Non-Consolidated Financial Results (Japanese GAAP)
for the Six Months Ended June 30, 2022

August 10, 2022

Company Name: Chiome Bioscience Inc. Tokyo Stock Exchange
Stock Code: 4583 URL https://www.chiome.co.jp/english/
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Scheduled filing date of quarterly financial results: August 10, 2022
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, 2022 (January 1, 2022 to June 30, 2022)

(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, 2022	278	(27.7)	(779)	—	(768)	—	(771)	—
Six months ended Jun. 30, 2021	384	122.1	(415)	—	(409)	—	(408)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended Jun. 30, 2022	(18.17)	—
Six months ended Jun. 30, 2021	(10.16)	—

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, 2022	1,920	1,476	75.3
As of Dec. 31, 2021	2,339	1,893	79.4

(Reference) Equity As of Jun. 30, 2022: 1,445 million yen As of Dec. 31, 2021: 1,857 million yen

2. Dividends

	Annual Dividends				
	1Q-End	2Q-End	3Q-End	FY-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ending Dec. 31, 2021	—	0.00	—	0.00	0.00
Fiscal Year Ending Dec. 31, 2022	—	0.00			
Fiscal Year Ending Dec. 31, 2022 (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, 2022 (January 1, 2022 to December 31, 2022)

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 ¥620 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: Yes
- 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)	As of Jun. 30, 2022	43,057,600 shares	As of Dec. 31, 2021	40,781,500 shares
2) Number of treasury stock as of the end of the period	As of Jun. 30, 2022	146 shares	As of Dec. 31, 2021	146 shares
3) Average number of shares for the period (cumulative total for the period)	Six months ended Jun. 30, 2022	42,432,668 shares	Six months ended Jun. 30, 2021	40,223,691 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 4 of this report.
2. Chiome plans to hold a financial results explanatory meeting by online for institutional investors and securities analysts on August 15, 2022. Supplementary materials will be available on the Chiome's website after the meeting.

Contents

1. Qualitative Information Regarding Quarterly Financial Results

(1) Overview of Operating Results in the Fiscal Year

The global and Japanese economic environment during the six months of the year under review remains uncertain because of the outbreak of Covid-19 variants, soaring resource prices due to the prolonged conflict in Ukraine, and the ongoing depreciation of the Yen.

Under the external environment, the Company's performance for the six months under review was as follows. Net sales of ¥278,211 thousand (a decrease of ¥106,720 thousand year-on-year), R&D expenses amounted to ¥690,981 thousand (an increase of ¥231,607 thousand year-on-year), operating loss of ¥779,216 thousand (operating loss of the same quarter last year was ¥415,345 thousand), ordinary loss of ¥768,686 thousand (ordinary loss of the same quarter last year was ¥409,402 thousand), and a quarterly net loss of ¥771,005 thousand (quarterly net loss of the same quarter last year was ¥408,737 thousand).

Net sales decreased in the current period compared to the same quarter last year, even with the impact of the external environment, such as COVID-19 infections, on our business performance was limited. The decrease was mainly because there was an upfront license payment in the drug discovery business, which was recorded in the same period last year. In terms of Profit and Loss, operating loss, ordinary loss, and net loss have all increased compared to the same quarter last year. This was mainly due to the recording of expenses in R&D costs associated with the completion of the manufacturing of the study drug for CBA-1535.

An overview of the Company's business activities for the six months under review is as follows.

In the drug discovery business, the Phase I study of CBA-1205, the in-house development of the first-in-class antibody, has moved to the second part. The dose for the first patient with hepatocellular carcinoma started in June 2022. In general, patients with solid tumors participating in Phase I studies are patients who are refractory or intolerant to standard treatments, or advanced/recurrent solid tumors that are unresectable. In the first part of the study, there were patients who had already received several standard treatments. The enrollment of the patients for the first part had been completed. For the final result, we need to wait for the completion of the analysis, however, during the course of the study, there were several cases who stayed on the study for more than 4 months due to SD (stable disease) evaluations by RECIST v1.1, the objective tumor evaluation method. We are actively pursuing activities to increase the value of out-licensing, such as promoting collaborative research for developing new indications other than hepatocellular carcinoma and exploring further drug discovery targeting DLK-1. The second clinical pipeline, CBA-1535, a multi-specific antibody for cancer treatment, had completed the submission of its clinical study plan (IND) to the Japanese agency, Pharmaceuticals and Medical Devices Agency (PMDA), in February 2022. Initial dosing to the first patient in the first part of the study started at the end of June 2022. In the drug discovery projects, which are in the non-clinical and/or exploratory phase, we continue the R&D work on the generation of lead antibodies that will be the next generation for CBA-1205 and CBA-1535, and lead antibodies against novel targets, and on filing new intellectual property. We will strive to expand the number and quality of our development pipelines, utilizing the Tribody™ technology for new themes.

