

Consolidated Financial Results for the First Quarter of the Year Ending December 31, 2018

[Japanese GAAP]

May 11, 2018

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: May 14, 2018
 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, 2018

(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, 2018 | 211 | 7.7 | (188) | – | (191) | – | (194) | – |
| Three months ended March 31, 2017 | 196 | (13.0) | (113) | – | (113) | – | (118) | – |

Note: Comprehensive income Three months ended March 31, 2018: (198) million yen (–%)

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

| | Basic earnings per share | | Diluted earnings per share | |
|-----------------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Three months ended March 31, 2018 | (20.36) | | – | |
| Three months ended March 31, 2017 | (12.80) | | – | |

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio |
|-------------------------|-----------------|-----------------|-----------------------|
| | Millions of yen | Millions of yen | % |
| As of March 31, 2018 | 2,226 | 1,179 | 52.3 |
| As of December 31, 2017 | 2,190 | 1,377 | 62.2 |

Reference: Shareholders' equity As of March 31, 2018: 1,164 million yen As of Dec. 31, 2017: 1,362 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 |
| FY2017 | – | 0.00 | – | 0.00 | 0.00 |
| FY2018 | – | – | – | – | – |
| FY2018 (Forecast) | – | 0.00 | – | 0.00 | 0.00 |

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

3. Consolidated Financial Forecast for FY2018 (January 1, 2018 to December 31, 2018)

(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 |
| FY2018 | 1,190 | 81.1 | (679) | – | (694) | – | (758) | – | (79.39) |

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, 2018: 9,551,300 shares As of Dec. 31, 2017: 9,551,300 shares

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

As of March 31, 2018: 44 shares As of Dec. 31, 2017: 44 shares

3) Average number of shares outstanding during the period

First quarter of FY2018: 9,551,256 shares First quarter of FY2017: 9,269,218 shares

* This financial report is exempt from quarterly review procedures by auditors.

* 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) | |
|--------------------------------|---------------------------------|--|
| | FY2017 (As of Dec. 31, 2017) | First quarter of FY2018 (As of Mar. 31, 2018) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,856,218 | 1,848,665 |
| Accounts receivable–trade | 92,283 | 127,327 |
| Merchandise and finished goods | 82,650 | 78,312 |
| Work in process | 4,847 | 9,616 |
| Raw materials and supplies | 30,469 | 60,826 |
| Other | 67,779 | 48,891 |
| Total current assets | 2,134,250 | 2,173,640 |
| Non-current assets | | |
| Property, plant and equipment | 20,381 | 18,122 |
| Intangible assets | 405 | 349 |
| Investments and other assets | 35,349 | 34,530 |
| Total non-current assets | 56,136 | 53,002 |
| Total assets | 2,190,386 | 2,226,643 |

| | (Thousands of yen) | |
|---|---------------------------------|--|
| | FY2017 (As of Dec. 31, 2017) | First quarter of FY2018 (As of Mar. 31, 2018) |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable–trade | 3,026 | 5,872 |
| Current portion of bonds | 28,000 | 28,000 |
| Current portion of long-term loans payable | 153,997 | 262,330 |
| Accounts payable–other | 124,727 | 92,104 |
| Income taxes payable | 19,259 | 6,550 |
| Other | 12,956 | 12,265 |
| Total current liabilities | 341,966 | 407,122 |
| Non-current liabilities | | |
| Bonds payable | 144,000 | 130,000 |
| Long-term loans payable | 298,122 | 481,159 |
| Asset retirement obligations | 26,179 | 26,310 |
| Other | 2,209 | 2,167 |
| Total non-current liabilities | 470,511 | 639,636 |
| Total liabilities | 812,477 | 1,046,759 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 3,226,487 | 3,226,487 |
| Capital surplus | 2,044,512 | 2,044,512 |
| Retained earnings | (3,906,897) | (4,101,378) |
| Treasury shares | (99) | (99) |
| Total shareholders' equity | 1,364,003 | 1,169,521 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (55) | (367) |
| Foreign currency translation adjustment | (1,131) | (4,363) |
| Total accumulated other comprehensive income | (1,186) | (4,730) |
| Subscription rights to shares | 15,092 | 15,092 |
| Total net assets | 1,377,908 | 1,179,883 |
| Total liabilities and net assets | 2,190,386 | 2,226,643 |

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

| | (Thousands of yen) | |
|--|--|--|
| | First three months of FY2017 (Jan. 1 – Mar. 31, 2017) | First three months of FY2018 (Jan. 1 – Mar. 31, 2018) |
| Net sales | 196,020 | 211,132 |
| Cost of sales | 64,903 | 65,297 |
| Gross profit | 131,117 | 145,835 |
| Selling, general and administrative expenses | 244,767 | 334,709 |
| Operating loss | (113,649) | (188,874) |
| Non-operating income | | |
| Interest income | 17 | 8 |
| Dividend income | 88 | 90 |
| Subsidy income | 2,909 | — |
| Grant income | — | 246 |
| Foreign exchange gains | — | 219 |
| Other | 607 | 74 |
| Total non-operating income | 3,623 | 639 |
| Non-operating expenses | | |
| Interest expenses | 1,821 | 2,623 |
| Guarantee commission | 469 | 462 |
| Foreign exchange losses | 927 | — |
| Other | 347 | 14 |
| Total non-operating expenses | 3,565 | 3,099 |
| Ordinary loss | (113,591) | (191,334) |
| Extraordinary losses | | |
| Impairment loss | 4,467 | 2,172 |
| Total extraordinary losses | 4,467 | 2,172 |
| Loss before income taxes | (118,059) | (193,506) |
| Income taxes-current | 632 | 1,016 |
| Income taxes-deferred | (45) | (41) |
| Total income taxes | 586 | 974 |
| Loss | (118,646) | (194,481) |
| Loss attributable to owners of parent | (118,646) | (194,481) |

Consolidated Statement of Comprehensive Income

| | (Thousands of yen) | |
|---|--|--|
| | First three months of FY2017 (Jan. 1 – Mar. 31, 2017) | First three months of FY2018 (Jan. 1 – Mar. 31, 2018) |
| Loss | (118,646) | (194,481) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 16 | (311) |
| Foreign currency translation adjustment | (2,440) | (3,231) |
| Total other comprehensive income | (2,424) | (3,543) |
| Comprehensive income | (121,070) | (198,024) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (121,070) | (198,024) |

(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.