

Financial Results

FY2016 Q3

(January to September 2016)

Carna Biosciences, Inc.



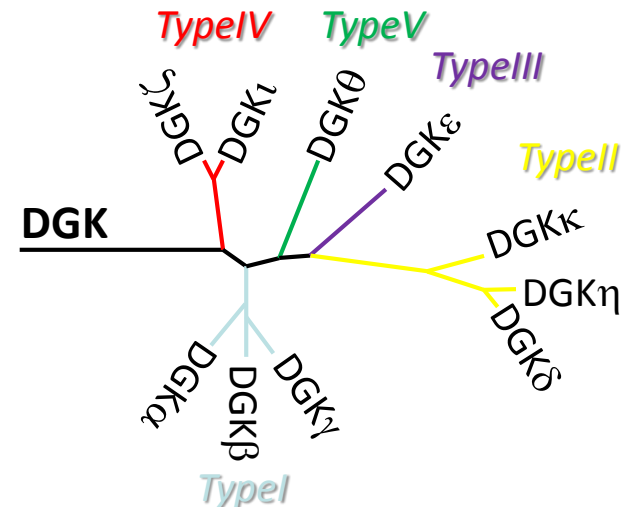
Stock Code : 4572

- Launched all ten Lipid Kinases (DGKs) in July
- Announced termination of the license agreement with Janssen Biotech, Inc. in August.
- Announced sales of co-crystallography service provided by SARomics Biostructures and ultra-pure proteins for crystallography provided by IniXium in August.
- The paper entitled “TNIK Inhibition Abrogates Colorectal Cancer Stemness” featuring NCB-0846, the Company’s clinical candidate, was published in Nature Communications in August.

Launched all ten DGKs on July 1
(20 products including biotinylated DGKs)

GST-DGK	Biotinylated DGK
DGK α (DGKA)	BTN-DGK α (DGKA)
DGK β (DGKB)	BTN-DGK β (DGKB)
DGK γ (DGKG)	BTN-DGK γ (DGKG)
DGK δ (DGKD)	BTN-DGK δ (DGKD)
DGK ϵ (DGKE)	BTN-DGK ϵ (DGKE)
DGK η (DGKH)	BTN-DGK η (DGKH)
DGK ι (DGKI)	BTN-DGK ι (DGKI)
DGK κ (DGKK)	BTN-DGK κ (DGKK)
DGK θ (DGKQ)	BTN-DGK θ (DGKQ)
DGK ζ (DGKZ)	BTN-DGK ζ (DGKZ)
10 products	10 products

- ✓ DGKs are considered to be new drug targets in immuno-oncology (cancer immunotherapy).
- ✓ Assay development for DGKs, lipid kinases, is much more complex as compared to a typical protein kinase assay, because the substrates are lipids that make the assay solution heterogeneous. Therefore, DGKs are expected to contribute to our sales expansion as one and only products.



Carna Biosciences is the only company that offers all ten DGKs
(based on our research as of September 30, 2016)

The effects of a novel compound, identified by research collaborators at the National Cancer Center and Carna scientists, on cancer stem cells was published in a leading scientific journal, Nature Communications.



ARTICLE

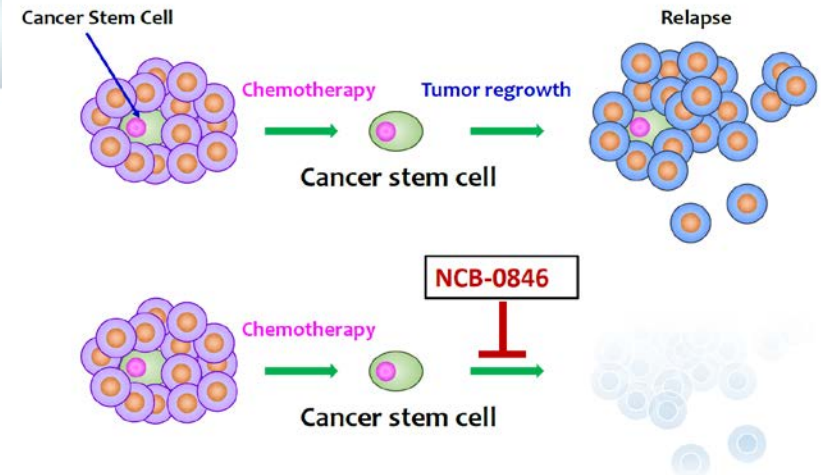
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OPEN

TNIK inhibition abrogates colorectal cancer stemness

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<Significance of the publication>

- The study demonstrates that TNIK, a protein kinase, promotes colorectal cancer stemness by regulating the Wnt signaling pathway.
- Treatment with NCB-0846, the company's novel inhibitor of TNIK, effectively suppressed cancer relapse by killing cancer stem cells.

