Non-Consolidated Financial Results (Japanese GAAP)
for the Fiscal Year Ended December 31, 2023

February 13, 2024

Company Name: Chiome Bioscience Inc. Tokyo Stock Exchange
Stock Code: 4583 URL https://www.chiome.co.jp
Representative: Shigeru Kobayashi, President & CEO
Inquiries: Arihiko Bijohira, Executive officer, Head of Corporate Administration TEL: +81-3-6383-3561
Scheduled date of the Annual General Meeting of Shareholders : March 26, 2024
Scheduled dividend payment commencement date: —
Scheduled filing date of the Securities Report : March 26, 2024
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, 2023 (January 1, 2023 to December 31, 2023)

(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, 2023	682	8.2	(1,205)	—	(1,217)	—	(1,220)	—
Fiscal year ended Dec. 31, 2022	630	(11.5)	(1,258)	—	(1,243)	—	(1,242)	—

	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, 2023	(24.62)	—	(83.6)	(61.4)	(176.6)
Fiscal year ended Dec. 31, 2022	(28.26)	—	(68.4)	(54.6)	(199.5)

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended Dec. 31, 2023 — million yen
Fiscal year ended Dec. 31, 2022 — 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, 2023	1,751	1,157	65.1	21.66
As of Dec. 31, 2022	2,215	1,790	80.2	36.70

(Reference) Equity As of Dec. 31, 2023: 1,139 million yen As of Dec. 31, 2022: 1,777 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, 2023	(1,069)	0	667	1,325
Fiscal year ended Dec. 31, 2022	(1,191)	—	1,127	1,727

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, 2022	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended Dec. 31, 2023	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending Dec. 31, 2024 (forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast of Financial Results for the Fiscal Year Ending December 31, 2023 (January 1, 2024 to December 31, 2024)

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 ¥720 million). For details, please refer to "1. Overview of Operating Results (4) Outlook for the Fiscal Year Ending December 31, 2024" on page 5 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 : No
- 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, 2023	52,640,200 shares	As of Dec. 31, 2022	48,423,500 shares
2) Number of treasury stock as of the end of the period	As of Dec. 31, 2023	6,149 shares	As of Dec. 31, 2022	147 shares
3) Average number of shares for the period (cumulative total for the period)	Fiscal year ended Dec. 31, 2023	49,545,177 shares	Fiscal year ended Dec. 31, 2022	40,983,830 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, 2024" on page 5 of the attached materials.
2. Chiome plans to hold a financial results explanatory meeting by online for institutional investors and securities analysts on February 21, 2024. 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.

CONTENTS

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 remained uncertain because of various reasons such as increased geographic risk due to the situation in Ukraine and the Middle East, soaring prices of resources and raw materials, and a further depreciation of the yen. Under the external environment, the Company's performance for the year under review was as follows; net sales of ¥682,464 thousand (an increase of ¥51,649 thousand), R&D expenses amounted to ¥1,051,904 thousand (a decrease of ¥83,709 thousand year-on-year), operating loss of ¥1,205,168 thousand (operating loss of ¥1,258,655 thousand in the previous fiscal year, ordinary loss of ¥1,217,240 thousand (ordinary loss of ¥1,243,838 in the previous fiscal year), and net loss was ¥1,220,018 thousand (net loss of ¥1,242,871 thousand in the previous fiscal year)

Net sales increased in the current financial year compared to the previous year. This was because of starting transactions with several new clients in the drug discovery support business including the conclusion of a new entrustment agreement with a domestic pharmaceutical company, as well as stable business with existing clients. In terms of Profit and Loss, mainly because of a decrease in CBA-1535 related CMC costs in R&D expenses compared to the previous year, the operating loss, ordinary loss and net loss of this year all decreased, and there was an increase in sales.

