



**Non-Consolidated Financial Results (Japanese GAAP)
for the Six Months Ended June 30, 2017**

August 10, 2017

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 10, 2017
 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, 2017 (January 1, 2017 to June 30, 2017)

(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, 2017	102	(22.0)	(388)	–	(389)	–	(389)	–
Six months ended Jun. 30, 2016	130	–	(582)	–	(580)	–	(711)	–

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended Jun. 30, 2017	(15.02)	–
Six months ended Jun. 30, 2016	(31.99)	–

Notes:

- The percentage increase (decrease) data for the six-month period ended June 30, 2016 has not been provided as it was prepared on the consolidated financial statements.
- 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, 2017	4,888	4,710	95.6
As of Dec. 31, 2016	4,789	4,565	94.5

(Reference) Equity As of Jun. 30, 2017: 4,674 million yen As of Dec. 31, 2016: 4,527 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, 2016	–	0.00	–	0.00	0.00
Fiscal Year Ending Dec. 31, 2017	–	0.00			
Fiscal Year Ending Dec. 31, 2017 (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, 2017
(January 1, 2017 to December 31, 2017)**

Chiome has two reportable segments: “Drug Discovery and Development Business” and “Drug Discovery Support Business”. As it is difficult to provide reasonable estimates for “Drug Discovery and Development Business” at present, Chiome discloses only business forecasts (Net sales 201 million) for “Drug Discovery Support Business”. Along with the above, forecasts of Chiome as a whole are not provided. 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, 2017	26,781,500 shares	As of Dec. 31, 2016	25,455,500 shares
2) Number of treasury stock as of the end of the period	As of Jun. 30, 2017	146 shares	As of Dec. 31, 2016	146 shares
3) Average number of shares for the period (cumulative total for the period)	Six months ended Jun. 30, 2017	25,928,073 shares	Six months ended Jun. 30, 2016	22,232,653 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 (4) Forward-Looking Statements including Forecasts of Financial Results” on page 4 of this report.
- Chiome plans to hold a financial results explanatory meeting for institutional investors and securities analysts on August 15, 2017. Plans are also in place to post a copy of the supplementary materials distributed at the meeting on the Chiome’s website in conjunction with their disclosure to the Tokyo Stock Exchange today.

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1. Qualitative Information Regarding Quarterly Financial Results

(1) Operating Results

In the second quarter cumulative period of the fiscal year under review, the brief outlines of the Drug Discovery and Development Business and the Drug Discovery Support Business are as follows.

In the Drug Discovery and Development Business, LIV-1205 (a humanized monoclonal antibody targeting DLK-1) and LIV-2008b (a humanized monoclonal antibody targeting TROP-2) have been evaluated under the Option License Agreements by Switzerland-based biotech company, ADC Therapeutics SA (ADCT).

In regard to LIV-1205, Chiome received a notification from ADCT on June 26, 2017 advising that it would exercise its option right. Chiome will move toward the conclusion of a License Agreement with ADCT. Upon conclusion of the License Agreement, Chiome will grant ADCT a worldwide exclusive license with a right to sublicense, develop, manufacture, and commercialize an ADC format of LIV-1205. Also, Chiome will receive an up-front fee. ADCT hereafter will promote the research and development activities. When ADCT achieves milestones which have been fixed on each stage of the development, Chiome will receive milestone payments as to its progress. Furthermore, when ADCT launches some products, Chiome will receive predetermined royalties on sales of each year and milestone payment based on cumulative sales of the products.

The Pediatric Preclinical Testing Consortium, an organization devoted to evaluate new drug candidates for pediatric cancer and supported by the National Cancer Institute (NCI), has also continued evaluation of LIV-1205 through animal testing under an agreement concluded in October 2016. In addition, Chiome started preparative works on in-house clinical development, and on selecting a contract manufacturing organization (CMO) to establish manufacturing process which enables to supply quality grade of LIV-1205 for clinical development.

Regarding LIV-2008b (a humanized monoclonal antibody targeting TROP-2), Chiome was advised that ADCT decided not to exercise its option right as of 26 June. Accordingly, the Option License Agreement with ADCT is terminated. Chiome will carry on research, development, and licensing activities.

Taking all of these factors into account, in the second quarter cumulative period of the fiscal year under review, net sales in the Drug Discovery and Development Business amounted to ¥2,865 thousand (a decrease of ¥11,503 thousand year on year). Gross profit on net sales was ¥2,865 thousand (a decrease of ¥8,593 thousand year on year).

In the Drug Discovery Support Business, Chiome has been conducting joint research and development activities under agreements with Chugai Pharmaceutical Co., Ltd. and its overseas subsidiary, Chugai Pharmabody Research Pte. Ltd., as well as performing entrusted projects. In addition, Chiome has been working on an antibody generation project under an agreement with Mitsubishi Tanabe Pharma Corporation and Tanabe Research Laboratories U.S.A., Inc. Furthermore, under entrusted agreements and joint research activities with other partners, Chiome is engaged in new projects utilizing the ADLib® system.

