

Consolidated Financial Results for the Year Ending December 31, 2023

[Japanese GAAP]

February 9, 2024

Company name: Carna Biosciences, Inc. Stock Exchange listing: Tokyo Stock Exchange(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 date of Annual General Shareholders' Meeting: March 26, 2024
 Scheduled date of Annual Securities Report filing: March 27, 2024

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the FY2023 (from January 1, 2023 to December 31, 2023)

(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	%
FY2023	1,625	17.2	(1,116)	—	(1,126)	—	(1,152)	—
FY2022	1,386	(31.3)	(1,269)	—	(1,278)	—	(1,349)	—

Note: Comprehensive income FY2023: (1,135) million yen (—%) FY2022: (1,331) million yen (—%)

	Profit per share	Diluted profit per share	Return on equity	Return on assets	Operating profit to net sales
	Yen	Yen	%	%	%
FY2023	(68.62)	—	(30.7)	(26.1)	(68.7)
FY2022	(99.10)	—	(34.0)	(26.4)	(91.6)

Reference: Equity in earnings (losses) of associates FY2023: — FY2022: —

(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, 2023	4,349	3,877	89.1	226.16
As of Dec. 31, 2022	4,266	3,641	85.0	255.04

Reference: Shareholders' equity As of Dec. 31, 2023: 3,877 million yen As of Dec. 31, 2022: 3,624 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
FY2023	(1,677)	(11)	1,182	2,889
FY2022	(708)	(125)	367	3,379

2. Dividends

	Dividend per share					Total cash dividends	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2022	—	0.00	—	0.00	0.00	—	—	—
FY2023	—	0.00	—	0.00	0.00	—	—	—
FY2024 (Forecast)	—	0.00	—	0.00	0.00	—	—	—

3. Consolidated Financial Forecast for FY2024 (January 1, 2024 to December 31, 2024)

(Percentages show changes from the same period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
FY2024	925	(43.0)	(2,201)	—	(2,208)	—	(2,225)	—	(129.81)

*** 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, 2023: 17,151,900 shares As of Dec. 31, 2022: 14,218,300 shares
 - 2) Number of treasury stock at the end of the period
As of Dec. 31, 2023: 7,124 shares As of Dec. 31, 2022: 7,124 shares
 - 3) Average number of shares outstanding during the period
FY2023: 16,800,084 shares FY2022: 13,617,341 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the FY 2023 (from January 1, 2023 to December 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2023	1,468	20.7	(1,170)	—	(1,176)	—	(1,184)	—
FY2022	1,216	(37.0)	(1,349)	—	(1,357)	—	(1,405)	—

	Profit per share	Diluted profit per share
	Yen	Yen
FY2023	(70.53)	—
FY2022	(103.20)	—

(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, 2023	4,086	3,624	88.7	211.43
As of Dec. 31, 2022	4,046	3,439	84.6	240.82

Reference: Shareholders' equity As of Dec. 31, 2023: 3,624 million yen As of Dec. 31, 2022: 3,422 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.

Contents

Consolidated Financial Statements.....2

 (1) Consolidated Balance Sheet.....2

 (2) Consolidated Statements of Income and Comprehensive Income4

 (3) Consolidated Statement of Changes in Equity.....6

 (4) Consolidated Statement of Cash Flows.....8

 (5) Notes to Consolidated Financial Statements.....9

 (Going Concern Assumption).....9

 (Segment Information)9

 (Per Share Information) 10

Consolidated Financial Statements**(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2022	FY2023
	(As of Dec. 31, 2022)	(As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	3,379,048	2,889,101
Accounts receivable–trade	182,426	788,195
Merchandise and finished goods	84,450	94,383
Work in process	5,918	12,390
Raw materials and supplies	28,163	33,367
Advance payments-trade	285,909	242,325
Other	138,399	131,719
Total current assets	4,104,316	4,191,484
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	29,421	30,036
Tools, furniture and fixtures, net	70,810	44,682
Lease assets, net	—	30,780
Total property, plant and equipment	100,231	105,498
Intangible assets	1,915	1,091
Investments and other assets	59,990	51,817
Total non-current assets	162,137	158,407
Total assets	4,266,453	4,349,891

	(Thousands of yen)	
	FY2022	FY2023
	(As of Dec. 31, 2022)	(As of Dec. 31, 2023)
Liabilities		
Current liabilities		
Accounts payable–trade	1,962	1,200
Current portion of bonds	32,000	—
Current portion of long-term borrowings	119,988	120,000
Lease obligations	—	6,569
Accounts payable-other	235,136	190,098
Income taxes payable	30,664	28,273
Other	16,654	29,779
Total current liabilities	436,407	375,921
Non-current liabilities		
Long-term borrowings	148,402	28,402
Lease obligations	—	28,000
Asset retirement obligations	38,040	38,657
Other	1,759	1,375
Total non-current liabilities	188,201	96,435
Total liabilities	624,609	472,356
Net assets		
Shareholders' equity		
Capital stock	1,382,246	2,076,474
Capital surplus	5,133,456	5,827,683
Retained earnings	(2,922,490)	(4,075,386)
Treasury shares	(222)	(222)
Total shareholders' equity	3,592,988	3,828,549
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2,373)	(2,722)
Deferred gains or losses on hedges	615	—
Foreign currency translation adjustment	33,225	51,709
Total accumulated other comprehensive income	31,467	48,986
Share acquisition rights	17,388	—
Total net assets	3,641,844	3,877,535
Total liabilities and net assets	4,266,453	4,349,891