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

In the drug discovery business, the Phase I studies of CBA-1205 and CBA-1535 are proceeding. For CBA-1205, currently, the second part of the Phase I study is ongoing, where the safety and initial efficacy of the study drug is to be assessed in hepatocellular carcinoma patients. Apart from the Phase 1 study, we are actively promoting collaborative research with overseas research institutions to develop potential indications other than hepatocellular carcinoma and exploring further opportunities in drug discovery targeting DLK-1 to increase the value of CBA-1205 for out-licensing. The second clinical development product, CBA-1535, is a multi-specific antibody for cancer treatment. The first part of the study is ongoing, where we continue the dose escalation part to assess the safety in patients with solid tumors. For PCDC, a drug discovery pipeline, discussions with several overseas pharmaceutical companies are in progress, mainly on the scientific aspects, with a view to execute out-licensing contracts. We are seeking a surplus in a single year basis through upfront income from out-licensing agreements on CBA-1205, CBA-1535 and PCDC.

For PFKR, a therapeutic antibody in central nervous system area which Chiome has been focusing on as one of the two important projects following PCDC, the patent application was completed at the end of the previous fiscal year. We have completed PCT application at the end of this fiscal year, and already started our out-licensing activities at major partnering conferences in Japan and abroad. For the other important project, PXLR, we have completed PCT application during the year. We are in the middle of building the data package. In parallel we have initiated to introduce it to several companies. In addition, one antibody in oncology area for which we have already completed the patent application is currently under assessment by a global company who showed interests in evaluation under a MTA after the presentation at an international conference in 2022.

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-licensing candidates)

Regarding ADCT-701, which was licensed out to Switzerland-based ADC Therapeutics SA for the ADC use of LIV-1205, its development was underway, however, due to the change in their business strategy, the clinical development has been transferred to the National Cancer Institute (NCI) in the USA. At NCI, an IND (Investigational New Drug) application has already been submitted for the planned clinical study for pediatric neuroendocrine cancer where there is a high unmet medical need.

- 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 tumors 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 completed, and the high safety and tolerability of the antibody have been demonstrated. A Malignant Melanoma (a type of high risk skin cancer) patient who was reported in the previous statement continues SD (stable disease) assessment and has now exceeded more than 30 months with tumor shrinkage by RECIST v1.1. Dosing is still ongoing. In general, patients with solid tumors participating in Phase I study are those who had already received several standard treatments but are non-responsive or intolerant to those treatments, or patients with unresectable advanced or recurrent solid tumors. The patients who participated in the first part had already received several standard treatments, therefore, we consider the continued SD evaluation with tumor shrinkage to be meaningful. As the continued dosing period is longer than our initial forecasts in the above case, we have established a system in place to accomplish the Phase I study, including manufacturing additional study drugs to be available by the end of the year under review. At the second part where we evaluate safety and initial efficacy of patients with hepatocellular carcinoma, we confirmed one case of PR (partial response tumor shrinkage of 30% or more). Upon obtaining the PR case, we have modified the eligibility criteria for patients' enrollment so that we should be able to analyze the scientific relationship between the PR case and the dosing of the study drug in order to verify its therapeutic potential. Also, the study period has been extended. There will be no change in the out-licensing schedule to date. We will proceed with our out-licensing activities while providing information on the progress of the study to potential pharma partners as appropriate.

For CBA-1535, we started dosing to the first patient at the end of June 2022, and it has made steady progress in the clinical study in Japan. Regarding the starting date for the second part of the study, we moved it until after confirming the efficacy signals in the first part of the study, expected to be in 2024. This is to rationally control our clinical development investment with the possibility of out-licensing the study drug. This is the first-in-human study to validate the mechanism of action of Tribody™ format as a T cell engager which binds to both cancer cells and immune cells (T cells), hence activates T cells to kill cancer cells. If this concept is proved in CBA-1535, this will open up the possibility of applying Tribody™ format to many other tumor antigens.

PCDC, as an antibody-drug conjugate of humanized anti-CDCP1 antibody, we are working on out-licensing activities, mainly for the use of ADC. With the increasing development of ADC globally, we will continue out-licensing activities with companies who already own ADC technology. Currently discussions are in progress with several pharmaceutical companies mainly on the scientific aspects.

PTRY is a Tribody™ antibody and is expected to add immune checkpoint inhibitory function on the T cell engager function of CBA-1535. Its initial evaluations using animal models have shown strong anti-tumor effects. Currently, we are focusing on R&D as one of our drug discovery pipelines and also seeking early out-licensing opportunities.

