

## Consolidated Financial Results for the Year Ended December 31, 2019

[Japanese GAAP]

February 7, 2020

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, 2020  
 Scheduled date of Annual Securities Report filing: March 27, 2020

(Rounded down to the nearest million yen)

### 1. Consolidated Financial Results for FY2019 (from January 1, 2019 to December 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	%
FY2019	3,207	325.0	977	–	957	–	828	–
FY2018	754	14.8	(1,144)	–	(1,159)	–	(1,210)	–

Note: Comprehensive income FY2019: 830 million yen (–%) FY2018: (1,212) million yen (–%)

	Profit per share	Diluted profit per share	Return on equity	Return on assets	Operating profit to net sales
	Yen	Yen	%	%	%
FY2019	76.05	74.51	35.1	26.8	30.5
FY2018	(125.02)	–	(107.9)	(58.5)	(151.7)

Reference: Equity in earnings (losses) of associates FY2019: – FY2018: –

(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, 2019	5,376	3,853	71.5	329.86
As of Dec. 31, 2018	1,770	887	49.7	86.83

Reference: Shareholders' equity As of Dec. 31, 2019: 3,842 million yen As of Dec. 31, 2018: 880 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
FY2019	1,477	(40)	2,121	4,915
FY2018	(1,128)	(58)	687	1,355

### 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			
FY2018	–	0.00	–	0.00	0.00	–	–	–
FY2019	–	0.00	–	0.00	0.00	–	–	–
FY2020 (Forecast)	–	0.00	–	0.00	0.00	–	–	–

### 3. Consolidated Financial Forecast for FY2020 (January 1, 2020 to December 31, 2020)

(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
FY2020	1,036	(67.7)	(1,779)	–	(1,794)	–	(1,822)	–	(156.45)

**\* 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.: None
  - 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, 2019: 11,654,500 shares    As of Dec. 31, 2018: 10,139,600 shares
  - 2) Number of treasury stock at the end of the period  
As of Dec. 31, 2019: 5,124 shares            As of Dec. 31, 2018: 2,065 shares
  - 3) Average number of shares outstanding during the period  
FY2019: 10,890,672 shares    FY2018: 9,683,190 shares

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

**1. Non-consolidated Financial Results for FY 2019 (from January 1, 2019 to December 31, 2019)**

(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	%
FY2019	3,070	379.3	898	—	874	—	745	—
FY2018	640	14.3	(1,142)	—	(1,156)	—	(1,199)	—

	Profit per share	Diluted profit per share
	Yen	Yen
FY2019	68.47	67.08
FY2018	(123.85)	—

(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, 2019	5,302	3,781	71.1	323.68
As of Dec. 31, 2018	1,780	900	50.1	88.07

Reference: Shareholders' equity As of Dec. 31, 2019: 3,770 million yen As of Dec. 31, 2018: 892 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)

	FY2018 (As of Dec. 31, 2018)	FY2019 (As of Dec. 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	1,355,254	4,915,056
Accounts receivable–trade	87,881	117,499
Merchandise and finished goods	75,040	62,864
Work in process	3,342	10,266
Raw materials and supplies	32,398	26,284
Other	117,671	142,921
<b>Total current assets</b>	<b>1,671,589</b>	<b>5,274,893</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,384	13,208
Machinery, equipment and vehicles, net	36	27
Tools, furniture and fixtures, net	11,309	16,563
<b>Total property, plant and equipment</b>	<b>18,729</b>	<b>29,799</b>
Intangible assets	183	234
Investments and other assets	79,587	71,683
<b>Total non-current assets</b>	<b>98,501</b>	<b>101,717</b>
<b>Total assets</b>	<b>1,770,090</b>	<b>5,376,610</b>

(Thousands of yen)

	FY2018 (As of Dec. 31, 2018)	FY2019 (As of Dec. 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	478	3,173
Current portion of bonds	28,000	28,000
Current portion of long-term loans payable	204,814	270,972
Accounts payable-other	134,988	276,120
Unearned revenue	-	310,706
Income taxes payable	19,399	120,822
Other	12,458	45,367
Total current liabilities	400,139	1,055,162
Non-current liabilities		
Bonds payable	116,000	88,000
Long-term loans payable	337,755	341,784
Asset retirement obligations	26,700	36,255
Other	2,041	1,886
Total non-current liabilities	482,497	467,926
Total liabilities	882,636	1,523,088
Net assets		
Shareholders' equity		
Capital stock	3,591,568	4,657,466
Capital surplus	2,409,593	3,475,491
Retained earnings	(5,117,482)	(4,289,192)
Treasury shares	(117)	(222)
Total shareholders' equity	883,563	3,843,543
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(758)	(354)
Foreign currency translation adjustment	(2,567)	(496)
Total accumulated other comprehensive income	(3,326)	(851)
Share acquisition rights	7,216	10,830
Total net assets	887,453	3,853,522
Total liabilities and net assets	1,770,090	5,376,610

