



**Non-Consolidated Financial Results (Japanese GAAP)
for the Six Months Ended June 30, 2021**

August 13, 2021

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: August 13, 2021
Scheduled dividend payment commencement date: —
Supplementary materials prepared for the quarterly financial results: Yes
Holding of the quarterly 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 Six Months Ended June 30, 2021 (January 1, 2021 to June 30, 2021)

(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	%
Six months ended Jun. 30, 2021	384	122.1	(415)	—	(409)	—	(408)	—
Six months ended Jun. 30, 2020	173	23.1	(735)	—	(735)	—	(736)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended Jun. 30, 2021	(10.16)	—
Six months ended Jun. 30, 2020	(22.01)	—

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 Jun. 30, 2021	3,328	2,858	85.3
As of Dec. 31, 2020	3,494	3,109	88.2

(Reference) Equity As of Jun. 30, 2021: 2,839 million yen As of Dec. 31, 2020: 3,081 million yen

2. Dividends

	Annual Dividends				
	1Q-End	2Q-End	3Q-End	FY-End	Total
Fiscal Year Ending Dec. 31, 2020	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal Year Ending Dec. 31, 2021	—	0.00	—	—	—
Fiscal Year Ending Dec. 31, 2021 (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, 2021 (January 1, 2021 to December 31, 2021)

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 ¥530 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 Jun. 30, 2021	40,291,500 shares	As of Dec. 31, 2020	39,505,200 Shares
As of Jun. 30, 2021	146 shares	As of Dec. 31, 2020	146 Shares
Six months ended Jun. 30, 2021	40,223,691 shares	Six months ended Jun. 30, 2020	33,436,774 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

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 the "1. Qualitative Information Regarding Quarterly Financial Results (4) Explanation of Forward-Looking Statements including Forecasts of Financial Results" on page 5 of this report.
2. Chiome plans to hold a financial results explanatory meeting by online for institutional investors and securities analysts on August 16, 2021. Supplementary materials will be available on the Chiome's website after the meeting.

Contents

1. Qualitative Information Regarding Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	4
(3) Explanation of Cash Flows	5
(4) Explanation of Forward-Looking Statements including Forecasts of Financial Results	5
2. Quarterly Financial Statements	6
(1) Quarterly Balance Sheets	6
(2) Quarterly Statements of Income	8
(3) Quarterly Statements of Cash Flows	9
(4) Notes Concerning Quarterly Financial Statements	10
(Notes regarding going concern assumptions)	10
(Notes regarding substantial changes in shareholders' equity)	10
(Significant subsequent events)	10

1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation of Operating Results

During the second quarter ended June 30, 2021 (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"), although some signs of regional recovery are reported along with extension of vaccination. Under the current business environment, Net sales was ¥384,932 thousand, an increase of ¥211,653 thousand year-on-year, attributable to the Up-front income from the out-licensing contract of LIV-2008/2008b in the Drug Discovery and Development on top of the steady growth in the Drug Discovery Support Business. Research and development expenses amounted ¥459,373 thousand with a decrease of ¥149,332 thousand year-on-year since much less cost incurred in Preclinical work and Preclinical work and manufacturing of clinical study drug in CBA-1205 program. Operating loss was ¥415,345 thousand (an operating loss of ¥735,779 thousand previously), Ordinary loss was ¥409,402 thousand (an ordinary loss of ¥735,874 thousand previously), and net loss was ¥408,737 thousand (compared to a net loss of ¥736,036 thousand previously). Chiome's business activities during the period under review are as followings.

In the Drug Discovery and Development, clinical study of CBA-1205 which is an in-house program of the first in-class antibody, has been making progress. Dosing to cancer patients began in July 2020. The Phase I study consists of 2 parts, put simply, and currently, the study is in the first part to evaluate the safety and determine the maximum tolerated dose by increasing the dose of the antibody step-by-step in patients with solid tumors. So far, no serious adverse reaction occurred. For CBA-1535, a multi-specific antibody project, preparation work for a clinical study progresses as scheduled. Due to the spread of COVID-19, there was a temporary supply shortage of research materials required for the manufacture of the drug substance. However, the procurement of research materials was completed during Q2, and there is no impact on the schedule of regulatory application for CBA-1535 Phase 1. For the projects in discovery stage, Chiome puts efforts in bringing early discovery projects to the lead antibodies, and to build a portfolio of intellectual property assets. We will strive for fulfilling pipelines in terms of number and quality which address the unmet medical needs. This could be initiation of new projects leveraged by our own Tribody technology in addition to collaborative works with pharma, biotech company, and academia aiming to create new projects for novel drug discovery.