We submitted PCT applications for two antibodies; PFKR and PXLR as our new development/out-licensing candidates and added to our pipelines during the year under review. PFKR is a therapeutic antibody targeting CX3CR1, a type of GPCR. Chiome and the National Center of Neurology and Psychiatry are progressing joint research program for autoimmune disease in CNS area. PXLR is a therapeutic cancer antibody targeting CXCL1 which is highly expressed in cancers such as gastric and pancreatic cancer and joint research with Osaka Metropolitan University is in progress.

For the humanized anti-Semaphorin 3A antibody, BMAA, we have been promoting joint research with Academia or other organizations based on the data we have obtained to date. We will proceed to out-licensing activities after adding recently acquired efficacy data.

For LIV2008/2008b, we are promoting out-licensing activities in conjunction with other drug discovery pipelines.

For other drug discovery projects in the exploratory phase, we will continue research activities that will contribute to their commercialization in the future, while considering out-licensing and development plans. We 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 conducting basic research on the technological development of ADLib® system in collaboration with academia in Japan, which is supported by a grant from the Japan Agency for Medical Research and Development (AMED). We are developing technology with aim to implement it as our new drug discovery technology in the future.

As a result of the above, in the drug discovery business, R&D expenses for the period under review amounted ¥1,051,904 thousand due to progress in clinical development (a decrease of ¥83,709 thousand year-on-year) and segment loss of ¥1,051,904 thousand (segment loss of the previous year was ¥1,135,613 thousand).

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, protein preparation, expression, and purification to accelerate biopharmaceutical research and development at pharmaceutical companies and research institutions. The number of transactions and projects is steadily increasing, as our technical service capabilities are highly recognized by mainly domestic pharmaceutical companies. During the fiscal year under review, we have concluded entrustment agreements with a major pharmaceutical company and a diagnostic drug company in Japan and started entrusted services with them, and also started businesses with several new clients.

In addition, an entrusted service for National Research and Development Agency is underway as a commissioning contract on antibody generation using ADLib® system. We are developing new clients 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 ¥682,464 thousand (an increase of ¥51,649 thousand year-on-year), segment profit of ¥398,595 thousand (an increase of ¥49,737 thousand year-on-year), segment profit margin of 58.4% (target 50%) due to the stable transaction 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 ¥1,629,396 thousand, a decrease of ¥462,770 thousand from the end of the previous fiscal year. This was mainly due to a decrease of ¥401,715thousand in cash and deposits. Fixed assets amounted to ¥122,058 thousand, a decrease of ¥1,245 thousand from the end of the previous fiscal year. As a result, total assets are ¥1,751,454 thousand, a decrease of ¥464,015 thousand from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the current fiscal year amounted to ¥539,038 thousand, an increase of ¥168,582 thousand from the end of the previous fiscal year. This was mainly due to the increase of the short-term debt by ¥107,000 thousand and an increase of ¥46,151 thousand in accounts payable related to clinical development. As a result, total liabilities amounted to ¥593,731 thousand, an increase of ¥169,006 thousand from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the current fiscal year amounted to ¥1,157,723 thousand, a decrease of ¥633,022 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 ¥1,325,554 thousand, a decrease of ¥401,715 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 ¥1,069,192 thousand. The main reason for this was recording of a loss before tax.

(Cash flows from investing activities)

Funds acquired as a result of financing activities amounted to ¥173 thousand. This was mainly due to the sale of property, plant and equipment.

