

## Consolidated Financial Results for the Year Ended December 31, 2018

[Japanese GAAP]

February 8, 2019

Company name: Carna Biosciences, Inc. Stock Exchange listing: Tokyo Stock Exchange(JASDAQ Growth)  
 Stock code: 4572 URL: <https://www.carnabio.com/english/>  
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 Scheduled date of Annual General Shareholders' Meeting: March 26, 2019  
 Scheduled date of dividend payment: –  
 Scheduled date of Annual Securities Report filing: March 27, 2019  
 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 FY2018 (from January 1, 2018 to December 31, 2018)

(1) Consolidated operating results (Percentages show changes from the same period of the previous fiscal year)

|        | Net sales       |        | Operating income |   | Ordinary income |   | Profit attributable to owners of parent |   |
|--------|-----------------|--------|------------------|---|-----------------|---|---|---|
|        | Millions of yen | %      | Millions of yen  | % | Millions of yen | % | Millions of yen                         | % |
| FY2018 | 754             | 14.8   | (1,144)          | – | (1,159)         | – | (1,210)                                 | – |
| FY2017 | 657             | (19.0) | (699)            | – | (711)           | – | (737)                                   | – |

Note: Comprehensive income FY2018: (1,212) million yen (–%) FY2017: (738) million yen (–%)

|        | Profit per share | Diluted profit per share | Return on equity | Return on assets | Operating income to net sales |
|--------|------------------|--------------------------|------------------|------------------|-------------------------------|
|        | Yen              | Yen                      | %                | %                | %                             |
| FY2018 | (125.02)         | –                        | (107.9)          | (58.5)           | (151.7)                       |
| FY2017 | (78.53)          | –                        | (47.6)           | (29.9)           | (106.3)                       |

Reference: Equity in earnings (losses) of associates FY2018: – FY2017: –

### (2) Consolidated financial position

|                     | Total assets    | Net assets      | Shareholder' equity ratio | Net assets per share |
|---------------------|-----------------|-----------------|---------------------------|----------------------|
|                     | Millions of yen | Millions of yen | %                         | Yen                  |
| As of Dec. 31, 2018 | 1,770           | 887             | 49.7                      | 86.83                |
| As of Dec. 31, 2017 | 2,190           | 1,377           | 62.2                      | 142.68               |

Reference: Shareholders' equity As of Dec. 31, 2018: 880 million yen As of Dec. 31, 2017: 1,362 million yen

### (3) Consolidated cash flows

|        | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of the fiscal year |
|--------|--------------------------------------|--------------------------------------|--------------------------------------|---|
|        | Millions of yen                      | Millions of yen                      | Millions of yen                      | Millions of yen                                     |
| FY2018 | (1,128)                              | (58)                                 | 687                                  | 1,355   |
| FY2017 | (561)                                | (38)                                 | 295                                  | 1,856   |

## 2. Dividends

|                   | Dividend per share             |                                |                                |          |       | Total cash dividends | Dividend payout ratio (consolidated) | Dividends on equity (consolidated) |
|-------------------|--------------------------------|--------------------------------|--------------------------------|----------|-------|----------------------|--------------------------------------|------------------------------------|
|                   | End of 1 <sup>st</sup> quarter | End of 2 <sup>nd</sup> quarter | End of 3 <sup>rd</sup> quarter | Year-end | Total |                      |                                      |                                    |
|                   | Yen                            | Yen                            | Yen                            | Yen      | Yen   | Millions of yen      | %                                    | %                                  |
| FY2017            | –                              | 0.00                           | –                              | 0.00     | 0.00  | –                    | –                                    | –                                  |
| FY2018            | –                              | 0.00                           | –                              | 0.00     | 0.00  | –                    | –                                    | –                                  |
| FY2019 (Forecast) | –                              | 0.00                           | –                              | 0.00     | 0.00  | –                    | –                                    | –                                  |

