



Non-Consolidated Financial Results (Japanese GAAP) for the Six Months Ended September 30, 2013

November 7, 2013

Company Name:	Chiome Bioscience Inc.	Tokyo Stock Exchange	
Stock Code:	4583	URL	http://www.chiome.co.jp
Representative:	Masaaki Fujiwara, Chief Executive Officer		
Inquiries:	Keiichi Kiyota, Executive Senior Director of the Department of Business Administration		TEL: +81-3-6383-3746
Scheduled filing date of quarterly financial results:	November 14, 2013		
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 September 30, 2013 (April 1, 2013 to September 30, 2013)

(1) Operating Results (Cumulative)

(% figures are the increase / (decrease) compared with the corresponding period of the previous fiscal year)

	Net Sales		Operating Loss		Ordinary Loss		Net Loss	
	Millions yen	%	Millions yen	%	Millions yen	%	Millions yen	%
Six months ended September 30, 2013	229	89.5	(281)	—	(281)	—	(336)	—
Six months ended September 30, 2012	121	(54.3)	(225)	—	(226)	—	(227)	—

	Net Loss per Share	Diluted Net Loss per Share
	Yen	Yen
Six months ended September 30, 2013	(35.78)	—
Six months ended September 30, 2012	(27.43)	—

Notes:

1. The Company conducted a 2-for-1 stock split of its common stock effective July 1, 2013. "Net Income per Share" data has been calculated as if the stock split was conducted as of the beginning of the previous fiscal year.
2. Despite the existence of shares with a dilutive effect, "Diluted Net Loss per Share" data is not stated because the Company incurred a loss for each respective period.

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio
	Million yen	Million yen	%
As of September 30, 2013	4,483	4,174	93.1
As of March 31, 2013	1,296	1,037	76.3

(Reference) Equity As of September 30, 2013: 4,173 million yen As of March 31, 2013: 988 million yen

2. Dividends

	Annual Dividends				
	1Q-End	2Q-End	3Q-End	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 31, 2013	—	0.00	—	0.00	0.00
Fiscal Year Ending March 31, 2014	—	0.00			
Fiscal Year Ending March 31, 2014 (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 March 31, 2014 (April 1, 2013 to March 31, 2014)

(% figures are the increase / (decrease) compared with the corresponding period of the previous fiscal year)

	Net Sales		Operating Loss		Ordinary Loss		Net Loss		Net Loss per Share
	Millions yen	%	Millions yen	%	Millions yen	%	Millions yen	%	Yen
Full Fiscal Year	740	128.5	(522)	—	(596)	—	(599)	—	(63.42)

Note: Revision to the most recently announced forecasts of financial results: No

[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 revision to accounting and other standards: No
- 2) Changes in accounting policies other than 1) above: Yes
- 3) Changes in accounting estimates: Yes
- 4) Retrospective restatements: No

Note: For details, please refer to “2. Summary Information (Notes) (1) Changes in accounting policies, changes in accounting estimates, and retrospective restatements” on pages 5-6 of this report.

(3) Number of shares issued (common stock)

1) Number of shares issued as of the end of the period (including treasury stock)	As of September 30, 2013	9,508,800 shares	As of March 31, 2013	8,661,200 shares
2) Number of treasury stock as of the end of the period	As of September 30, 2013	73 shares	As of March 31, 2013	— shares
3) Average number of shares for the period (cumulative total for the period)	Six months ended September 30, 2013	9,398,162 shares	Six months ended September 30, 2012	8,299,917 shares

Note: The Company conducted a 2-for-1 stock split of its common stock effective July 1, 2013. The “Number of shares issued as of the end of the period” and the “Average number of shares for the period” data has been calculated as if the stock split was conducted as of the beginning of the previous fiscal year.

*** Regarding the Status of Quarterly Review Procedure Implementation**

This report on Chiome Bioscience’s non-consolidated financial results for the six months ended September 30, 2013 is not subject to the quarterly review procedures stipulated under the Financial Instruments and Exchange Act of Japan. As of the date of disclosure, however, steps were being taken to implement review procedures for the Company’s quarterly financial statements.

*** 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 assumption and beliefs that are determined to be reasonable in light of currently available information. Chiome Bioscience 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 “Explanation of Forward-Looking Statements including Forecasts of Financial Results” on page 5 of this report.

