

November 10, 2017

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Revision of Results Forecast for the Fiscal Year Ending December 31, 2017

Carna Biosciences has revised its consolidated results forecast for the fiscal year ending December 31, 2017 (January 1, 2017 to December 31, 2017) announced on February 10, 2017.

1. Revised consolidated results forecast

The consolidated results forecast for the fiscal year ending December 31, 2017 (January 1, 2017 to December 31, 2017) has been revised as below.

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net profit per share
Previous Forecast (A)	1,440	39	35	6	0.71 yen
Revised Forecast (B)	701	(727)	(738)	(766)	(82.12)yen
Change from Previous Forecast (B-A)	-738	-767	-774	-773	
Change from Previous Forecast (%)	-51.3%	—	—	—	
(Ref.) December 31, 2016 Actual Results (Previous Year)	811	(423)	(440)	(289)	(31.64) yen

2. Reason of the revision

Carna Biosciences has revised its full year consolidated sales forecast to 701 million yen. Sales forecast for the Drug Discovery Support business was revised to 701 million yen from 1,000 million yen and sales forecast for the Drug Discovery and Development business was revised to zero from 440 million yen.

At the Drug Discovery and Development business, we decided to revise our forecast because we concluded that it would be difficult to receive the expected milestone payment of 440 million yen within this fiscal year for SRA141 that Carna out-licensed to Sierra Oncology, Inc. Sierra is currently conducting preclinical research for SRA141 as initially planned, aiming to expand its pipeline targeting DNA Damage Response (DDR). However, given its near-term focus on broadening the development program for its lead asset SRA737, Sierra rescheduled the development timeline of SRA141, and the IND submission has been postponed until next year. We decided to revise our forecast, examining the current development status of SRA141 and other revenue from the Drug Discovery and Development business.

At the Drug Discovery Support business, in order to achieve sales target of 1,000 million yen, we focused on the marketing activity to win large scale contract for DGK assay kits from major pharmaceutical companies and biotech companies mainly in North America. As a result of our efforts, such as providing DGK proteins and smaller scale assay kits, we expect to receive medium scale orders within this fiscal year. However, we currently expect that it would be difficult to achieve 220 million sales target for DGK assay kits and decided to revise our sales forecast for North America to 238 million yen, down 48.9 % compared to the previous forecast and up 19.4% compared to the previous fiscal year. In Japan, sales from profiling services provided to Ono Pharmaceutical are expected to fall short of the initial plan. As a result, we decided to revise sales forecast for Japan to 366 million yen, down 14.1% compared to the previous forecast and down 12.5% compared to the previous fiscal year. We also revised sales forecast for Europe to 70 million yen, down 16.8% compared to the previous forecast and down 2.0% compared to the previous fiscal year and revised sales forecast for other region to 26 million yen, up 18.5% compared to the previous forecast and up 19.6% compared to the previous fiscal year.

For operating income, we initially expected 39 million yen at consolidated level, 443 million yen from the Drug Discovery Support business and loss of 403 million yen from the Drug Discovery and Development business. However, after careful consideration, we decided to revise our consolidated operating profit forecast to operating loss of 727 million yen. By segment, we now expect operating profit of 173 million yen for the Drug Discovery Support business, down 270 million yen from the previous forecast, mainly due to a decline in gross profit caused by the lower than expected sales. For the Drug Discovery and Development business, we now expect operating loss of 901 million yen mainly due to a lack of milestone payment from Sierra.

As a result, we now expect ordinary loss of 738 million yen after considering non-operating income and expenses and net loss attributable to owners of parent of 766 million yen.

We expect to receive milestone payment from Sierra in FY2018 since preclinical research of SRA141 is advancing as expected. For DGK assay kits in North America, we plan to strengthen our marketing activity in an effort to expand the expected medium scale contracts to large scale contract.

We plan to reduce unnecessary expenses thoroughly. At the same time, we continue to advance preclinical trials and lead optimization of our compounds. We also aim to initiate in-house clinical trials and to out-license our pipeline in order to maximize our corporate value.

* The forward-looking statements in this document have been prepared based on information available at the time of the issuance of this release as well as on the certain assumptions considered by the management to be reasonable. Actual results may differ from this forecast due to variety of factors.

This document is an English translation of the Japanese original released on November 10, 2017.