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

	(Thousands of yen)	
	FY2022	FY2023
	(Jan. 1 – Dec. 31, 2022)	(Jan. 1 – Dec. 31, 2023)
Net sales	1,386,748	1,625,889
Cost of sales	171,550	175,293
Gross profit	1,215,197	1,450,595
Selling, general and administrative expenses	2,485,086	2,567,574
Operating profit (loss)	(1,269,888)	(1,116,978)
Non-operating income		
Interest income	147	170
Dividend income	411	426
Insurance income	1,957	—
Subsidy income	1,000	—
Foreign exchange gains	830	—
Other	1,243	159
Total non-operating income	5,590	756
Non-operating expenses		
Interest expenses	5,310	3,451
Guarantee commission	977	676
Share issuance costs	2,682	5,219
Issuance cost of subscription rights to shares	5,501	—
Foreign exchange losses	—	714
Other	49	0
Total non-operating expenses	14,522	10,061
Ordinary profit (loss)	(1,278,820)	(1,126,283)
Extraordinary losses		
Impairment loss	44,578	4,562
Total extraordinary losses	44,578	4,562
Profit (loss) before income taxes	(1,323,399)	(1,130,846)
Income taxes-current	26,262	22,161
Income taxes-deferred	(122)	(113)
Total income taxes	26,140	22,048
Profit (loss)	(1,349,539)	(1,152,895)
Profit (loss) attributable to owners of parent	(1,349,539)	(1,152,895)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY2022	FY2023
	(Jan. 1 – Dec. 31, 2022)	(Jan. 1 – Dec. 31, 2023)
Profit (Loss)	(1,349,539)	(1,152,895)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,742)	(349)
Deferred gains or losses on hedges	(5,962)	(615)
Foreign currency translation adjustment	25,384	18,483
Total other comprehensive income	17,678	17,518
Comprehensive income	(1,331,861)	(1,135,377)
Comprehensive income attributable to owners of parent	(1,331,861)	(1,135,377)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

FY2022 (Jan. 1 – Dec. 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,056,953	4,808,163	(1,572,951)	(222)	4,291,942
Changes of items during period					
Issuance of new shares	22,243	22,243			44,487
Issuance of new shares— exercise of share acquisition rights	303,049	303,049			606,098
Loss attributable to owners of parent			(1,349,539)		(1,349,539)
Net changes of items other than shareholders' equity					
Total changes of items during period	325,292	325,292	(1,349,539)	—	(698,954)
Balance at end of current period	1,382,246	5,133,456	(2,922,490)	(222)	3,592,988

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	(630)	6,578	7,841	13,789	9,840	4,315,572
Changes of items during period						
Issuance of new shares						44,487
Issuance of new shares - exercise of share acquisition rights						606,098
Loss attributable to owners of parent						(1,349,539)
Net changes of items other than shareholders' equity	(1,742)	(5,962)	25,384	17,678	7,548	25,226
Total changes of items during period	(1,742)	(5,962)	25,384	17,678	7,548	(673,727)
Balance at end of current period	(2,373)	615	33,225	31,467	17,388	3,641,844

FY2023 (Jan. 1 – Dec. 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,382,246	5,133,456	(2,922,490)	(222)	3,592,988
Changes of items during period					
Issuance of new shares	14,483	14,483			28,966
Issuance of new shares - exercise of share acquisition rights	679,744	679,744			1,359,489
Loss attributable to owners of parent			(1,152,895)		(1,152,895)
Net changes of items other than shareholders' equity					
Total changes of items during period	694,227	694,227	(1,152,895)	—	235,560
Balance at end of current period	2,076,474	5,827,683	(4,075,386)	(222)	3,828,549

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	(2,373)	615	33,225	31,467	17,388	3,641,844
Changes of items during period						
Issuance of new shares						28,966
Issuance of new shares - exercise of share acquisition rights						1,359,489
Loss attributable to owners of parent						(1,152,895)
Net changes of items other than shareholders' equity	(349)	(615)	18,483	17,518	(17,388)	130
Total changes of items during period	(349)	(615)	18,483	17,518	(17,388)	235,690
Balance at end of current period	(2,722)	—	51,709	48,986	—	3,877,535

