

4583 Chiome Bioscience

Sponsored Research
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2Q FY12/20 Results in Line with Plan

First-in-class antibody for cancer treatment CBA-1205

Administration for first patient started

➤ During the three months ended June 30, 2020 (2Q FY12/20), economic activities in Japan took a blow from COVID-19, particularly after the government declared a state of emergency. However, almost no impact was felt in the R&D activities at Chiome Bioscience ("Chiome"). This owed in part to a stroke of luck, as Chiome submitted its clinical trial notification for CBA-1205 (its first antibody to enter the clinical trial stage) to the authorities on March 24, before the state-of-emergency declaration. Accordingly, the examination and other processes had not been delayed.

JPY mn, %	Net Sales	YoY %	Oper. Profit (Loss)	YoY %	Ord. Profit (Loss)	YoY %	Profit (Loss) ATOP	YoY %	EPS (¥)
FY12/16 act	252	-10.0	(1,042)	-	(1,047)	-	(1,491)	-	(65.9)
FY12/17 act	259	2.8	(887)	-	(883)	-	(882)	-	(33.5)
FY12/18 act	212	-18.1	(1,539)	-	(1,533)	-	(1,533)	-	(57.3)
FY12/19 act	447	110.8	(1,401)	-	(1,410)	-	(1,403)	-	(44.6)
2Q FY12/19	140	40.6	(749)	-	(758)	-	(757)	-	(15.6)
2Q FY12/20	173	23.6	(735)	-	(735)	-	(736)	-	(-)

Administration of CBA-1205 (antibody for cancer treatment) for first patient started

Chiome entered into an agreement with the National Cancer Center to conduct clinical trials of CBA-1205, and the administration for the first patient was started in July 2020. CBA-1205 is a first-in-class humanized monoclonal antibody that targets DLK-1, a protein expressed on the cell surface of solid cancers such as liver cancer and lung cancer. It became the first therapeutic drug in the world targeting DLK-1 to begin clinical trials.

CBA-1535 is the next antibody that is being prepared for clinical trials. Following the patent granted in Japan in April 2020, Chiome received an assessment notice from the UK authorities in August 2020. Development is progressing in line with the plan towards submission of a clinical trial authorisation (CTA) in the UK in 2021 onwards.

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

Source: Company materials (earnings presentation for 2Q FY12/20)

FOLLOW-UP



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 (Aug. 24)	305
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)	33.284
Mkt cap (¥bn)	10.152
EV (¥bn)	7.879
Shr eqty ratio (Dec. 31)	85.1%
FY12/20 P/E (CE)	-
FY12/19 P/B (act)	3.75x
FY12/19 ROE (act)	-
FY12/20 DY (CE)	-

Share price 52 weeks



Source: SPEEDA

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CBA-1535 is a candidate antibody for cancer treatment that was generated by using Chiome's Tribody™ technology. CBA-1535 attacks cancer cells by activating T-cell response, which is crucial to the immune system inherent in the human body. Patents are pending in the US, Europe, and China.

LIV-2008 and BMAA, which still require time until the clinical trial stage, are under evaluation for in-licensing by pharmaceutical companies. LIV-2008 is being evaluated by several overseas pharmaceutical companies for different purposes, and BMAA is being evaluated exclusively by SemaThera Inc., a Canadian biotech company. Chiome believes either of the two projects is highly likely to be out-licensed by the end of 2020.

In 2Q FY12/20, the Drug Discovery Support Business, which produces stable cash flows, posted net sales of ¥171mn (+23% YoY). Chiome is raising its capacity to handle the growing number of contracts with major pharmaceutical companies and expects sales to continue to expand. The contract antibody generation projects against COVID-19 are still in progress, but the terms of the business transactions have not been disclosed.

Fundraising

In May 2020, Chiome announced the issuance of share warrants for up to 7,000,000 new shares, of which 3,350,000, or roughly half, have been exercised as of end-July, resulting in an increase of ¥1.06bn in the company's capital stock. Chiome plans to allocate the funds to investments in existing drug discovery projects as well as the creation and acquisition of new projects, and it is also focusing on the expansion of its pipeline.

Quarterly Earnings Trend

(JPY mn)	FY3/18				FY3/19				FY3/20	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Income Statement										
Gross Profit	31	21	21	38	37	51	84	113	30	36
SG&A Expenses	334	325	346	645	464	374	503	346	456	346
EBITDA	-301	-302	-324	-605	-425	-323	-417	-232	-425	-309
Operating Profit/Loss	-303	-304	-325	-607	-426	-324	-419	-233	-426	-310
Ordinary Profit/Loss	-301	-302	-325	-606	-432	-327	-418	-233	-425	-311
Extraordinary Gain			2	1	2	1	6	0		
Extraordinary Loss										
Pretax Profit/Loss	-301	-302	-323	-605	-430	-326	-412	-233	-425	-310
Net Profit/Loss Attributable to Parent Company Shareholders	-301	-303	-323	-607	-431	-326	-413	-234	-425	-311
Balance Sheet										
Total Assets	4,076	3,795	3,467	2,831	3,267	3,423	3,049	2,808	2,556	3,054
Current Assets	3,855	3,578	3,251	2,610	3,048	3,206	2,807	2,561	2,309	2,805
Non-Current Assets	221	217	215	221	219	217	242	247	247	249
Property, Plant & Equipment	21	19	18	16	15	14	12	11	10	9
Intangible Assets										
Investments and Other Assets	199	198	197	205	204	204	230	236	237	240
Total Liabilities	159	181	183	154	219	248	196	187	357	469
Current Liabilities	118	140	142	113	177	207	154	145	315	427
Non-Current Liabilities	41	41	41	41	41	41	41	41	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
Total Shareholders' Equity	3,917	3,615	3,284	2,677	3,048	3,175	2,853	2,622	2,199	2,585
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
Interest-Bearing Debt									142	199

Source: SPEEDA

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