Non-Consolidated Financial Results (Japanese GAAP)
for the Fiscal Year Ended December 31, 2022

February 14, 2023

Company Name: Chiome Bioscience Inc. — Tokyo Stock Exchange
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Scheduled date of the Annual General Meeting of Shareholders : March 28, 2023
Scheduled dividend payment commencement date: —
Scheduled filing date of the Securities Report : March 28, 2023
Supplementary materials prepared for the financial results : Yes
Holding of a 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 Fiscal Year Ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(1) Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Dec. 31, 2022	630	(11.5)	(1,258)	—	(1,243)	—	(1,242)	—
Fiscal year ended Dec. 31, 2021	712	48.3	(1,334)	—	(1,329)	—	(1,479)	—

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	Yen	Yen	%	%	%
Fiscal year ended Dec. 31, 2022	(28.26)	—	(68.4)	(54.6)	(199.5)
Fiscal year ended Dec. 31, 2021	(36.74)	—	(59.9)	(45.6)	(187.2)

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended Dec. 31, 2022 — million yen
Fiscal year ended Dec. 31, 2021 — million yen

Notes:
1. 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	Net Assets per Share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2022	2,215	1,790	80.2	36.70
As of Dec. 31, 2021	2,339	1,893	79.4	45.55

(Reference) Equity As of Dec. 31, 2022: 1,777 million yen As of Dec. 31, 2021: 1,857 million yen

(3) Cash Flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents as of the End of the Period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Dec. 31, 2022	(1,191)	—	1,127	1,727
Fiscal year ended Dec. 31, 2021	(1,131)	(35)	271	1,790

2. Dividends

	Annual Dividend					Total Dividend (Annual)	Dividend Payout Ratio	Dividends to Net Assets
	1Q-End	2Q-End	3Q-End	FY-End	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal period ended Dec. 31, 2021	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended Dec. 31, 2022	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending Dec. 31, 2023 (forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast 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 of ¥640 million). For details, please refer to "1. Overview of Operating Results (4) Outlook for the Fiscal Year Ending December 31, 2023" on page 4 of the attached materials.

Notes:

(1) 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

(2) Number of Shares Issued (Common Stock)

1) Number of shares issued as of the end of the period (including treasury stock)	As of Dec. 31, 2022	48,423,500 shares	As of Dec. 31, 2021	40,781,500 shares
2) Number of treasury stock as of the end of the period	As of Dec. 31, 2022	147 shares	As of Dec. 31, 2021	146 shares
3) Average number of shares for the period (cumulative total for the period)	Fiscal year ended Dec. 31, 2022	43,984,734 shares	Fiscal year ended Dec. 31, 2021	40,277,819 shares

* This summary report on Chiome's financial statements is not subject to 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 "1. Overview of Operating Results (4) Outlook for the Fiscal Year Ending December 31, 2023" on page 4 of the attached materials.
2. Chiome plans to hold a financial results explanatory meeting by online for institutional investors and securities analysts on February 16, 2023. Plans are also in place to post a copy of the supplementary materials distributed at the meeting on Chiome's website in conjunction with disclosure to the Tokyo Stock Exchange today.

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1. Overview of Operating Results

(1) Overview of Operating Results in the Fiscal Year under Review

The global and domestic economic environment during the fiscal year under review remains uncertain because of various reasons such as the rapid exchange rate fluctuations, soaring global resource prices, and accelerating inflation. Under the external environment, the Company's performance for the year under review was as follows; net sales of ¥630,815 thousand (a decrease of ¥82,117 thousand year-on-year), R&D expenses amounted to ¥1,135,613 thousand (a decrease of ¥176,574 thousand year-on-year), operating loss of ¥1,258,655 thousand (operating loss of ¥1,334,319 thousand in the previous fiscal year, and net loss was ¥1,242,871 thousand (net loss of ¥1,479,895 thousand in the previous fiscal year).

