



**Non-Consolidated Financial Results (Japanese GAAP)  
for the Three Months Ended March 31, 2017**

May 15, 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: May 15, 2017  
 Scheduled dividend payment commencement date: —  
 Supplementary materials prepared for the quarterly financial results: Yes  
 Holding of the quarterly financial results explanatory meeting: No

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

**1. Financial Results for the Three Months Ended March 31, 2017 (January 1, 2017 to March 31, 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	%
Three months ended Mar. 31, 2017	55	6.2	(203)	—	(204)	—	(205)	—
Three months ended Mar. 31, 2016	51	—	(302)	—	(300)	—	(301)	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Three months ended Mar. 31, 2017	(7.93)	—
Three months ended Mar. 31, 2016	(13.62)	—

Notes:

- The percentage increase (decrease) data for the three-month period ended March 31, 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 Mar. 31, 2017	4,740	4,557	95.3
As of Dec. 31, 2016	4,789	4,565	94.5

(Reference) Equity As of Mar. 31, 2017 4,518 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	—	—	—	—	—
Fiscal Year Ending Dec. 31, 2017 (Forecast)	—	0.00	—	0.00	0.00

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

**3. Forecasts of Financial Results for the Fiscal Year Ending December 31, 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 Mar. 31, 2017	25,953,500 shares	As of Dec. 31, 2016	25,455,500 shares
2) Number of treasury stock as of the end of the period	As of Mar. 31, 2017	146 shares	As of Dec. 31, 2016	146 shares
3) Average number of shares for the period (cumulative total for the period)	Three months ended Mar. 31, 2017	25,858,599 shares	Three months ended Mar. 31, 2016	22,104,762 shares

\*This summary report on Chiome’s quarterly financial statements is not subject to quarterly review procedures.

**\* Explanation Concerning the Proper Use of Financial Results Forecasts and Other Relevant Specific Items**

Forward-looking statements including forecasts of financial results contained in this report are based on management’s assumptions and beliefs that are determined to be reasonable in light of currently available information. Chiome cautions readers that due to a variety of factors actual results may differ materially from forecasts. For the assumptions that underpin financial results forecasts as well as other related items, please refer to the “1. Qualitative Information Regarding Quarterly Financial Results (3) Explanation of Forward-Looking Statements including Forecasts of Financial Results” on page 3 of this report.

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## 1. Qualitative Information Regarding Quarterly Financial Results

### (1) Explanation of Operating Results

During the first three months of the fiscal year under review, Chiome has focused its business activities on the expansion, development, and promotion for licensing of pipelines; promotion of antibody generation using the ADLib® system; and the Drug Discovery Support Business.

In the Drug Discovery and Development Business, two antibodies, LIV-1205 (a humanized monoclonal antibody targeting DLK-1) and LIV-2008b (a humanized monoclonal antibody targeting TROP-2), which are under the Option License Agreements for a worldwide exclusive license for development and commercialization as an ADC, are currently being evaluated by Switzerland-based biotech company, ADC Therapeutics SA. In addition, the Pediatric Preclinical Testing Consortium, an organization devoted to evaluating of new drug candidates for pediatric cancer, is evaluating LIV-1205 through animal testing under an agreement concluded in October 2016 with the National Cancer Institute (NCI).

Taking all of these factors into account, in the first three months of the fiscal year under review, net sales in the Drug Discovery and Development Business amounted to ¥2,865 thousand (a decrease of ¥3,070 thousand year on year). Gross profit on net sales was ¥2,865 thousand (a decrease of ¥3,070 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. 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 first three months of the fiscal year under review, the Drug Discovery Support Business posted net sales of ¥52,165 thousand (an increase of ¥6,268 thousand year on year) and gross profit of ¥29,338 thousand (an increase of 14,993 thousand year on year).

On January 25, 2017, Chiome acquired new shares of Trans Chromosomics Co. (hereinafter "TC"), issued in a third-party allotment. With an eye to upgrading technical standards pertaining to antibody development, Chiome decided that partnering with TC would increase its corporate value, and accordingly acquired 750 Class A preferred shares (¥150,000 thousand, 6.3% of all outstanding shares). TC, a biotech company founded under the leadership of Dr. Mitsuo Oshimura (specially appointed professor, Chromosome Engineering Research Center of Tottori University) in December 2014, is engaged in the development of drug discovery platform technology using highly versatile artificial chromosome vectors, based on the company's unique chromosome engineering technology. TC performs research and development activities aimed at progress in advanced medical treatment and its industrialization via the application of its drug discovery platform technology. It is working on generation of rats or mice which express fully human antibody, discovering disease related genes, generating rats or mice model of such diseases, and drug discovery or development of gene or cell therapies using such animal models.

On March 29, 2017, Chiome resolved to establish a management advisory committee. This committee is supposed to make some advice based on objective evaluation of Chiome's management. If necessary, Chiome will receive inspection or assessment of its past management plan and judgement.

Looking at the status of research and development activities for the technology platforms that are the foundation of each business segment, Chiome is pursuing technological advancement of the ADLib® system, while

performing continued research and development activities of antibodies that target diseases for which unmet medical needs exist.