(Cash flows from financing activities)

Funds acquired as a result of financing activities amounted to ¥667,303 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, 2024

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, which is scheduled to complete in 2025. In this study, we will evaluate the safety and initial efficacy in patients with hepatocellular carcinoma which will be important for 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, because PCDC in pre-clinical stage has high expectation from pharmaceutical companies as antibody for the use of ADC, we will proactively look for out-licensing opportunities. For other drug discovery projects in the exploratory phase, we will try to produce a third clinical development product or continue research activities for out-licensing in early 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 generation of new antibodies and/or the preparation of proteins for pharmaceutical companies and other parties. In the year ending December 31, 2024, 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 ¥720 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, 2022	As of Dec. 31, 2023
Assets		
Current assets		
Cash on hand and in banks	1,727,270	1,325,554
Accounts receivable	115,218	83,193
Inventories	71,478	64,107
Advance payments - trade	91,477	86,797
Prepaid expenses	57,151	43,845
Consumption taxes receivable	29,567	25,046
Other current assets	3	849
Total current assets	2,092,166	1,629,396
Non-current assets		
Property and equipment		
Machinery	254,610	233,509
Accumulated depreciation	(252,173)	(232,343)
Machinery, net	2,437	1,166
Tools and equipment	97,024	85,451
Accumulated depreciation	(97,024)	(85,451)
Tools and equipment, net	0	0
Total property and equipment	2,437	1,166
Investments and other assets		
Lease deposits and others	112,811	112,811
Long-term prepaid expenses	8,055	8,081
Other, net	0	0
Total investments and other assets	120,866	120,892
Total non-current assets	123,303	122,058
Total assets	2,215,470	1,751,454

Thousand yen

	As of Dec. 31, 2022	As of Dec. 31, 2023
Liabilities		
Current liabilities		
Accounts payable, trade	31,866	37,735
Short-term borrowings	184,000	291,000
Accounts payable, other	70,800	116,952
Accrued expenses	26,558	25,587
Income taxes payable	23,943	23,952
Advances received	22,100	31,200
Deposits received	4,835	5,880
Provision for bonuses	6,351	6,730
Total liabilities	370,455	539,038
Non-current liabilities		
Asset retirement obligations	54,268	54,692
Total non-current liabilities	54,268	54,692
Total liabilities	424,724	593,731
Net assets		
Shareholders' equity		
Capital stock	2,097,017	2,388,422
Capital reserve		
Legal Capital reserve	3,696,798	3,988,202
Total capital reserve	3,696,798	3,988,202
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(4,016,331)	(5,236,350)
Total retained earnings	(4,016,331)	(5,236,350)
Treasury stock	(292)	(292)
Total shareholders' equity	1,777,192	1,139,981
Subscription rights to shares	13,554	17,741
Total net assets	1,790,746	1,157,723
Total liabilities and net assets	2,215,470	1,751,454

(2) Statements of Income

Thousand yen

	Fiscal Year Ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022)	Fiscal Year Ended Dec. 31, 2023 (Jan. 1, 2023 to Dec. 31, 2023)
Net sales	630,815	682,464
Cost of sales	281,957	283,869
Gross profit	348,858	398,595
Selling, general and administrative expenses		
Research and development expenses	1,135,613	1,051,904
Other, net	471,899	551,859
Total selling, general and administrative expenses	1,607,513	1,603,764
Operating loss	(1,258,655)	(1,205,168)
Non-operating income		
Interest income	21	19
Foreign exchange gains	—	513
Subsidy income	20,324	—
Other, net	216	576
Total non-operating income	20,561	1,108
Non-operating expenses		
Interest expenses	1,323	2,069
Foreign exchange losses	569	—
Share issuance cost	3,564	2,751
Subscription rights issuance cost	—	7,705
Other, net	286	655
Total non-operating expenses	5,744	13,180
Ordinary loss	(1,243,838)	(1,217,240)
Extraordinary income		
Gain on reversal of subscription rights to shares	5,977	2,232
Total extraordinary income	5,977	2,232
Loss before income taxes	(1,237,861)	(1,215,008)
Income taxes-current	5,010	5,010
Total income taxes	5,010	5,010
Net loss	(1,242,871)	(1,220,018)

【Details of Cost of Sales】

Category	note	Fiscal Year Ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022) Amount (Thousand yen)	Proportion of cost of sales (%)	Fiscal Year Ended Dec. 31, 2023 (Jan. 1, 2023 to Dec. 31, 2023) Amount (Thousand yen)	Proportion of cost of sales (%)
I Cost of materials		127,550	45.5	118,634	41.7
II Labor costs		72,943	26.0	83,600	29.4
III Expenses	* 1	80,070	28.5	82,126	28.9
Total manufacturing costs		280,564	100.0	284,361	100.0
Opening balance of work-in-progress under inventories		2,543		1,151	
Total		283,108		285,513	
Closing balance of work-in-progress under inventories		1,151		1,644	
Cost of sales		281,957		283,869	