➤ Drug Discovery Pipeline (out-licensed products)

With regard to ADCT-701, an ADC format of LIV-1205 that was licensed out to Switzerland-based ADC Therapeutics SA, the preparation work for the clinical development is moving forward.

With regard to LIV-2008/2008b, as announced on January 2021, Chiome and Shanghai Henlius Biotech, Inc. ("Henlius") have signed an Exclusive License Agreement for development and commercialization of the anti-TPOR-2 antibodies, LIV-2008/2008b, developed by Chiome. Under the agreement, Chiome granted an exclusive license, with sublicensing right, to Henlius for development, manufacturing and marketing the antibody in the region of China, Hong Kong, Macau, and Taiwan. In addition, Chiome granted to Henlius an option right for development, manufacturing, and marketing of LIV-2008/2008b in the rest of the world other than the abovementioned territory. Under the agreement, Chiome received an upfront payment of US\$1 mil and was booked as sales of Drug Discovery and Development Business for the period under review.

In addition, there are some pharmaceutical companies who remain interested in evaluation of LIV-2008/2008b.

Chiome will primarily focus on alliance management under the agreement with Henlius so that they will exercise the option, and also in parallel, continue to explore the out-licensing opportunity to a third party to maximize the business value of this pipeline.

➤ Drug Discovery Pipeline (In-house programs, out-licensing candidates)

In CBA-1205 development, the phase I study began in July 2020 and has been progressing on track. In the first part of the study, the safety, tolerability, and pharmacokinetics in patients with solid tumor will be evaluated and the maximum tolerated dose is determined. In the second part, the safety, tolerability, and exploratory efficacy will be evaluated in patients with advanced and/or recurrent hepatocellular carcinoma. Currently, in the first part, we are increasing dose of the study drug to be administered to patients from the lowest dose to higher dose in a stepwise manner, while confirming the maximum dose of drug that can be administered to patients without causing unacceptable adverse reaction. Furthermore, it has extended the dose escalation part to higher doses than originally planned in aiming for enabling to set broader safety margin. The second part of the study is expected to start at the end of 2021 or the first half of 2022. There will be no change in the timing of completion of the phase I study from the original plan.

For CBA-1535, works on CMC development are progressing towards the study drug manufacture. In the period under review, the research materials have been secured, and the manufacture of the study drug is proceeding smoothly. It is expected that the CMC development and the manufacture of the study drug will complete within the original schedule for the clinical trial application. In addition, under the current uncertain situation of COVID-19 pandemic, it is not going to be practical to perform a Phase 1 study in the UK as originally planned. An alternative plan to conduct the study in Japan which is less impacted is being studied. We are currently conducting consultations with the authorities looking at submission of clinical trial application sometime between the end of 2021 and the first half of 2022.

For the humanized anti-Semaphorin3A antibody, the Collaborative Development License and Exclusive Option Agreement with SemaTheRa has terminated as announced on May 14, 2021. At present, we have started our own research and development and business development activities targeting diseases associated with semaphorin 3A. With regard to PCDC, Chiome conducts additional drug efficacy tests that are important in promoting its R&D activities while seeking for opportunities of out-licensing or collaboration, mainly in ADC field. On July 1, 2021, the World Intellectual Property Organization (WIPO) published patent information on the application (WO/2021/132427).

In addition, we have five drug discovery projects in the exploratory stage and multiple research themes. We are working on activities to further enhance our pipeline by evaluation on progress status of the research and reviewing whether to revise or abolish drug discovery projects as appropriate. Also, Chiome participates in a research program in the field of infectious diseases and technology development led by an academia in Japan, which is backed by a grant from the Japan Agency for Medical Research and Development (AMED).

As a result, net sales of the Drug Discovery and Development was ¥103,013 thousand, an increase of ¥101,382 thousand year-on-year; research and development expenses of ¥459,373 thousand (a decrease of ¥149,332 thousand year-on-year), and a segment loss of ¥356,461 thousand (a segment loss of ¥607,377 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 preparation and multiple antibody generation technologies including the ADLib® system, our proprietary platform for antibody generation and affinity maturation. We are working to solidify a business relationship with the existing key accounts by entering into basic transaction contracts, while also promoting the development of new customers to strengthen our earnings base.