- Drug Discovery Pipeline (out-licensed products)

Regarding ADCT-701, an ADC format of LIV-1205 that was licensed out to Switzerland-based ADC Therapeutics SA, IND preparation work is in progress. It's been announced that the National Cancer Institute (NCI) in the US will be a sponsor of Phase I in collaboration with ADC Therapeutics for neuroendocrine cancer.

For LIV-2008/2008b, we signed a license agreement with Shanghai Henlius Biotech, Inc. of China (hereinafter "Henlius") and the development plans are under development. In addition, there are pharmaceutical companies that continue to conduct in-licensing evaluations. We will primarily focus on alliance management under the agreement with Henlius so that they will exercise the option right, and in parallel, continue to pursue the out-licensing opportunity to others in maximizing the business values of this pipeline.

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

CBA-1205 is currently undergoing Phase I clinical studies in Japan. As the first part of the study proved high safety and tolerability, the decision was made to move to the second part of the Phase I in December 2021. During the year under review, we will promote the enrollment of patients with hepatocellular carcinoma by contracting with additional clinical study sites. In June 2022, we started dosing to the first patient in the second part of the study.

For CBA-1535, the application for a Phase I study to the Pharmaceuticals and Medical Devices Agency (PMDA) was submitted on February 16, 2022, and we started dosing of CBA-1535 to the first cancer patient at the end of June. This is the first clinical study in the world to validate the mechanism of action of Tribody™, which binds to both cancer cells and immune cells (T cells) and activates T cells to kill cancer cells. If this concept is proved in CBA-1535, this will open up the possibility of applying the Tribody™ format to many other tumor antigens.

For the humanized anti-Semaphorin 3A antibody, BMAA, we are carrying out BD activities using the data of BMAA evaluation and exploratory study on the Semaphorin family molecules, which we have obtained to date.

For PCDC, we are currently conducting additional animal studies and other activities that are important to the progress of our R&D activities, while seeking the opportunity to out-license or collaborate with potential partners, mainly in the field of ADC application.

For two of our drug discovery projects in the exploratory phase we have been focusing on, we continued the research works with thinking of development plan and business scenario to create higher values. Among these, a new patent application has been filed for an oncology project. Research on new drug discovery projects, including Tribody™, which further enhanced the activity of CBA-1535, is also in progress, and we have filed a patent application in June 2022. The Company will expand its new pipeline and seek for out-licensing opportunities by continuously creating new drug seeds and making them into intellectual property. We are also participating in a research program in the field of infectious diseases and technology development in collaboration with academia in Japan, which is supported by a grant from the Japan Agency for Medical Research and Development (AMED)

As a result of the above, in the drug discovery business, net sales decreased by ¥103,013 thousand for the six months under review compared to the same period last year when an upfront payment was recorded due to the conclusion of a license agreement with Henlius. R&D expenses amounted to ¥690,981 thousand (an increase of ¥231,607 thousand year-on-year) due to progress in clinical development, and segment loss amounted to ¥690,981 thousand (segment loss of ¥356,461 thousand year-on-year).

Drug discovery support business contributes to the Company's stable earnings. We offer technical support to pharmaceutical companies and research institutions by undertaking antibody discovery and affinity maturation using the ADLib® system, our proprietary antibody generation expertise, as well as protein preparation, expression, and purification works under a contract. For the joint research with Mologic Ltd., with whom we concluded a Collaborative Research agreement in May 2021 to generate antibodies for diagnostic use in diseases such as infectious diseases using the ADLib® system, we extended the agreement to a maximum period of March 2023, and

we are continuing our research on antibody discovery and evaluation. We are also promoting the development of new clients to strengthen our earnings base.

As a result of the above, in the drug discovery support business, net sales for the six months under review amounted to ¥278,211 thousand (a decrease of ¥3,707 thousand year-on-year), segment profit was ¥151,129 thousand (a decrease of ¥4,802 thousand year-on-year) and segment profit margin of 54.3% (target 50%) due to continued stable transactions with existing clients, mainly domestic pharmaceutical companies.

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

(Assets)

Total assets at the end of the second quarter of the current fiscal year amounted to ¥1,920,212 thousand, a decrease of ¥419,227 thousand compared to the end of the previous fiscal year, mainly due to a decrease in cash, deposits, and advance payment.