Net sales decreased in the current fiscal year compared to the period of the previous fiscal year, even with the impact of the external economic environment being limited. The decrease from the previous fiscal year was mainly due to no upfront payments in the drug discovery business during the current fiscal year. In terms of Profit and Loss, although the cost related to clinical studies and manufacturing of the study drug for CBA-1535 in R&D was recorded, the amount recorded for manufacturing of the drug and others was decreased from the previous fiscal year, resulting in a smaller deficit in operating loss, ordinary loss and net loss in this fiscal year.

An overview of the Company's business activities during the year under review is as follows

In the drug discovery business, the Phase I study of CBA-1205, a therapeutic antibody for cancer treatment, is proceeding. The high safety and tolerability of the antibody have been shown in the first part of the study, and currently the enrollment of patients in the second part is progressing 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 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, which is a multi-specific antibody for cancer treatment. We dosed the first patient with a solid tumor in June 2022, and the first part of the Phase I study has been on schedule. We will continue dose escalation part to assess the safety in patients. For PCDC, one of our drug discovery pipelines in the non-clinical phases, the research and option agreement have been concluded with Heidelberg Pharma in July 2022. This allows us to reinforce the data package further for our out-licensing activities. We have been strengthening our business activities including the introduction of data of the PCDC to potential licensees at several scientific and business conferences during the second half of 2022.

We will also provide information on the progress of clinical development on CBA-1205 and CBA-1535 along with out-licensing activities of PCDC while steadily capturing interest in, and needs for, these pipelines and not missing the licensing opportunities.

Among other drug discovery projects which are in the non-clinical and/or exploratory phases, a new patent application has been filed for PTRY, a lead antibody by Tribody™ that could be the next generation for CBA-1535. A paper on the results of the joint research on Tribody™ with CEINGE in Italy was published in September 2022. We will focus on research investment into this project as one of our drug discovery projects. We will 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, currently preparations are underway for clinical studies at the National Cancer Institute (NCI) in the USA for neuroendocrine cancer, and the study is expected to begin in 2023.

For LIV-2008/2008b, a license agreement was concluded with Shanghai Henlius Biotech, Inc. of China (hereinafter "Henlius") in January 2021, due to a reason of business strategy, Henlius decided not to further develop the LIV-2008/2008b. Henlius and Chiome therefore agreed to terminate this agreement as of January 17, 2023. We will

pursue a licensing opportunity for this antibody.

➢ 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 tumor 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. Although we need to wait for the completion of the analysis of all data, the longest SD (stable disease) duration by RECISST v1.1, has exceeded one and a half years. In general, patients with solid tumors participating in Phase I study had already received several standard treatments, but non-responsive or intolerant to those, therefore, we consider the continued SD evaluations to be meaningful. Currently the second part of the Phase I study is conducted exclusively in patients with hepatocellular carcinoma.

F For CBA-1535, we had started dosing to the first patient at the end of June 2022 in Japan. To date, clinical study is progressing as planned. This is the first-in-man study to validate the mechanism of action of Tribody™, which binds to both cancer cells and immune cells (T cells), and 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.

For the humanized anti-Semaphorin 3A antibody, BMAA, we are promoting joint research with Academia or other organizations based on the data which we have obtained to date.

For PCDC, the research and option agreement has been concluded with Heidelberg Pharma in Germany. This allows us to use the ATAC® platform, Heidelberg Pharma's antibody-targeted amanitin conjugate technology. With ATAC® platform, amanitin conjugated antibody is expected to increase the cytotoxic activity when bound to CDCP-1 on cancer cells. Under this agreement, we will further reinforce the data package of PCDC and accelerate our out-licensing activities or collaboration with external companies.

For two of our drug discovery projects we have been focusing on, new patent applications have been filed. We will continue research activities that will contribute to their commercialization in the future, while considering out-licensing and development plans. 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. One of the Tribody™ antibodies that targets 5T4xCD3xPD-L1, we gave an internal code of PTRY, and we will focus R&D as one of our drug discovery pipelines. 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 period under review compared to the same period last year when an upfront payment was recorded due to the conclusion of a license agreement. R&D expenses amounted to ¥1,135,613 thousand due to progress in clinical development (a decrease of ¥176,574 thousand year-on-year) and segment loss amounted to ¥1,135,613 thousand (segment loss of ¥1,209,270 thousand year-on-year).