## 3. Consolidated Financial Forecast for FY2019 (January 1, 2019 to December 31, 2019)

(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 | 1,240           | 64.3 | (1,658)          | – | (1,671)         | – | (1,693)                                 | – | (166.03)         |

**\* Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in the scope of consolidation): None
- (2) Changes in accounting policies, accounting estimates and restatements
- 1) Changes in accounting policies due to revisions in accounting standards, etc.: Yes
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Restatements: None
- (3) Number of shares outstanding (common stock)
- 1) Number of shares outstanding at the end of the period (including treasury stock)  
As of Dec. 31, 2018: 10,139,600 shares As of Dec. 31, 2017: 9,551,300 shares
  - 2) Number of treasury stock at the end of the period  
As of Dec. 31, 2018: 2,065 shares As of Dec. 31, 2017: 44 shares
  - 3) Average number of shares outstanding during the period  
FY2018: 9,683,190 shares FY2017: 9,388,725 shares

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for FY 2018 (from January 1, 2018 to December 31, 2018)**

(1) Non-consolidated operating results (Percentages show changes from the same period of the previous fiscal year)

|        | Net sales       |        | Operating income |   | Ordinary income |   | Profit          |   |
|--------|-----------------|--------|------------------|---|-----------------|---|-----------------|---|
|        | Millions of yen | %      | Millions of yen  | % | Millions of yen | % | Millions of yen | % |
| FY2018 | 640             | 14.3   | (1,142)          | — | (1,156)         | — | (1,199)         | — |
| FY2017 | 560             | (23.1) | (692)            | — | (703)           | — | (762)           | — |

|        | Profit per share |     | Diluted profit per share |     |
|--------|------------------|-----|--------------------------|-----|
|        | Yen              | Yen | Yen                      | Yen |
| FY2018 | (123.85)         | —   | —                        | —   |
| FY2017 | (81.26)          | —   | —                        | —   |

(2) Non-consolidated financial position

|                     | Total assets    | Net assets      | Shareholder' equity ratio | Net assets per share |
|---------------------|-----------------|-----------------|---------------------------|----------------------|
|                     | Millions of yen | Millions of yen | %                         | Yen                  |
| As of Dec. 31, 2018 | 1,780           | 900             | 50.1                      | 88.07                |
| As of Dec. 31, 2017 | 2,185           | 1,377           | 62.4                      | 142.66               |

Reference: Shareholders' equity As of Dec. 31, 2018: 892 million yen As of Dec. 31, 2017: 1,362 million yen

\* This financial report is exempt from audit 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****(1) Consolidated Balance Sheet**

(Thousands of yen)

|  | FY2017<br>(As of Dec. 31, 2017) | FY2018<br>(As of Dec. 31, 2018) |
|--|---------------------------------|---------------------------------|
| <b>Assets</b>                              |                                 |                                 |
| Current assets                             |                                 |                                 |
| Cash and deposits                          | 1,856,218                       | 1,355,254                       |
| Accounts receivable–trade                  | 92,283                          | 87,881                          |
| Merchandise and finished goods             | 82,650                          | 75,040                          |
| Work in process                            | 4,847                           | 3,342                           |
| Raw materials and supplies                 | 30,469                          | 32,398                          |
| Other                                      | 67,779                          | 117,671                         |
| <b>Total current assets</b>                | <b>2,134,250</b>                | <b>1,671,589</b>                |
| Non-current assets                         |                                 |                                 |
| Property, plant and equipment              |                                 |                                 |
| Buildings and structures, net              | 9,132                           | 7,384                           |
| Machinery, equipment and vehicles, net     | 45                              | 36                              |
| <b>Total property, plant and equipment</b> | <b>11,203</b>                   | <b>11,309</b>                   |
| <b>Total property, plant and equipment</b> | <b>20,381</b>                   | <b>18,729</b>                   |
| Intangible assets                          | 405                             | 183                             |
| <b>Total investments and other assets</b>  | <b>35,349</b>                   | <b>79,587</b>                   |
| <b>Total non-current assets</b>            | <b>56,136</b>                   | <b>98,501</b>                   |
| <b>Total assets</b>                        | <b>2,190,386</b>                | <b>1,770,090</b>                |