As a result, in the second quarter cumulative period of the fiscal year under review, the Drug Discovery Support Business posted net sales of ¥99,488 thousand (a decrease of ¥16,617 thousand year on year) and gross profit of ¥58,526 thousand (an increase of 15,882 thousand year on year).

Looking at the status of research and development activities, Chiome has been conducting joint research activities utilizing the ADLib® system. In addition, by leveraging antibody generation technologies such as hybridoma and B-cell cloning, Chiome has been engaging in research and development activities centered on the generation of antibodies that target diseases with unmet medical needs. As a consequence of the aforementioned activities, research

and development expenses for the second quarter cumulative period of the fiscal year ending December 2017 came to ¥197,807 thousand. Every facet of Chiome's business development activities revolves around its antibody generation technology. Therefore, given that all of Chiome's assets are used in a coordinated manner to generate cash flows, research and development expenses are not allocated to individual reportable segments.

As a result, in the second quarter cumulative period of the fiscal year under review, Chiome posted net sales of ¥102,353 thousand (a decrease of ¥28,120 thousand year on year), operating loss of ¥388,949 thousand (operating loss of ¥582,694 thousand in the same period of the previous fiscal year), ordinary loss of ¥389,614 thousand (ordinary loss of ¥580,928 thousand in the same period of the previous fiscal year), and net loss of ¥389,530 thousand (net loss of ¥711,230 thousand in the same period of the previous fiscal year).

(2) Financial Position

(Current Assets)

As of June 30, 2017, current assets stood at ¥4,638,122 thousand, down ¥43,394 thousand compared with the balance as of December 31, 2016. This decline could be primarily attributed to a decrease in cash and deposits due to payments of selling, general and administrative expenses, and a decline in consumption taxes receivable by refund.

(Non-current assets)

As of June 30, 2017, non-current assets came to ¥250,240 thousand, an increase of ¥142,604 thousand compared with the balance as of December 31, 2016. This increase was mainly due to a rise in investment securities due to contributions to Trans Chromosomics Inc.

(Liabilities)

As of June 30, 2017, liabilities stood at ¥177,607 thousand, down ¥46,467 thousand compared with the balance as of December 31, 2016. The major contributing factors were decreases in the current portion of long-term loans payable and accounts payable (other) and a decrease in assets retirement obligation.

(Net assets)

As of June 30, 2017, net assets stood at ¥4,710,755 thousand, up ¥145,677 thousand compared with the balance as of December 31, 2016. This was because the increase in the amount of capital stock and capital reserves due mainly to exercises of subscription rights to shares was greater than the decrease in the amount of retained earnings resulted from net loss.

(3) Analysis of Cash Flows

The balance of cash and cash equivalents as of the end of the second quarter (June 30, 2017) of the fiscal year under review stood at ¥4,512,929 thousand, down ¥40,248 thousand compared to the balance as of December 31, 2016. 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 ¥385,889 thousand. The major movements were loss before income taxes and a decrease in accounts payable (other).

(Cash flows from investing activities)

For the six-month period of the fiscal year under review, net cash used in investing activities amounted to ¥154,975 thousand. The major movement was due to the purchase of investment securities.

(Cash flows from financing activities)

For the six-month period of the fiscal year under review, net cash provided by financing activities totaled ¥500,616 thousand. The movements were proceeds from issuance of common shares and the repayments of long-term loans payable.

(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, 2017 announced on February 14, 2017.

3. Quarterly Financial Statements
(1) Quarterly Balance Sheets

Thousand yen

	As of Dec. 31, 2016	As of Jun. 30, 2017
Assets		
Current assets		
Cash on hand and in banks	4,553,178	4,512,929
Accounts receivable	46,950	50,169
Inventories	35,475	39,338
Consumption taxes receivable	31,926	13,894
Other current assets	13,986	21,790
Total current assets	4,681,517	4,638,122
Non-current assets		
Property and equipment		
Machinery	459,689	339,924
Accumulated depreciation	(437,473)	(322,262)
Machinery, net	22,216	17,661
Tools and equipment	118,453	116,568
Accumulated depreciation	(105,353)	(106,093)
Tools and equipment, net	13,100	10,475
Total property and equipment	35,316	28,137
Investments and other assets		
Investment Securities	—	150,000
Lease deposits and others	71,995	71,995
Other investment securities	324	108
Total investments and other assets	72,319	222,103
Total non-current assets	107,635	250,240
Total assets	4,789,153	4,888,362