Q3 Consolidated Financial Results



- ✓ Net Sales decreased 54.5% YoY (decreased 695 million yen YoY)
- ✓ Operating Loss of 334 million yen due to a decrease in sales and increases in R&D expenses and other SG&A expenses (deterioration of 918 million yen YoY)
- ✓ Net Loss of 178 million yen due to deterioration in operating income and record of extraordinary income (deterioration of 750 million yen YoY)

(Millions of yen)

	Net Sales	Operating Income (Loss)	Ordinary Income (Loss)	Net Profit (Loss)
FY2016 Q3 (Jan.-Sep. 2016) (a)	581	(334)	(352)	(178)
FY2015 Q3 (Jan.-Sep 2015) (b)	1,277	584	605	572
YoY change (c)=(a)-(b)	-695	-918	-957	-750
YoY change % (d)=(c)/(b)	-54.5%	—	—	—

Note 1: Rounded down to the nearest million yen.

Note 2: YoY change % for Operating Income(Loss), Ordinary Income(Loss), and Net Profit(Loss) are not presented since losses were recorded for FY2016 Q3.

Note 3: Financial forecasts for consolidated results and for the Drug Discovery and Development business are not disclosed. For details, please see Consolidated Financial Results for the Year Ended December 31, 2015.

Q3 Results by Business Segment



(Millions of yen)

	Net Sales			Operating Income (Loss)		
	Drug Discovery Support	Drug Discovery & Development	Total	Drug Discovery Support	Drug Discovery & Development	Total
FY2016 Q3 (a)	482	98	581	98	(432)	(334)
FY2015 Q3 (b)	662	614	1,277	307	277	584
YoY change (c)=(a)-(b)	-180	-515	-695	-209	-709	-918
YoY change (%) (d)=(c)/(b)	-27.2%	-83.9%	-54.5%	-68.1%	—	—
FY2016 Forecast (d)	858			320		
Progress vs. Forecast (a)/(d)	56.2%			30.6%		

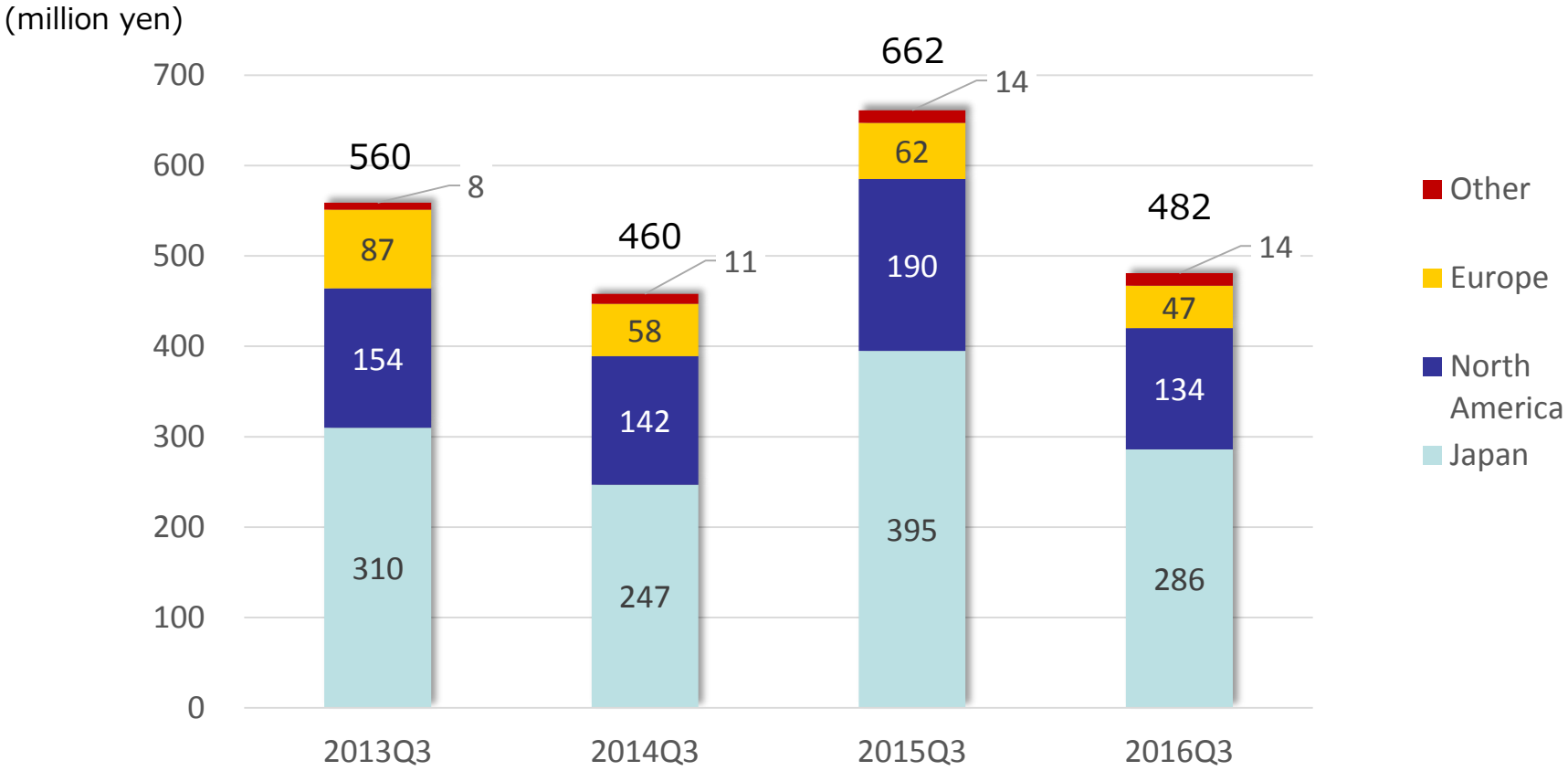
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Consolidated Sales Trend of Q3