2. Chiome Bioscience plans to hold a financial results explanatory meeting for institutional investors and securities analysts on November 7, 2013. Plans are also in place to post supplementary materials distributed at the meeting on the Company’s website in conjunction with disclosure to the Tokyo Stock Exchange on the date of the explanatory meeting.

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1. Qualitative Information regarding Quarterly Financial Results

(1) Explanation of Operating Results

During the cumulative second quarter period, the six months from April 1, 2013 to September 30, 2013, of the fiscal year under review, the 12-month period from April 1, 2013 to March 31, 2014, the Japanese economy experienced an ongoing recovery trend. In addition to the positive turnaround in the U.S. and other overseas economies as well as the growing impact of the weak yen which triggered an upswing in export activity, this forward momentum was largely attributable to robust trends in domestic demand on the back of such factors as increased public-sector investment. Turning to the corporate sector, operating results improved in both the manufacturing and non-manufacturing industries prompting an increase in capital expenditure. In contrast, consumer spending continued to stall. Coupled with the negative effect of the government's recent announcement to lift the rate of consumption tax, the potential exists to further dampen consumer confidence.

Under these circumstances, Chiome Bioscience Inc. ("Chiome Bioscience" or "the Company") worked diligently to steadily pursue its business development activities. In addition to projects conducted under mainstay joint and contract research agreements with Chugai Pharmaceutical Co., Ltd. ("Chugai Pharmaceutical"), Chiome Bioscience promoted business endeavors based on fundamental contract research agreements with Chugai Pharmaceutical's overseas subsidiary Chugai Pharmabody Research Pte. Ltd. ("CPR"). Moreover, the Company witnessed significant success in obtaining highly sensitive specific antibodies originating from its platform technology, ADLib® system, licensed to Fujirebio Inc. ("Fujirebio"), a major player in the research and development of diagnostic agents. As a part of efforts to submit an application for manufacturing approval of a new diagnostic medicine kit that will employ the aforementioned specific antibodies, Chiome Bioscience concluded a new patent licensing agreement. As a result, and after this product is brought to market, the Company will receive a continuous stream of royalty revenue in line with product sales. Building on this success, Chiome Bioscience signed a Memorandum in connection with the Company's existing Licensing & Cooperative Research and Development Agreement with Fujirebio. Under the Memorandum, the existing agreement is to be extended for an additional three years on a non-exclusive basis. Looking at the Pilot Study & Option Agreement with the GlaxoSmithKline Group ("GSK") concluded in April 2012, successful steps were made to achieve the initial milestone established in the first instance. After receiving the appropriate compensation, the trial contract was brought to an end.

The status of major research and development activities are presented briefly as follows.

In a bid to continue the Company's work toward a fully human ADLib® system, Chiome Bioscience engineered a DT40-cell line in which both the functional antibody gene locus and pseudogenes were converted into human genes in June 2013. With this, the Company has successfully developed a fully human antibody library prototype with homologous recombination. Regarding current progress, Chiome Bioscience is introducing a growing number of pseudogenes to this prototype cell line. At the same time, the Company is endeavoring to build a library that offers increasingly higher levels of practical usefulness by introducing new antibody genes. In this manner, Chiome Bioscience is confident in its ability to produce a library that delivers a degree of diversification that far surpasses the prototype. Having achieved a diversified library, every effort is now being placed on launching a fully human ADLib® system. To this end, the Company is working to test the library's performance for practical use through a process of antibody selection which specifically targets antigens from which obtaining antibodies is well recognized as difficult.

Turning to the Company's joint research into the Anti-Semaphorin 3A antibody with Yokohama City University, successful steps were taken to investigate its pharmacological efficacy using a mouse lipopolysaccharide (LPS)-induced sepsis model for both chimeric and humanized antibodies. According to exploratory studies and tests, results after a single administration of the antibody suggested substantial improvements in animal' survival rates after the injection of LPS. Consequently, Chiome Bioscience filed a patent application in February 2013. Currently, Chiome Bioscience is taking preparatory steps to conduct research work on the relationship between various diseases and the Semaphorin 3A molecule to explore the potential of this antibody. Meanwhile, with the aim of obtaining new therapeutic antibodies, the Company is enjoying steady progress in its joint research with several research

institutions. Chiome Bioscience has also commenced research to obtain therapeutic antibody candidates in the field of oncology.

