

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

[Japanese GAAP]

November 8, 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: November 11, 2019
 Scheduled date of dividend payment: —
 Supplementary materials for financial results: Yes
 Financial results briefing: No

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended September 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	%
Nine months ended September 30, 2019	2,862	387.7	1,357	—	1,346	—	1,113	—
Nine months ended September 30, 2018	586	21.4	(762)	—	(773)	—	(822)	—

Note: Comprehensive income Nine months ended September 30, 2019: 1,112 million yen (—%)

Nine months ended September 30, 2018: (823) million yen (—%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended September 30, 2019	104.16		102.07	
Nine months ended September 30, 2018	(85.82)		—	

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	5,128	3,487	67.7
As of December 31, 2018	1,770	887	49.7

Reference: Shareholders' equity As of September 30, 2019: 3,473 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 September 30, 2019: 11,282,400 shares As of December 31, 2018: 10,139,600 shares

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

As of September 30, 2019: 5,095 shares As of December 31, 2018: 2,065 shares

3) Average number of shares outstanding during the period

Third quarter of FY2019: 10,686,332 shares Third quarter of FY2018: 9,589,498 shares

* This financial report is exempt from quarterly review 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 and Notes**(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2018 (As of Dec. 31, 2018)	Third quarter of FY2019 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	1,355,254	4,604,323
Accounts receivable–trade	87,881	185,881
Merchandise and finished goods	75,040	72,769
Work in process	3,342	3,698
Raw materials and supplies	32,398	28,014
Other	117,671	128,825
Total current assets	1,671,589	5,023,512
Non-current assets		
Property, plant and equipment	18,729	21,649
Intangible assets	183	286
Investments and other assets	79,587	82,868
Total non-current assets	98,501	104,804
Total assets	1,770,090	5,128,317

	(Thousands of yen)	
	FY2018 (As of Dec. 31, 2018)	Third quarter of FY2019 (As of Sep. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable–trade	478	7,555
Current portion of bonds	28,000	28,000
Current portion of long-term loans payable	204,814	270,972
Accounts payable–other	134,988	110,003
Income taxes payable	19,399	239,994
Other	12,458	448,342
Total current liabilities	400,139	1,104,867
Non-current liabilities		
Bonds payable	116,000	88,000
Long-term loans payable	337,755	409,527
Asset retirement obligations	26,700	36,112
Other	2,041	1,925
Total non-current liabilities	482,497	535,564
Total liabilities	882,636	1,640,432
Net assets		
Shareholders' equity		
Capital stock	3,591,568	4,332,118
Capital surplus	2,409,593	3,150,143
Retained earnings	(5,117,482)	(4,004,433)
Treasury shares	(117)	(152)
Total shareholders' equity	883,563	3,477,675
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(758)	(255)
Deferred gains or losses on hedges	—	(134)
Foreign currency translation adjustment	(2,567)	(3,349)
Total accumulated other comprehensive income	(3,326)	(3,739)
Subscription rights to shares	7,216	13,949
Total net assets	887,453	3,487,884
Total liabilities and net assets	1,770,090	5,128,317

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

	(Thousands of yen)	
	First nine months of FY2018 (Jan. 1 – Sep. 30, 2018)	First nine months of FY2019 (Jan. 1 – Sep. 30, 2019)
Net sales	586,862	2,862,260
Cost of sales	178,918	150,254
Gross profit	407,943	2,712,006
Selling, general and administrative expenses	1,170,699	1,354,991
Operating profit (loss)	(762,755)	1,357,015
Non-operating income		
Interest income	15	320
Dividend income	274	283
Grant income	246	—
Foreign exchange gains	—	6,211
Other	262	162
Total non-operating income	799	6,978
Non-operating expenses		
Interest expenses	8,245	5,628
Guarantee commission	1,384	1,362
Share issuance cost	557	5,078
Subscription rights to shares issuance cost	—	5,465
Foreign exchange losses	935	—
Other	56	330
Total non-operating expenses	11,179	17,864
Ordinary profit (loss)	(773,135)	1,346,129
Extraordinary losses		
Impairment loss	46,946	25,936
Total extraordinary losses	46,946	25,936
Profit (Loss) before income taxes	(820,081)	1,320,192
Income taxes-current	2,971	207,260
Income taxes-deferred	(125)	(116)
Total income taxes	2,845	207,143
Profit (Loss)	(822,927)	1,113,049
Profit (Loss) attributable to owners of parent	(822,927)	1,113,049

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	First nine months of FY2018 (Jan. 1 – Sep. 30, 2018)	First nine months of FY2019 (Jan. 1 – Sep. 30, 2019)
Profit (Loss)	(822,927)	1,113,049
Other comprehensive income		
Valuation difference on available-for-sale securities	(632)	503
Deferred gains or losses on hedges	—	(134)
Foreign currency translation adjustment	499	(782)
Total other comprehensive income	(132)	(413)
Comprehensive income	(823,060)	1,112,635
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(823,060)	1,112,635

This financial report is solely a translation and summary 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.