(Thousands of yen)

|   | FY2017<br>(As of Dec. 31, 2017) | FY2018<br>(As of Dec. 31, 2018) |
|---|---------------------------------|---------------------------------|
| <b>Liabilities</b>                                    |                                 |                                 |
| Current liabilities                                   |                                 |                                 |
| Accounts payable–trade                                | 3,026                           | 478                             |
| Current portion of bonds                              | 28,000                          | 28,000                          |
| Current portion of long-term loans payable            | 153,997                         | 204,814                         |
| Accounts payable-other                                | 124,727                         | 134,988                         |
| Income taxes payable                                  | 19,259                          | 19,399                          |
| Other   | 12,956                          | 12,458                          |
| Total current liabilities                             | 341,966                         | 400,139                         |
| Non-current liabilities                               |                                 |                                 |
| Bonds payable   | 144,000                         | 116,000                         |
| Long-term loans payable                               | 298,122                         | 337,755                         |
| Asset retirement obligations                          | 26,179                          | 26,700                          |
| Other   | 2,209                           | 2,041                           |
| Total non-current liabilities                         | 470,511                         | 482,497                         |
| Total liabilities                                     | 812,477                         | 882,636                         |
| <b>Net assets</b>                                     |                                 |                                 |
| Shareholders' equity                                  |                                 |                                 |
| Capital stock   | 3,226,487                       | 3,591,568                       |
| Capital surplus                                       | 2,044,512                       | 2,409,593                       |
| Retained earnings                                     | (3,906,897)                     | (5,117,482)                     |
| Treasury shares                                       | (99)                            | (117)                           |
| Total shareholders' equity                            | 1,364,003                       | 883,563                         |
| Accumulated other comprehensive income                |                                 |                                 |
| Valuation difference on available-for-sale securities | (55)                            | (758)                           |
| Foreign currency translation adjustment               | (1,131)                         | (2,567)                         |
| Total accumulated other comprehensive income          | (1,186)                         | (3,326)                         |
| Subscription rights to shares                         | 15,092                          | 7,216                           |
| Total net assets                                      | 1,377,908                       | 887,453                         |
| Total liabilities and net assets                      | 2,190,386                       | 1,770,090                       |

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

(Thousands of yen)

|  | FY2017<br>(Jan. 1 - Dec. 31, 2017) | FY2018<br>(Jan. 1 - Dec. 31, 2018) |
|--|------------------------------------|------------------------------------|
| Net sales                                      | 657,516                            | 754,691                            |
| Cost of sales                                  | 222,502                            | 250,699                            |
| Gross profit                                   | 435,013                            | 503,992                            |
| Selling, general and administrative expenses   | 1,134,074                          | 1,648,511                          |
| Operating income (loss)                        | (699,060)                          | (1,144,519)                        |
| Non-operating income                           |                                    |                                    |
| Interest income                                | 40                                 | 16                                 |
| Dividend income                                | 358                                | 367                                |
| Subsidy income                                 | 5,381                              | —                                  |
| Grant income                                   | —                                  | 446                                |
| Other  | 807                                | 285                                |
| Total non-operating income                     | 6,587                              | 1,115                              |
| Non-operating expenses                         |                                    |                                    |
| Interest expenses                              | 6,901                              | 10,628                             |
| Guarantee commission                           | 1,872                              | 1,843                              |
| Share issuance cost                            | 1,858                              | 2,887                              |
| Issuance cost of subscription rights to shares | 6,178                              | —                                  |
| Foreign exchange losses                        | 2,133                              | 387                                |
| Other  | 78                                 | 73                                 |
| Total non-operating expenses                   | 19,023                             | 15,820                             |
| Ordinary income (loss)                         | (711,496)                          | (1,159,223)                        |
| Extraordinary losses                           |                                    |                                    |
| Impairment loss                                | 21,884                             | 47,575                             |
| Total extraordinary losses                     | 21,884                             | 47,575                             |
| Profit (loss) before income taxes              | (733,380)                          | (1,206,799)                        |
| Income taxes-current                           | 4,065                              | 3,941                              |
| Income taxes-deferred                          | (181)                              | (167)                              |
| Total income taxes                             | 3,883                              | 3,773                              |
| Profit (loss)                                  | (737,264)                          | (1,210,573)                        |
| Profit (loss) attributable to owners of parent | (737,264)                          | (1,210,573)                        |