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, as well as protein preparation, expression, and purification to accelerate the biopharmaceutical research and development at pharmaceutical companies and research institutions. The number of transactions and deals is steadily increasing, as our technical service capabilities are highly recognized by mainly domestic pharmaceutical companies. We have concluded an entrustment agreement with Rohto Pharmaceutical Co., Ltd. in July 2022. 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 for the current fiscal year in the drug discovery support business are as follows; net sales of ¥630,815

thousand (an increase of ¥20,896 thousand year-on-year), segment profit of ¥348,858 thousand (an increase of ¥29,318 thousand year-on-year), segment profit margin of 55.3% (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)

Current assets for the current fiscal year amounted to ¥2,092,166 thousand, a decrease of ¥124,717 thousand from the end of the previous fiscal year. This was mainly because the advance payments such as for the manufacturing study drugs of CBA-1535 decreased by ¥178,963 thousand, despite the increase of accounts receivable by ¥89,761 thousand in the drug discovery support business. Fixed assets amounted to ¥123,303 thousand, an increase of ¥748 thousand from the end of the previous fiscal year. As a result, total assets are ¥2,215,470 thousand, a decrease of ¥123,968 thousand from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the current fiscal year amounted to ¥370,455 thousand, a decrease of ¥22,085 thousand from the end of the previous fiscal year. This was mainly due to the decrease of ¥13,077 thousand in accounts payable other. As a result, total liabilities amounted to ¥424,724 thousand, a decrease of ¥21,665 thousand from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the current fiscal year amounted to ¥1,790,746 thousand, a decrease of ¥102,303 thousand from the end of the previous fiscal year. This was mainly because of a decrease in retained earnings after recording the net loss for the year 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 current fiscal year was ¥1,727,270 thousand, a decrease of ¥63,717 thousand from 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 amounted to ¥1,191,009 thousand. The main reason for this was recording of a loss before tax.

(Cash flows from investing activities)

There was no change in funds from investing activities in the year under review.

(Cash flows from financing activities)

Funds acquired as a result of financing activities amounted to ¥1,127,291 thousand. This was mainly due to the issue of shares as a result of the exercise of stock acquisition right.

(4) Outlook for the Fiscal Year Ending December 31, 2023

In the drug discovery business, firstly, we will make steady progress in the clinical study of CBA-1205 and CBA-1535. We have completed the first part of the Phase I study of CBA-1205 and have moved on to the second part, where we evaluate the safety and initial efficacy in patients with hepatocellular carcinoma, which will be important for our out-licensing activities. In addition, we will continue to accumulate drug efficacy data in animal models with a view to expand the potential indications and promote basic research, such as biomarker discovery, in order to enhance the value of the product. For CBA-1535, we will continue to evaluate safety and initial efficacy as a single-agent in the first part of the study. Secondly, we will work on the out-licensing of our pre-clinical stage assets, and to advance the research of our drug discovery projects towards the third product into clinical development stage.

In the drug discovery support business, we will continue to respond faithfully to the needs of existing clients by utilizing our technical service capabilities and also expand our contracted services for the production of new antibodies

and/or the preparation of proteins for pharmaceutical companies and other parties. In the year ending December 31, 2023, we will continue to solidify our ongoing business with existing major clients such as Chugai Pharmaceutical Co., Ltd., Chugai Pharmabody Research Pte. Ltd., Ono Pharmaceutical Co., Ltd. and Kyowa Kirin Co., Ltd. In addition, we aim to develop new business partners and steadily increase revenues. In light of these circumstances, we forecast net sales of ¥640 million in the drug discovery support business for the next fiscal year.

