

Consolidated Financial Results for the First Quarter of the Year Ending December 31, 2019

[Japanese GAAP]

May 13, 2019

Company name: Carna Biosciences, Inc. Stock Exchange listing: Tokyo Stock Exchange(JASDAQ Growth)
 Stock code: 4572 URL: <https://www.carnabio.com/english/>
 Representative: Kohichiro Yoshino, President and CEO
 Contact: Emi Yamamoto, Director, Business Administration Division TEL: +81-78-302-7075
 Scheduled submission of quarterly report: May 14, 2019
 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, 2019

(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, 2019	169	(19.5)	(233)	–	(235)	–	(236)	–
Three months ended March 31, 2018	211	7.7	(188)	–	(191)	–	(194)	–

Note: Comprehensive income Three months ended March 31, 2019: (236) million yen (–%)

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

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended March 31, 2019	(23.16)		–	
Three months ended March 31, 2018	(20.36)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of March 31, 2019	1,600	847	52.7
As of December 31, 2018	1,770	887	49.7

Reference: Shareholders' equity As of March 31, 2019: 842 million yen As of Dec. 31, 2018: 880 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	–	–	–	–	–
FY2019 (Forecast)	–	0.00	–	0.00	0.00

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

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
FY2019	1,240	64.3	(1,658)	–	(1,671)	–	(1,693)	–	(166.03)

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, 2019: 10,331,100 shares As of Dec. 31, 2018: 10,139,600 shares

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

As of March 31, 2019: 2,065 shares As of Dec. 31, 2018: 2,065 shares

3) Average number of shares outstanding during the period

First quarter of FY2019: 10,224,652 shares First quarter of FY2018: 9,551,256 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)	
	FY2018 (As of Dec. 31, 2018)	First quarter of FY2019 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	1,355,254	1,180,608
Accounts receivable–trade	87,881	100,993
Merchandise and finished goods	75,040	72,465
Work in process	3,342	3,381
Raw materials and supplies	32,398	29,622
Other	117,671	118,023
Total current assets	1,671,589	1,505,095
Non-current assets		
Property, plant and equipment	18,729	21,178
Intangible assets	183	170
Investments and other assets	79,587	74,522
Total non-current assets	98,501	95,871
Total assets	1,770,090	1,600,967

	(Thousands of yen)	
	FY2018 (As of Dec. 31, 2018)	First quarter of FY2019 (As of Mar. 31, 2019)
Liabilities		
Current liabilities		
Accounts payable–trade	478	224
Current portion of bonds	28,000	28,000
Current portion of long-term loans payable	204,814	186,148
Accounts payable–other	134,988	92,783
Income taxes payable	19,399	8,293
Other	12,458	12,335
Total current liabilities	400,139	327,786
Non-current liabilities		
Bonds payable	116,000	102,000
Long-term loans payable	337,755	295,011
Asset retirement obligations	26,700	26,833
Other	2,041	2,002
Total non-current liabilities	482,497	425,847
Total liabilities	882,636	753,633
Net assets		
Shareholders' equity		
Capital stock	3,591,568	3,691,074
Capital surplus	2,409,593	2,509,099
Retained earnings	(5,117,482)	(5,354,296)
Treasury shares	(117)	(117)
Total shareholders' equity	883,563	845,760
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(758)	(510)
Foreign currency translation adjustment	(2,567)	(2,253)
Total accumulated other comprehensive income	(3,326)	(2,764)
Subscription rights to shares	7,216	4,336
Total net assets	887,453	847,333
Total liabilities and net assets	1,770,090	1,600,967

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

	(Thousands of yen)	
	First three months of FY2018 (Jan. 1 – Mar. 31, 2018)	First three months of FY2019 (Jan. 1 – Mar. 31, 2019)
Net sales	211,132	169,964
Cost of sales	65,297	43,917
Gross profit	145,835	126,046
Selling, general and administrative expenses	334,709	359,166
Operating loss	(188,874)	(233,119)
Non-operating income		
Interest income	8	5
Dividend income	90	93
Grant income	246	—
Foreign exchange gains	219	530
Other	74	22
Total non-operating income	639	652
Non-operating expenses		
Interest expenses	2,623	2,074
Guarantee commission	462	455
Share issuance cost	—	858
Other	14	27
Total non-operating expenses	3,099	3,415
Ordinary loss	(191,334)	(235,883)
Extraordinary losses		
Impairment loss	2,172	—
Total extraordinary losses	2,172	—
Loss before income taxes	(193,506)	(235,883)
Income taxes-current	1,016	970
Income taxes-deferred	(41)	(38)
Total income taxes	974	931
Loss	(194,481)	(236,814)
Loss attributable to owners of parent	(194,481)	(236,814)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	First three months of FY2018 (Jan. 1 – Mar. 31, 2018)	First three months of FY2019 (Jan. 1 – Mar. 31, 2019)
Loss	(194,481)	(236,814)
Other comprehensive income		
Valuation difference on available-for-sale securities	(311)	248
Foreign currency translation adjustment	(3,231)	313
Total other comprehensive income	(3,543)	561
Comprehensive income	(198,024)	(236,252)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(198,024)	(236,252)

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.