditor Objection Final Date	April 30, 2020
Effective date of capital reduction	May 1, 2020