

**Consolidated Financial Results for the  
Third Quarter of the Year Ending December 31, 2015  
(Nine Months Ended September 30, 2015)**

**[Japanese GAAP]**

November 6, 2015

Company name: Carna Biosciences, Inc.      Stock Exchange listing: Tokyo Stock Exchange (JASDAQ Growth)  
 Stock code: 4572      URL: <http://www.carnabio.com/english/>  
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 Scheduled submission of Quarterly Report: November 9, 2015  
 Scheduled date of dividend payment: -  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the First Nine Months of FY2015 (January 1, 2015 to September 30, 2015)**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended Sep. 30, 2015	1,277	177.3	584	-	605	-	572	-
Nine months ended Sep. 30, 2014	460	(17.9)	(411)	-	(388)	-	(390)	-

Note: Comprehensive income (millions of yen)      Nine months ended Sep. 30, 2015: 584 (n.a.)

Nine months ended Sep. 30, 2014: (339) (n.a.)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 30, 2015	66.53	63.69
Nine months ended Sep. 30, 2014	(47.15)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2015	2,369	1,958	82.3
As of Dec. 31, 2014	1,221	830	67.2

Reference: Shareholders' equity (millions of yen)      As of Sep. 30, 2015: 1,950      As of Dec. 31, 2014: 820

**2. Dividends**

	Dividend per share				
	End of 1 <sup>st</sup> quarter	End of 2 <sup>nd</sup> quarter	End of 3 <sup>rd</sup> quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2014	-	0.00	-	0.00	0.00
FY2015	-	0.00	-	-	-
FY2015 (Forecast)	-	-	-	0.00	0.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Forecast for FY2015 (January 1, 2015 to December 31, 2015)**

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,532	150.5	372	-	395	-	364	-	42.03

Note: Revision to the most recently announced consolidated forecast: None

**\* Notes**

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Sep. 30, 2015:	8,887,400 shares	As of Dec. 31, 2014:	8,318,100 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2015:	- shares	As of Dec. 31, 2014:	- shares
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3) Average number of shares outstanding during the period

Nine months ended Sep. 30, 2015:	8,602,442 shares	Nine months ended Sep. 30, 2014:	8,275,974 shares
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\* Information regarding the implementation of quarterly review procedures

The current quarterly financial report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures based on the Financial Instruments and Exchange Act for the quarterly financial statements have not been completed.

\* Disclaimer regarding appropriate use of forecasts and related points of note

The above-mentioned forecasts are based on the information available on the date of release of these materials and on various assumptions made on the date of release of these material including uncertain factors and may affect future earnings. Actual operating results may differ significantly from those forecasts as a consequence of various factors. Please refer to “(3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 of the attachments for forecast assumptions and notes of caution for usage.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first nine months of 2015, the U.S. economy continued to recover as the number of jobs increased and the European economy recovered as the weaker euro helped increase exports. However, economic growth is slowing in China and other emerging countries. As a result, Japan's exports are declining and there is only a slow improvement in consumer spending. These factors are making the outlook for the economy unclear. In the pharmaceutical industry, where the Carna Biosciences Group operates, earnings are declining as the patents of a number of major drugs at large pharmaceutical companies expire. Companies are rushing to develop blockbuster drugs, resulting in fierce R&D competition for launching these new products. Large pharmaceutical companies are making substantial expenditures for the in-licenses of new drug candidate compounds developed by small biotechnology companies like Carna Biosciences, as well as for internal research programs. Therefore, the drug discovery pipeline of Carna Biosciences continues to attract much attention from pharmaceutical companies.

Carna Biosciences is conducting many activities with the aim of achieving more growth. There are extensive activities in the Drug Discovery Support Business and the Drug Discovery and Development Business, both of which primarily involve core technologies able to accelerate kinase drug discovery.

In the Drug Discovery and Development Business, the license-out of a drug candidate to Janssen, a pharmaceutical division of the Johnson & Johnson Group, in the second quarter created much more interest among pharmaceutical companies in our drug discovery pipeline. We are extensively conducting kinase drug discovery research primarily focusing on the oncology area, as well as holding discussions with pharmaceutical companies to identify out-licensing opportunities. In the Drug Discovery Support Business, we are moving ahead with our large-scale screening based on an agreement with Ono Pharmaceutical Co., Ltd. In addition, we are working hard in Japan and North America to capture outsourcing contracts for new large-scale kinase profiling and screening services.

