4583 Chiome Bioscience

Sponsored Research
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Sessa Investment Research

3Q FY12/20 Financial Results

First-in-class antibody for cancer treatment CBA-1205 entered clinical trials

Safety evaluation is progressing smoothly

▷ Clinical trials for CBA-1205 which commenced in July this year are progressing steadily. The anti-DLK-1 antibody ADC rights were out-licensed to ADCT, but Chiome agreed with ADCT to acquire the rights to ADCs other than PBD, which ADCT is focusing on. While no effects from COVID-19 were seen in Japan, the company is scrutinizing the impact on certain projects in Europe due to further lockdowns.

JPY mn, %	Net Sales	YoY %	Oper. Profit (Loss)	YoY %	Ord. Profit (Loss)	YoY %	Profit (Loss) ATOP	YoY %	EPS (¥)
FY2016/12 act	252	-10.0	(1,042)	-	(1,047)	-	(1,491)	-	(65.9)
FY2017/12 act	259	2.8	(887)	-	(883)	-	(882)	-	(33.5)
FY2018/12 act	212	-18.1	(1,539)	-	(1,533)	-	(1,533)	-	(57.3)
FY2019/12 act	447	110.8	(1,401)	-	(1,410)	-	(1,403)	-	(44.6)
FY2019/12 Q3	282	97.8	(1,169)	-	(1,177)	-	(1,170)	-	(37.92)
FY2020/12 Q3	312	10.5	(1,080)	-	(1,080)	-	(1,087)	-	(31.33)

Phase 1 clinical trials for first-in-class antibody for cancer treatment CBA-1205

CBA-1205, a first-in-class pipeline targeting DLK-1, began clinical trials at the National Cancer Center in July this year. As a safety evaluation, the dose to subjects has been gradually increased, but it is said that it is progressing steadily. CBA-1205 is a humanized monoclonal antibody that targets DLK-1, a protein expressed on the cell surface of solid cancers such as liver cancer and lung cancer. This project became the first therapeutic drug in the world targeting DLK-1 to begin clinical trials.

In development related to DLK-1, the development, manufacturing and marketing rights of ADC (antibody drug conjugate) were out-licensed to ADCT, but in consultation with ADCT, Chiome agreed to acquire rights to develop ADCs other than PBD (drug with anti-tumor properties). This stepping-stone gives Chiome greater flexibility in advancing strategic drug development of an anti DLK 1 antibody, and to increase the out-licensing value of CBA-1205. Large-scale tie-ups are being made one after another in the ADC field. As for Daiichi Sankyo and AstraZeneca's anti-TROP2 ADC DS-1062 deal in July this year, Daiichi Sankyo may receive a lump sum contract payment of over ¥100 billion, for a total of ¥660 billion.

Chiome filed a patent application in 2019 for the combined effect of CBA-1205 with Eisai's anticancer drug lenvatinib, and the patent information was recently released. Currently, the expiration date of the patent related to CBA-1205 is until 2030—33, but by obtaining a patent for the combined effect with a drug widely used for cancer treatment around the world such as lenvatinib, a new combination can be obtained, making it possible to secure intellectual property for 20 years and obtain a patent validity period up to 2039.

FOLLOW-UP 3Q

CHIOME

Bio-venture that leverages a proprietary antibody-generating technology to pursue drug discovery that addresses unmet needs. The company has a business model with longer-term growth prospects, as it aims to expand the pipeline through joint research with Japan's academia.

Key Indicators	
Share price (Nov. 27)	217
YH (Jun. 1, 2020)	462
YL (Mar. 13, 2020)	144
10YH (Jan. 29, 2013)	5,320
10YL (Mar. 13, 2020)	144
Shrs. out. (mn shrs)	38.732
Mkt cap (¥bn)	8.1
EV (¥bn)	5.219
Shr eqty ratio (Jun. 30)	87.4%
FY12/20 P/E (CE)	-
FY12/19 P/B (act)	2.68x
FY12/19 ROE (act)	-
FY12/20 DY (CE)	-

Share price 52 weeks

Source: SPEEDA

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CBA-1535 is a cancer therapeutic antibody created using the company's Tribody™ technology, and is currently patent pending in the United States, Europe and China. The company is aiming to enter clinical trials in the UK in the latter half of 2021, but it is currently assessing the impact on the project following the new wave of COVID-19 infections in Europe.

