



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

August 11, 2020

Company Name: Chiome Bioscience Inc. Tokyo Stock Exchange
 Stock Code: 4583 URL <http://www.chiome.co.jp/english/>
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 Scheduled filing date of quarterly financial results: August 11, 2020
 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, 2020 (January 1, 2020 to June 30, 2020)

(1) Operating Results (Cumulative)

(% figures are the increase / (decrease) compared with the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Jun. 30, 2020	173	23.1	(735)	—	(735)	—	(736)	—
Six months ended Jun. 30, 2019	140	51.8	(749)	—	(758)	—	(757)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended Jun. 30, 2020	(22.01)	—
Six months ended Jun. 30, 2019	(25.49)	—

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, 2020	3,054	2,585	83.6
As of Dec. 31, 2019	2,808	2,621	92.6

(Reference) Equity As of Jun. 30, 2020: 2,555 million yen As of Dec. 31, 2019: 2,599 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, 2019	—	0.00	—	0.00	0.00
Fiscal Year Ending Dec. 31, 2020	—	0.00			
Fiscal Year Ending Dec. 31, 2020 (Forecast)			—	0.00	0.00

Note: Revision to the most recently announced dividend forecast: No

3. Forecasts of Financial Results for the Fiscal Year Ending December 31, 2020 (January 1, 2020 to December 31, 2020)

As it is difficult to provide reasonable estimates for Drug Discovery and Development Business at present, Chiome discloses only business forecasts for Drug Discovery Support Business; net sales ¥480 million. 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, 2020	35,281,800 shares	As of Dec. 31, 2019	33,283,500 shares
2) Number of treasury stock as of the end of the period	As of Jun. 30, 2020	146 shares	As of Dec. 31, 2019	146 shares
3) Average number of shares for the period (cumulative total for the period)	Six months ended Jun. 30, 2020	33,436,774 shares	Six months ended Jun. 30, 2019	29,699,358 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 12, 2020. Supplementary materials will be available on the Chiome's website after the meeting.

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1. Qualitative Information Regarding Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended June 30, 2020 (hereinafter, “the period under review”), the outlook for the global economic environment remains unclear due to the pandemic of the Coronavirus Disease 2019 (hereinafter, “COVID-19”). Under the current business environment, sales in the drug discovery support business achieved Net sales of ¥173,278 thousand, an increase of ¥32,595 thousand year-on-year. Operating loss was ¥735,779 thousand (an operating loss of ¥749,708 thousand previously) mainly for GLP toxicology study and CMC development cost in CBA-1205 program towards initiation of clinical study. Ordinary loss was ¥735,874 thousand (an ordinary loss of ¥758,731 thousand previously), and net loss was ¥736,036 thousand (compared to a net loss of ¥757,110 thousand previously). Chiome’s business activities during the period under review are as followings.

Our main focuses are;

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

In the Drug Discovery and Development, CBA-1205 project progressed on track. GLP toxicology study to support clinical trials has completed and IND was submitted on March 24, 2020. In July, Chiome and 2 sites of National Cancer Center Hospital (Center and East) have concluded a contract to conduct Phase I Study of CBA-1205. The first patient has already been dosed in early August.

CBA-1535, a multispecific antibody project is making progress in CMC development as planned. For discovery projects, Chiome is continuing research activities to obtain lead antibodies and to build a portfolio of intellectual property assets. Chiome continues making efforts to expand pipelines which address the unmet medical needs, and in R&D, collaboration with bio-ventures and academia aiming to start new projects for novel drug discovery.

➤ Development pipeline

With regard to ADCT-701, an ADC format of LIV-1205 that was licensed out to Switzerland-based ADC Therapeutics SA in September 2017, it is under preparation work for the IND submission and clinical development plan.

In CBA-1205 development, as announced on August 3, 2020, patient enrollment for Phase I study has been initiated and the first patient was dosed. In the first part of the trial, safety and tolerability in patients with solid tumor will be evaluated. In the expansion part, safety and efficacy at the recommended dose in patients with advanced and/or recurrent hepatocellular carcinoma will be evaluated.

In relation to the development of CBA-1535, works on CMC development are progressing as well. Submission of Clinical Trial Application (CTA) is aimed for the second half of 2021.

With regard to LIV-2008, foreign pharmaceutical companies are evaluating and testing the antibody.

For the humanized anti-Semaphorin3A antibody, SemaThera Inc., a Canadian biotech company entered the 3rd year of evaluation under a Collaborative Development License and Exclusive Option Agreement concluded in March 2018. Chiome has recognized the option fee corresponding to the period under review as net sales

➤ Discovery projects

In addition to the abovementioned programs, several drug discovery projects are being progressed. We are actively pursuing R&D for pipeline expansion. Chiome has completed filing a patent application on one of among projects in oncology area in the end of the 2019. The lead antibody is evaluated its potential as ADC in collaboration with pharmaceutical company.

