

Financial Results

FY2017 Q1

(January to March 2017)

Carna Biosciences, Inc.



Stock Code : 4572

- Mexican Institute of Industrial Property granted a patent for CDC7 inhibitor in January.
- Entered into a research collaboration with EpiBiome in January.
- Japan Patent Office and United States Patent and Trademark Office granted a patent for TNIK inhibitor in February.
- United States Patent and Trademark Office granted a patent for BTK inhibitor in February.
- Research findings on CDC7 inhibitor were published in a scientific journal, “European Journal of Medicinal Chemistry” in February.

Q1 Consolidated Financial Results



- ✓ Q1 results were in line with the plan.
- ✓ Sales decreased 13.0% YoY (decreased 29 million yen YoY).
- ✓ Although sales decreased yoy, operating loss was at the same level as Q1 FY2016, due to a decrease in SG&A expenses.
- ✓ Net loss deteriorated by 107 million yen yoy due to extraordinary income (gain on sales of investment securities) recorded in Q1 FY2016.

(Millions of yen)

	Net Sales	Operating Loss	Ordinary Loss	Net Loss
FY2017 Q1 (Jan.-Mar. 2017) (a)	196	(113)	(113)	(118)
FY2016 Q1 (Jan.-Mar. 2016) (b)	225	(114)	(121)	(11)
YoY change (c)=(a)-(b)	(29)	0	8	(107)
YoY change % (d)=(c)/(b)	-13.0%	—	—	—

Note 1: Rounded down to the nearest million yen.

Note 2: YoY change % for Operating Loss, Ordinary Loss, and Net Loss are not presented since losses were recorded.

Q1 Results by Business Segment



(Millions of yen)

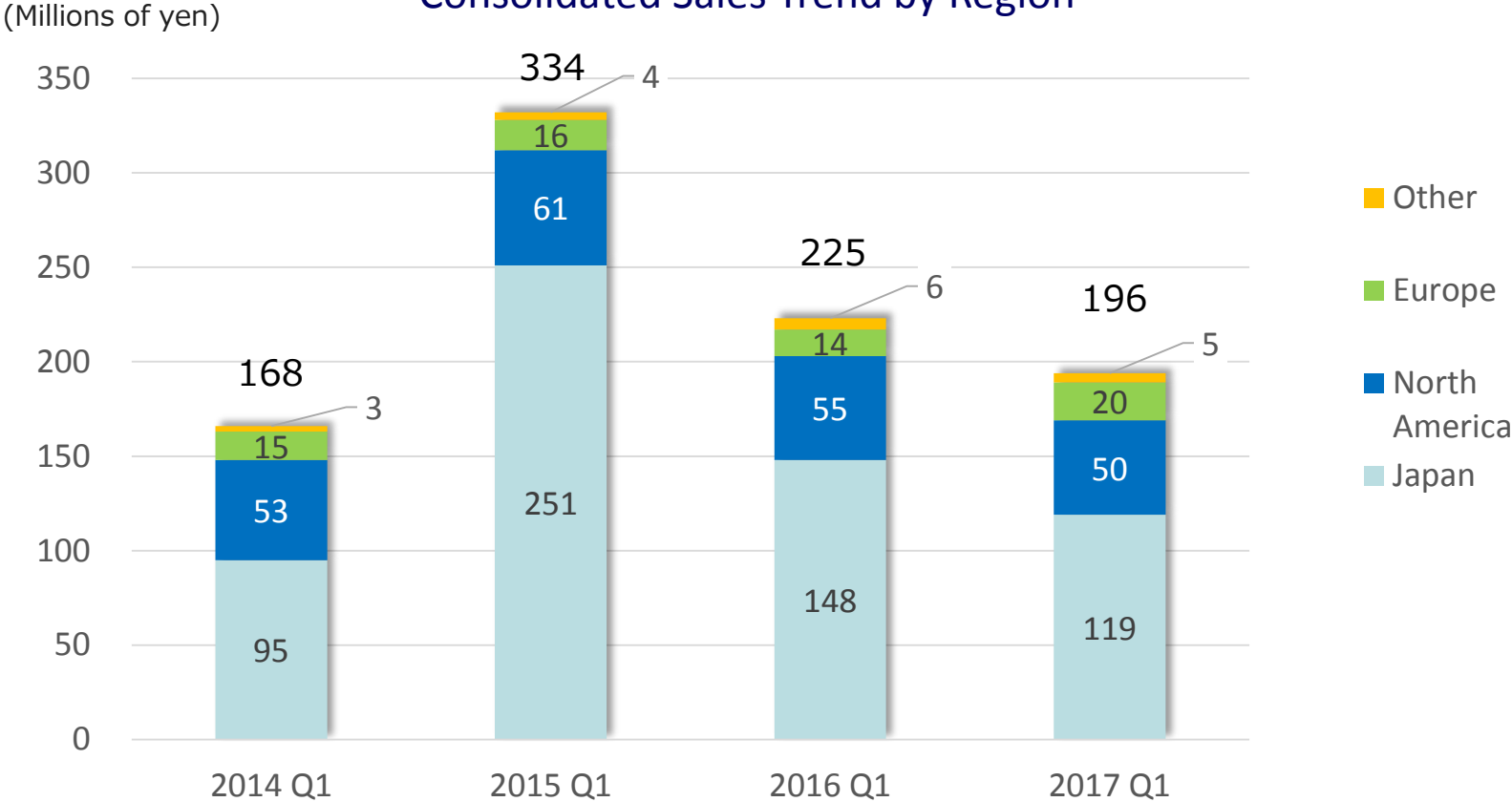
	Net Sales			Operating Profit (Loss)		
	Drug Discovery Support	Drug Discovery & Development	Total	Drug Discovery Support	Drug Discovery & Development	Total
FY2017 Q1 (a)	196	—	196	63	(177)	(113)
FY2016 Q1 (b)	225	—	225	76	(190)	(114)
YoY change (c)=(a)-(b)	(29)	—	(29)	(13)	+13	0
YoY change (%) (d)=(c)/(b)	-13.0%	—	-13.0%	-17.2%	—	—
FY2017 Forecast (d)	1,000	440	1,440	443	-403	39
Progress vs. Forecast (a)/(d)	19.6%	0.0%	13.6%	14.3%	—	—

