



**Non-Consolidated Financial Results (Japanese GAAP)
for the Six Months Ended June 30, 2019**

August 13, 2019

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 13, 2019
 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, 2019 (January 1, 2019 to June 30, 2019)

(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, 2019	140	51.8	(749)	—	(758)	—	(757)	—
Six months ended Jun. 30, 2018	92	(9.5)	(607)	—	(603)	—	(603)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended Jun. 30, 2019	(25.49)	—
Six months ended Jun. 30, 2018	(22.55)	—

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, 2019	3,422	3,174	92.0
As of Dec. 31, 2018	2,831	2,676	93.5

(Reference) Equity As of Jun. 30, 2019: 3,149 million yen As of Dec. 31, 2018: 2,648 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, 2018	—	0.00	—	0.00	0.00
Fiscal Year Ending Dec. 31, 2019	—	0.00			
Fiscal Year Ending Dec. 31, 2019 (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, 2019
(January 1, 2019 to December 31, 2019)**

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 ¥320 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, 2019	32,784,500 shares	As of Dec. 31, 2018	26,781,500 shares
2) Number of treasury stock as of the end of the period	As of Jun. 30, 2019	146 shares	As of Dec. 31, 2018	146 shares
3) Average number of shares for the period (cumulative total for the period)	Six months ended Jun. 30, 2019	29,699,358 shares	Six months ended Jun. 30, 2018	26,781,354 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 for institutional investors and securities analysts on August 14, 2019. Supplementary materials will be available on the Chiome's website after the meeting.

Contents

1. Qualitative Information Regarding Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Cash Flows	3
(4) Explanation of Forward-Looking Statements including Forecasts of Financial Results	3
2. Quarterly Financial Statements	4
(1) Quarterly Balance Sheets	4
(2) Quarterly Statements of Income	6
(3) Quarterly Statements of Cash Flows	7
(4) Notes Concerning Quarterly Financial Statements	8
(Notes regarding going concern assumptions)	8
(Notes regarding substantial changes in shareholders' equity)	8
(Significant subsequent events)	8

1. Qualitative Information Regarding Quarterly Financial Results

(1) Operating Results

During the six months ended June 30, 2019 (hereinafter, “the period under review”), sales in the drug discovery support business increased steadily. Net sales was ¥140,683 thousand, increased by ¥48,013 thousand to the same period of the previous year. Operating loss was ¥749,708 thousand (an operating loss of ¥607,326 thousand previously) mainly due to increase of development cost in CBA-1205 program towards clinical stage. Ordinary loss was ¥758,731 thousand (an ordinary loss of ¥603,025 thousand previously), and net loss was ¥757,110 thousand (compared to a net loss of ¥603,924 thousand previously). Chiome’s business activities during this period 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 as planned, CMC development was on track, and works for bringing CBA-1535 to clinical stage have also progressed as planned. In discovery stage, Chiome has paid efforts to expand the product pipelines in terms of quality and quantity by encouraging in-house R&D projects towards preparation of data package, and has continued collaborative research with academia aiming to start new drug discovery projects.

With regard to ADCT-701, an Antibody Drug Conjugate (ADC) form of LIV-1205 that was licensed out to Switzerland-based ADC Therapeutics SA in September 2017, its development is on track where the final stage of pre-clinical study is about completing. They plan to submit an Investigational New Drug Application (IND) in the second half of 2019.

In relation to the development of CBA-1205, the manufacture of drug substance under the GMP standards has completed. In addition, the GLP studies to support regulatory filings will be expected to finish around the end of 2019. All necessary works are proceeding to meet the regulatory requirements aiming to start the clinical study after 2020.

With regard to the multispecific antibody CBA-1535, selection of the CMO who is going to manufacture the drug substance and drug product, and clinical CRO is currently in the process. Submission of an Investigational New Drug Application (IND) is planned in the second half of 2021.

For the humanized anti-Semaphorin3A antibody, Chiome and SemaThera Inc. (“ST”), a Canadian biotech company, have concluded Collaborative Development License and Exclusive Option Agreement in March 2018 under which ST is in the process of evaluating the antibody. Chiome received an option fee corresponding to the period of second year.

In addition to the above mentioned program, several exploratory research projects are being progressed. We are actively working on R&D to stage-up them to clinical and compiling data package for licensing opportunity.

As the results, net sales of the drug discovery and development was ¥1,280 thousand, an increase of ¥927 thousand year on year; research and development expenses of ¥636,238 thousand (an increase of ¥202,309 thousand year on year); and a segment loss of ¥634,982 thousand (a segment loss of ¥436,808 previously).

