Non-Consolidated Financial Results (Japanese GAAP)
for the Three Months Ended March 31, 2024

May 14, 2024

Company Name: Chiome Bioscience Inc. Tokyo Stock Exchange
Stock Code: 4583 URL https://www.chiome.co.jp
Representative: Shigeru Kobayashi, President & CEO
Inquiries: Arihiko Bijohira, Executive Director & CFO TEL: +81-3-6383-3561
Scheduled filing date of quarterly financial results: May14, 2024
Scheduled dividend payment commencement date: —
Supplementary materials prepared for the quarterly financial results: Yes
Holding of the quarterly financial results explanatory meeting: No

(Amounts of less than one million yen are rounded down)

1. Financial Results for the Three Months Ended March 31, 2024 (January 1, 2024 to March 31, 2024)

(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, 2024	129	(23.5)	(322)	—	(303)	—	(304)	—
Three months ended Mar. 31, 2023	169	31.8	(225)	—	(227)	—	(227)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended Mar. 31, 2024	(5.6)	—
Three months ended Mar. 31, 2023	(4.7)	—

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, 2024	1,753	1,247	70.4
As of Dec. 31, 2023	1,751	1,157	65.1

(Reference) Equity As of Mar. 31, 2024: 1,234 million yen As of Dec. 31, 2023: 1,139 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, 2023	—	0.00	—	0.00	0.00
Fiscal Year Ending Dec. 31, 2024	—				
Fiscal Year Ending Dec. 31, 2024 (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, 2024 (January 1, 2024 to December 31, 2024)

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 ¥720 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 Mar. 31, 2024	55,720,600 shares	As of Dec. 31, 2023	52,640,200 shares
2) Number of treasury stock as of the end of the period	As of Mar. 31, 2024	6,149 shares	As of Dec. 31, 2023	6,149 shares
3) Average number of shares for the period (cumulative total for the period)	Three months ended Mar. 31, 2024	54,308,127 shares	Three months ended Mar. 31, 2023	48,423,286 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 5 of this report.

Contents

1. Qualitative Information Regarding Quarterly Financial Results 2
   (1) Operating Results 2
   (2) Financial Position 5
   (3) 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) Notes Concerning Quarterly Financial Statements 9
   (Notes Regarding Going Concern Assumptions) 9
   (Notes Regarding Substantial Changes in Shareholders' Equity) 9
   (Important subsequent events) 9

1. Qualitative Information Regarding Quarterly Financial Results

(1) Operating Results

The global and domestic economic environments during the first quarter under review remain uncertain because of various reasons such as continued geopolitical risk due to the situation in Ukraine and the Middle East, prices of resources soared and remained at high levels, and continued yen depreciation. Under these external environments, the Company's performance for the first quarter under review was: net sales of ¥129,644 thousand (a decrease of ¥39,760 thousand year-on-year), R&D expenses of ¥246,405 thousand (an increase of ¥52,768 thousand year-on-year), operating loss of ¥322,155 thousand (operating loss of the same quarter last year was ¥225,994 thousand), ordinary loss of ¥303,019 thousand (ordinary loss of the same quarter last year was ¥227,433 thousand), and a quarterly net loss of ¥304,024 thousand (quarterly net loss of the same quarter last year was ¥227,683 thousand).

Net sales decreased in the first quarter under review compared to the same period of the previous year due to decreased transactions. The decrease was caused by delays in acceptance inspection timing of new projects and organizational changes within an existing client. In terms of Profit and Loss, mainly because CBA-1535 related CMC costs in R&D expenses were increased compared to the same period of the previous year, the deficit of operating loss, ordinary loss and net loss has increased.

An overview of the Company's business activities for the first quarter 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 are to be assessed in hepatocellular carcinoma patients. Furthermore, we are actively promoting collaborative research with overseas research institutions to develop 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, discussions are in progress with several overseas pharma companies mainly on the scientific aspects, with a view to execute out-licensing contracts. Our company is developing its business to achieve a surplus in a single year through upfront income from future out-licensing agreements on CBA-1205, CBA-1535 and PCDC.

We will continue the R&D work on the generation of lead antibodies against novel targets to expand the number and quality of our development pipelines.

In drug discovery support business, we promoted activities to expand the business and entered into an entrustment agreement with Takeda Pharmaceutical Company Limited ("Takeda") in February, 2024.

- Drug Discovery Pipeline (Outsourced Clinical Studies)

ADCT-701 is the Antibody-Drug Conjugates (ADC) that consists of LIV-1205 which we licensed out to ADC Therapeutics SA. The preparation for its clinical studies at the National Cancer Institute (NCI) in the USA for neuroendocrine cancer is in progress and the first dose is expected in 2024.

The development lead has transferred to NCI and Phase I clinical study is now sponsored by NCI, so our company has decided to terminate the license agreement with ADC Therapeutics SA. Therefore, if the Phase 1 study by NCI shows positive results and if any pharmaceutical company is interested in developing Phase II clinical studies and

beyond, Chiome and the company will enter into a new licensing agreement for LIV-1205.

