Non-Consolidated Financial Results (Japanese GAAP)
for the Six Months Ended June 30, 2023

August 9, 2023

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 9, 2023
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, 2023 (January 1, 2023 to June 30, 2023)

(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, 2023	358	29.0	(659)	—	(662)	—	(663)	—
Six months ended Jun. 30, 2022	278	(27.7)	(779)	—	(768)	—	(771)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended Jun. 30, 2023	(13.70)	—
Six months ended Jun. 30, 2022	(18.17)	—

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, 2023	1,685	1,144	67.2
As of Dec. 31, 2022	2,215	1,790	80.2

(Reference) Equity As of Jun. 30, 2023: 1,132 million yen As of Dec. 31, 2022: 1,777 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, 2022	—	0.00	—	0.00	0.00
Fiscal Year Ending Dec. 31, 2023	—	0.00			
Fiscal Year Ending Dec. 31, 2023 (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, 2023 (January 1, 2023 to December 31, 2023)

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 ¥640 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)	As of Jun. 30, 2023	48,503,800 shares	As of Dec. 31, 2022	48,423,500 shares
2) Number of treasury stock as of the end of the period	As of Jun. 30, 2023	6,148 shares	As of Dec. 31, 2022	147 shares
3) Average number of shares for the period (cumulative total for the period)	Six months ended Jun. 30, 2023	48,443,815 shares	Six months ended Jun. 30, 2022	42,432,668 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 10, 2023. 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

During the six months of the year under review, the global and domestic economic environment remained uncertain for various reasons, such as a prolonged conflict in Ukraine, soaring costs and prices of resources and raw materials, and further depreciation of the yen.

Under the external environment, the Company's performance for the six months under review was as follows. Net sales of ¥358,889 thousand (an increase of ¥80,677 thousand year-on-year), R&D expenses amounted to ¥601,900 thousand (a decrease of ¥89,080 thousand year-on-year), operating loss of ¥659,249 thousand (operating loss of the same quarter last year was ¥779,216 thousand), ordinary loss of ¥662,139 thousand (ordinary loss of the same quarter last year was ¥768,686 thousand), and a quarterly net loss of ¥663,655 thousand (quarterly net loss of the same quarter last year was ¥771,005 thousand).

Net sales increased in the current period compared to the same quarter last year. This was because of acquiring new clients in the drug discovery support business, including the conclusion of a new master services agreement with a domestic pharmaceutical company, as well as stable business with existing clients. In Profit and Loss, the operating loss, ordinary loss and net loss decreased compared to the same quarter last year, mainly because of the decreased CMC-related cost for CBA-1535 and R&D expenses compared to the same quarter last year.

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 studies of CBA-1205 and CBA-1535 are proceeding. For CBA-1205, currently, the second part of the Phase I study is ongoing, where the safety and initial efficacy of the study drug is to be assessed in hepatocellular carcinoma patients. Furthermore, we are actively promoting collaborative research with overseas research institutions to extend indications other than hepatocellular carcinoma, and exploring further drug discovery targeting DLK-1 to increase the value of CBA-1205 for out-licensing. The second clinical development product, CBA-1535, is a multi-specific antibody for cancer treatment. The first part of the study is ongoing, where we continue the dose escalation part to assess the safety in patients with solid tumors. For PCDC, a drug discovery pipeline, we have been communicating with potential pharma partners in order to execute out-licensing agreements. We will proceed to product evaluation and negotiation. For PFKR, a therapeutic antibody in central nervous system area, our company has been focusing on as an important project followed by PCDC. Its patent application was filed by the end of the previous fiscal year, and we are making progress in identifying a lead molecule with the aim of starting out-license activities by the end of this year. We will also continue the R&D work on the generation of lead antibodies against novel targets in order to expand the number and quality of our development pipelines.

- Drug Discovery Pipeline (out-licensed products)

Regarding ADCT-701, which was licensed out to Switzerland-based ADC Therapeutics SA for the ADC use of LIV-1205, preparations are currently underway for clinical study at the National Cancer Institute (NCI) in the USA for neuroendocrine cancer. The Phase I clinical study is expected in 2H 2023 that will be led by NCI.