As a result, net sales of the Drug Discovery and Development was ¥1,631 thousand, an increase of ¥350 thousand year on year; research and development expenses of ¥608,705 thousand (a decrease of ¥27,533 thousand year on year), and a segment loss of ¥607,377 thousand (a segment loss of ¥634,982 thousand previously) were recorded

Drug Discovery Support Business contributes to the company's stable earnings. Chiome offers technical support services to pharmaceutical companies and research institutions by leveraging know-hows in protein production and multiple antibody generation technologies including the ADLib® system, our proprietary antibody generation platform, and B cell cloning methods, etc.

In the second quarter of this fiscal year, although temporal slowdown in business activity at Chiome and clients following the Declaration of Emergency due to pandemic of COVID-19 was experienced, its impact to the results in this period was limited. In addition to the stable business with the existing customers, we recorded net sales by antibody generation using the ADLib® system. Also, Chiome is continually working on the antibody generation against COVID-19 for a customer, and we recorded the related sales in the second quarter of this fiscal year.

In this business segment, our service has been assessed favorable and well received, the demand for our service is expected to increase. We expanded working space and increasing equipment and instruments to respond to these needs. We will continue to aim to expand the scale of transactions.

The sales from the Drug Discovery Support Business has grown due to higher transactions with mainly Pharmaceutical companies. As a result, net sales in the period under review was ¥171,647 thousand, an increase of ¥32,244 thousand year on year. Segment profit was ¥64,922 thousand, down by ¥21,896 thousand year on year due to advance investment in abovementioned expansion of capacity in expectation of an increase of business. Segment profit margin was 37.8% (Targeting margin is 50% in FY2020)

(2) Explanation of Financial Position

(Assets)

As of June 30, 2020, assets stood at ¥3,054,227 thousand, up ¥246,137 thousand compared with the balance as of December 31, 2019. The increase was mainly due to increase in cash on hand and in banks.

(Liabilities)

As of June 30, 2020, liabilities stood at ¥468,765 thousand, up ¥282,184 thousand compared to the balance as of December 31, 2019. The increase was primarily due to increased short-term borrowings relating to investments in the Drug Discovery Support Business.

(Net assets)

As of June 30, 2020, net assets stood at ¥2,585,462 thousand, down ¥36,046 thousand compared to the balance of December 31, 2019. The decrease was attributed mainly to an increase in capital stock and capital reserve resulting from the exercise of subscription rights to shares, and a drop in retained earnings reflecting the net loss for the period.

(3) Explanation of Cash Flows

The balance of cash and cash equivalents as of the end of the second quarter (June 30, 2020) of the fiscal year under review stood at ¥2,472,406 thousand, up ¥366,430 thousand compared to the balance as of December 31, 2019. 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 ¥528,265 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 ¥894,696 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, 2020 announced on February 14, 2020.

2. Quarterly Financial Statements
(1) Quarterly Balance Sheets

	Thousand yen	
	As of Dec. 31, 2019	As of Jun 30, 2020
Assets		
Current assets		
Cash on hand and in banks	2,105,976	2,472,406
Accounts receivable	95,138	22,035
Inventories	66,626	76,512
Advance payment-trade	217,658	142,464
Consumption taxes receivable	35,693	42,096
Other current assets	39,934	49,360
Total current assets	2,561,028	2,804,875
Non-current assets		
Property and equipment		
Machinery	316,629	293,771
Accumulated depreciation	(308,343)	(286,890)
Machinery, net	8,285	6,880
Tools and equipment	103,416	100,746
Accumulated depreciation	(100,595)	(98,633)
Tools and equipment, net	2,820	2,112
Total property and equipment	11,106	8,993
Investments and other assets		
Investment Securities	150,000	150,000
Long-term prepaid expenses	12,048	16,451
Lease deposits and others	73,908	73,908
Total investments and other assets	235,956	240,359
Total non-current assets	247,062	249,352
Total assets	2,808,090	3,054,227

Thousand yen

	As of Dec. 31, 2019	As of Jun. 30, 2020
Liabilities		
Current liabilities		
Accounts payable, trade	29,936	34,958
Short-term borrowings	—	199,000
Accounts payable, other	33,438	133,276
Accrued expenses	17,663	14,549
Income taxes payable	38,106	9,921
Advances received	15,956	26,312
Deposits received	5,239	4,735
Unearned revenue	554	—
Provision for bonuses	4,237	4,389
Total Current liabilities	145,133	427,141
Non-current liabilities		
Asset retirement obligations	41,447	41,624
Total non-current liabilities	41,447	41,624
Total liabilities	186,581	468,765
Net assets		
Shareholders' equity		
Capital stock	6,132,216	846,189
Capital reserve	6,122,216	2,445,969
Retained earnings	(9,654,653)	(736,036)
Treasury stock	(292)	(292)
Total shareholders' equity	2,599,488	2,555,830
Subscription rights to shares	22,020	29,631
Total net assets	2,621,508	2,585,462
Total liabilities and net assets	2,808,090	3,054,227

