

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

[Japanese GAAP]

Aug 13, 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 submission of quarterly report: Aug 14, 2019
 Scheduled date of dividend payment : –
 Supplementary materials for financial results: Yes
 Financial results briefing: Yes

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended June 30, 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	%
Six months ended June 30, 2019	2,460	516.6	1,451	—	1,446	—	1,195	—
Six months ended June 30, 2018	399	22.1	(436)	—	(443)	—	(489)	—

Note: Comprehensive income Six months ended June 30, 2019: 1,193 million yen (–%)

Six months ended June 30, 2018: (491) million yen (–%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2019	113.86		112.54	
Six months ended June 31, 2018	(51.17)		—	

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2019	3,901	2,799	71.7
As of December 31, 2018	1,770	887	49.7

Reference: Shareholders' equity As of June 30, 2019: 2,795 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
FY2018	—	0.00	—	0.00	0.00
FY2019	—	0.00	—	—	—
FY2019 (Forecast)	—	—	—	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	3,038	302.6	313	—	279	—	214	—	20.12

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 June 30, 2019: 10,839,400 shares As of Dec. 31, 2018: 10,139,600 shares

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

As of June 30, 2019: 5,095 shares As of Dec. 31, 2018: 2,065 shares

3) Average number of shares outstanding during the period

Second quarter of FY2019: 10,502,334 shares Second quarter of FY2018: 9,569,425 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)	Second quarter of FY2019 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	1,355,254	1,324,819
Accounts receivable–trade	87,881	2,240,859
Merchandise and finished goods	75,040	70,326
Work in process	3,342	5,609
Raw materials and supplies	32,398	27,766
Other	117,671	116,365
Total current assets	1,671,589	3,785,747
Non-current assets		
Property, plant and equipment	18,729	21,144
Intangible assets	183	157
Investments and other assets	79,587	93,971
Total non-current assets	98,501	115,273
Total assets	1,770,090	3,901,020

	(Thousands of yen)	
	FY2018 (As of Dec. 31, 2018)	Second quarter of FY2019 (As of Jun. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable–trade	478	3,455
Current portion of bonds	28,000	28,000
Current portion of long-term loans payable	204,814	173,054
Accounts payable–other	134,988	225,530
Income taxes payable	19,399	260,019
Other	12,458	19,068
Total current liabilities	400,139	709,128
Non-current liabilities		
Bonds payable	116,000	102,000
Long-term loans payable	337,755	252,267
Asset retirement obligations	26,700	35,968
Other	2,041	1,964
Total non-current liabilities	482,497	392,200
Total liabilities	882,636	1,101,328
Net assets		
Shareholders' equity		
Capital stock	3,591,568	3,952,466
Capital surplus	2,409,593	2,770,491
Retained earnings	(5,117,482)	(3,921,668)
Treasury shares	(117)	(152)
Total shareholders' equity	883,563	2,801,137
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(758)	(279)
Foreign currency translation adjustment	(2,567)	(5,428)
Total accumulated other comprehensive income	(3,326)	(5,707)
Subscription rights to shares	7,216	4,263
Total net assets	887,453	2,799,692
Total liabilities and net assets	1,770,090	3,901,020

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

	(Thousands of yen)	
	First six months of FY2018 (Jan. 1 – Jun. 30, 2018)	First six months of FY2019 (Jan. 1 – June. 30, 2019)
Net sales	399,114	2,460,795
Cost of sales	110,275	90,029
Gross profit	288,839	2,370,765
Selling, general and administrative expenses	725,534	919,358
Operating profit/loss	(436,694)	1,451,407
Non-operating income		
Interest income	8	6
Dividend income	182	188
Grant income	246	—
Foreign exchange gains	—	2,542
Other	236	140
Total non-operating income	674	2,878
Non-operating expenses		
Interest expenses	5,611	3,901
Guarantee commission	924	910
Share issuance cost	557	2,883
Foreign exchange losses	5	—
Other	29	239
Total non-operating expenses	7,128	7,934
Ordinary profit/loss	(443,148)	1,446,350
Extraordinary losses		
Impairment loss	44,615	25,149
Total extraordinary losses	44,615	25,149
Profit/loss before income taxes	(487,764)	1,421,201
Income taxes-current	2,001	225,464
Income taxes-deferred	(83)	(77)
Total income taxes	1,917	225,387
Profit/loss	(489,682)	1,195,813
Profit/loss attributable to owners of parent	(489,682)	1,195,813

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	First six months of FY2018 (Jan. 1 – Jun. 30, 2018)	First six months of FY2019 (Jan. 1 – June. 30, 2019)
Profit/Loss	(489,682)	1,195,813
Other comprehensive income		
Valuation difference on available-for-sale securities	(497)	479
Foreign currency translation adjustment	(967)	(2,861)
Total other comprehensive income	(1,464)	(2,381)
Comprehensive income	(491,147)	1,193,431
Comprehensive income attributable to owners of parent	(491,147)	1,193,431

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	First six months of FY2018 (Jan. 1 - Jun. 30, 2018)	First six months of FY2019 (Jan. 1 - June. 30, 2019)
Cash flows from operating activities		
Profit (loss) before income taxes	(487,764)	1,421,201
Depreciation	7,170	3,727
Impairment loss	44,615	25,149
Interest income	(8)	(6)
Dividend income	(182)	(188)
Interest expenses	5,611	3,901
Share-based compensation expenses	5,245	20,216
Grant income	(246)	—
Share issuance cost	557	2,883
Foreign exchange losses (gains)	1,885	(617)
Decrease (increase) in notes and accounts receivable-trade	17,690	(2,154,205)
Decrease (increase) in inventories	(27,723)	7,078
Increase (decrease) in notes and accounts payable-trade	(1,924)	2,976
Increase (decrease) in accounts payable-other	(36,600)	94,684
Other, net	(13,928)	35,899
Subtotal	(485,603)	(537,300)
Interest income received	8	6
Interest expenses paid	(5,835)	(3,798)
Income taxes (paid) refund	(4,006)	(4,066)
Other	246	—
Net cash provided by (used in) operating activities	(495,190)	(545,158)
Cash flows from investing activities		
Purchase of property, plant and equipment	(49,759)	(27,211)
Sales of intangible assets	—	1,091
Cash flows from investing activities	(49,759)	(26,120)
Cash flows from financing activities		
Proceeds from long-term loans payable	350,000	—
Repayments of long-term loans payable	(128,371)	(117,248)
Redemption of bonds	(14,014)	(14,014)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	2,751	673,472
Other	(28)	(35)
Net cash provided by (used in) financing activities	210,337	542,174
Effect of exchange rate change on cash and cash equivalents	(2,044)	(1,331)
Net increase (decrease) in cash and cash equivalents	(336,656)	(30,435)
Cash and cash equivalents at beginning of period	1,856,218	1,355,254
Cash and cash equivalents at end of period	1,519,562	1,324,819

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.