2. Fundamental View on Selection of Accounting Standards

Chiome currently adopts Japanese GAAP as its accounting standards. With regard to adoption of International Financial Reporting Standards (IFRS) in the coming years, Chiome will look at various cases globally and make an appropriate decision.

3. Financial Statements

(1) Balance Sheets

Thousand yen

	As of Dec. 31, 2021	As of Dec. 31, 2022
Assets		
Current assets		
Cash on hand and in banks	1,790,988	1,727,270
Accounts receivable	25,456	115,218
Inventories	59,049	71,478
Advance payments - trade	270,440	91,477
Prepaid expenses	34,474	57,151
Consumption taxes receivable	36,050	29,567
Other current assets	424	3
Total current assets	2,216,883	2,092,166
Non-current assets		
Property and equipment		
Machinery	291,571	254,610
Accumulated depreciation	(287,372)	(252,173)
Machinery, net	4,199	2,437
Tools and equipment	95,820	97,024
Accumulated depreciation	(95,820)	(97,024)
Tools and equipment, net	0	0
Total property and equipment	4,199	2,437
Investments and other assets		
Lease deposits and others	112,811	112,811
Long-term prepaid expenses	5,544	8,055
Other, net	0	0
Total investments and other assets	118,355	120,866
Total non-current assets	122,555	123,303
Total assets	2,339,439	2,215,470

Thousand yen

	As of Dec. 31, 2021	As of Dec. 31, 2022
Liabilities		
Current liabilities		
Accounts payable, trade	29,809	31,866
Short-term borrowings	183,000	184,000
Accounts payable, other	81,549	70,800
Accrued expenses	39,636	26,558
Income taxes payable	16,745	23,943
Advances received	30,523	22,100
Deposits received	6,453	4,835
Provision for bonuses	4,821	6,351
Total liabilities	392,540	370,455
Non-current liabilities		
Asset retirement obligations	53,849	54,268
Total non-current liabilities	53,849	54,268
Total liabilities	446,390	424,724
Net assets		
Shareholders' equity		
Capital stock	1,515,929	2,097,017
Capital reserve		
Legal Capital reserve	3,115,710	3,696,798
Total capital reserve	3,115,710	3,696,798
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(2,773,693)	(4,016,331)
Total retained earnings	(2,773,693)	(4,016,331)
Treasury stock	(292)	(292)
Total shareholders' equity	1,857,654	1,777,192
Subscription rights to shares	35,394	13,554
Total net assets	1,893,049	1,790,746
Total liabilities and net assets	2,339,439	2,215,470

(2) Statements of Income

Thousand yen

	Fiscal Year Ended Dec. 31, 2021 (Jan. 1, 2021 to Dec. 31, 2021)	Fiscal Year Ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022)
Net sales	712,932	630,815
Cost of sales	290,474	281,957
Gross profit	422,458	348,858
Selling, general and administrative expenses		
Research and development expenses	1,312,188	1,135,613
Other, net	444,589	471,899
Total selling, general and administrative expenses	1,756,778	1,607,513
Operating loss	(1,334,319)	(1,258,655)
Non-operating income		
Interest income	29	21
Foreign exchange gains	6,627	—
Subsidy income	5,379	20,324
Other, net	1,240	216
Total non-operating income	13,276	20,561
Non-operating expenses		
Interest expenses	1,316	1,323
Foreign exchange losses	—	569
Share issuance cost	706	3,564
Subscription rights issuance cost	6,246	—
Other, net	0	286
Total non-operating expenses	8,269	5,744
Ordinary loss	(1,329,312)	(1,243,838)
Extraordinary income		
Gain on reversal of subscription rights to shares	12,911	5,977
Total extraordinary income	12,911	5,977
Extraordinary loss		
Loss on valuation of investment securities	149,999	—
Total extraordinary loss	149,999	—
Loss before income taxes	(1,466,400)	(1,237,861)
Income taxes-current	13,494	5,010
Total income taxes	13,494	5,010
Net loss	(1,479,895)	(1,242,871)