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

For CBA-1205, it is in Phase I clinical study in Japan. The main purpose of the study is to evaluate the safety and tolerability in patients with solid tumors in the first part, and in patients with hepatocellular carcinoma in the second part of the study. The patient enrollment of the first part has completed, and the high safety and tolerability of the antibody have been demonstrated. A Malignant Melanoma (a type of high-risk skin cancer) patient who was

reported in the previous statement continues SD (stable disease) assessment has now exceeded more than two years with tumor shrinkage by RECIST v1.1. Dosing is still ongoing. In general, patients with solid tumors participating in Phase I study are those who had already received several standard treatments but are non-responsive or intolerant to those treatments, or patients with unresectable advanced or recurrent solid tumors. The patients who participated in the first part had already received several standard treatments, therefore, we consider the continued SD evaluation with tumor shrinkage to be meaningful. As the continued dosing period is much longer than our initial forecasts in the above case, we have started manufacturing additional study drugs and we will establish a system in place to accomplish the Phase I study, including the supply of the study drugs. At the second part where enrollment of patients with hepatocellular carcinoma are proceeding, we confirmed one PR (partial response tumor shrinkage of 30% or more). Upon obtaining a PR case, we have decided to modify the selection criteria for patients' enrollment so that we should be able to analyze the scientific relationship between the PR case and the dosing of the study drug in order to verify its therapeutic potential. Also, the study period has been extended. There will be no change in the out-licensing schedule to date. We will proceed with our out-licensing activities while providing information on the progress of the study to potential pharma partners as appropriate.

For CBA-1535, we started dosing to the first patient at the end of June 2022, and it has made a steady progress in the clinical study in Japan. Regarding the timing for opening the second part of the study, we changed it to open after confirming the efficacy signals in the first part of the study, expected to be in 2024. This is to efficiently control our investment into the clinical development with considering the possibility of out-licensing CBA-1535. This is the first-in-human study to validate the mechanism of action of Tribody™ as a T cell engager, which binds to both cancer cells and immune cells (T cells), hence 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.

PCDC, as an antibody-drug conjugate of humanized anti-CDCP1 antibody, we are working on out-licensing activities in parallel with R&D to strengthen our out-licensing package, mainly for the use of ADC. For the out-licensing opportunities of PCDC, we have been approaching companies in assumption of two different groups; 'Pharmaceutical companies already own ADC technology and seeking for an antibody for ADC use ' and 'Pharmaceutical companies who do not own ADC technology but want an ADC product. As the development needs for combining their own ADC technology and our antibodies are in higher demand, we will prioritize our out-licensing activities with the companies already own ADC technology.

PTRY is a Tribody™ antibody and is designed to expect immune checkpoint inhibitory function in addition to the T cell engager function of CBA-1535. Its initial evaluations using animal models have shown strong anti-tumor effects. Currently, we are focusing on preclinical studies as one of our drug discovery pipelines.

For the humanized anti-Semaphorin 3A antibody, BMAA, we have been promoting joint research with Academia and other organizations based on the data we have obtained to date. We will proceed to out-licensing activities after adding recently obtained efficacy data.

For LIV2008/2008b, we will promote licensing activities in conjunction with other drug discovery pipelines.

PFKR is our new pipeline for out-licensing opportunity. This is a therapeutic antibody targeting CX3CR1, a GPCR, for autoimmune disease in CNS area. This is a joint research program with the National Center of Neurology and Psychiatry.

For other drug discovery projects in the exploratory phase, we will continue research activities that will contribute to their commercialization in the future, while considering out-licensing and development plans. 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, R&D expenses for the six months under review amounted ¥601,900 thousand due to progress in clinical development (a decrease of ¥89,080 thousand year-on-year), segment loss was ¥601,900 thousand (segment loss of the same period last year was ¥690,981 thousand).

Drug discovery support business contributes to the Company's stable earnings. We offer contract services such as antibody discovery and affinity maturation using the ADLib® system, our proprietary antibody generation expertise, protein preparation, expression, and purification to accelerate biopharmaceutical research and development at pharmaceutical companies and research institutions. The number of transactions and projects is steadily increasing, as our technical service capabilities are highly recognized by mainly domestic pharmaceutical companies. We have concluded an entrustment agreement with one of the major pharmaceutical companies in Japan in the six months under review, as well as starting an entrusted service with one of diagnostic drug companies in Japan. We are developing new clients to strengthen the earning base and will continue to focus on and promote the growth of this business.

The results in the drug discovery support business in the six months under review were net sales of ¥358,889 thousand (an increase of ¥80,677 thousand year on year), segment profit of ¥208,677 thousand (an increase of ¥57,548 thousand year-on-year), segment profit margin of 58.1% (target 50%) due to the 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 ¥1,685,551 thousand, a decrease of ¥529,919 thousand compared to the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits.

