



**Non-Consolidated Financial Results (Japanese GAAP)
for the Nine Months Ended September 30, 2020**

November 10, 2020

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 10, 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 Nine Months Ended September 30, 2020 (January 1, 2020 to September 30, 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	%
Nine months ended Sep. 30, 2020	312	10.5	(1,080)	—	(1,087)	—	(1,087)	—
Nine months ended Sep. 30, 2019	282	97.8	(1,169)	—	(1,177)	—	(1,170)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended Sep. 30, 2020	(31.33)	—
Nine months ended Sep. 30, 2019	(37.92)	—

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, 2020	3,565	3,145	87.4
As of Dec. 31, 2019	2,808	2,621	92.6

(Reference) Equity As of Sep. 30, 2020: 3,117 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	—	0.00	—		
Fiscal Year Ending Dec. 31, 2020 (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, 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 ¥480 million.

[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, 2020	38,731,800 Shares	As of Dec. 31, 2019	33,283,500 Shares
As of Sep. 30, 2020	146 Shares	As of Dec. 31, 2019	146 Shares
Nine months ended Sep. 30, 2020	34,724,921 shares	Nine months ended Sep. 30, 2019	30,858,923 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 nine months ended September 30, 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"). Under the current business environment, sales in the drug discovery support business achieved Net sales of ¥312,284 thousand, an increase of ¥29,594 thousand year-on-year. Operating loss was ¥1,080,016 thousand (an operating loss of ¥1,169,015 thousand previously) mainly for the cost in on-going CBA-1205 clinical study. Ordinary loss was ¥1,087,149 thousand (an ordinary loss of ¥1,177,300 thousand previously), and net loss was ¥1,087,916 thousand (compared to a net loss of ¥1,170,202 thousand previously). Chiome's business activities during the period under review are as followings.

Our main focuses are:

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

In the Drug Discovery and Development, The first patient has already been dosed in early August in CBA-1205 project, and, is proceeding on track. IND was submitted on March, 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 and clinical development plan.

In CBA-1205 development, GLP toxicology study to support clinical trials has completed and IND was submitted on March, 2020. In July, Chiome and 2 sites of National Cancer Center Hospital (Center and East) have concluded a contract to conduct Phase I Study of CBA-1205. The first patient has already been dosed in early August. In the first part of the trial, safety and tolerability in patients with solid tumor will be evaluated. In the expansion part, safety and exploratory efficacy at the recommended dose in patients with advanced and/or recurrent hepatocellular carcinoma will be evaluated.

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 actively being progressed to fulfill our R&D pipeline. Chiome has completed filing a patent application on one of among projects in oncology area at the end of 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 ¥2,430 thousand, an increase of ¥318 thousand

year on year; research and development expenses of ¥951,027 thousand (a decrease of ¥92,446 thousand year on year), and a segment loss of ¥949,048 thousand (a segment loss of ¥1,041,557 thousand 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 period under review, although temporal slowdown in business activity at Chiome and clients following the Declaration of Emergency due to pandemic of COVID-19 was experienced, its impact to the results in this period was limited. In addition to the stable business with the existing customers, we recorded net sales by antibody generation using the ADLib® system. Also, Chiome is continually working on the antibody generation against COVID-19 for a customer, and we recorded the related sales in this period.

In this business segment, our service has been assessed favorable and well received, the demand for our service is expected to increase. We expanded 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 ¥309,854 thousand, an increase of ¥29,276 thousand year on year. Segment profit was ¥144,007 thousand, down by ¥25,803 thousand year on year due to advance investment in abovementioned expansion of capacity in expectation of an increase of business. Segment profit margin was 46.5% (Targeting margin is 50% in FY2020).

(2) Explanation of Financial Position

(Assets)

As of September 30, 2020, assets stood at ¥3,565,882 thousand, up ¥757,791 thousand compared with the balance as of December 31, 2019. The increase was mainly due to increase in cash on hand and in banks.

(Liabilities)

As of September 30, 2020, liabilities stood at ¥420,181 thousand, up ¥233,599 thousand compared to the balance as of December 31, 2019. The increase was primarily due to increased short-term borrowings relating to investments in the Drug Discovery Support Business.

(Net assets)

As of September 30, 2020, net assets stood at ¥3,145,700 thousand, up ¥524,191 thousand compared to the balance of December 31, 2019. 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, 2020 announced on February 14, 2020.