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

Thousand yen

	Six Months Ended Jun. 30, 2019 (Jan.1, 2019 to Jun. 30, 2019)	Six Months Ended Jun. 30, 2020 (Jan. 1, 2020 to Jun. 30, 2020)
Net sales	140,683	173,278
Cost of sales	52,608	107,027
Gross profit	88,075	66,251
Selling, general and administrative expenses		
Research and development expenses	636,238	608,705
Other, net	201,545	193,325
Total selling, general and administrative expenses	837,784	802,030
Operating loss	(749,708)	(735,779)
Non-operating income		
Interest income	13	22
Foreign exchange gains	510	362
Subsidy income	—	1,587
Other, net	186	193
Total non-operating income	709	2,165
Non-operating expenses		
Interest expenses	—	272
Share issuance expenses	4,007	—
Subscription rights issuance cost	5,724	1,742
Other, net	—	245
Total non-operating expenses	9,732	2,260
Ordinary loss	(758,731)	(735,874)
Extraordinary income		
Gain on reversal of share acquisition rights	2,830	1,048
Total extraordinary income	2,830	1,048
Loss before income taxes	(755,900)	(734,826)
Income taxes-current	1,210	1,210
Total income taxes	1,210	1,210
Net loss	(757,110)	(736,036)

(3) Statements of Cash Flows

Thousand yen

	Six Months Ended Jun. 30, 2019 (Jan. 1, 2019 to Jun. 30, 2019)	Six Months Ended Jun. 30, 2020 (Jan. 1, 2020 to Jun. 30, 2020)
Cash flows from operating activities		
Loss before income taxes	(755,900)	(734,826)
Depreciation and amortization	2,421	1,867
Decrease (increase) in notes and accounts receivable-trade	20,417	73,103
Decrease (increase) in inventories	(12,826)	(9,886)
Decrease (increase) in advance payments	(15,021)	75,193
Decrease (increase) in consumption taxes refund receivable	13,279	(6,402)
Increase (decrease) in notes and accounts payable-trade	137	5,021
Increase (decrease) in accounts payable-other	77,453	99,837
Increase (decrease) in accrued expenses	(2,065)	(3,114)
Increase (decrease) in advances received	12,832	10,355
Other, net	(15,928)	(38,333)
Subtotal	(675,199)	(527,183)
Interest income received	11	18
Interest paid	—	(272)
Proceeds from subsidy income	—	1,587
Income taxes paid	(2,420)	(2,420)
Income taxes refund	6	4
Net cash used in operating activities	(677,601)	(528,265)
Cash flows from investing activities		
Net cash provided by investing activities	—	—
Cash flows from financing activities		
Proceeds from short-term borrowings	—	199,000
Proceeds from issuance of common shares	1,249,640	697,438
Payments for issuance of subscription rights to shares	(1,167)	(1,742)
Net cash provided by financing activities	1,248,472	894,696
Net increase (decrease) in cash and cash equivalents	570,871	366,430
Cash and cash equivalents as of the beginning of the year	2,328,513	2,105,976
Cash and cash equivalents as of the end of the period	2,899,385	2,472,406

(4) Notes Concerning Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

• Capital reduction

At the 16th Ordinary General Meeting of Shareholders held on March 27, 2020, the Company received approval of a resolution on the reduction of the amount of capital stock and capital reserve and the disposal of surplus, and the effect became effective on May 1, 2020. Due to the capital reduction, Capital stock decreased by ¥5,632,216 thousand, and Capital reserve decreased by ¥4,022,436 thousand, and Retained earnings increased by 9,654,653 thousand.

• Exercise of the subscription rights to shares.

The balance of capital stock and capital reserve increased separately by ¥345,441 thousand due to exercise of the Subscription Rights to Shares.

As a result, as of June 30, 2020, the balance of capital stock and capital reserve came to ¥846,189 thousand and ¥2,445,969 thousand, respectively.

(Important subsequent events)

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

During the second cumulative period, from July 1, 2020 to July 31, 2020, some of the 17th subscription rights to shares with an exercise price amendment clause were exercised. The summary of the exercised subscription rights to shares is as follows.

(1) Type and number of shares issued: Common stock, 1,361,900 shares

(2) Increased capital stock: ¥184,821 thousand

(3) Increased legal capital reserve: ¥184,821 thousand

As a result, as of July 31, 2020, the total number of the common stock issued is 36,643,700 shares. Capital stock and capital reserve are ¥1,031,010 thousand and ¥2,630,791 thousand respectively.