**Consolidated Statement of Comprehensive Income**

|   | (Thousands of yen)                 |                                    |
|---|------------------------------------|------------------------------------|
|   | FY2017<br>(Jan. 1 – Dec. 31, 2017) | FY2018<br>(Jan. 1 – Dec. 31, 2018) |
| Profit (Loss)   | (737,264)                          | (1,210,573)                        |
| Other comprehensive income                            |                                    |                                    |
| Valuation difference on available-for-sale securities | (113)                              | (703)                              |
| Foreign currency translation adjustment               | (1,590)                            | (1,435)                            |
| Total other comprehensive income                      | (1,703)                            | (2,139)                            |
| Comprehensive income                                  | (738,967)                          | (1,212,712)                        |
| Comprehensive income attributable to owners of parent | (738,967)                          | (1,212,712)                        |

**(3) Consolidated Statement of Changes in Equity**

FY2017 (Jan. 1 – Dec. 31, 2017)

(Thousands of yen)

|  | Shareholders' equity |                                     |                 |                   |                            |
|--|----------------------|-------------------------------------|-----------------|-------------------|----------------------------|
|  | Capital stock        | Deposit for subscriptions to shares | Capital surplus | Retained earnings | Total shareholders' equity |
| Balance at beginning of current period                           | 3,042,759            | 1,860,826                           | (3,169,633)     | —                 | 1,733,952                  |
| Changes of items during period                                   |                      |                                     |                 |                   |                            |
| Issuance of new shares—exercise of subscription rights to shares | 183,728              | 183,686                             |                 |                   | 367,414                    |
| Profit (loss) attributable to owners of parent                   |                      |                                     | (737,264)       |                   | (737,264)                  |
| Acquisition of treasury shares                                   |                      |                                     |                 | (99)              | (99)                       |
| Net changes of items other than shareholders' equity             |                      |                                     |                 |                   |                            |
| Total changes of items during period                             | 183,728              | 183,686                             | (737,264)       | (99)              | (369,948)                  |
| Balance at end of current period                                 | 3,226,487            | 2,044,512                           | (3,906,897)     | (99)              | 1,364,003                  |

|  | Accumulated other comprehensive income                |   |  | Subscription rights to shares | Total net assets |
|--|---|---|--|-------------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income |                               |                  |
| Balance at beginning of current period                           | 57  | 459                                     | 516  | 4,853                         | 1,739,321        |
| Changes of items during period                                   |   |   |  |                               |                  |
| Issuance of new shares-exercise of subscription rights to shares |   |   |  |                               | 367,414          |
| Profit (loss) attributable to owners of parent                   |   |   |  |                               | (737,264)        |
| Purchase of treasury shares                                      |   |   |  |                               | (99)             |
| Net changes of items other than shareholders' equity             | (113)   | (1,590)                                 | (1,703)                                      | 10,239                        | 8,535            |
| Total changes of items during period                             | (113)   | (1,590)                                 | (1,703)                                      | 10,239                        | (361,413)        |
| Balance at end of current period                                 | (55)  | (1,131)                                 | (1,186)                                      | 15,092                        | 1,377,908        |



FY2018 (Jan. 1 – Dec. 31, 2018)