In addition, as announced on May 14, 2021, Chiome and Mologic Ltd. ("Mologic", United Kingdom) have entered into Collaborative Research Agreement for antibody discovery and development for diagnostic use. Under the agreement which lasts up to 1 year, Chiome will generate antibodies against several targets utilising ADLib® system, which is Chiome's proprietary platform technology. Mologic will evaluate the antibodies by its technology and know-how for application of diagnostic drug. Chiome will receive consideration for research activities from Mologic, and royalties if Mologic earns profit from the diagnostic products consisting of antibodies generated under this agreement. Consideration corresponding to the period under review is recorded in net sales.

The sales from the Drug Discovery Support Business has grown due to stable transactions with mainly domestic Pharmaceutical companies. As a result, net sales in the period under review was ¥281,919 thousand, an increase of ¥110,271 thousand year on year. Segment profit was ¥155,931 thousand, increase of ¥91,008 thousand year on year. Segment profit margin was 55.3% (Targeting margin is 50% in FY2021).

(2) Explanation of Financial Position

(Assets)

As of June 30, 2021, assets stood at ¥3,328,800 thousand, down ¥165,753 thousand compared with the balance as of December 31, 2020. The increase was mainly due to decrease in cash on hand and in banks and an increase in advance payments.

(Liabilities)

As of June 30, 2021, liabilities stood at ¥469,929 thousand, up ¥85,343 thousand compared to the balance as of December 31, 2020. The increase was primarily due to increases in accounts payable-other and advances received.

(Net assets)

As of June 30, 2021, net assets stood at ¥2,858,871 thousand, down ¥251,097 thousand compared to the balance of December 31, 2020. The decrease was attributed mainly due to decrease in retained earnings reflecting the net loss for the period.

(3) Explanation of Cash Flows

The balance of cash and cash equivalents as of the end of the second quarter (June 30, 2021) of the fiscal year under review stood at ¥2,301,603 thousand, down ¥384,714 thousand compared to the balance as of December 31, 2020. Details of cash flows of each activity, as well as major factors behind their movements, are outlined as follows.

(Cash flows from operating activities)

For the six-month period of the fiscal year under review, net cash used in operating activities were ¥560,856 thousand. The major movements were loss before income taxes.

(Cash flows from investing activities)

For the six-month period of the fiscal year under review, there is no increase or decrease in the cash by investing activities.

(Cash flows from financing activities)

For the six-month period of the fiscal year under review, net cash provided by financing activities totaled ¥176,141 thousand. This was primarily due to proceeds from issuance of shares resulting from exercise of subscription rights to shares.

(4) 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, 2021 announced on February 9, 2021.

2. Quarterly Financial Statements

(1) Quarterly Balance Sheets

	Thousand yen	
	As of Dec. 31, 2020	As of Jun 30, 2021
Assets		
Current assets		
Cash on hand and in banks	2,686,318	2,301,603
Accounts receivable	56,778	39,178
Inventories	89,261	89,350
Advance payment-trade	302,611	532,666
Consumption taxes receivable	57,573	72,690
Other current assets	55,974	52,236
Total current assets	<u>3,248,518</u>	<u>3,087,725</u>
Non-current assets		
Property and equipment		
Machinery	293,124	293,124
Accumulated depreciation	(287,372)	(288,148)
Machinery, net	<u>5,751</u>	<u>4,975</u>
Tools and equipment	98,139	98,139
Accumulated depreciation	(96,735)	(97,437)
Tools and equipment, net	<u>1,404</u>	<u>702</u>
Total property and equipment	<u>7,156</u>	<u>5,677</u>
Investments and other assets		
Investment Securities	150,000	150,000
Long-term prepaid expenses	11,452	7,969
Lease deposits and others	77,427	77,427
Total investments and other assets	<u>238,879</u>	<u>235,396</u>
Total non-current assets	<u>246,035</u>	<u>241,074</u>
Total assets	<u>3,494,554</u>	<u>3,328,800</u>

Thousands yen

	As of Dec. 31, 2020	As of Jun. 30, 2021
Liabilities		
Current liabilities		
Accounts payable, trade	40,106	37,579
Short-term borrowings	180,000	190,000
Accounts payable, other	50,082	97,150
Accrued expenses	31,593	15,976
Income taxes payable	3,240	14,218
Advances received	27,953	61,530
Deposits received	4,642	4,870
Unearned revenue	—	1,951
Provision for bonuses	5,096	4,566
Total Current liabilities	342,714	427,843
Non-current liabilities		
Asset retirement obligations	41,871	42,085
Total non-current liabilities	41,871	42,085
Total liabilities	384,585	469,929
Net assets		
Shareholders' equity		
Capital stock	1,387,677	1,471,439
Capital reserve	2,987,458	3,071,219
Retained earnings	(1,293,798)	(1,702,535)
Treasury stock	(292)	(292)
Total shareholders' equity	3,081,046	2,839,830
Subscription rights to shares	28,922	19,040
Total net assets	3,109,968	2,858,871
Total liabilities and net assets	3,494,554	3,328,800