【Details of Cost of Sales】

Category	note	Fiscal Year Ended Dec. 31, 2021 (Jan. 1, 2021 to Dec. 31, 2021) Amount (Thousand yen)	Proportion of cost of sales (%)	Fiscal Year Ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022) Amount (Thousand yen)	Proportion of cost of sales (%)
I Cost of materials		95,549	36.1	127,550	45.5
II Labor costs		83,839	31.7	72,943	26.0
III Expenses	* 1	85,204	32.2	80,070	28.5
Total manufacturing costs		264,594	100.0	280,564	100.0
Opening balance of work-in-progress under inventories		28,482		2,543	
Total		293,076		283,108	
Closing balance of work-in-progress under inventories		2,602		1,151	
Cost of sales		290,474		281,957	

Method of calculating cost of sales: Cost of sales is calculated based on the specific identification method by project.

(Note)*1 The following are major items.

Thousand yen

	Fiscal Year Ended Dec. 31, 2021 (Jan. 1, 2021 to Dec. 31, 2021)	Fiscal Year Ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022)
Royalties paid	16,792	16,522
Outsourcing expenses	2,916	4,490
Other expenses	65,495	59,058

(3) Statements of Changes in Net Assets

The Fiscal Year Ended December 31, 2021 (January 1, 2021 to December 31, 2021)

Thousand yen

	Shareholders' Equity				
	Capital Stock	Capital Reserve		Retained Earnings	
		Legal Capital reserve	Total capital reserve	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance as of the beginning of the period	1,387,677	2,987,458	2,987,458	(1,293,798)	(1,293,798)
Changes during the period					
Issuance of new stock	128,251	128,251	128,251		
Net loss				(1,479,895)	(1,479,895)
Net changes of items other than shareholders' equity					
Total changes during the period	128,251	128,251	128,251	(1,479,895)	(1,479,895)
Balance as of the end of the period	1,515,929	3,115,710	3,115,710	(2,773,693)	(2,773,693)

	Shareholders' Equity		Subscription rights to shares	Total Net Assets
	Treasury Stock	Total Shareholders' Equity		
Balance as of the beginning of the period	(292)	3,081,046	28,922	3,109,968
Changes during the period				
Issuance of new stock		256,503		256,503
Net loss		(1,479,895)		(1,479,895)
Net changes of items other than shareholders' equity			6,472	6,472
Total changes during the period	—	(1,223,391)	6,472	(1,216,918)
Balance as of the end of the period	(292)	1,857,654	35,394	1,893,049

The Fiscal Period Ended December 31, 2022 (January 1, 2022 to December 31, 2022)

Thousand yen

	Shareholders' Equity				
	Capital Stock	Capital Reserve		Retained Earnings	
		Legal Capital reserve	Total capital reserve	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance as of the beginning of the period	1,515,929	3,115,710	3,115,710	(2,773,693)	(2,773,693)
Cumulative effects of changes in accounting policies				232	232
Restated balance	1,515,929	3,115,710	3,115,710	(2,773,460)	(2,773,460)
Changes during the period					
Issuance of new stock	581,087	581,087	581,087		—
Net loss				(1,242,871)	(1,242,871)
Purchase of treasury stock					
Net changes of items other than shareholders' equity					
Total changes during the period	581,087	581,087	581,087	(1,242,871)	(1,242,871)
Balance as of the end of the period	2,097,017	3,696,798	3,696,798	(4,016,331)	(4,016,331)

	Shareholders' Equity		Subscription rights to shares	Total Net Assets
	Treasury Stock	Total Shareholders' Equity		
Balance as of the beginning of the period	(292)	1,857,654	35,394	1,893,049
Cumulative effects of changes in accounting policies		232		232
Restated balance	(292)	1,857,887	35,394	1,893,282
Changes during the period				
Issuance of new stock		1,162,175		1,162,175
Net loss		(1,242,871)		(1,242,871)
Purchase of treasury stock	(0)	(0)		(0)
Net changes of items other than shareholders' equity			(21,840)	(21,840)
Total changes during the period	(0)	(80,695)	(21,840)	(102,536)
Balance as of the end of the period	(292)	1,777,192	13,554	1,790,746