Drug Discovery Support Business contributes to the company’s stable earnings. Chiome offers technical support services to pharmaceutical company and research institutions using its technology for protein processing and multiple antibody generation technologies including the ADLib® system which is our proprietary antibody platform, B cell cloning methods and hybridoma methods. We continue to strive for getting new contracts by offering high

quality service and for improving our technologies.

In the period under review, Chiome concluded an agreement with Fuji-Rebio Inc. to allow them of using Chiome's intellectual property rights related to the second diagnostic kit consist of antibody produced by the ADLib® system. Chiome will receive future royalties on product sales by this agreement.

The outcome from the above business in the period under review, in the Drug Discovery Support Business, the sales steadily increased due to the growth in transactions with Chugai Pharmaceutical Group and Ono Pharmaceutical. As a result, net sales of ¥139,403 thousand, an increase of ¥47,086 thousand year on year; and a segment profit of ¥86,818 thousand (up ¥33,727 thousand year on year).

(2) Financial Position

(Assets)

As of June 30, 2019, assets stood at ¥3,422,956 thousand, up ¥591,762 thousand compared with the balance as of December 31, 2018. The increase was mainly due to an increase in cash and deposits.

(Liabilities)

As of June 30, 2019, liabilities stood at ¥247,972 thousand, up ¥93,498 thousand compared to the balance as of December 31, 2018. The increase was primarily due to increased accounts payable-other related to research and development expenses.

(Net assets)

As of June 30, 2019, net assets stood at ¥3,174,983 thousand, up ¥498,263 thousand compared to the balance of December 31, 2018. The increase 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) Cash Flows

The balance of cash and cash equivalents as of the end of the second quarter (June 30, 2019) of the fiscal year under review stood at ¥2,899,385 thousand, up ¥570,871 thousand compared to the balance as of December 31, 2018. 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 ¥677,601 thousand. The major movements were loss before income taxes and decrease in inventories.

(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 ¥1,248,472 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, 2019 announced on February 14, 2019.

2. Quarterly Financial Statements
(1) Quarterly Balance Sheets

Thousand yen

	As of Dec. 31, 2018	As of Jun 30, 2019
Assets		
Current assets		
Cash on hand and in banks	2,328,513	2,899,385
Accounts receivable	42,307	21,889
Inventories	45,413	58,240
Advance payment-trade	126,700	141,721
Consumption taxes receivable	35,126	21,846
Other current assets	31,890	62,623
Total current assets	2,609,952	3,205,707
Non-current assets		
Property and equipment		
Machinery	344,675	328,489
Accumulated depreciation	(333,430)	(318,724)
Machinery, net	11,244	9,764
Tools and equipment	104,448	104,448
Accumulated depreciation	(99,743)	(100,685)
Tools and equipment, net	4,705	3,762
Total property and equipment	15,949	13,527
Investments and other assets		
Investment Securities	150,000	150,000
Long-term prepaid expenses	7,807	6,235
Lease deposits and others	47,485	47,485
Total investments and other assets	205,292	203,720
Total non-current assets	221,241	217,248
Total assets	2,831,193	3,422,956

Thousand yen

	As of Dec. 31, 2018	As of Jun. 30, 2019
Liabilities		
Current liabilities		
Accounts payable, trade	31,888	32,026
Accounts payable, other	18,960	96,413
Accrued expenses	20,846	18,781
Income taxes payable	28,776	28,953
Advances received	1,829	14,661
Deposits received	4,428	7,829
Unearned revenue	176	2,217
Provision for bonuses	6,538	5,850
Total Current liabilities	113,445	206,734
Non-current liabilities		
Asset retirement obligations	41,028	41,238
Total non-current liabilities	41,028	41,238
Total liabilities	154,474	247,972
Net assets		
Shareholders' equity		
Capital stock	5,454,775	6,083,727
Capital reserve	5,444,775	6,073,727
Retained earnings	(8,250,831)	(9,007,942)
Treasury stock	(292)	(292)
Total shareholders' equity	2,648,426	3,149,220
Subscription rights to shares	28,292	25,763
Total net assets	2,676,719	3,174,983
Total liabilities and net assets	2,831,193	3,422,956

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

Thousand yen

	Six Months Ended Jun. 30, 2018 (Jan. 1, 2018 to Jun. 30, 2018)	Six Months Ended Jun. 30, 2019 (Jan. 1, 2019 to Jun. 30, 2019)
Net sales	92,669	140,683
Cost of sales	41,100	52,608
Gross profit	51,569	88,075
Selling, general and administrative expenses		
Research and development expenses	435,286	636,238
Other, net	223,608	201,545
Total selling, general and administrative expenses	658,895	837,784
Operating loss	(607,326)	(749,708)
Non-operating income		
Interest income	25	13
Foreign exchange gains	2,687	510
Other, net	1,587	186
Total non-operating income	4,300	709
Non-operating expenses		
Share issuance expenses	—	4,007
Subscription rights issuance cost	—	5,724
Total non-operating expenses	—	9,732
Ordinary loss	(603,025)	(758,731)
Extraordinary income		
Gain on reversal of share acquisition rights	311	2,830
Total extraordinary income	311	2,830
Loss before income taxes	(602,714)	(755,900)
Income taxes-current	1,210	1,210
Total income taxes	1,210	1,210
Net loss	(603,924)	(757,110)