Under a joint research agreement signed with Biotechnol Inc. (“Biotechnol”) in January 2013, Chiome Bioscience launched and is making steady progress in a project aimed at developing multi-specific antibodies for use in the treatment of cancer. In May 2013, the Company entered into a business partnership with Shin Nippon Biomedical Laboratories Ltd. (“SNBL”). Under this partnership, plans are in place in the short term to comprehensively entrust SNBL with non-clinical studies including the establishment of animal models for diseases in an effort to evaluate various antibody drug candidates and to assess drug efficacy. Over the medium to long term, the agreement will cover joint research into the delivery of made-to-order medicine. Through these and other partnerships, Chiome Bioscience is steadily putting in place a structure that is capable of efficiently developing new functional antibodies that maximize the competitive advantage of the ADLib® system. Taking into account each of the aforementioned research and development activities, R&D expenditure by the Company for the six months ended September 30, 2013 totaled ¥179,086 thousand, up ¥26,626 thousand compared with the corresponding period of the previous fiscal year.

With an eye to Chiome Bioscience’s operating performance for the period under review as a result of this expenditure and each of these activities, net sales came to ¥229,563 thousand, a year-on-year increase of ¥108,432 thousand. On the earnings front, the Company incurred an operating loss of ¥281,438 thousand, up ¥55,790 thousand, an ordinary loss of ¥281,824 thousand, up ¥54,927 thousand, and a net loss of ¥336,232 thousand, up ¥108,554 thousand.

The principal factors behind movements in major operating results items compared with the corresponding period of the previous fiscal year are presented briefly as follows. The growth in net sales is largely attributable to the increase in projects in the Drug Discovery Alliance business. Meanwhile, higher selling, general and administrative as well as other expenses led to an increase in the Company’s operating loss. Taking into consideration interest income received on short-term securities (interest on securities totaling ¥12,695 thousand) as well as such factors as the incidence of stock issuance expenses in line with the exercise of stock acquisition rights, the Company’s ordinary loss increased. Moreover, the net loss for the period was higher due mainly to expenses in connection with the consolidation and relocation of Chiome Bioscience’s head office and laboratory as well as an increase in deferred income taxes.

Details of operating results by business segment for the six months ended September 30, 2013 are presented briefly as follows.

1) Drug Discovery Alliance

Chiome Bioscience continued to engage in business under its joint and contracted research agreement with Chugai Pharmaceutical. The Company also continued to promote business endeavors based on fundamental contract research agreements with Chugai Pharmaceutical’s overseas subsidiary CPR. In addition to achieving the initial milestone under a trial contract with GSK, Chiome Bioscience witnessed progress in research projects with several partners. Furthermore, by leveraging the technical advantages of the ADLib® system through the ADLib® IgG Chimera Library, which is now in a full practical application stage, the Company is engaging in ongoing sales activities aimed at entering into large-scale agreements with several pharmaceutical companies.

Accounting for each of the aforementioned factors, net sales in the Drug Discovery Alliance business for the six month period under review was ¥227,347 thousand, up ¥108,875 thousand compared with the corresponding period of the previous fiscal year. Segment gross profits totaled ¥147,522 thousand, a year-on-year increase of ¥65,580 thousand.

2) Lead Antibody Licensing

During the period under review, Chiome Bioscience continued to engage in joint Anti-Semaphorin 3A antibody research with Yokohama City University. Based on research results including the successful outcome of a mouse LPS-induced sepsis model, the Company has been pursuing opportunities to license-out the Anti-Semaphorin 3A antibody to several domestic and foreign pharmaceutical companies as a part of efforts to develop first-in-class

therapeutic antibodies, and was in negotiations to enter into agreements. In addition, there were signs of progress in joint research with several research institutions and Biotechnol.

There were no net sales or earnings (losses) in this segment for the six months ended September 30, 2013.

3) Licensing Out Platform Technology

Fujirebio, a licensee of the Company's ADLib® system, utilized the system to successfully obtain highly sensitive, specific antibodies for potential use in diagnostic agents. In order to support and enable Fujirebio to submit an application for marketing approval of a new diagnostic kit that is to employ the aforementioned specific antibody, Chiome Bioscience and Fujirebio agreed to extend the patent licensing agreement. As a result, and after this product is brought to market, the Company will receive a continuous stream of royalty revenue in line with product sales. Building on this success, Chiome Bioscience signed a Memorandum in connection with the Company's existing Licensing & Cooperative Research and Development Agreement with Fujirebio. Under the Memorandum, the existing agreement is to be extended for an additional three years on a non-exclusive basis. Accordingly, there are expectations of acquiring a new second and third antibody for diagnostic use. Furthermore, several domestic and overseas companies have expressed interest in technology licensing. These interested parties were conducting verification tests as part of their technical assessment. In this context, Chiome Bioscience continued to pursue licensing negotiations with these parties.