Drug Discovery Support business: Consolidated sales by region



Note: Sales to Ono Pharmaceutical
 2015 Q3 ... 237 million yen
 2016 Q3 ... 148 million yen

Consolidated Balance Sheet



(millions of yen)

	As of Sep 30, 2016	As of Dec 31, 2015	Change	Reason for changes
Current assets	2,579	1,995	+ 583	
Cash and deposits	2,313	1,624	+ 688	Ordinary deposit + 719
Other	265	370	-105	Accounts receivable-trade -113
Non-current Assets	79	341	-262	Sale of shares of Crystal Genomics -274
Total assets	2,658	2,337	+ 320	
Current liabilities	225	235	-10	Account payable-other -30, Income taxes payable -38, Current portion of long-term loans payable + 76, Accrued consumption taxes -20, Deposits received -13
Non-current liabilities	591	231	+ 360	Long term loans payable + 242, Bonds payable + 172, Differed tax liabilities -54
Total liabilities	816	467	+ 349	
Total net assets	1,841	1,870	-28	Capital stock and capital surplus +282, Retained earnings -178, Valuation difference on available-for-sale securities -114, Foreign currency translation adjustment -11
Total liabilities and net assets	2,658	2,337	+ 320	

Shareholders' equity ratio	69.1%	79.7%
BPS	198.85 yen	208.78 yen
PBR	11.84 x	13.04 x
Share price of Carna Biosciences	2,355 yen	2,722 yen

Note: Share price of Carna Biosciences is based on the closing price of JASDAQ growth

<Oncology>

➤ CDC7 Inhibitor

Licensed to ProNAi Therapeutics in May and under development by ProNAi. We transferred the compounds and data to ProNAi and provided technical support so that ProNAi can conduct pre-clinical trials smoothly.

- We continue to develop innovative cancer drugs targeting cancer stem cells by the research collaborations with the National Cancer Center (TNIK Inhibitor) and with Hiroshima University (TGF β signaling inhibitor).

The effectiveness of our TNIK inhibitor (NCB-0846) on cancer stem cells was published in a leading scientific journal, Nature Communications.

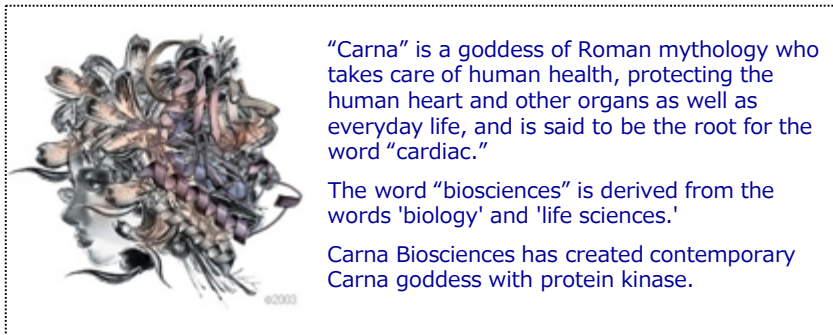
<Autoimmune Diseases>

- We are continuing development of the drug candidate returned from Janssen Biotech by their strategic reasons, and actively seeking a new partner for the out-license.
- Another lead generation study is on-going to develop new pipeline for treating immune disorders.

<Other therapeutic areas>

- Lead optimization study for a next generation anti-malaria drug by collaboration with Kitasato University is still on-going. The collaborative research is supported by the program, A-STEP by the Japan Science and Technology Agency (JST).
- In order to maximize the value of the company's pipeline, we will continue to develop other programs in lead optimization stage to move forward to clinical stages.

- Expansion of DGK sales
- Winning large-scale screening services in North America (for DGK and others)
- Launched e-commerce site in North America



“Carna” is a goddess of Roman mythology who takes care of human health, protecting the human heart and other organs as well as everyday life, and is said to be the root for the word “cardiac.”

The word “biosciences” is derived from the words ‘biology’ and ‘life sciences.’

Carna Biosciences has created contemporary Carna goddess with protein kinase.

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