

Consolidated Financial Results for the First Quarter of the Year Ending December 31, 2017

[Japanese GAAP]

May 12, 2017

Company name: Carna Biosciences, Inc. Stock Exchange listing: Tokyo Stock Exchange(JASDAQ Growth)
 Stock code: 4572 URL: <http://www.carnabio.com/english/>
 Representative: Kohichiro Yoshino, President and CEO
 Contact: Emi Yamamoto, Director, Business Administration Division TEL: +81-78-302-7075
 Scheduled submission of quarterly report: May 15, 2017
 Scheduled date of dividend payment: –
 Supplementary materials for financial results: Yes
 Financial results briefing: None

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended March 31, 2017

(1) Consolidated operating results (Percentages show changes from the same period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2017	196	(13.0)	(113)	–	(113)	–	(118)	–
Three months ended March 31, 2016	225	(32.6)	(114)	–	(121)	–	(11)	–

Note: Comprehensive income Three months ended March 31, 2017: (121) million yen (–%)

Three months ended March 31, 2016: (74) million yen (–%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended March 31, 2017	(12.80)		–	
Three months ended March 31, 2016	(1.28)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of March 31, 2017	2,411	1,681	69.5
As of December 31, 2016	2,566	1,739	67.6

Reference: Shareholders' equity As of March 31, 2017: 1,677 million yen As of Dec. 31, 2016: 1,734 million yen

2. Dividends

	Dividend per share				
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2016	–	0.00	–	0.00	0.00
FY2017	–	–	–	–	–
FY2017 (Forecast)	–	0.00	–	0.00	0.00

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

3. Consolidated Financial Forecast for FY2017 (January 1, 2017 to December 31, 2017)

(Percentages show changes from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2017	1,440	77.4	39	–	35	–	6	–	0.71

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

*** Notes**

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

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

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

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

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

3) Changes in accounting 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 stock)

As of March 31, 2017: 9,308,800 shares As of Dec. 31, 2016: 9,239,000 shares

2) Number of treasury stock at the end of the period

As of March 31, 2017: 44 shares As of Dec. 31, 2016: – shares

3) Average number of shares outstanding during the period

First quarter of FY2017: 9,269,218 shares First quarter of FY2016: 8,981,549 shares

* This financial report is exempt from quarterly review procedures under the Financial Instruments and Exchange Act.

* Note to ensure appropriate use of forecasts and other remarks

The forecasts and other forward-looking statements included in this document are based on the information currently available to the management and certain assumptions considered by the management to be reasonable. Actual operating results may differ materially from these statements for various factors.

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Consolidated Financial Statements and Notes**(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2016 (As of Dec. 31, 2016)	First quarter of FY2017 (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	2,161,186	2,035,281
Accounts receivable–trade	122,924	113,295
Merchandise and finished goods	86,920	85,639
Work in process	4,573	8,699
Raw materials and supplies	30,399	26,508
Other	86,686	71,335
Total current assets	2,492,690	2,340,760
Non-current assets		
Property, plant and equipment	35,136	32,786
Intangible assets	787	692
Investments and other assets	37,681	37,205
Total non-current assets	73,605	70,683
Total assets	2,566,295	2,411,443

	(Thousands of yen)	
	FY2016 (As of Dec. 31, 2016)	First quarter of FY2017 (As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Accounts payable–trade	3,495	5,672
Current portion of bonds	28,000	28,000
Current portion of long-term loans payable	142,260	142,260
Accounts payable–other	76,907	32,079
Income taxes payable	4,959	5,847
Other	15,805	9,846
Total current liabilities	271,428	223,706
Non-current liabilities		
Bonds payable	172,000	158,000
Long-term loans payable	355,459	319,894
Asset retirement obligations	25,669	25,797
Other	2,416	2,378
Total non-current liabilities	555,545	506,069
Total liabilities	826,974	729,775
Net assets		
Shareholders' equity		
Capital stock	3,042,759	3,074,678
Capital surplus	1,860,826	1,892,703
Retained earnings	(3,169,633)	(3,288,279)
Treasury shares	—	(99)
Total shareholders' equity	1,733,952	1,679,002
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57	74
Foreign currency translation adjustment	459	(1,981)
Total accumulated other comprehensive income	516	(1,907)
Subscription rights to shares	4,853	4,573
Total net assets	1,739,321	1,681,667
Total liabilities and net assets	2,566,295	2,411,443

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

	(Thousands of yen)	
	First three months of FY2016 (Jan. 1 – Mar. 31, 2016)	First three months of FY2017 (Jan. 1 – Mar. 31, 2017)
Net sales	225,320	196,020
Cost of sales	76,591	64,903
Gross profit	148,728	131,117
Selling, general and administrative expenses	263,059	244,767
Operating loss	(114,330)	(113,649)
Non-operating income		
Interest income	58	17
Subsidy income	1,500	2,909
Other	109	696
Total non-operating income	1,667	3,623
Non-operating expenses		
Interest expenses	733	1,821
Foreign exchange losses	7,329	927
Other	985	816
Total non-operating expenses	9,049	3,565
Ordinary loss	(121,712)	(113,591)
Extraordinary income		
Gain on sales of investment securities	110,789	—
Total extraordinary income	110,789	—
Extraordinary losses		
Impairment loss	—	4,467
Total extraordinary losses	—	4,467
Loss before income taxes	(10,923)	(118,059)
Income taxes-current	750	632
Income taxes-deferred	(187)	(45)
Total income taxes	562	586
Loss	(11,485)	(118,646)
Loss attributable to owners of parent	(11,485)	(118,646)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	First three months of FY2016 (Jan. 1 – Mar. 31, 2016)	First three months of FY2017 (Jan. 1 – Mar. 31, 2017)
Loss	(11,485)	(118,646)
Other comprehensive income		
Valuation difference on available-for-sale securities	(57,176)	16
Deferred gains or losses on hedges	(428)	—
Foreign currency translation adjustment	(5,010)	(2,440)
Total other comprehensive income	(62,615)	(2,424)
Comprehensive income	(74,100)	(121,070)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(74,100)	(121,070)

(3) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

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.