(Liabilities)

The balance of liabilities at the end of the second quarter of the current fiscal year amounted to ¥444,076 thousand, a decrease of ¥2,313 thousand compared to the end of the previous fiscal year. This was mainly due to a decrease in advance received.

(Net assets)

The balance of net assets at the end of the second quarter of the current fiscal year amounted to ¥1,476,135 thousand, a decrease of ¥416,914 thousand. This was mainly because of a decrease in retained earnings after recording the net loss in the period under review, even though capital stock and capital reserves were increased due to the exercise of subscription rights.

(3) Overview of Cash Flows in the Fiscal Year Under Review

The balance of cash and cash equivalents (hereinafter "funds") at the end of the second quarter of the current fiscal year amounted to ¥1,471,935 thousand, a decrease of ¥319,052 thousand compared to the end of the previous fiscal year. The status of each cash flow and its main factors are as follows.

(Cash flows from operating activities)

Funds used in operating activities for the six months under review amounted to ¥660,225 thousand. The main reason for this was recording a net loss before tax.

(Cash flows from investing activities)

There was no change in funds from investing activities for the six months under review.

(Cash flows from financing activities)

Funds acquired in financing activities for the six months under review amounted to ¥341,172 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 forecasts of the financial result for the fiscal year ending December 31, 2022 announced on February 14, 2022.

2. Quarterly Financial Statements

(1) Quarterly Balance Sheets

Thousand yen

	As of Dec. 31, 2021	As of Jun 30, 2022
Assets		
Current assets		
Cash on hand and in banks	1,790,988	1,471,935
Accounts receivable	25,456	68,403
Inventories	59,049	65,974
Advance payment-trade	270,440	113,245
Consumption taxes receivable	36,050	20,653
Other current assets	34,898	51,887
Total current assets	2,216,883	1,792,100
Non-current assets		
Property and equipment		
Machinery	291,571	257,893
Accumulated depreciation	(287,372)	(254,741)
Machinery, net	4,199	3,151
Tools and equipment	95,820	97,242
Accumulated depreciation	(95,820)	(97,242)
Tools and equipment, net	0	0
Total property and equipment	4,199	3,151
Investments and other assets		
Long-term prepaid expenses	5,544	12,148
Lease deposits and others	112,811	112,811
Others	0	0
Total investments and other assets	118,355	124,959
Total non-current assets	122,555	128,111
Total assets	2,339,439	1,920,212

Thousand yen

	As of Dec. 31, 2021	As of Jun. 30, 2022
Liabilities		
Current liabilities		
Accounts payable, trade	29,809	46,089
Short-term borrowings	183,000	188,000
Accounts payable, other	81,549	90,534
Accrued expenses	39,636	28,214
Income taxes payable	16,745	16,185
Advances received	30,523	9,600
Deposits received	6,453	5,064
Provision for bonuses	4,821	6,328
Total Current liabilities	392,540	390,017
Non-current liabilities		
Asset retirement obligations	53,849	54,059
Total non-current liabilities	53,849	54,059
Total liabilities	446,390	444,076
Net assets		
Shareholders' equity		
Capital stock	1,515,929	1,695,249
Capital reserve	3,115,710	3,295,030
Retained earnings	(2,773,693)	(3,544,466)
Treasury stock	(292)	(292)
Total shareholders' equity	1,857,654	1,445,521
Subscription rights to shares	35,394	30,613
Total net assets	1,893,049	1,476,135
Total liabilities and net assets	2,339,439	1,920,212

(2) Quarterly Statement of Income

(Second Quarter Cumulative)

Thousand yen

	Six Months Ended Jun. 30, 2021 (Jan.1, 2021 to Jun. 30, 2021)	Six Months Ended Jun. 30, 2022 (Jan. 1, 2022 to Jun. 30, 2022)
Net sales	384,932	278,211
Cost of sales	126,089	127,082
Gross profit	258,843	151,129
Selling, general and administrative expenses		
Research and development expenses	459,373	690,981
Other, net	214,815	239,364
Total selling, general and administrative expenses	674,188	930,345
Operating loss	(415,345)	(779,216)
Non-operating income		
Interest income	15	11
Foreign exchange gains	6,770	－
Subsidy income	－	16,000
Other, net	378	205
Total non-operating income	7,165	16,216
Non-operating expenses		
Interest expenses	636	645
Share issuance expenses	586	1,416
Foreign exchange losses	－	3,339
Other, net	－	286
Total non-operating expenses	1,222	5,687
Ordinary loss	(409,402)	(768,686)
Extraordinary income		
Gain on reversal of share acquisition rights	12,540	186
Total extraordinary income	12,540	186
Loss before income taxes	(396,862)	(768,500)
Income taxes-current	11,874	2,505
Total income taxes	11,874	2,505
Net loss	(408,737)	(771,005)