(3) Statements of Cash Flows

Thousand yen

	Six Months Ended Jun. 30, 2018 (Jan. 1, 2018 to Jun. 30, 2018)	Six Months Ended Jun. 30, 2019 (Jan. 1, 2019 to Jun. 30, 2019)
Cash flows from operating activities		
Loss before income taxes	(602,714)	(755,900)
Depreciation and amortization	3,508	2,421
Decrease (increase) in notes and accounts receivable-trade	8,666	20,417
Decrease (increase) in inventories	(4,959)	(12,826)
Decrease (increase) in advance payments	(61,323)	(15,021)
Decrease (increase) in consumption taxes refund receivable	(18,321)	13,279
Increase (decrease) in notes and accounts payable-trade	11,996	137
Increase (decrease) in accounts payable-other	(25,941)	77,453
Increase (decrease) in accrued expenses	(1,636)	(2,065)
Increase (decrease) in advances received	—	12,832
Other, net	(1,161)	(15,928)
Subtotal	(689,562)	(675,199)
Interest income received	21	11
Proceeds from subsidy income	1,516	—
Income taxes paid	(2,420)	(2,420)
Income taxes refund	6	6
Net cash used in operating activities	(690,438)	(677,601)
Cash flows from investing activities		
Net cash provided by investing activities	—	—
Cash flows from financing activities		
Repayments of long-term loans payable	(4,159)	—
Proceeds from issuance of common shares	—	1,249,640
Payments for issuance of subscription rights to shares	—	(1,167)
Net cash provided by financing activities	(4,159)	1,248,472
Net increase (decrease) in cash and cash equivalents	(694,597)	570,871
Cash and cash equivalents as of the beginning of the year	4,027,466	2,328,513
Cash and cash equivalents as of the end of the period	3,332,869	2,899,385

(4) Notes Concerning Quarterly Financial Statements

(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 ¥628,952 thousand due to exercise of the Subscription Rights to Shares. As a result, as of June 30, 2019, the balance of capital stock and capital reserve came to ¥6,083,727 thousand and ¥6,073,727 thousand, respectively.

(Important subsequent events)

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

During the second cumulative period, from July 1, 2019 to July 31, 2019, some of the 14th 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, 353,000 shares

(2) Increased capital stock: ¥35,155 thousand

(3) Increased legal capital reserve: ¥35,155 thousand

As a result, as of July 31, 2019, the total number of the common stock issued is 33,137,500 shares. Capital stock and capital reserve are ¥6,118,882 thousand and ¥6,108,882 thousand respectively.

(Issuance of stock acquisition rights (stock option))

At its Board of Directors Meeting held on August 13, 2019, the Company resolved to issue the 15th series Subscription rights to shares for the Company employees, and the 16th series Subscription rights to shares for the Company Directors and auditors pursuant to Articles 236, 238, and 240 of the Companies Act.

The 15th series Subscription rights to shares

1. Allotment date

August 30, 2019

2. Category and number of persons granted

Employees of the Company: 41

3. Total number of subscription rights to shares

2,450 units

4. Paid-in amount for subscription rights to shares

No payment of money shall be required.

5. Class and number of shares to be issued upon exercise of subscription rights to shares

Common shares: 245,000 shares (Number of shares underlying one subscription right: 100 shares)

6. Amount of assets contributed upon exercise of subscription rights to shares

Either the closing price of the Company's shares as per the date of allotment or the amount obtained by multiplying the average closing price of the Company shares, during one month immediately prior to the date of allotment, by 1.05, whichever the highest.

7. Exercise period for subscription rights to shares

From August 30, 2021 to August 29, 2025

The 16th series Subscription rights to shares

1. Allotment date

August 30, 2019

2. Category and number of persons granted

Directors and Auditors of the Company: 5

3. Total number of subscription rights to shares

- 1,500 units
4. Paid-in amount for subscription rights to shares
100 yen (per subscription right)
 5. Class and number of shares to be issued upon exercise of subscription rights to shares
Common shares: 150,000 shares (Number of shares underlying one subscription right: 100 shares)
 6. Amount of assets contributed upon exercise of subscription rights to shares
194 yen
 7. Exercise period for subscription rights to shares
From August 30, 2019 to August 29, 2029