Net sales in the first nine months of 2015 increased 177.3% from the same period of 2014 to 1,277 million yen, operating income was 584 million yen (compared with an operating loss of 411 million yen in the same period of 2014), ordinary income was 605 million yen (compared with an ordinary loss of 388 million yen in the same period of 2014), and net income was 572 million yen (compared with a net loss of 390 million yen in the same period of 2014).

Results by business segment are as follows.

#### (a) Drug Discovery Support Business

The main activities in this business are the sale of kinase proteins, assay development, profiling and screening services, and cell-based assay services. Sales in the first nine months were 662 million yen, 43.8% higher than in the same period of 2014. Operating income increased 498.3% to 307 million yen. Sales in Japan increased 59.6% to 395 million yen, sales in North America increased 33.5% to 190 million yen, sales in Europe increased 5.4% to 62 million yen, and sales in other regions increased 26.6% to 14 million yen.

#### (b) Drug Discovery and Development Business

An upfront payment was received in the second quarter of 2015 in association with a June 2015 licensing agreement with Janssen Biotech, Inc., one of the Janssen Pharmaceutical companies of Johnson & Johnson. In addition, there were substantial R&D expenditures in this business for the development of innovative kinase inhibitor drugs. Sales in the first nine months were 614 million yen compared with no sales in the same period of 2014. Operating income was 277 million yen compared with a 462 million yen loss in the same period of 2014.

**(2) Explanation of Financial Position**

(Millions of yen)

	FY2014 (As of Dec. 31, 2014)	Third quarter of FY2015 (As of Sep. 30, 2015)	Change
Total assets	1,221	2,369	1,147
Net assets	830	1,958	1,128
Equity ratio (%)	67.2	82.3	15.1

Total assets increased 1,147 million yen from the end of 2014 to 2,369 million yen as of the end of the third quarter of 2015. This was mainly because cash and deposits increased 1,204 million yen, accounts receivable-trade decreased 44 million yen, and investment securities increased 19 million yen.

Total liabilities increased 19 million yen to 410 million yen, mainly as the current portion of long-term loans payable increased 30 million yen, accounts payable-other decreased 74 million yen, income taxes payable increased 34 million yen, and long-term loans payable increased 40 million yen.

Net assets increased 1,128 million yen to 1,958 million yen. This was mainly due to 572 million yen of net income, and increases of 271 million yen in capital stock, 271 million yen in capital surplus, and 17 million yen in valuation difference on available-for-sale securities.

Shareholders' equity ratio was 82.3% (compared with 67.2% at the end of 2014).

**(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

The Company maintains its consolidated forecasts for 2015 that was announced on July 28, 2015.

**2. Matters Related to Summary Information (Notes)****(1) Changes in Significant Subsidiaries during the Period**

Not applicable.

**(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements**

Not applicable.

**(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements**

Not applicable.

**3. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2014 (As of Dec. 31, 2014)	Third quarter of FY2015 (As of Sep. 30, 2015)
Assets		
Current assets		
Cash and deposits	626,742	1,830,851
Accounts receivable-trade	95,313	50,672
Merchandise and finished goods	93,772	91,227
Work in process	8,167	14,094
Raw materials and supplies	17,261	16,009
Other	66,331	48,023
Total current assets	907,589	2,050,878
Non-current assets		
Property, plant and equipment	52,505	39,195
Intangible assets	2,193	1,637
Investments and other assets		
Investment securities	241,339	260,652
Other	17,818	16,919
Total investments and other assets	259,157	277,572
Total non-current assets	313,856	318,405
Total assets	1,221,446	2,369,284