Thousand yen

	As of Dec. 31, 2016	As of Jun. 30, 2017
Liabilities		
Current liabilities		
Accounts payable, trade	22,565	24,328
Current portion of long-term loans payable	50,004	24,994
Accounts payable, other	34,705	19,665
Accrued expenses	20,546	16,047
Income taxes payable	20,702	30,495
Deposits received	5,815	3,620
Unearned revenue	2,815	—
Asset retirement obligations	—	8,700
Provision for bonuses	11,932	9,348
Total liabilities	169,088	137,199
Non-current liabilities		
Long-term loans payable	4,159	—
Asset retirement obligations	50,827	40,408
Total non-current liabilities	54,986	40,408
Total liabilities	224,075	177,607
Net assets		
Shareholders' equity		
Capital stock	5,186,379	5,454,775
Capital reserve	5,176,379	5,444,775
Retained earnings	(5,834,757)	(6,224,288)
Treasury stock	(292)	(292)
Total shareholders' equity	4,527,709	4,674,970
Subscription rights to shares	37,368	35,785
Total net assets	4,565,078	4,710,755
Total liabilities and net assets	4,789,153	4,888,362

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

Thousand yen

	Six Months Ended Jun. 30, 2016 (Jan. 1, 2016 to Jun. 30, 2016)	Six Months Ended Jun. 30, 2017 (Jan. 1, 2017 to Jun. 30, 2017)
Net sales	130,474	102,353
Cost of sales	76,371	40,962
Gross profit	54,102	61,391
Selling, general and administrative expenses		
Research and development expenses	346,405	197,807
Other, net	290,391	252,533
Total selling, general and administrative expenses	636,797	450,341
Operating loss	(582,694)	(388,949)
Non-operating income		
Interest income	135	19
Interest on securities	2,421	—
Other, net	237	523
Total non-operating income	2,795	543
Non-operating expenses		
Interest expenses	297	148
Share issuance expenses	692	716
Other, net	40	343
Total non-operating expenses	1,029	1,208
Ordinary loss	(580,928)	(389,614)
Extraordinary income		
Gain on sales of non-current assets	—	1,863
Gain on reversal of subscription rights to shares	1,729	1,185
Total extraordinary income	1,729	3,049
Extraordinary loss		
Loss on sales of non-current assets	—	1,755
Loss on valuation of investment securities	105,846	—
Special retirement expenses	24,800	—
Total extraordinary loss	130,647	1,755
Loss before income taxes	(709,846)	(388,320)
Income taxes-current	2,505	1,210
Income taxes-deferred	(1,121)	—
Total income taxes	1,383	1,210
Net loss	(711,230)	(389,530)

(3) Statements of Cash Flows

Thousand yen

	Six Months Ended Jun. 30, 2016 (Jan. 1, 2016 to Jun. 30, 2016)	Six Months Ended Jun. 30, 2017 (Jan. 1, 2017 to Jun. 30, 2017)
Cash flows from operating activities		
Loss before income taxes	(709,846)	(388,320)
Depreciation and amortization	56,610	5,422
Loss (gain) on valuation of investment securities	105,846	—
Extra retirement payment	24,800	—
Decrease (increase) in notes and accounts receivable-trade	(5,957)	(3,218)
Decrease (increase) in inventories	6,085	(3,863)
Increase (decrease) in notes and accounts payable-trade	442	1,762
Decrease (increase) in consumption taxes refund receivable	(17,630)	18,032
Increase (decrease) in accounts payable-other	(16,181)	(10,064)
Increase (decrease) in accrued expenses	(7,156)	(4,499)
Increase (decrease) in income taxes payable - factor based tax	7,119	11,003
Other, net	(14,995)	(9,656)
Subtotal	(570,862)	(383,403)
Interest income received	5,464	16
Interest expenses paid	(297)	(148)
Income taxes paid	(4,294)	(2,420)
Income taxes refund	341	65
Net cash used in operating activities	(569,648)	(385,889)
Cash flows from investing activities		
Purchase of securities	(300,568)	—
Proceeds from redemption of securities	2,200,000	—
Purchase of property and equipment	(5,916)	(4,975)
Purchase of investment securities	—	(150,000)
Net cash provided by investing activities	1,893,516	(154,975)
Cash flows from financing activities		
Repayments of long-term loans payable	(25,002)	(29,169)
Proceeds from issuance of common shares	177,423	529,785
Net cash provided by financing activities	152,421	500,616
Net increase (decrease) in cash and cash equivalents	1,476,289	(40,248)
Cash and cash equivalents as of the beginning of the year	2,100,626	4,553,178
Cash and cash equivalents as of the end of the year	3,576,916	4,512,929

(3) Notes Concerning Quarterly Financial Statement

(Notes Regarding Going Concern Assumptions)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

During the second cumulative period, the balance of capital stock and capital reserve increased separately by ¥268,395 thousand due to exercise of the Subscription Rights to Shares. As a result, as of June 30, 2017, the balance of capital stock and capital reserve came to ¥5,454,775 thousand and ¥5,444,775 thousand, respectively.