(3) Statements of Cash Flows

Thousand yen

	Six Months Ended Jun. 30, 2021 (Jan. 1, 2021 to Jun. 30, 2021)	Six Months Ended Jun. 30, 2022 (Jan. 1, 2022 to Jun. 30, 2022)
Cash flows from operating activities		
Loss before income taxes	(396,862)	(768,500)
Depreciation and amortization	1,478	762
Decrease (increase) in notes and accounts receivable-trade	17,599	(42,946)
Decrease (increase) in inventories	(89)	(6,984)
Decrease (increase) in advance payments	(230,054)	157,194
Decrease (increase) in consumption taxes refund receivable	(15,116)	15,397
Increase (decrease) in notes and accounts payable-trade	(2,527)	16,280
Increase (decrease) in accounts payable-other	47,067	8,985
Increase (decrease) in accrued expenses	(15,617)	(11,422)
Increase (decrease) in advances received	33,577	—
Increase (decrease) in contract liabilities	—	(4,603)
Other, net	(4,248)	(20,517)
Subtotal	(564,792)	(656,355)
Interest income received	13	11
Interest paid	(636)	(645)
Income taxes paid	(13,494)	(3,240)
Income taxes refund	18,053	4
Net cash used in operating activities	(560,856)	(660,225)
Cash flows from investing activities		
Net cash provided by investing activities	—	—
Cash flows from financing activities		
Increase in short term loans payable	20,000	18,000
Decrease in short term loans payable	(10,000)	(13,000)
Proceeds from issuance of common shares	166,141	336,172
Net cash provided by financing activities	176,141	341,172
Net increase (decrease) in cash and cash equivalents	(384,714)	(319,052)
Cash and cash equivalents as of the beginning of the year	2,686,318	1,790,988
Cash and cash equivalents as of the end of the period	2,301,603	1,471,935

(4) Notes Concerning Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standards") from the beginning of the first quarter of the current fiscal year and recognizes revenue as the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer.

The application of the Revenue Recognition Accounting Standards etc., is in accordance with the transitional treatment based on the proviso to paragraph 84 of the Revenue Recognition Accounting Standards, and the cumulative effect of retroactive application of new accounting policies prior to the beginning of the first quarter of the current fiscal year is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policies are applied from the opening balance of this period.

However, the Company has applied the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standards and has accordingly not retroactively applied the new accounting policy to contracts for which almost the entire amount of revenue had been recognized prior to the beginning of the first quarter of this fiscal year.

In addition, the Company has applied the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Accounting Standards, wherein accounting procedures are conducted based on contract conditions after reflecting any changes in contracts made prior to the beginning of the first quarter of this fiscal year and then the cumulative effect is added to or subtracted from retained earnings at the beginning of the first quarter of this fiscal year.

As a result, net sales for the first half of the fiscal year under review increased by ¥50,591 thousand, cost of sales increased by ¥25,367 thousand, operating income, ordinary income and quarterly net profit before taxes increased by ¥25,223 thousand, respectively. The opening balance of retained earnings at the beginning of the period increased by ¥232 thousand.

Because Revenue Recognition Accounting Standards were applied, some liabilities for "Advances received" presented in "Current liabilities" in the balance sheet for the previous fiscal year, are now included in "Contract liabilities" from the first quarter of this fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Revenue Recognition Accounting Standards, figures for the previous fiscal year have not been rearranged using the new presentation method.

(Notes Regarding Substantial Changes in Shareholders' Equity)

During the second cumulative period, the balance of capital stock and capital reserve increased separately by ¥179,319 thousand due to exercise of the Subscription Rights to Shares. As a result, as of June 30, 2022, the balance of capital stock and capital reserve came to ¥1,695,249 thousand and ¥3,295,030 thousand, respectively.

(Important subsequent events)

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

During the period from July 1, 2022 to July 31, 2022, some of the 18th 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, 966,000 shares

(2) Increased capital stock: ¥77,773 thousand

(3) Increased legal capital reserve: ¥77,773 thousand

As a result, as of July 31, 2022, the total number of the common stock issued is 44,023,600 shares. Capital stock and capital reserve are ¥1,773,022 thousand and ¥3,372,803 thousand respectively.