	(Thousands of yen)	
	FY2014 (As of Dec. 31, 2014)	Third quarter of FY2015 (As of Sep. 30, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable-trade	4,343	56
Current portion of long-term loans payable	38,928	69,508
Accounts payable-other	107,707	33,250
Income taxes payable	7,073	41,971
Other	37,504	28,378
<b>Total current liabilities</b>	<b>195,558</b>	<b>173,166</b>
<b>Non-current liabilities</b>		
Long-term loans payable	121,948	162,172
Deferred tax liabilities	47,458	48,983
Asset retirement obligations	24,677	25,046
Other	1,575	1,050
<b>Total non-current liabilities</b>	<b>195,659</b>	<b>237,251</b>
<b>Total liabilities</b>	<b>391,218</b>	<b>410,417</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,627,070	2,898,155
Deposit for subscriptions to shares	-	3,270
Capital surplus	1,445,230	1,716,264
Retained earnings	(3,336,081)	(2,763,761)
<b>Total shareholders' equity</b>	<b>736,219</b>	<b>1,853,929</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	79,954	97,051
Deferred gains or losses on hedges	-	(3,410)
Foreign currency translation adjustment	4,764	3,355
<b>Total accumulated other comprehensive income</b>	<b>84,718</b>	<b>96,996</b>
Subscription rights to shares	9,289	7,940
<b>Total net assets</b>	<b>830,227</b>	<b>1,958,866</b>
<b>Total liabilities and net assets</b>	<b>1,221,446</b>	<b>2,369,284</b>

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income****(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY2014 (Jan. 1, 2014 – Sep. 30, 2014)	First nine months of FY2015 (Jan. 1, 2015 – Sep. 30, 2015)
Net sales	460,633	1,277,146
Cost of sales	168,769	165,789
Gross profit	291,863	1,111,357
Selling, general and administrative expenses	703,498	527,056
Operating income (loss)	(411,635)	584,300
Non-operating income		
Interest income	183	135
Subsidy income	24,800	29,240
Foreign exchange gains	152	-
Other	1,106	1,650
Total non-operating income	26,242	31,026
Non-operating expenses		
Interest expenses	1,693	1,467
Share issuance cost	342	2,304
Foreign exchange losses	-	3,864
Other	1,528	2,235
Total non-operating expenses	3,564	9,871
Ordinary income (loss)	(388,957)	605,455
Extraordinary income		
Gain on reversal of subscription rights to shares	-	2,282
Total extraordinary income	-	2,282
Income (loss) before income taxes and minority interests	(388,957)	607,738
Income taxes-current	1,486	35,892
Income taxes-deferred	(201)	(475)
Total income taxes	1,285	35,417
Income (loss) before minority interests	(390,242)	572,320
Net income (loss)	(390,242)	572,320



**Quarterly Consolidated Statement of Comprehensive Income****(For the Nine-month Period)**

(Thousands of yen)

	First nine months of FY2014 (Jan. 1, 2014 – Sep. 30, 2014)	First nine months of FY2015 (Jan. 1, 2015 – Sep. 30, 2015)
Income (loss) before minority interests	(390,242)	572,320
Other comprehensive income		
Valuation difference on available-for-sale securities	50,095	17,097
Deferred gains or losses on hedges	-	(3,410)
Foreign currency translation adjustment	226	(1,408)
Total other comprehensive income	50,322	12,278
Comprehensive income	(339,920)	584,599
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(339,920)	584,599

**(3) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

First nine months of FY2015 (Jan. 1, 2015 – Sep. 30, 2015)

Significant changes in shareholders' equity

Following the exercise of subscription rights to shares, capital stock and capital surplus increased 271,084 thousand yen and 271,034 thousand yen, respectively, during the first nine months of FY2015, to 2,898,155 thousand yen and 1,716,264 thousand yen at the end of the first nine months of FY2015.

**Segment and Other Information**

Segment Information

I First nine months of FY2014 (Jan. 1, 2014 – Sep. 30, 2014)

Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment		
	Drug Discovery Support	Drug Discovery and Development	Total
Net sales			
External sales	460,633	-	460,633
Inter-segment sales and transfers	-	-	-
Total	460,633	-	460,633
Segment profit (loss)	51,355	(462,990)	(411,635)

Note: Total segment profit (loss) is adjusted to be consistent with operating loss shown on the quarterly consolidated statement of income.

II First nine months of FY2015 (Jan. 1, 2015 – Sep. 30, 2015)

Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

	Reportable segment		
	Drug Discovery Support	Drug Discovery and Development	Total
Net sales			
External sales	662,296	614,850	1,277,146
Inter-segment sales and transfers	-	-	-
Total	662,296	614,850	1,277,146
Segment profit	307,268	277,032	584,300

Note: Total segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated statement of income.

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*