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

For CBA-1205, we have been conducting 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 been completed, and the high safety and tolerability of the antibody have been shown. A Malignant Melanoma (a type of high-risk skin cancer) patient who was reported in the previous statement continues SD (stable disease) assessment for a long time and it has now exceeded more than 33 months 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 longer than our initial forecasts in the above case, we have established a system in place to accomplish the Phase I study, including manufacturing additional study drugs. At the second part where we evaluate safety and initial efficacy of patients with hepatocellular carcinoma, we confirmed one case of PR (partial response tumor shrinkage of 30% or more). Upon obtaining the PR case, we have tightened the selection criteria for patients' enrollment.

For CBA-1535, we started dosing to the first patient at the end of June 2022 and dose is raised in stepwise manner to confirm the safety and efficacy signals of the study drug. To date, we are starting to see the response of this study drug in the blood of patients, and there is no data on safety that raise the development concern. The study is making a steady progress. Regarding the starting date for the second part of the study, we have moved it until after confirming the efficacy signals in the first part of the study. This is to rationally control our clinical development investment with the possibility of out-licensing the study drug. This is the first-in-human study to validate the mechanism of action of Tribody™ format 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 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, mainly for the use of ADC. With the increasing development of ADC globally, we will continue out-licensing activities with companies already own ADC technologies. Currently discussions are in progress with several pharma companies mainly on the scientific aspects.

PTRY is a Tribody™ antibody and is expected to add immune checkpoint inhibitory function on 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 R&D as one of our drug discovery pipelines and seeking early out-licensing opportunities.

PFKR is a therapeutic antibody targeting CX3CR1 which is a kind of GPCR. It is our new candidate for out-licensing products, and joint research program for autoimmune disease in CNS area with the National Center of Neurology and Psychiatry is in progress. We are currently introducing its data to companies interested in this program, aiming to obtain out-licensing contracts in future.

PXLR is a therapeutic cancer antibody targeting CXCL1 which is highly expressed in cancers such as gastric and pancreatic cancer. It is a new candidate for out-licensed products and joint research program with Osaka Metropolitan University is in progress.

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

LIV-2008/2008b are antibodies targeting TROP-2 that is validated as a therapeutic target. We are currently investigating new applications in combination with other technologies.

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 conducting basic research on the technology development of ADLib® system in collaboration with Academia in Japan, which is supported by a grant from the Japan Agency for Medical Research and Development (AMED). We are focusing on implementing this technology as a new drug discovery technology for our company in the future.

As a result of the above, in the drug discovery business, R&D expenses for the first quarter under review amounted to ¥246,405 thousand due to progress in clinical development (an increase of ¥52,768 thousand year-on-year), segment loss was ¥246,405 thousand (segment loss of the same period last year was ¥193,637 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 technology, protein preparation, expression, and purification to accelerate biopharmaceutical research and development at pharmaceutical companies and research institutions. Our technical service capabilities are highly recognized by mainly domestic pharmaceutical companies, and we have concluded an entrustment agreement with Takeda Pharmaceutical Company Limited in the first quarter. We are developing new customers 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 first quarter under review were net sales of ¥129,644 thousand (a decrease of ¥39,760 thousand year-on-year) due to discrepancies in the timing of acceptance inspection of new projects and impact of organization changes within a client ,segment profit of ¥56,998 thousand (a decrease of ¥38,941 thousand year-on-year) mainly due to capital expenditures in anticipation of expanding the contracted business, and segment profit margin of 44.0% (target 50%).

(2) Financial Position

(Assets)

Total assets at the end of the first quarter of the current fiscal year amounted to ¥1,753,934 thousand, an increase of ¥2,479 thousand. This is mainly because long-term prepaid expenses as a patent royalty related to technical development of a commissioned project were recorded.

(Liabilities)

The balance of liabilities at the end of the first quarter of the current fiscal year amounted to ¥506,366 thousand, a decrease of ¥87,364 thousand compared to the end of the previous fiscal year. This is mainly due to the decrease of ¥73,915 thousand in accounts payable other, because of payment for additional manufacturing cost of CBA-1205 study drugs.

(Net assets)

The balance of net assets at the end of the first quarter of the current fiscal year amounted to ¥1,247,567 thousand, an increase of ¥89,843 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in capital stock and capital reserves because of the exercise of stock acquisition right, despite a decrease in retained earnings because of recording the net loss for the year.

(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, 2024 announced on February 13, 2024.