(Thousands of yen)

|  | Shareholders' equity |                                     |                 |                   |                            |
|--|----------------------|-------------------------------------|-----------------|-------------------|----------------------------|
|  | Capital stock        | Deposit for subscriptions to shares | Capital surplus | Retained earnings | Total shareholders' equity |
| Balance at beginning of current period                           | 3,226,487            | 2,044,512                           | (3,906,897)     | (99)              | 1,364,003                  |
| Changes of items during period                                   |                      |                                     |                 |                   |                            |
| Issuance of new shares   | 47,210               | 47,210                              |                 |                   | 94,421                     |
| Issuance of new shares—exercise of subscription rights to shares | 317,870              | 317,870                             |                 |                   | 635,740                    |
| Profit (loss) attributable to owners of parent                   |                      |                                     | (1,210,573)     |                   | (1,210,573)                |
| Acquisition of treasury shares                                   |                      |                                     |                 | (62)              | (62)                       |
| Disposal of treasury shares                                      |                      | (10)                                |                 | 45                | 34                         |
| Transfer of loss on disposal of treasury shares                  |                      | 10                                  | (10)            |                   |                            |
| Net changes of items other than shareholders' equity             |                      |                                     |                 |                   |                            |
| Total changes of items during period                             | 365,081              | 365,081                             | (1,210,584)     | (17)              | (480,439)                  |
| Balance at end of current period                                 | 3,591,568            | 2,409,593                           | (5,117,482)     | (117)             | 883,563                    |

|  | Accumulated other comprehensive income                |   |  | Subscription rights to shares | Total net assets |
|--|---|---|--|-------------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income |                               |                  |
| Balance at beginning of current period                           | (55)  | (1,131)                                 | (1,186)                                      | 15,092                        | 1,377,908        |
| Changes of items during period                                   |   |   |  |                               |                  |
| Issuance of new shares   |   |   |  |                               | 94,421           |
| Issuance of new shares—exercise of subscription rights to shares |   |   |  |                               | 635,740          |
| Profit (loss) attributable to owners of parent                   |   |   |  |                               | (1,210,573)      |
| Acquisition of treasury shares                                   |   |   |  |                               | (62)             |
| Disposal of treasury shares                                      |   |   |  |                               | 34               |
| Transfer of loss on disposal of treasury shares                  |   |   |  |                               |                  |
| Net changes of items other than shareholders' equity             | (703)   | (1,435)                                 | (2,139)                                      | (7,876)                       | (10,015)         |
| Total changes of items during period                             | (703)   | (1,435)                                 | (2,139)                                      | (7,876)                       | (490,455)        |
| Balance at end of current period                                 | (758)   | (2,567)                                 | (3,326)                                      | 7,216                         | 887,453          |