(4) Statements of Cash Flows

Thousand yen

	Fiscal Year Ended Dec. 31, 2021 (Jan. 1, 2021 to Dec. 31, 2021)	Fiscal Year Ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022)
Cash flows from operating activities		
Loss before income taxes	(1,466,400)	(1,237,861)
Depreciation and amortization	2,956	1,476
Loss on valuation of investment securities	149,999	—
Decrease (increase) in notes and accounts receivable-trade	31,321	(89,761)
Decrease (increase) in inventories	30,212	(12,488)
Decrease (increase) in advance payments	32,170	178,963
Decrease (increase) in consumption taxes refund receivable	21,924	4,463
Increase (decrease) in notes and accounts payable-trade	(10,296)	2,056
Increase (decrease) in accounts payable-other	27,769	(14,126)
Increase (decrease) in accrued expenses	8,043	(13,077)
Increase (decrease) in advance received	2,570	—
Increase (decrease) in contract liabilities	—	(4,603)
Other, net	29,789	(23,730)
Subtotal	(1,139,938)	(1,208,689)
Interest income received	24	17
Interest paid	(1,316)	(1,323)
Proceeds from subsidy income	5,379	22,221
Income taxes paid	(13,494)	(3,240)
Income taxes refund	18,053	4
Net cash used in operating activities	(1,131,291)	(1,191,009)
Cash flows from investing activities		
Payments for leasehold and guarantee deposits	(35,384)	—
Net cash used in investing activities	(35,384)	—
Cash flows from financing activities		
Proceeds from short-term borrowings	3,000	1,000
Proceeds from issuance of common shares	253,778	1,126,292
Proceeds from issuance of subscription rights to shares	14,566	—
Other, net	—	(0)
Net cash provided by (used in) financing activities	271,345	1,127,291
Net decrease in cash and cash equivalents	(895,330)	(63,717)
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 year	1,790,988	1,727,270

(5) Notes to Financial Statements

(Notes regarding going concern assumptions)

No item to report.

(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 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 current fiscal year is added to or subtracted from retained earnings at the beginning 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 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 this fiscal year and then the cumulative effect is added to or subtracted from retained earnings at the beginning of this fiscal year.

As a result, net sales for the first half of the fiscal year under review increased by ¥58,805 thousand, cost of sales increased by ¥36,427 thousand, operating income, ordinary income and quarterly net profit before taxes increased by ¥22,377 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.

(Equity in earnings or losses)

Not applicable as Chiome does not have non-consolidated subsidiaries and affiliates.

(Segment information)

i. Overview of reportable segments

The business segments for reporting purposes are the business units for which Chiome is able to obtain respective financial information separately in order for its Board of Directors to conduct periodic assessments and reviews to determine the proper allocation of management resources and to evaluate business results.

With the major business territory focused on the antibody research phase, covering investigation research, research for drug discovery, and early clinical development, Chiome puts forward comprehensive global strategies and runs business activities.

Chiome has two reportable segments, Drug Discovery and Development Business and Drug Discovery Support Business. Under Drug Discovery and Development Business, Chiome discover and develop novel antibody drugs in therapeutic areas where high unmet medical needs exist. The drug candidates will be out-licensed to pharmaceutical company under appropriate financial conditions such like upfront, milestone, and royalty payments etc. Under Drug Discovery Support Business, Chiome provides “fee-for-service” to pharmaceutical and diagnostics company, and academia to support their research works. Main line of this business is to generate a monoclonal antibody for their targets by our proprietary platform, and to express, culture, and purify proteins including antigen and antibody.

ii. Method for computing the amounts of operating revenue, income or loss, assets, and liabilities as well as other items for reportable segments:

The accounting method for reportable segments is pursuant to the accounting policies adopted for the preparation of financial statements.

iii. Information relating to the amounts of operating revenue, income or loss, assets, and liabilities as well as other items for reportable segments:

The Fiscal Year Ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(Thousand yen)

	Reportable Segments		Total	Adjustments (Note 1)	Amount Recorded on the Balance Sheet (Note 2)
	Drug Discovery and Development Business	Drug Discovery Support Business			
Net sales					
Sales to external customers	103,013	609,919	712,932	—	712,932
Internal sales or exchange between segments	—	—	—	—	—
Total	103,013	609,919	712,932	—	712,932
Segment income (loss)	(1,209,270)	319,540	(889,730)	(444,589)	(1,334,319)
Segment assets	—	—	—	2,339,439	2,339,439

Notes:

1. Details regarding adjustments are presented as follows:
   (1) Adjustments to segment income (loss) are selling, general and administrative expenses that relate to areas other than research and development.
   (2) Segment assets are not allocated between segments because all assets of the Company are unified in their generation of cash flows and apply to multiple antibody generation technologies. Accordingly, the amount of total assets recorded on the balance sheet is presented as the adjustment balance.
2. The total amount of segment income (loss) is reconciled with operating loss recorded in the statement of income.

The Fiscal Year Ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(Thousand yen)

	Reportable Segments		Total	Adjustments (Note 1)	Amount Recorded on the Balance Sheet (Note 2)
	Drug Discovery and Development Business	Drug Discovery Support Business			
Net sales					
Goods or services transferred at one point of time	—	269,027	269,027	—	269,027
Goods or services transferred over a period of time	—	361,788	361,788	—	361,788
Revenue from contracts with customers	—	630,815	630,815	—	630,815
Sales to external customers	—	630,815	630,815	—	630,815
Internal sales or exchange between segments	—	—	—	—	—
Total	—	630,815	630,815	—	630,815
Segment income (loss)	(1,135,613)	348,858	(786,755)	(471,899)	(1,258,655)
Segment assets	—	—	—	2,215,470	2,215,470

Notes:

1. Details regarding adjustments are presented as follows:
   (1) Adjustments to segment income (loss) are selling, general and administrative expenses that relate to areas other than research and development.
   (2) Segment assets are not allocated between segments because all assets of the Company are unified in their generation of cash flows and apply to multiple antibody generation technologies. Accordingly, the amount of total assets recorded on the balance sheet is presented as the adjustment balance.
2. The total amount of segment income (loss) is reconciled with operating loss recorded in the statement of income.

(Per share information)

(Yen)

	Fiscal Year Ended Dec. 31, 2021 (Jan. 1, 2021 to Dec. 31, 2021)	Fiscal Year Ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022)
Net assets per share	45.55	36.70
Net loss per share	(36.74)	(28.26)

Notes:

1. Details regarding diluted net income per share are not provided despite the existence of shares with the potential to have a dilutive effect. This is because of the net loss for the period.
2. The basis for calculations are presented as follows:
   (1) Net assets per share

(Thousand yen unless otherwise stated)

	As of Dec. 31, 2021	As of Dec. 31, 2022
Total net assets	1,893,049	1,790,746
Amount deducted from total net assets	35,394	13,554
(New subscription rights to shares)	(35,394)	(13,554)
Net assets allocated to capital stock	1,857,654	1,777,192
Number of shares of capital stock used to calculate net assets per share (shares)	40,781,354	48,423,353

   (2) Net loss per share

(Thousand yen unless otherwise stated)

	Fiscal Year Ended Dec. 31, 2021 (Jan. 1, 2021 to Dec. 31, 2021)	Fiscal Year Ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022)
Net loss	(1,479,895)	(1,242,871)
Amount not attributable to shareholders of capital stock	—	—
Net loss allocated to capital stock	(1,479,895)	(1,242,871)
Average number of shares for the period (shares)	40,277,819	43,984,734
Details of dilutive shares not included in calculations relating to net income per diluted share because there was no dilutive effect	New subscription rights to shares:4 types Number of subscription rights to shares: 78,900	New subscription rights to shares:2 types Number of subscription rights to shares: 3,170

(Important subsequent events)

Not applicable.