2. Quarterly Financial Statements

(1) Quarterly Balance Sheets

Thousand yen

	As of Dec. 31, 2023	As of Mar. 31, 2024
Assets		
Current assets		
Cash on hand and in banks	1,325,554	1,325,259
Accounts receivable	83,193	49,666
Inventories	64,107	59,005
Advance payment-trade	86,797	87,821
Consumption taxes receivable	25,046	34,014
Other current assets	44,695	65,280
Total current assets	1,629,396	1,621,047
Non-current assets		
Property and equipment		
Machinery	233,509	233,509
Accumulated depreciation	(232,343)	(232,636)
Machinery, net	1,166	872
Tools and equipment	85,451	85,451
Accumulated depreciation	(85,451)	(85,451)
Tools and equipment, net	0	0
Total property and equipment	1,166	872
Investments and other assets		
Long-term prepaid expenses	8,081	19,202
Lease deposits and others	112,811	112,811
Others	0	0
Total investments and other assets	120,892	132,013
Total non-current assets	122,058	132,886
Total assets	1,751,454	1,753,934

Thousand yen

	As of Dec. 31, 2023	As of Mar. 31, 2024
Liabilities		
Current liabilities		
Accounts payable, trade	37,735	38,998
Short-term borrowings	291,000	313,600
Accounts payable, other	116,952	43,036
Accrued expenses	25,587	24,303
Income taxes payable	23,952	10,481
Advances received	31,200	9,100
Deposits received	5,880	12,045
Provision for bonuses	6,730	—
Total Current liabilities	539,038	451,566
Non-current liabilities		
Asset retirement obligations	54,692	54,799
Total non-current liabilities	54,692	54,799
Total liabilities	593,731	506,366
Net assets		
Shareholders' equity		
Capital stock	2,388,422	2,587,752
Capital reserve	3,988,202	4,187,532
Retained earnings	(5,236,350)	(5,540,374)
Treasury stock	(292)	(292)
Total shareholders' equity	1,139,981	1,234,618
Subscription rights to shares	17,741	12,949
Total net assets	1,157,723	1,247,567
Total liabilities and net assets	1,751,454	1,753,934

(2) Quarterly Statement of Income

(First Quarter Cumulative)

Thousand yen

	Three Months Ended Mar. 31, 2023 (Jan. 1, 2023 to Mar. 31, 2023)	Three Months Ended Mar. 31, 2024 (Jan. 1, 2024 to Mar. 31, 2024)
Net sales	169,404	129,644
Cost of sales	73,464	72,645
Gross profit	95,940	56,998
Selling, general and administrative expenses		
Research and development expenses	193,637	246,405
Other, net	128,297	132,749
Total selling, general and administrative expenses	321,934	379,154
Operating loss	(225,994)	(322,155)
Non-operating income		
Interest income	8	6
Foreign exchange gains	55	567
Subsidy income	—	19,738
Other, net	364	695
Total non-operating income	428	21,008
Non-operating expenses		
Interest expenses	337	568
Share issuance cost	875	1,303
Share-based payment expenses	654	—
Other, net	0	—
Total non-operating expenses	1,867	1,872
Ordinary loss	(227,433)	(303,019)
Extraordinary income		
Gain on sale of non-current assets	73	—
Gain on reversal of share acquisition rights	930	248
Total extraordinary income	1,003	248
Loss before income taxes	(226,430)	(302,771)
Income taxes-current	1,252	1,252
Total income taxes	1,252	1,252
Net loss	(227,683)	(304,024)

(3) Notes Concerning Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

During the first cumulative period , the balance of capital stock and capital reserve increased separately by 199,330 thousand due to exercise of the Subscription Rights to Shares. As a res ult, as of March 31, 2024, the balance of capital stock and capital reserve came to ¥2,587,752 thousand and ¥4,187,532 thousand, respectively.

(Important subsequent events)

1. Capital Increase Attributed to the Exercise of Subscription Rights to Shares

After the end of the current fiscal year and up to April 30, 2024, a portion of the 20th 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: 478,100 shares

(2) Increased capital stock: ¥29,826 thousand

(3) Increased legal capital reserve: ¥29,826 thousand

As a result, as of April 30, 2024, the total number of the common stock issued is 56,198,700 shares. The capital stock and capital reserve are ¥2,617,579 thousand and ¥4,217,359 thousand respectively.

2. Reduction of Capital Stock and Capital Reserve and Appropriation of Surplus

At the 20th Ordinary General Meeting of Shareholders held on March 26, 2024, the Company received approval of a resolution on the reduction of the amount of capital stock and capital reserves and the appropriation of surplus, and the effect became effective on May 1, 2024.

1). Purpose of capital reduction and disposal of surplus

The Company had a deficit of retained earnings carried forward of 5,236,350 thousand yen as of December 31, 2023. In order to resolving the deficit in retained earnings above, enabling financial stability for flexibility 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 2,288,422 thousand yen.

The amount of the capital reserve will be reduced without compensation by 2,947,928 thousand 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 5,236,350 thousand 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 13, 2024
Date of resolution of the Ordinary General Meeting of Shareholders	March 26, 2024
Creditor Opposition Notification Day	March 29, 2024
Creditor Objection Final Date	April 30, 2024
Effective date of capital reduction	May 1, 2024