2. Quarterly Financial Statements

(1) Quarterly Balance Sheets

	Thousand yen	
	As of Dec. 31, 2019	As of Sep 30, 2020
Assets		
Current assets		
Cash on hand and in banks	2,105,976	2,881,315
Accounts receivable	95,138	54,556
Inventories	66,626	89,307
Advance payment-trade	217,658	173,905
Consumption taxes receivable	35,693	49,181
Other current assets	39,934	68,194
Total current assets	2,561,028	3,316,460
Non-current assets		
Property and equipment		
Machinery	316,629	293,771
Accumulated depreciation	(308,343)	(287,456)
Machinery, net	<u>8,285</u>	<u>6,315</u>
Tools and equipment	103,416	100,746
Accumulated depreciation	(100,595)	(98,987)
Tools and equipment, net	<u>2,820</u>	<u>1,758</u>
Total property and equipment	11,106	8,073
Investments and other assets		
Investment Securities	150,000	150,000
Long-term prepaid expenses	12,048	13,920
Lease deposits and others	73,908	77,427
Total investments and other assets	235,956	241,347
Total non-current assets	247,062	249,421
Total assets	2,808,090	3,565,882

Thousands yen

	As of Dec. 31, 2019	As of Sep. 30, 2020
Liabilities		
Current liabilities		
Accounts payable, trade	29,936	51,790
Short-term borrowings	—	199,000
Accounts payable, other	33,438	78,840
Accrued expenses	17,663	15,756
Income taxes payable	38,106	—
Advances received	15,956	24,624
Deposits received	5,239	5,896
Unearned revenue	554	—
Provision for bonuses	4,237	2,507
Total Current liabilities	145,133	378,415
Non-current liabilities		
Asset retirement obligations	41,447	41,765
Total non-current liabilities	41,447	41,765
Total liabilities	186,581	420,181
Net assets		
Shareholders' equity		
Capital stock	6,132,216	1,303,096
Capital reserve	6,122,216	2,902,877
Retained earnings	(9,654,653)	(1,087,916)
Treasury stock	(292)	(292)
Total shareholders' equity	2,599,488	3,117,765
Subscription rights to shares	22,020	27,935
Total net assets	2,621,508	3,145,700
Total liabilities and net assets	2,808,090	3,565,882

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

	Thousand yen	
	Nine Months Ended Sep. 30, 2019 (Jan.1, 2019 to Sep. 30, 2019)	Nine Months Ended Sep. 30, 2020 (Jan. 1, 2020 to Sep. 30, 2020)
Net sales	282,690	312,284
Cost of sales	110,962	166,299
Gross profit	<u>171,727</u>	<u>145,985</u>
Selling, general and administrative expenses		
Research and development expenses	1,043,474	951,027
Other, net	<u>297,269</u>	<u>274,974</u>
Total selling, general and administrative expenses	<u>1,340,743</u>	<u>1,226,002</u>
Operating loss	<u>(1,169,015)</u>	<u>(1,080,016)</u>
Non-operating income		
Interest income	27	33
Foreign exchange gains	5,205	442
Subsidy income	—	3,951
Other, net	<u>211</u>	<u>198</u>
Total non-operating income	<u>5,444</u>	<u>4,625</u>
Non-operating expenses		
Interest expenses	—	622
Share issuance expenses	4,812	4,954
Subscription rights issuance cost	8,916	5,936
Other, net	—	245
Total non-operating expenses	<u>13,729</u>	<u>11,759</u>
Ordinary loss	<u>(1,177,300)</u>	<u>(1,087,149)</u>
Extraordinary income		
Gain on reversal of share acquisition rights	8,912	1,048
Total extraordinary income	<u>8,912</u>	<u>1,048</u>
Loss before income taxes	<u>(1,168,387)</u>	<u>(1,086,101)</u>
Income taxes-current	1,815	1,815
Total income taxes	<u>1,815</u>	<u>1,815</u>
Net loss	<u>(1,170,202)</u>	<u>(1,087,916)</u>

(3) Notes Concerning Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

• Capital reduction

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 stock and capital reserve and the disposal of surplus, and the effect became effective on May 1, 2020. Due to the capital reduction, Capital stock decreased by ¥5,632,216 thousand, and Capital reserve decreased by ¥4,022,436 thousand, and Retained earnings increased by 9,654,653 thousand.

• Exercise of the subscription rights to shares.

The balance of capital stock and capital reserve increased separately by ¥803,096 thousand due to exercise of the Subscription Rights to Shares.

As a result, as of September 30, 2020, the balance of capital stock and capital reserve came to ¥1,303,096 thousand and ¥2,902,877 thousand, respectively.

(Important subsequent events)

(Capital increase attributed to the exercise of subscription rights to shares)

During the third cumulative period, from October 1, 2020 to October 31, 2020, some of the 17th 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, 558,600 shares

(2) Increased capital stock: ¥62,177 thousand

(3) Increased legal capital reserve: ¥62,177 thousand

As a result, as of October 31, 2020, the total number of the common stock issued is 39,290,400 shares. Capital stock and capital reserve are ¥1,365,273 thousand and ¥2,965,054 thousand respectively.