

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

[Japanese GAAP]

August 7, 2017

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: August 8, 2017
 Scheduled date of dividend payment : –
 Supplementary materials for financial results: Yes
 Financial results briefing: Yes (for institutional investors and analysts)

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended June 30, 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	%
Six months ended June 30, 2017	326	(26.2)	(291)	–	(297)	–	(316)	–
Six months ended June 30, 2016	442	(61.0)	(195)	–	(208)	–	(33)	–

Note: Comprehensive income Six months ended June 30, 2017: (318) million yen (–%)

Six months ended June 30, 2016: (156) million yen (–%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2017	(34.03)		–	
Six months ended June 30, 2016	(3.71)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	2,193	1,491	67.8
As of December 31, 2016	2,566	1,739	67.6

Reference: Shareholders' equity As of June 30, 2017: 1,486 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	–	0.00	–	–	–
FY2017 (Forecast)	–	–	–	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 June 30, 2017: 9,317,300 shares As of Dec. 31, 2016: 9,239,000 shares

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

As of June 30, 2017: 44 shares As of Dec. 31, 2016: – shares

3) Average number of shares outstanding during the period

Second quarter of FY2017: 9,290,859 shares Second quarter of FY2016: 9,088,233 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	Second quarter of FY2017
	(As of Dec. 31, 2016)	(As of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	2,161,186	1,892,419
Accounts receivable–trade	122,924	72,843
Merchandise and finished goods	86,920	87,712
Work in process	4,573	3,966
Raw materials and supplies	30,399	23,307
Other	86,686	55,503
Total current assets	2,492,690	2,135,754
Non-current assets		
Property, plant and equipment	35,136	20,024
Intangible assets	787	596
Investments and other assets	37,681	36,894
Total non-current assets	73,605	57,515
Total assets	2,566,295	2,193,269

	(Thousands of yen)	
	FY2016 (As of Dec. 31, 2016)	Second quarter of FY2017 (As of Jun. 30, 2017)
Liabilities		
Current liabilities		
Accounts payable–trade	3,495	1,014
Current portion of bonds	28,000	28,000
Current portion of long-term loans payable	142,260	142,260
Accounts payable–other	76,907	40,215
Income taxes payable	4,959	11,710
Other	15,805	8,242
Total current liabilities	271,428	231,442
Non-current liabilities		
Bonds payable	172,000	158,000
Long-term loans payable	355,459	284,329
Asset retirement obligations	25,669	25,924
Other	2,416	2,357
Total non-current liabilities	555,545	470,611
Total liabilities	826,974	702,054
Net assets		
Shareholders' equity		
Capital stock	3,042,759	3,078,074
Capital surplus	1,860,826	1,896,098
Retained earnings	(3,169,633)	(3,485,775)
Treasury shares	—	(99)
Total shareholders' equity	1,733,952	1,488,297
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57	130
Foreign currency translation adjustment	459	(1,700)
Total accumulated other comprehensive income	516	(1,570)
Subscription rights to shares	4,853	4,488
Total net assets	1,739,321	1,491,215
Total liabilities and net assets	2,566,295	2,193,269

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

	(Thousands of yen)	
	First six months of FY2016 (Jan. 1 – Jun. 30, 2016)	First six months of FY2017 (Jan. 1 – Jun. 30, 2017)
Net sales	442,708	326,799
Cost of sales	136,524	112,600
Gross profit	306,183	214,198
Selling, general and administrative expenses	501,689	506,042
Operating loss	(195,505)	(291,843)
Non-operating income		
Interest income	68	21
Subsidy income	8,692	5,131
Other	222	902
Total non-operating income	8,983	6,055
Non-operating expenses		
Interest expenses	1,504	3,540
Share issuance cost	1,195	561
Subscription rights to shares issuance cost	—	5,999
Foreign exchange losses	18,897	488
Other	406	939
Total non-operating expenses	22,004	11,530
Ordinary loss	(208,526)	(297,318)
Extraordinary income		
Gain on sales of investment securities	177,543	—
Total extraordinary income	177,543	—
Extraordinary losses		
Impairment loss	1,624	17,649
Total extraordinary losses	1,624	17,649
Loss before income taxes	(32,607)	(314,968)
Income taxes-current	1,382	1,264
Income taxes-deferred	(237)	(90)
Total income taxes	1,145	1,173
Loss	(33,752)	(316,142)
Loss attributable to owners of parent	(33,752)	(316,142)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	First six months of FY2016 (Jan. 1 – Jun. 30, 2016)	First six months of FY2017 (Jan. 1 – Jun. 30, 2017)
Loss	(33,752)	(316,142)
Other comprehensive income		
Valuation difference on available-for-sale securities	(114,000)	72
Deferred gains or losses on hedges	1,696	—
Foreign currency translation adjustment	(10,459)	(2,159)
Total other comprehensive income	(122,762)	(2,087)
Comprehensive income	(156,515)	(318,229)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(156,515)	(318,229)

(3) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

First six months of FY2016 (Jan. 1, 2016 – Jun. 30, 2016)

Following the exercise of subscription rights to shares, capital stock and capital surplus increased 139,335 thousand yen and 139,300 thousand yen, respectively, during the first six months of FY2016, to 3,040,119 thousand yen and 1,858,188 thousand yen at the end of the first six months of FY2016.

First six months of FY2017 (Jan. 1, 2017 – Jun. 30, 2017)

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.