As a consequence of the aforementioned activities, research and development expenses for the first quarter cumulative period of the fiscal year under review came to ¥100,539 thousand. Every facet of Chiome's business development activities revolves around its drug discovery platform technology, the ADLib® system. 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 first three months of the fiscal year under review, Chiome posted net sales of ¥55,031 thousand (an increase of ¥3,198 thousand year on year), operating loss of ¥203,838 thousand (operating loss of ¥302,385 thousand in the same period of the previous fiscal year), ordinary loss of ¥204,564 thousand (ordinary loss of ¥300,643 thousand in the same period of the previous fiscal year), and net loss of ¥205,169 thousand (net loss of ¥301,037 thousand in the same period of the previous fiscal year).

## (2) Explanation of Financial Position

### (Current Assets)

As of March 31, 2017, current assets stood at ¥4,485,265 thousand, down ¥196,252 thousand compared with the balance as of December 31, 2016. The decline was primarily attributable to a decrease in cash on hand and in banks and inventories.

### (Non-current assets)

As of March 31, 2017, non-current assets came to ¥254,816 thousand, up ¥147,180 thousand compared with the balance as of December 31, 2016. The increase was mainly due to an increase in investment securities resulting from the capital contribution to TC.

### (Current liabilities)

As of March 31, 2017, current liabilities stood at ¥131,589 thousand, down ¥37,499 thousand compared with the balance as of December 31, 2016. The primary factors responsible for a decrease in current portion of long-term loans payable due to repayments, a fall in accrued expenses resulting from payments, and a decline in provision of bonuses due to the bonus payment.

### (Net assets)

As of March 31, 2017, net assets stood at ¥4,557,533 thousand, down ¥7,544 thousand compared with the balance as of December 31, 2016. The major underlying factor for the decline was a decline in retained earnings reflecting the net loss for the period, whereas the factors responsible for the increase were a rise in capital stock and capital reserve due to exercises of subscription rights to shares.

## (3) Explanation of Forward-Looking Statements including Forecasts of Financial Results

There are no changes to the financial results forecasts for the fiscal year ending December 31, 2017 announced on February 14, 2017.

2. Summary Information (Notes)

Not applicable.

3. Quarterly Financial Statements  
(1) Quarterly Balance Sheets

Thousand yen

	As of Dec. 31, 2016	As of Mar. 31, 2017
<b>Assets</b>		
Current assets		
Cash on hand and in banks	4,553,178	4,359,805
Accounts receivable	46,950	42,703
Inventories	35,475	30,642
Consumption taxes receivable	31,926	39,550
Other current assets	13,986	12,563
Total current assets	4,681,517	4,485,265
Non-current assets		
Property and equipment		
Machinery	459,689	459,689
Accumulated depreciation	(437,473)	(438,872)
Machinery, net	22,216	20,817
Tools and equipment	118,453	118,453
Accumulated depreciation	(105,353)	(106,665)
Tools and equipment, net	13,100	11,787
Total property and equipment	35,316	32,605
Investments and other assets		
Investment Securities	—	150,000
Lease deposits and others	71,995	71,995
Other investment securities	324	216
Total investments and other assets	72,319	222,211
Total non-current assets	107,635	254,816
Total assets	4,789,153	4,740,081

Thousand yen

	As of Dec. 31, 2016	As of Mar. 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable, trade	22,565	19,723
Current portion of long-term loans payable	50,004	37,495
Accounts payable, other	34,705	34,916
Accrued expenses	20,546	12,876
Income taxes payable	20,702	14,800
Deposits received	5,815	7,000
Unearned revenue	2,815	—
Provision for bonuses	11,932	4,777
<b>Total Current liabilities</b>	<b>169,088</b>	<b>131,589</b>
<b>Non-current liabilities</b>		
Long-term loans payable	4,159	—
Asset retirement obligations	50,827	50,958
<b>Total non-current liabilities</b>	<b>54,986</b>	<b>50,958</b>
<b>Total liabilities</b>	<b>224,075</b>	<b>182,547</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,186,379	5,284,472
Capital reserve	5,176,379	5,274,472
Retained earnings	(5,834,757)	(6,039,927)
Treasury stock	(292)	(292)
<b>Total shareholders' equity</b>	<b>4,527,709</b>	<b>4,518,725</b>
Subscription rights to shares	37,368	38,808
<b>Total net assets</b>	<b>4,565,078</b>	<b>4,557,533</b>
<b>Total liabilities and net assets</b>	<b>4,789,153</b>	<b>4,740,081</b>



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

Thousand yen

	Three Months Ended Mar. 31, 2016 (Jan. 1, 2016 to Mar. 31, 2016)	Three Months Ended Mar. 31, 2017 (Jan. 1, 2017 to Mar. 31, 2017)
Net sales	51,832	55,031
Cost of sales	31,551	22,826
Gross profit	20,281	32,204
Selling, general and administrative expenses		
Research and development expenses	175,916	100,539
Other, net	146,750	135,503
Total selling, general and administrative expenses	322,667	236,042
Operating loss	(302,385)	(203,838)
Non-operating income		
Interest income	132	19
Interest on securities	1,350	—
Other, net	583	67
Total non-operating income	2,067	87
Non-operating expenses		
Interest expenses	159	97
Share issuance expenses	125	716
Other, net	40	—
Total non-operating expenses	325	814
Ordinary loss	(300,643)	(204,564)
Loss before income taxes	(300,643)	(204,564)
Income taxes-current	1,252	605
Income taxes-deferred	(858)	—
Total income taxes	393	605
Net loss	(301,037)	(205,169)

(3) Notes Concerning Quarterly Financial Statement  
(Notes Regarding Going Concern Assumptions)  
Not applicable.