Accounting for each of the aforementioned activities, net sales in the Licensing Out Platform Technology business for the six months ended September 30, 2013 were ¥2,215 thousand, down ¥443 thousand compared with the corresponding period of the previous fiscal year. Segment gross profit totaled ¥2,202 thousand, down ¥443 thousand year on year.

(2) Explanation of Financial Position

1) Analysis of financial position

(Current assets)

As of September 30, 2013, current assets stood at ¥4,077,789 thousand. This represented a ¥2,992,974 thousand increase from the balance of ¥1,084,814 thousand as of March 31, 2013. The principal movements were an increase in cash on hand and in banks of ¥2,943,446 thousand owing mainly to the exercise of stock acquisition rights. Other shifts in current asset accounting line items included consumption taxes receivable, accounts receivable, and inventories, which climbed ¥15,473 thousand, ¥15,350 thousand, and ¥9,869 thousand, respectively.

(Non-current assets)

As of the end of the period under review, non-current assets amounted to ¥406,076 thousand, up ¥194,156 thousand from ¥211,920 thousand as of March 31, 2013. Substantial movements were seen in property and equipment, which climbed ¥207,692 thousand as a result of the establishment of new facilities following the relocation of the Company's head office and laboratory. Lease deposits and others declined ¥12,654 thousand reflecting such factors as the refund of lease deposits and others relating to the former head office and laboratory.

(Current liabilities)

As of September 30, 2013, current liabilities stood at ¥228,083 thousand, down ¥9,945 thousand from the balance of ¥238,028 as of the end of the previous fiscal year. Major movements included a drop of ¥30,000 thousand in short-term loans payable following the repayment of debt, and a decrease of ¥22,945 thousand in the current portion of long-term loans payable. In contrast, deferred revenues increased ¥28,513 thousand on the back of sales revenues from joint and other research. Among other major movements, accrued expenses grew ¥22,006 thousand reflecting the increase in expenses related to the relocation of the Company's head office and laboratory.

(Non-current liabilities)

As of the end of the period under review, non-current liabilities came to ¥80,814 thousand. This was ¥60,002 thousand higher than the balance of ¥20,812 thousand as of March 31, 2013. During the six-month period ended September 30, 2013, Chiome Bioscience was obligated to return its previous premises to their original state in line

with real estate leasing agreements for the Company's head office and laboratory following relocation. As a result, the Company recorded asset retirement obligations totaling ¥47,684 thousand as of September 30, 2013. In addition, Chiome Bioscience recorded an amount of ¥16,666 thousand for long-term deferred revenues in connection with the extension of the joint research and development agreement with Fujirebio.

(Net assets)

As of September 30, 2013, net assets stood at ¥4,174,967 thousand. This was ¥3,137,073 thousand higher than the balance of ¥1,037,894 thousand as of the previous fiscal year-end. Principal components comprised capital stock and legal capital surplus, which collectively increased ¥3,521,418 thousand owing to the exercise of stock acquisition rights. The Company's total retained losses, on the other hand, increased ¥336,232 thousand due to net loss for the period.

2) Analysis of cash flows

As of the end of the period under review, cash and cash equivalents stood at ¥3,931,982 thousand, up ¥2,943,446 thousand compared with the previous fiscal year-end. Details of cash flows by each core activity as well as major factors for their movement are outlined briefly as follows.

(Operating activities)

For the six-month period ended September 30, 2013, net cash used in operating activities was ¥254,006 thousand, up from ¥187,143 thousand for the corresponding period of the previous fiscal year. Principal cash outflows consisted of the loss before income taxes of ¥318,859 thousand and an increase in accounts receivable of ¥15,350 reflecting the achievement of milestone sales and higher contract projects. Major cash inflows included the increase in deferred revenues of ¥28,513 thousand on the back of sales revenues relating to joint research and an increase in long-term deferred revenues of ¥16,666 thousand.

