

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

[Japanese GAAP]

November 10, 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: November 13, 2017
 Scheduled date of dividend payment: –
 Supplementary materials for financial results: Yes
 Financial results briefing: No

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended September 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	%
Nine months ended Sep. 30, 2017	483	(16.8)	(477)	–	(486)	–	(508)	–
Nine months ended Sep. 30, 2016	581	(54.5)	(334)	–	(352)	–	(178)	–

Note: Comprehensive income Nine months ended Sep. 30, 2017: (509) million yen (–%)

Nine months ended Sep. 30, 2016: (302) million yen (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended Sep. 30, 2017	(54.46)	–
Nine months ended Sep. 30, 2016	(19.52)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2017	2,276	1,601	69.7
As of December 31, 2016	2,566	1,739	67.6

Reference: Shareholders' equity As of Sep. 30, 2017: 1,585 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	701	(13.5)	(727)	–	(738)	–	(766)	–	(82.12)

Note: Revision to the most recently announced financial forecast: Yes

*** 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 Sep 30, 2017: 9,543,300 shares As of Dec. 31, 2016: 9,239,000 shares

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

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

3) Average number of shares outstanding during the period

Third quarter of FY2017: 9,334,557 shares Third quarter of FY2016: 9,137,119 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)	Third quarter of FY2017 (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	2,161,186	1,945,763
Accounts receivable–trade	122,924	94,324
Merchandise and finished goods	86,920	81,600
Work in process	4,573	6,614
Raw materials and supplies	30,399	30,024
Other	86,686	59,211
Total current assets	2,492,690	2,217,538
Non-current assets		
Property, plant and equipment	35,136	21,077
Intangible assets	787	500
Investments and other assets	37,681	37,130
Total non-current assets	73,605	58,709
Total assets	2,566,295	2,276,247

	(Thousands of yen)	
	FY2016 (As of Dec. 31, 2016)	Third quarter of FY2017 (As of Sep. 30, 2017)
Liabilities		
Current liabilities		
Accounts payable–trade	3,495	—
Current portion of bonds	28,000	28,000
Current portion of long-term loans payable	142,260	142,288
Accounts payable–other	76,907	58,023
Income taxes payable	4,959	12,688
Other	15,805	13,151
Total current liabilities	271,428	254,151
Non-current liabilities		
Bonds payable	172,000	144,000
Long-term loans payable	355,459	248,736
Asset retirement obligations	25,669	26,052
Other	2,416	2,288
Total non-current liabilities	555,545	421,076
Total liabilities	826,974	675,228
Net assets		
Shareholders' equity		
Capital stock	3,042,759	3,223,291
Capital surplus	1,860,826	2,041,316
Retained earnings	(3,169,633)	(3,677,958)
Treasury shares	—	(99)
Total shareholders' equity	1,733,952	1,586,550
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57	76
Foreign currency translation adjustment	459	(779)
Total accumulated other comprehensive income	516	(703)
Subscription rights to shares	4,853	15,172
Total net assets	1,739,321	1,601,019
Total liabilities and net assets	2,566,295	2,276,247

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

	(Thousands of yen)	
	First nine months of FY2016 (Jan. 1 – Sep. 30, 2016)	First nine months of FY2017 (Jan. 1 – Sep. 30, 2017)
Net sales	581,214	483,301
Cost of sales	190,069	167,802
Gross profit	391,145	315,498
Selling, general and administrative expenses	725,571	792,907
Operating loss	(334,426)	(477,409)
Non-operating income		
Interest income	109	37
Subsidy income	8,692	5,131
Other	932	1,052
Total non-operating income	9,734	6,221
Non-operating expenses		
Interest expenses	3,648	5,100
Bond issuance cost	2,617	—
Share issuance cost	1,393	1,666
Subscription rights to shares issuance cost	—	6,178
Foreign exchange losses	19,198	582
Other	879	1,428
Total non-operating expenses	27,736	14,957
Ordinary loss	(352,428)	(486,145)
Extraordinary income		
Gain on sales of investment securities	177,543	—
Total extraordinary income	177,543	—
Extraordinary losses		
Impairment loss	1,720	19,267
Total extraordinary losses	1,720	19,267
Loss before income taxes	(176,605)	(505,412)
Income taxes-current	2,014	3,048
Income taxes-deferred	(286)	(136)
Total income taxes	1,728	2,912
Loss	(178,334)	(508,324)
Loss attributable to owners of parent	(178,334)	(508,324)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	First nine months of FY2016 (Jan. 1 – Sep. 30, 2016)	First nine months of FY2017 (Jan. 1 – Sep. 30, 2017)
Loss	(178,334)	(508,324)
Other comprehensive income		
Valuation difference on available-for-sale securities	(114,012)	18
Deferred gains or losses on hedges	1,696	—
Foreign currency translation adjustment	(11,425)	(1,238)
Total other comprehensive income	(123,741)	(1,220)
Comprehensive income	(302,076)	(509,545)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(302,076)	(509,545)

(3) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Changes in Shareholders' Equity)

First nine months of FY2016 (Jan. 1, 2016 – Sep. 30, 2016)

Following the exercise of subscription rights to shares, capital stock and capital surplus increased 141,181 thousand yen and 141,145 thousand yen, respectively, during the first nine months of FY2016, to 3,041,965 thousand yen and 1,860,034 thousand yen at the end of the first six months of FY2016.

First nine months of FY2017 (Jan. 1, 2017 – Sep. 30, 2017)

Following the exercise of subscription rights to shares, capital stock and capital surplus increased 180,532 thousand yen and 180,490 thousand yen, respectively, during the first nine months of FY2017, to 3,223,291 thousand yen and 2,041,316 thousand yen at the end of the first nine months of FY2017.

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.