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY2022 (Jan. 1 – Dec. 31, 2022)	FY2023 (Jan. 1 – Dec. 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	(1,323,399)	(1,130,846)
Depreciation	33,808	35,612
Impairment loss	44,578	4,562
Interest income	(147)	(170)
Dividend income	(411)	(426)
Interest expenses	5,310	3,451
Foreign exchange losses (gains)	(19,670)	(5,467)
Share-based compensation expenses	49,746	40,242
Insurance income	(1,957)	—
Subsidy income	(1,000)	—
Share issuance cost	2,682	5,219
Issuance cost of share acquisition rights	5,501	—
Decrease (increase) in notes and accounts receivable–trade	1,069,478	(599,720)
Decrease (increase) in inventories	(8,044)	(21,609)
Increase (decrease) in notes and accounts payable–trade	(331)	(762)
Increase (decrease) in accounts payable–other	(73,824)	(44,351)
Increase (decrease) in unearned revenue	(177,707)	—
Increase (decrease) in advanced payments	(285,188)	43,584
Other, net	(7,260)	29,790
Subtotal	(687,837)	(1,640,892)
Interest income received	147	170
Interest expenses paid	(5,128)	(3,365)
Income taxes (paid) refund	(18,529)	(33,377)
Other, net	2,957	—
Net cash provided by (used in) operating activities	(708,390)	(1,677,464)
Cash flows from investing activities		
Purchase of property, plant and equipment	(125,831)	(11,530)
Purchase of intangible asset	(170)	—
Other, net	305	154
Net cash provided by (used in) investing activities	(125,696)	(11,376)
Cash flows from financing activities		
Repayments of long-term loans payable	(211,497)	(119,988)
Redemption of bonds	(28,028)	(32,032)
Proceeds from issuance of share acquisition rights	5,707	—
Proceeds from issuance of shares resulting from exercise of share acquisition rights	600,824	1,343,338
Other, net	—	(9,290)
Net cash provided by (used in) financing activities	367,006	1,182,027
Effect of exchange rate change on cash and cash equivalents	28,293	16,865
Net increase (decrease) in cash and cash equivalents	(438,786)	(489,947)
Cash and cash equivalents at beginning of period	3,817,834	3,379,048
Cash and cash equivalents at end of period	3,379,048	2,889,101

(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 profit figures in the consolidated statement of income.

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

FY2022 (Jan. 1 – Dec. 31, 2022)

(Thousands of yen)

	Reportable segment			Adjustments (Note 1)	Amounts recorded in the consolidated financial statements (Note 2)
	Drug Discovery Support	Drug Discovery and Development	Total		
Net sales					
External sales	1,100,703	286,045	1,386,748	—	1,386,748
Intersegment sales or transfers	—	—	—	—	—
Total	1,100,703	286,045	1,386,748	—	1,386,748
Segment profit (loss)	452,752	(1,722,641)	(1,269,888)	—	(1,269,888)
Segment assets	685,179	373,032	1,058,211	3,208,242	4,266,453
Other items					
Depreciation	21,061	12,746	33,808	—	33,808
Increase in property, plant and equipment and intangible assets	57,508	68,492	126,001	—	126,001

Notes: 1. The adjustment of 3,208,242 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).

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

FY2023 (Jan. 1 – Dec. 31, 2023)

(Thousands of yen)

	Reportable segment			Adjustments (Note 1)	Amounts recorded in the consolidated financial statements (Note 2)
	Drug Discovery Support	Drug Discovery and Development	Total		
Net sales					
External sales	918,239	707,650	1,625,889	—	1,625,889
Intersegment sales or transfers	—	—	—	—	—
Total	918,239	707,650	1,625,889	—	1,625,889
Segment profit (loss)	225,567	(1,342,546)	(1,116,978)	—	(1,116,978)
Segment assets	632,776	1,018,036	1,650,812	2,699,078	4,349,891
Other items					
Depreciation	23,298	12,313	35,612	—	35,612
Increase in property, plant and equipment and intangible assets	39,369	5,180	44,550	—	44,550

Notes: 1. The adjustment of 2,699,078 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).

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

(Per Share Information)

(Yen)

Item	FY2022 (Jan. 1 – Dec. 31, 2022)	FY2023 (Jan. 1 – Dec. 31, 2023)
Net assets per share	255.04	226.16
Profit (loss) per share	(99.10)	(68.62)

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

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

(Thousands of yen)

Item	FY2022 (Jan. 1 – Dec. 31, 2022)	FY2023 (Jan. 1 – Dec. 31, 2023)
Profit (loss) attributable to owners of parent	(1,349,539)	(1,152,895)
Profit (loss) not attributable to owner of common stock	—	—
Profit (loss) attributable to owners of common stock of parent	(1,349,539)	(1,152,895)
Average number of common stock outstanding during the period (Shares)	13,617,341	16,800,084
Dilutive shares not included in the calculation of diluted net profit per share since there was no dilutive effect	No. of share acquisition rights: 2 (41,923 share acquisition rights) (4,192,300 shares)	—

3. Net assets per share is calculated as follows.

(Thousands of yen)

Item	FY2022 (As of Dec. 31, 2022)	FY2023 (As of Dec. 31, 2023)
Total net assets	3,641,844	3,877,535
Deduction from total net assets	17,388	—
[of which share acquisition rights]	(17,388)	(—)
Net assets attributable to owners of common stock at end of period	3,624,456	3,877,535
Number of common stock used in calculation of net assets per share (Shares)	14,211,176	17,144,776

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.