(Liabilities)

The balance of liabilities at the end of the second quarter of the current fiscal year amounted to ¥540,921 thousand, an increase of ¥116,197 thousand compared to the end of the previous fiscal year. This was mainly due to an increase of the short-term debt by ¥114,300 thousand.

(Net assets)

The balance of net assets at the end of the second quarter of the current fiscal year amounted to ¥1,144,629 thousand, a decrease of ¥646,116 thousand compared to the end of the previous fiscal year. This was mainly because of a decrease in retained earnings after recording the net loss in the period under review.

(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 ¥1,245,431 thousand, a decrease of ¥481,839 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 during the six months under review amounted to ¥595,281 thousand. The main reason for this was recording a loss before income taxes.

(Cash flows from investing activities)

Funds acquired in investing activities amounted ¥82 thousand during the six months under review. This was due to proceeds from sales of property, plant and equipment.

(Cash flows from financing activities)

Funds acquired in financing activities was ¥113,359 thousand during the six months under review. This was mainly proceeds from short-term debt.

(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, 2023 announced on February 14, 2023.

2. Quarterly Financial Statements

(1) Quarterly Balance Sheets

Thousand yen

	As of Dec. 31, 2022	As of Jun 30, 2023
Assets		
Current assets		
Cash on hand and in banks	1,727,270	1,245,431
Accounts receivable	115,218	96,909
Inventories	71,478	59,739
Advance payment-trade	91,477	87,603
Consumption taxes receivable	29,567	6,172
Other current assets	57,154	70,846
Total current assets	2,092,166	1,566,702
Non-current assets		
Property and equipment		
Machinery	254,610	242,853
Accumulated depreciation	(252,173)	(241,051)
Machinery, net	2,437	1,802
Tools and equipment	97,024	90,671
Accumulated depreciation	(97,024)	(90,671)
Tools and equipment, net	0	0
Total property and equipment	2,437	1,802
Investments and other assets		
Long-term prepaid expenses	8,055	4,235
Lease deposits and others	112,811	112,811
Others	0	0
Total investments and other assets	120,866	117,046
Total non-current assets	123,303	118,848
Total assets	2,215,470	1,685,551

Thousand yen

	As of Dec. 31, 2022	As of Jun. 30, 2023
Liabilities		
Current liabilities		
Accounts payable, trade	31,866	36,063
Short-term borrowings	184,000	298,300
Accounts payable, other	70,800	71,510
Accrued expenses	26,558	27,589
Income taxes payable	23,943	18,419
Advances received	22,100	22,100
Deposits received	4,835	5,534
Provision for bonuses	6,351	6,922
Total Current liabilities	370,455	486,440
Non-current liabilities		
Asset retirement obligations	54,268	54,480
Total non-current liabilities	54,268	54,480
Total liabilities	424,724	540,921
Net assets		
Shareholders' equity		
Capital stock	2,097,017	2,106,252
Capital reserve	3,696,798	3,706,032
Retained earnings	(4,016,331)	(4,679,987)
Treasury stock	(292)	(292)
Total shareholders' equity	1,777,192	1,132,005
Share acquisition rights	13,554	12,624
Total net assets	1,790,746	1,144,629
Total liabilities and net assets	2,215,470	1,685,551

(2) Quarterly Statement of Income

(Second Quarter Cumulative)

Thousand yen

	Six Months Ended Jun. 30, 2022 (Jan. 1, 2022 to Jun. 30, 2022)	Six Months Ended Jun. 30, 2023 (Jan. 1, 2023 to Jun. 30, 2023)
Net sales	278,211	358,889
Cost of sales	127,082	150,211
Gross profit	151,129	208,677
Selling, general and administrative expenses		
Research and development expenses	690,981	601,900
Other, net	239,364	266,026
Total selling, general and administrative expenses	930,345	867,926
Operating loss	(779,216)	(659,249)
Non-operating income		
Interest income	11	10
Subsidy income	16,000	—
Other, net	205	414
Total non-operating income	16,216	424
Non-operating expenses		
Interest expenses	645	910
Share issuance expenses	1,416	940
Share-based payment expenses	—	654
Foreign exchange losses	3,339	808
Other, net	286	0
Total non-operating expenses	5,687	3,314
Ordinary loss	(768,686)	(662,139)
Extraordinary income		
Gain on sale of non-current assets	—	73
Gain on reversal of share acquisition rights	186	930
Total extraordinary income	186	1,003
Extraordinary losses		
Loss on sale of non-current assets	—	14
Total extraordinary losses	—	14
Loss before income taxes	(768,500)	(661,150)
Income taxes-current	2,505	2,505
Total income taxes	2,505	2,505
Net loss	(771,005)	(663,655)