(Investing activities)

For the six-month period ended September 30, 2013, net cash used in investing activities was ¥187,868, up from ¥41,388 thousand for the corresponding period of the previous fiscal year. Major cash outflows included purchases of property and equipment totaling ¥190,135 thousand in connection with the relocation of the Company's head office and laboratory and payments for asset retirement obligations of ¥6,629 thousand for expenditure incurred in restoring the Company's former head office and laboratory to their original state. The principal cash inflows came from proceeds from the collection of lease deposits and others of ¥8,704 thousand.

(Financing activities)

For the six-month period ended September 30, 2013, net cash used in financing activities was ¥3,385,316, up from ¥104,608 thousand for the corresponding period of the previous fiscal year. The major cash inflow was proceeds from issuance of common stock of ¥3,459,365 thousand in connection with the exercise of the Company's 7th stock acquisition rights series issued in March 2013. The principal cash outflows were the decrease in short-term loans payable of ¥30,000 thousand and the repayment of long-term loans payable totaling ¥43,757 thousand.

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

There are no changes to the forecasts of financial results for the fiscal year ending March 31, 2014 announced on May 14, 2013.

2. Summary Information (Notes)

(1) Changes in Accounting Policies, Changes in Accounting Estimates, and Retrospective Restatements

(Changes in accounting policies that are difficult to differentiate from changes in accounting estimates)

Chiome Bioscience changed its method for the depreciation of building and structures from the declining-balance method to the straight-line method effective from the first quarter of the fiscal year under review.

On consolidating and relocating its head office and laboratory during the fiscal year under review, and as a result of a review of the status of use of the Company's property and equipment the recognition that buildings and structures would be used on a stable basis over the long term, Chiome Bioscience determined that this change to the

straight-line method represented a rational approach toward properly reflecting the actual status of its property and equipment.

Accounting for this change, and compared with the previous depreciation method, depreciation for the six-month period ended September 30, 2013 decreased ¥5,210 thousand while the operating loss, ordinary loss, and loss before income taxes each declined ¥5,210 thousand.

3. Quarterly Financial Statements

(1) Quarterly Balance Sheets

Thousand yen

	As of March 31, 2013	As of September 30, 2013
Assets		
Current assets		
Cash on hand and in banks	988,535	3,931,982
Accounts receivable	47,698	63,048
Inventories	21,905	31,775
Prepaid expenses	10,342	14,778
Consumption taxes receivable	15,407	30,881
Other current assets	925	5,323
Total current assets	1,084,814	4,077,789
Non-current assets		
Property and equipment		
Buildings and structures	15,581	179,986
Accumulated depreciation	(12,419)	(5,203)
Buildings and structures, net	3,161	174,782
Machinery	374,131	405,416
Accumulated depreciation	(268,301)	(285,470)
Machinery, net	105,829	119,946
Tools and equipment	34,942	56,490
Accumulated depreciation	(26,639)	(26,231)
Tools and equipment, net	8,302	30,259
Total property and equipment	117,294	324,987
Intangible assets		
Patent rights	7,008	6,970
Software	2,056	1,563
Total intangible assets	9,064	8,533
Investments and other assets		
Investments in capital	10	—
Long-term prepaid expenses	607	266
Lease deposits and others	84,943	72,288
Total investments and other assets	85,561	72,555
Total non-current assets	211,920	406,076
Total assets	1,296,734	4,483,865

Thousand yen

	As of March 31, 2013	As of September 30, 2013
Liabilities		
Current liabilities		
Accounts payable, trade	21,985	25,139
Short-term loans payable	30,000	—
Current portion of long-term loans payable	81,263	58,318
Accounts payable, other	39,249	31,441
Accrued expenses	5,274	27,281
Income taxes payable	4,196	7,629
Deferred tax liabilities	558	—
Deposits received	3,119	4,099
Deferred revenues	36,232	64,745
Provision for bonuses	8,358	9,429
Asset retirement obligations	7,791	—
Total current liabilities	238,028	228,083
Non-current liabilities		
Long-term loans payable	20,812	—
Deferred tax liabilities	—	16,463
Asset retirement obligations	—	47,684
Deferred revenues	—	16,666
Total non-current liabilities	20,812	80,814
Total liabilities	258,840	308,897
Net assets		
Shareholders' equity		
Capital stock	1,213,090	2,973,799
Capital reserve		
Legal capital surplus	1,203,090	2,963,799
Total capital surplus	1,203,090	2,963,799
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,427,329)	(1,763,562)
Total retained earnings	(1,427,329)	(1,763,562)
Treasury stock	—	△292
Total shareholders' equity	988,850	4,173,743
Subscription rights to shares	49,044	1,224
Total net assets	1,037,894	4,174,967
Total liabilities and net assets	1,296,734	4,483,865