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

	Thousand yen	
	Six Months Ended Jun. 30, 2020 (Jan. 1, 2020 to Jun. 30, 2020)	Six Months Ended Jun. 30, 2021 (Jan. 1, 2021 to Jun. 30, 2021)
Net sales	173,278	384,982
Cost of sales	107,027	126,089
Gross profit	<u>66,251</u>	<u>258,843</u>
Selling, general and administrative expenses		
Research and development expenses	608,705	459,373
Other, net	<u>193,325</u>	<u>214,815</u>
Total selling, general and administrative expenses	<u>802,030</u>	<u>674,188</u>
Operating loss	<u>(735,779)</u>	<u>(415,345)</u>
Non-operating income		
Interest income	22	15
Foreign exchange gains	362	6,770
Subsidy income	1,587	—
Other, net	<u>193</u>	<u>378</u>
Total non-operating income	<u>2,165</u>	<u>7,165</u>
Non-operating expenses		
Interest expenses	272	636
Share issuance expenses	—	586
Subscription rights issuance cost	1,742	—
Other, net	<u>245</u>	<u>—</u>
Total non-operating expenses	<u>2,260</u>	<u>1,222</u>
Ordinary loss	<u>(735,874)</u>	<u>(409,402)</u>
Extraordinary income		
Gain on reversal of share acquisition rights	1,048	12,540
Total extraordinary income	1,048	12,540
Loss before income taxes	<u>(734,826)</u>	<u>(396,862)</u>
Income taxes-current	1,210	11,874
Total income taxes	1,210	11,874
Net loss	<u>(736,036)</u>	<u>(408,737)</u>

(3) Statements of Cash Flows

	Thousand yen	
	Six Months Ended Jun. 30, 2020 (Jan. 1, 2020 to Jun. 30, 2020)	Six Months Ended Jun. 30, 2021 (Jan. 1, 2021 to Jun. 30, 2021)
Cash flows from operating activities		
Loss before income taxes	(734,826)	(396,862)
Depreciation and amortization	1,867	1,478
Decrease (increase) in notes and accounts receivable-trade	73,103	17,599
Decrease (increase) in inventories	(9,886)	(89)
Decrease (increase) in advance payments	75,193	(230,054)
Decrease (increase) in consumption taxes refund receivable	(6,402)	(15,116)
Increase (decrease) in notes and accounts payable-trade	5,021	(2,527)
Increase (decrease) in accounts payable-other	99,837	47,067
Increase (decrease) in accrued expenses	(3,114)	(15,617)
Increase (decrease) in advances received	10,355	33,577
Other, net	(38,333)	(4,248)
Subtotal	<u>(527,183)</u>	<u>(564,792)</u>
Interest income received	18	13
Interest paid	(272)	(636)
Proceeds from subsidy income	1,587	—
Income taxes paid	(2,420)	(13,494)
Income taxes refund	4	18,053
Net cash used in operating activities	<u>(528,265)</u>	<u>(560,856)</u>
Cash flows from investing activities		
Net cash provided by investing activities	—	—
Cash flows from financing activities		
Increase in short term loans payable	199,000	20,000
Decrease in short term loans payable	—	(10,000)
Proceeds from issuance of common shares	697,438	166,141
Payments for issuance of subscription rights to shares	(1,742)	—
Net cash provided by financing activities	<u>894,696</u>	<u>176,141</u>
Net increase (decrease) in cash and cash equivalents	<u>366,430</u>	<u>(384,714)</u>
Cash and cash equivalents as of the beginning of the year	<u>2,105,976</u>	<u>2,686,318</u>
Cash and cash equivalents as of the end of the period	<u>2,472,406</u>	<u>2,301,603</u>

(4) Notes Concerning Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

During the second cumulative period, the balance of capital stock and capital reserve increased separately by ¥83,761 thousand due to exercise of the Subscription Rights to Shares. As a result, as of June 30, 2021, the balance of capital stock and capital reserve came to ¥1,471,439 thousand and ¥3,071,219 thousand, respectively.

(Important subsequent events)

Not applicable.