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

|   | FY2017<br>(Jan. 1 – Dec. 31, 2017) | FY2018<br>(Jan. 1 – Dec. 31, 2018) |
|---|------------------------------------|------------------------------------|
| <b>Cash flows from operating activities</b>   |                                    |                                    |
| Profit (loss) before income taxes   | (733,380)                          | (1,206,799)                        |
| Depreciation  | 12,114                             | 12,716                             |
| Impairment loss   | 21,884                             | 47,575                             |
| Interest income   | (40)                               | (16)                               |
| Dividend income   | (358)                              | (367)                              |
| Interest expenses   | 6,901                              | 10,628                             |
| Foreign exchange losses (gains)   | 1,414                              | 1,493                              |
| Subsidy income  | (5,381)                            | —                                  |
| Grant income  | —                                  | (446)                              |
| Share issuance cost   | 1,858                              | 2,887                              |
| Issuance cost of subscription rights to shares  | 6,178                              | —                                  |
| Decrease (increase) in notes and accounts receivable–trade                                | 29,531                             | 3,778                              |
| Decrease (increase) in inventories  | 3,925                              | 7,186                              |
| Increase (decrease) in notes and accounts payable–trade                                   | (482)                              | (2,534)                            |
| Increase (decrease) in accounts payable–other   | 67,168                             | 10,234                             |
| Other, net  | 22,368                             | (19)                               |
| Subtotal  | (566,297)                          | (1,113,681)                        |
| Interest income received  | 40                                 | 16                                 |
| Interest expenses paid  | (6,872)                            | (10,739)                           |
| Income taxes (paid) refund  | 11,824                             | (4,068)                            |
| Other   | 250                                | 446                                |
| Net cash provided by (used in) operating activities                                       | (561,055)                          | (1,128,026)                        |
| <b>Cash flows from investing activities</b>   |                                    |                                    |
| Purchase of property, plant and equipment   | (38,013)                           | (58,314)                           |
| Purchase of intangible assets   | (117)                              | —                                  |
| Cash flows from investing activities  | (38,131)                           | (58,314)                           |
| <b>Cash flows from financing activities</b>   |                                    |                                    |
| Proceeds from long-term loans payable   | 100,000                            | 350,000                            |
| Repayments of long-term loans payable   | (145,600)                          | (259,550)                          |
| Redemption of bonds   | (28,028)                           | (28,028)                           |
| Proceeds from issuance of shares resulting from exercise of subscription rights to shares | 7,930                              | —                                  |
| Other   | 361,611                            | 625,128                            |
| Net cash provided by (used in) financing activities                                       | (99)                               | (28)                               |
| Net cash provided by (used in) financing activities                                       | 295,814                            | 687,522                            |
| Effect of exchange rate change on cash and cash equivalents                               | (1,595)                            | (2,144)                            |
| Net increase (decrease) in cash and cash equivalents                                      | (304,967)                          | (500,964)                          |
| Cash and cash equivalents at beginning of period  | 2,161,186                          | 1,856,218                          |
| Cash and cash equivalents at end of period  | 1,856,218                          | 1,355,254                          |

**(5) Notes to Consolidated Financial Statements****(Going Concern Assumption)**

Not applicable.

**(Segment Information)**

## 1. General information about reportable segments

The reportable segments of the Group are components of business activities for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Group is engaged in the Drug Discovery Support business and the Drug Discovery and Development business based on its drug discovery platform technologies. These two businesses are two reportable segments of the Group.

Main activities of the Drug Discovery Support business include sale of kinase proteins, assay development, and profiling and screening services. The Drug Discovery and Development business conducts research and development of kinase inhibitors and others.

## 2. Calculation methods for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as those used to prepare consolidated financial statements.

Segment profit (loss) for reportable segments are operating income figures in the consolidated statement of income.

## 3. Information about net sales, profit or loss, assets, liabilities, and other items for each reportable segment

FY2017 (Jan. 1 – Dec. 31, 2017)

(Thousands of yen)

|   | Reportable segment        |                                   |           | Adjustments<br>(Note 1) | Amounts recorded<br>in the consolidated<br>financial statements<br>(Note 2) |
|---|---------------------------|-----------------------------------|-----------|-------------------------|---|
|   | Drug Discovery<br>Support | Drug Discovery<br>and Development | Total     |                         |   |
| Net sales   |                           |                                   |           |                         |   |
| External sales  | 657,516                   | –                                 | 657,516   | –                       | 657,516   |
| Intersegment sales or<br>transfers                                    | –                         | –                                 | –         | –                       | –   |
| Total   | 657,516                   | –                                 | 657,516   | –                       | 657,516   |
| Segment profit  | 142,804                   | (841,864)                         | (699,060) | –                       | (699,060)   |
| Segment assets  | 293,448                   | 34,867                            | 328,316   | 1,862,070               | 2,190,386   |
| Other items   |                           |                                   |           |                         |   |
| Depreciation  | 6,712                     | 5,402                             | 12,114    | –                       | 12,114  |
| Increase in property, plant and<br>equipment and intangible<br>assets | 4,294                     | 14,579                            | 18,873    | –                       | 18,873  |

Notes: 1. The adjustment of 1,862,070 thousand yen to segment assets relates to the corporate assets and does not belong to any of the reportable segments. Corporate assets mainly consist of the Company's surplus funds (cash and deposits) and investment securities.