Out-Licensed Product

Code	Target	Therapeutic Area	Basic research, Drug Discovery	Preclinical Study	Clinical Trials	Partner
ADCT-701 (LIV-1205 ADC)	DLK-1	Oncology /ADC				ADC THERAPEUTICS

Pipelines

Project	Target	Therapeutic Area	Basic research, Drug Discovery	Preclinical Study	Clinical Trials	Status
CBA-1205 (ADCC enhanced)	DLK-1	Oncology				Phase 1
CBA-1535 (Tribody)	5T4×CD3 ×5T4	Oncology				GMP manufacturing
LIV-2008 /2008b	TROP-2	Oncology				Licensing opportunity
BMAA	SEMA3A	DME, Others				SemaThera (Exclusive option agreement)
Discovery PJ (6)	Undisclosed	Oncology infectious/ rare diseases				–

As of Sep.30,2020

Source: Company materials (earnings presentation for 3Q FY12/20)

Drug Discovery Support Business

Sales in the 3Q increased 10.5% to ¥309 million. Inquiries from pharmaceutical companies are increasing due to the patenting of the human ADLib® system in 2Q and the publication of the research paper. Although sales of this business will not increase beyond equipment capacity, capacity was expanded in the 2Q, and initial guidance sales of ¥480 million are on track.

Financing

As of the end of October, 85.7% of the 7 million stock acquisition rights issued in May of this year were exercised, resulting in cumulative capitalization increase of ¥1.72 billion. If the remaining rights are exercised at the current stock price level, the total amount will be just under ¥2.0 billion.

Quarterly Earnings Trend

(JPY mn)	FY2018/3 Q1	Q2	Q3	Q4	FY2019/3 Q1	Q2	Q3	Q4	FY2020/3 Q1	Q2	Q3
Income Statement											
Gross Profit	31	21	21	38	37	51	84	113	30	36	80
SG&A Expenses	334	325	346	645	464	374	503	346	456	346	424
EBITDA	-301	-302	-324	-605	-425	-323	-417	-232	-425	-309	-343
Operating Profit/Loss	-303	-304	-325	-607	-426	-324	-419	-233	-426	-310	-344
Ordinary Profiit/Loss	-301	-302	-325	-606	-432	-327	-418	-233	-425	-311	-351
Extraordinary Gain			2	1	2	1	6	0			
Extraordinary Loss											
Pretax Profit/Loss	-301	-302	-323	-605	-430	-326	-412	-233	-425	-310	-351
Net Profit/Loss Attributable to Parent Company Shareholders	-301	-303	-323	-607	-431	-326	-413	-234	-425	-311	-352
Balance Sheet											
Total Assets	4,076	3,795	3,467	2,831	3,267	3,423	3,049	2,808	2,556	3,054	3,566
Current Assets	3,855	3,578	3,251	2,610	3,048	3,206	2,807	2,561	2,309	2,805	3,316
Non-Current Assets	221	217	215	221	219	217	242	247	247	249	249
Property, Plant & Equipment	21	19	18	16	15	14	12	11	10	9	8
Intangible Assets											
Investments and Other Assets	199	198	197	205	204	204	230	236	237	240	241
Total Liabilities	159	181	183	154	219	248	196	187	357	469	420
Current Liabilities	118	140	142	113	177	207	154	145	315	427	378
Non-Current Liabilities	41	41	41	41	41	41	41	41	42	42	42
Total Net Assets	3,917	3,615	3,284	2,677	3,048	3,175	2,853	2,622	2,199	2,585	3146
Total Shareholders' Equity	3,917	3,615	3,284	2,677	3,048	3,175	2,853	2,622	2,199	2,585	3146
Cash Equivalents and Short-Term Investment in Securities	3,645	3,333	2,993	2,329	2,776	2,899	2,469	2,106	1,967	2,472	2881
Interest-Bearing Debt									142	199	199

Source: SPEEDA

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