(3) Statements of Cash Flows

Thousand yen

	Six Months Ended Jun. 30, 2022 (Jan. 1, 2022 to Jun. 30, 2022)	Six Months Ended Jun. 30, 2023 (Jan. 1, 2023 to Jun. 30, 2023)
Cash flows from operating activities		
Loss before income taxes	(768,500)	(661,150)
Depreciation and amortization	762	611
Decrease (increase) in notes and accounts receivable-trade	(42,946)	18,308
Decrease (increase) in inventories	(6,984)	11,739
Decrease (increase) in advance payments	157,194	3,874
Decrease (increase) in consumption taxes refund receivable	15,397	23,394
Increase (decrease) in notes and accounts payable-trade	16,280	4,197
Increase (decrease) in accounts payable-other	8,985	710
Increase (decrease) in accrued expenses	(11,422)	1,030
Increase (decrease) in contract liabilities	(4,603)	－
Other, net	(20,517)	7,910
Subtotal	(656,355)	(589,373)
Interest income received	11	8
Interest paid	(645)	(910)
Income taxes paid	(3,240)	(5,010)
Income taxes refund	4	3
Net cash used in operating activities	(660,225)	(595,281)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	－	82
Net cash provided by investing activities	－	82
Cash flows from financing activities		
Increase in short term loans payable	18,000	130,800
Decrease in short term loans payable	(13,000)	(16,500)
Proceeds from issuance of common shares	336,172	－
Payments for issuance of shares	－	(940)
Other, net	－	(0)
Net cash provided by (used in) financing activities	341,172	113,359
Net increase (decrease) in cash and cash equivalents	(319,052)	(481,839)
Cash and cash equivalents as of the beginning of the year	1,790,988	1,727,270
Cash and cash equivalents as of the end of the period	1,471,935	1,245,431

(4) Notes Concerning Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Important Subsequent Events)

(Issuance of stock acquisition rights)

Following the resolution by the board of the Company on July 4, 2023, the 19th and the 20th Series Stock Acquisition Rights by third party allotment were issued on July 20, 2023.

Overview

Series		19	20
Allottees		Growth Capital	Barclays Bank PLC
Number of Dilutive Shares		6,456,000 shares	3,228,000 shares
Exercise price per share	Initial exercise price	175 yen	247 yen
	Revision of exercise price	The exercise price of the 19th Stock Acquisition Rights will be revised to 92% of the closing price of the shares on the trading day immediately preceding each exercise date.	The exercise price of the 20th Stock Acquisition Rights will not be revised at the time of exercise under the conditions at the time of issuance. However, if a decision is made by the Board of Directors of Chiome to change the exercise conditions, the exercise price will be revised to 92% of the closing price of the shares on the trading day immediately preceding each exercise date.
Estimated Amount to be Financed		1,931,609,040 yen*	
Exercise period		From July 21, 2023 to July 22, 2025	

*Note:

The amount of funds is the total amount of the stock acquisition rights exercise price minus the estimated issuance cost. In addition, the amount is based on the assumption that all the stock acquisition rights are exercised at the initial exercise price. If the initial exercise price is revised or adjusted, the amount of the funds will be increased or decreased. If the stock acquisition rights are not exercised within the exercise period, or Chiome cancels the stock acquisition rights acquired by Chiome, the amount of funds will be reduced.

(Capital increase attributed to the exercise of Stock Acquisition Rights to shares)

During the period from July 1 to July 31, 2023, 19th Stock Acquisition Rights were exercised. The summary of the exercised Stock Acquisition Rights is as follows.

(1) Type and number of shares issued: Common stock, 820,000 shares

(2) Increased capital stock: ¥65,419 thousand

(3) Increased legal capital reserve: ¥65,419 thousand

As a result, as of July 31, 2023, the total number of the common stock issued is 49,323,800 shares. Capital stock and capital reserve are ¥2,171,671 thousand and ¥3,771,451 thousand respectively.