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, 2022 (Jan. 1, 2022 to Dec. 31, 2022)	Fiscal Year Ended Dec. 31, 2023 (Jan. 1, 2023 to Dec. 31, 2023)
Royalties paid	16,522	17,956
Outsourcing expenses	4,490	10,512
Other expenses	59,058	53,657

(3) Statements of Changes in Net Assets

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

The Fiscal Period Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

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	2,097,017	3,696,798	3,696,798	(4,016,331)	(4,016,331)
Changes during the period					
Issuance of new stock	291,404	291,404	291,404		—
Net loss			—	(1,220,018)	(1,220,018)
Purchase of treasury stock					
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the period	291,404	291,404	291,404	(1,220,018)	(1,220,018)
Balance as of the end of the period	2,388,422	3,988,202	3,988,202	(5,236,350)	(5,236,350)

	Shareholders' Equity		Subscription rights to shares	Total Net Assets
	Treasury Stock	Total Shareholders' Equity		
Balance as of the beginning of the period	(292)	1,777,192	13,554	1,790,746
Changes during the period				
Issuance of new stock		582,808		582,808
Net loss		(1,220,018)		(1,220,018)
Purchase of treasury stock	(0)	(0)		(0)
Net changes of items other than shareholders' equity		—	4,187	4,187
Total changes during the period	(0)	(637,210)	4,187	(633,022)
Balance as of the end of the period	(292)	1,139,981	17,741	1157,723

(4) Statements of Cash Flows

Thousand yen

	Fiscal Year Ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2022)	Fiscal Year Ended Dec. 31, 2023 (Jan. 1, 2023 to Dec. 31, 2023)
Cash flows from operating activities		
Loss before income taxes	(1,237,861)	(1,215,008)
Depreciation and amortization	1,476	1,203
Decrease (increase) in notes and accounts receivable-trade	(89,761)	32,024
Decrease (increase) in inventories	(12,488)	7,371
Decrease (increase) in advance payments	178,963	4,679
Decrease (increase) in consumption taxes refund receivable	4,463	4,520
Increase (decrease) in notes and accounts payable-trade	2,056	5,869
Increase (decrease) in accounts payable-other	(14,126)	46,151
Increase (decrease) in accrued expenses	(13,077)	(971)
Increase (decrease) in contract liabilities	(4,603)	—
Other, net	(23,730)	(42,928)
Subtotal	(1,208,689)	(1,071,232)
Interest income received	17	16
Interest paid	(1,323)	(2,069)
Proceeds from subsidy income	22,221	9,100
Income taxes paid	(3,240)	(5,010)
Income taxes refund	4	3
Net cash used in operating activities	(1,191,009)	(1,069,192)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	—	173
Net cash used in investing activities	—	173
Cash flows from financing activities		
Proceeds from short-term borrowings	1,000	107,000
Proceeds from issuance of common shares	1,126,292	554,515
Proceeds from issuance of subscription rights to shares	—	5,787
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	1,127,291	667,303
Net decrease in cash and cash equivalents	(63,717)	(401,715)
Cash and cash equivalents as of the beginning of the year	1,790,988	1,727,270
Cash and cash equivalents as of the end of the year	1,727,270	1,325,554

(5) Notes to Financial Statements

(Notes regarding going concern assumptions)

No item to report.

(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, 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.

The Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(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	—	205,783	205,783	—	205,783
Goods or services transferred over a period of time	—	476,681	476,681	—	476,681
Revenue from contracts with customers	—	682,464	682,464	—	682,464
Sales to external customers	—	682,464	682,464	—	682,464
Internal sales or exchange between segments	—	—	—	—	—
Total	—	682,464	682,464	—	682,464
Segment income (loss)	(1,051,904)	398,595	(653,309)	(551,859)	(1,205,168)
Segment assets	—	—	—	1,751,454	1,751,454

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, 2022 (Jan. 1, 2022 to Dec. 31, 2022)	Fiscal Year Ended Dec. 31, 2023 (Jan. 1, 2023 to Dec. 31, 2023)
Net assets per share	36.70	21.66
Net loss per share	(28.26)	(24.62)

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, 2022	As of Dec. 31, 2023
Total net assets	1,790,746	1,157,723
Amount deducted from total net assets	13,554	17,741
(New subscription rights to shares)	(13,554)	(17,741)
Net assets allocated to capital stock	1,777,192	1,139,981
Number of shares of capital stock used to calculate net assets per share (shares)	48,423,353	52,634,051

   (2) Net loss per share

(Thousand yen unless otherwise stated)

	Fiscal Year Ended Dec. 31, 2022 (Jan. 1, 2022 to Dec. 31, 2021)	Fiscal Year Ended Dec. 31, 2023 (Jan. 1, 2023 to Dec. 31, 2023)
Net loss	(1,242,871)	(1,220,018)
Amount not attributable to shareholders of capital stock	—	—
Net loss allocated to capital stock	(1,242,871)	(1,220,018)
Average number of shares for the period (shares)	43,983,830	49,545,177
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:2 types Number of subscription rights to shares: 3,170	New subscription rights to shares:4 types Number of subscription rights to shares: 58,286

(Important subsequent events)

1. Capital Reduction and Surplus Appropriation)

Chiome Bioscience Inc. ("Chiome") has resolved at its board of directors meeting held on February 13, 2024, to submit a proposal for reduction of capital stock and capital reserve, and appropriation of surplus to the 20th General Meeting of Shareholders to be held on March 26, 2024.

(1) Purpose of reduction of capital stock and capital reserve and appropriation of surplus

Chiome recorded a deficit in retained earnings brought forward of ¥5,236,350,278 as of December 31, 2023. Chiome proposes to reduce the amount of stated capital stock and capital reserve pursuant to Article 447, Paragraph 1 and 448, Paragraph 1 of the Companies Act, to appropriate retained earnings pursuant to Article 452 of the Companies Act for the purpose of compensating for the deficit, strengthening the financial position, and ensuring flexibility and mobility in the future capital policy.

(2). Details of reduction of capital stock and capital reserve

i. Amount of decrease in capital stock and capital reserve

Capital Stock

Balance as of 31 December 2023	¥2,388,422,156
Amount of the capital reduction	¥2,288,422,156
Balance after the capital	¥100,000,000

Capital Reserve

Balance as of 31 December 2023	¥3,988,202,435
Amount of the capital reduction	¥2,947,928,122
Balance after the capital	¥1,040,274,313

ii. Method to reduce capital and capital reserve

The capital reduction will be carried out without refund. The total number of issued shares will not be changed, and only the amount of capital stock and capital reserve will be reduced and transferred to other capital surplus.

(3) Details of appropriation of retained earnings

The entire amount of other capital surplus of ¥5,236,350,278 arising from the effective reduction of capital stock and capital reserve will be transferred to retained earnings to be carried forward to make up the deficit.

(4). Schedule

Board of Directors Resolution	February 13, 2024
General Meeting of Shareholders	March 26, 2024 (scheduled)
Start of Creditor Objection Period	March 29, 2024 (scheduled)
End of Creditor Objection Period	April 30, 2024 (scheduled)
Effective Date	May 1, 2024 (scheduled)

2. Capital Increase Attributed to the Exercise of Subscription Rights to Shares

After the end of the current fiscal year and up to January 31, 2024, a portion of the 19th stock acquisition rights were exercised. The summary of the exercised stock acquisition rights is as follows.

(1) Type and number of shares issued: Common stock, 1,248,400 shares

(2) Increased capital stock: ¥81,055 thousand

(3) Increased legal capital reserve: ¥81,055 thousand

As a result, as of January 31, 2024, the total number of the common stock issued is 53,888,600 shares. The capital stock and capital reserve are ¥2,469,477 thousand and ¥4,069,257 thousand respectively.