Note 1: Rounded down to the nearest million yen

Note 2: Full year financial forecasts is in line with the forecasts disclosed on February 10, 2017. Please see Consolidated Financial Results for the Year Ended December 31, 2016.

Note 3: YoY change % and progress rate are not presented for consolidated operating loss and operating loss at the Drug Discovery and Development business since losses were recorded.

Drug Discovery Support Business Consolidated Sales Trend by Region



Note: Sales for Ono Pharmaceutical
 2016 Q1 ... 92 million yen
 2017 Q1 ... 61 million yen

Consolidated Balance Sheet



(millions of yen)

	As of Mar. 31, 2017	As of Dec 31, 2016	Change	Reason for changes
Current assets	2,340	2,492	-151	
Cash and deposits	2,035	2,161	-125	
Other	305	331	-26	Income tax payable -17, Accounts receivable-trade -9
Non-current Assets	70	73	-2	
Total assets	2,411	2,566	-154	
Current liabilities	223	271	-47	Account payable-other -44
Non-current liabilities	506	555	-49	Bonds payable -14, Long term loans payable -35
Total liabilities	729	826	-97	
Total net assets	1,681	1,739	-57	Retained earnings -118, Capital stock and capital surplus +63
Total liabilities and net assets	2,411	2,566	-154	

Shareholders' equity ratio	69.5%	67.6%
BPS	180.16 yen	187.73 yen
PBR	10.59 x	11.32 x
Share price of Carna Biosciences	1,908 yen	2,125 yen

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

➤ *SRA141 (AS-141): CDC7 Inhibitor out-licensed to Sierra Oncology*

SRA141 is in preclinical development stage and Carna will receive a milestone payment from Sierra triggered by the initiation of PhI clinical trials for SRA141.

➤ *NCB-0846: TNIK inhibitor (collaborating with National Cancer Center)*

Carna took over the preclinical studies of NCB-0846 conducted by AMED (Japan Agency for Medical Research and Development) and is continuing the preclinical development necessary for IND filing. We are also conducting preclinical work of NCB-0594, backup for NCB-0846, to characterize their activity in various models.

➤ *Small molecules: TGF β signaling inhibitor (collaborating with Hiroshima University)*

Carna is developing a small molecule inhibitor of TGF β signaling targeting leukemia stem cells. Lead optimization study is currently on-going.

➤ *Small molecule: autoimmune diseases*

Carna continues to pursue the development of the drug candidate, the rights of which were regained from Janssen Biotech. It will seek for a new partner for the out-license.

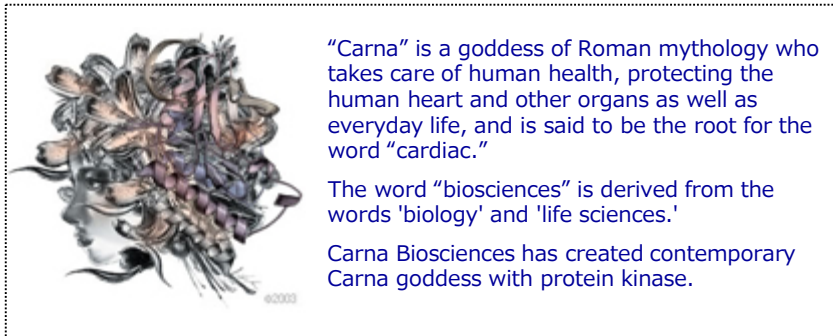
➤ *Small molecule: novel anti-malarial drug (collaborating with Kitasato University)*

This program had been supported by JST (the Japan Science and Technology Agency) until Q4 2016. Kitasato and Carna will continue the lead optimization to generate a clinical candidate, seeking to expand the research collaboration.

➤ *Other programs*

Carna has several early stage programs in different stages of discovery. It will advance those programs to strengthen the company's pipeline for the continuous growth of the company.

- Making a proposal to several companies to win large-scale contracts for DGK-related products.
- Changed the management structure of CarnaBio USA to boost sales in North America.
- Preparing to launch new DGK-related services and other new products.
- Preparing to introduce services of EpiBiome, our research collaboration partner, in Japan.
- In addition to our marketing efforts on DGK-related products, we are working to win large-scale contracts for other products/services in North America.



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