2. Segment profits are consistent with operating income shown on the consolidated statement of income.

FY2018 (Jan. 1 – Dec. 31, 2018)

(Thousands of yen)

|   | Reportable segment        |                                   |             | Adjustments<br>(Note 1) | Amounts recorded<br>in the consolidated<br>financial statements<br>(Note 2) |
|---|---------------------------|-----------------------------------|-------------|-------------------------|---|
|   | Drug Discovery<br>Support | Drug Discovery and<br>Development | Total       |                         |   |
| Net sales   |                           |                                   |             |                         |   |
| External sales  | 704,691                   | 50,000                            | 754,691     | —                       | 754,691   |
| Intersegment sales or<br>transfers                                    | —                         | —                                 | —           | —                       | —   |
| Total   | 704,691                   | 50,000                            | 754,691     | —                       | 754,691   |
| Segment profit (loss)   | 117,468                   | (1,261,987)                       | (1,144,519) | —                       | (1,144,519)   |
| Segment assets  | 286,190                   | 116,976                           | 403,167     | 1,366,922               | 1,770,090   |
| Other items   |                           |                                   |             |                         |   |
| Depreciation  | 7,992                     | 4,724                             | 12,716      | —                       | 12,716  |
| Increase in property, plant and<br>equipment and intangible<br>assets | 7,323                     | 51,101                            | 58,425      | —                       | 58,425  |

Notes: 1. The adjustment of 1,366,922 thousand yen to segment assets relates to the corporate assets and does not belong to any of the reportable segments. Corporate assets mainly consist of the Company's surplus funds (cash and deposits) and investment securities.

2. Segment profits (losses) are consistent with operating loss shown on the consolidated statement of income.

**(Per Share Information)**

(Yen)

| Item                    | FY2017<br>(Jan. 1 – Dec. 31, 2017) | FY2018<br>(Jan. 1 – Dec. 31, 2018) |
|-------------------------|------------------------------------|------------------------------------|
| Net assets per share    | 142.68                             | 86.83                              |
| Profit (loss) per share | (78.83)                            | (125.02)                           |

Notes: 1. Despite the existence of dilutive shares, diluted net income per share is not presented because net loss was posted.

2. Net income (loss) per share is calculated as follows:

(Thousands of yen)

| Item  | FY2017<br>(Jan. 1 – Dec. 31, 2017)   | FY2018<br>(Jan. 1 – Dec. 31, 2018)   |
|---|--|--|
| Profit (loss) attributable to owners of parent  | (737,264)  | (1,210,573)  |
| Profit (loss) not attributable to owner of common stock   | –  | –  |
| Profit (loss) attributable to owners of common stock of parent  | (737,264)  | (1,210,573)  |
| Average number of common stock outstanding during the period (Shares)   | 9,388,725  | 9,683,190  |
| Summary of dilutive shares not included in the calculation of diluted net income per share since there was no dilutive effect | 3 subscription rights to shares<br>(5,577 subscription rights)<br>(1,609,800 shares) | 3 subscription rights to shares<br>(5,020 subscription rights)<br>(1,088,800 shares) |

3. Net assets per share is calculated as follows.

(Thousands of yen)

| Item  | FY2017<br>(As of Dec. 31, 2017) | FY2018<br>(As of Dec. 31, 2017) |
|---|---------------------------------|---------------------------------|
| Total net assets  | 1,377,908                       | 887,453                         |
| Deduction from total net assets   | 15,092                          | 7,216                           |
| [of which subscription rights to shares]                                    | (15,092)                        | (7,216)                         |
| Net assets attributable to owners of common stock at end of period          | 1,362,816                       | 880,237                         |
| Number of common stock used in calculation of net assets per share (Shares) | 9,551,256                       | 10,137,535                      |

*This financial report is solely a summary and 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.*