(1) Quarterly Statements of Income
(Second quarter cumulative)

Thousand yen

	Six Months Ended September 30, 2012 (April 1, 2012 to September 30, 2012)	Six Months Ended September 30, 2013 (April 1, 2013 to September 30, 2013)
Net sales	121,130	229,563
Cost of sales	36,542	79,838
Gross profit	84,587	149,725
Selling, general and administrative expenses	310,235	431,163
Operating loss	(225,647)	(281,438)
Non-operating income		
Interest income	290	344
Interest on securities	—	12,695
Foreign exchange gains	—	429
Other, net	103	100
Total non-operating income	394	13,569
Non-operating expenses		
Interest expenses	1,135	870
Stock issuance expenses	262	13,084
Other, net	245	—
Total non-operating expenses	1,643	13,955
Ordinary loss	(226,896)	(281,824)
Extraordinary loss		
Head office and laboratory transfer cost	—	37,035
Total extraordinary loss	—	37,035
Loss before income taxes	(226,896)	(318,859)
Income taxes-current	950	1,468
Income taxes-deferred	(168)	15,904
Total income taxes	781	17,373
Net loss	(227,677)	(336,232)

(2) Quarterly Statements of Cash Flows

Thousand yen

	Six Months Ended September 30, 2012 (April 1, 2012 to September 30, 2012)	Six Months Ended September 30, 2013 (April 1, 2013 to September 30, 2013)
Operating activities		
Loss before income taxes	(226,896)	(318,859)
Depreciation and amortization	24,516	32,847
Interest and dividend income	(291)	(345)
Interest income on securities	—	(12,695)
Interest expenses	1,135	870
Stock issuance expenses	262	13,084
Changes in prepaid expenses	(2,183)	(4,593)
Changes in accrued consumption taxes	(19,878)	(15,473)
Changes in accounts payable-other	3,753	(3,789)
Changes in accrued expenses	(155)	22,006
Changes in income taxes payable-the factor based tax	(1,338)	3,852
Changes in accounts receivable	34,782	(15,350)
Changes in inventories	1,121	(9,869)
Changes in accounts payable	(1,577)	3,153
Changes in advances received	(2,704)	—
Changes in deferred revenues	4,073	28,513
Changes in long-term deferred revenues	(138)	16,666
Changes in asset retirement obligations	8	(7,539)
Other, net	1,239	2,996
Subtotal	(184,272)	(264,523)
Cash received from interest and dividends	284	13,048
Cash paid for interest	(1,340)	(714)
Cash received from subsidy	62	54
Cash paid for taxes	(1,894)	(1,871)
Cash received from taxes	16	—
Net cash used in operating activities	(187,143)	(254,006)
Investing activities		
Purchases of securities	—	(1,188,500)
Proceeds from redemption of securities	—	1,188,500
Purchases of property and equipment	(41,392)	(190,135)
Payments for asset retirement obligations	—	(6,629)
Proceeds from the collection of lease and guarantee deposits	3	8,704
Other, net	—	192
Net cash used in investing activities	(41,388)	(187,868)
Financing activities		
Decrease in short-term loans payable	—	(30,000)
Increase in long-term loans payable	150,000	—
Repayment of long-term loans payable	(64,579)	(43,757)
Proceeds from issuance of common stock	19,187	3,459,365
Other, net	—	(292)
Net cash provided by financing activities	104,608	3,385,316
Effect of exchange rate change on cash and cash equivalents	(0)	4
Net increase (decrease) in cash and cash equivalents	(123,925)	2,943,446
Cash and cash equivalents, beginning of the period	1,013,086	988,535
Cash and cash equivalents, end of the period	889,160	3,931,982

(4) Notes concerning Quarterly Financial Statements

(Notes regarding Going Concern Assumptions)

Not applicable.

(Notes regarding Substantial Changes in Shareholders' Equity)

As of September 30, 2013, capital stock and the legal capital surplus increased ¥1,760,709 thousand and ¥1,760,709 thousand, respectively, as a result of the exercise of stock acquisition rights. Accordingly, the balance of capital stock and the legal capital surplus came to ¥2,973,799 thousand and ¥2,963,799 thousand, respectively, as of the end of the period under review.