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

(Thousands of yen)

	FY2018 (Jan. 1 - Dec. 31, 2018)	FY2019 (Jan. 1 - Dec. 31, 2019)
Net sales	754,691	3,207,423
Cost of sales	250,699	207,590
Gross profit	503,992	2,999,833
Selling, general and administrative expenses	1,648,511	2,022,055
Operating profit (loss)	(1,144,519)	977,778
Non-operating income		
Interest income	16	351
Dividend income	367	379
Subsidy income	446	—
Foreign exchange gains	—	2,362
Other	285	189
Total non-operating income	1,115	3,282
Non-operating expenses		
Interest expenses	10,628	8,164
Guarantee commission	1,843	1,736
Share issuance cost	2,887	8,008
Issuance cost of share acquisition rights	—	5,465
Foreign exchange losses	387	—
Other	73	525
Total non-operating expenses	15,820	23,900
Ordinary profit (loss)	(1,159,223)	957,161
Extraordinary losses		
Impairment loss	47,575	44,101
Total extraordinary losses	47,575	44,101
Profit (loss) before income taxes	(1,206,799)	913,059
Income taxes-current	3,941	84,925
Income taxes-deferred	(167)	(155)
Total income taxes	3,773	84,770
Profit (loss)	(1,210,573)	828,289
Profit (loss) attributable to owners of parent	(1,210,573)	828,289

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY2018 (Jan. 1 – Dec. 31, 2018)	FY2019 (Jan. 1 – Dec. 31, 2019)
Profit (Loss)	(1,210,573)	828,289
Other comprehensive income		
Valuation difference on available-for-sale securities	(703)	404
Foreign currency translation adjustment	(1,435)	2,070
Total other comprehensive income	(2,139)	2,474
Comprehensive income	(1,212,712)	830,764
Comprehensive income attributable to owners of parent	(1,212,712)	830,764

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

FY2018 (Jan. 1 – Dec. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	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 share acquisition rights	317,870	317,870			635,740
Profit (loss) attributable to owners of parent			(1,210,573)		(1,210,573)
Purchase 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			Share acquisition rights	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 share acquisition rights					635,740
Profit (loss) attributable to owners of parent					(1,210,573)
Purchase 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



FY2019 (Jan. 1 – Dec. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,591,568	2,409,593	(5,117,482)	(117)	883,563
Changes of items during period					
Issuance of new shares	21,372	21,372			42,745
Issuance of new shares– exercise of share acquisition rights	1,044,525	1,044,525			2,089,050
Profit (loss) attributable to owners of parent			828,289		828,289
Purchase of treasury shares				(105)	(105)
Net changes of items other than shareholders' equity					
Total changes of items during period	1,065,897	1,065,897	828,289	(105)	2,959,980
Balance at end of current period	4,657,466	3,475,491	(4,289,192)	(222)	3,843,543

	Accumulated other comprehensive income			Share acquisition rights	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	(758)	(2,567)	(3,326)	7,216	887,453
Changes of items during period					
Issuance of new shares					42,745
Issuance of new shares– exercise of share acquisition rights					2,089,050
Profit (loss) attributable to owners of parent					828,289
Purchase of treasury shares					(105)
Net changes of items other than shareholders' equity	404	2,070	2,474	3,614	6,088
Total changes of items during period	404	2,070	2,474	3,614	2,966,069
Balance at end of current period	(354)	(496)	(851)	10,830	3,853,522

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

(Thousands of yen)

	FY2018 (Jan. 1 – Dec. 31, 2018)	FY2019 (Jan. 1 – Dec. 31, 2019)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(1,206,799)	913,059
Depreciation	12,716	9,394
Impairment loss	47,575	44,101
Interest income	(16)	(351)
Dividend income	(367)	(379)
Interest expenses	10,628	8,164
Foreign exchange losses (gains)	1,493	683
Share-based compensation expenses	23,165	41,908
Subsidy income	(446)	—
Share issuance cost	2,887	8,008
Issuance cost of share acquisition rights	—	5,465
Decrease (increase) in notes and accounts receivable–trade	3,778	(29,137)
Decrease (increase) in inventories	7,186	11,366
Increase (decrease) in notes and accounts payable–trade	(2,534)	2,694
Increase (decrease) in accounts payable–other	10,234	125,437
Increase (decrease) in unearned revenue	—	310,706
Other, net	(23,184)	40,472
<b>Subtotal</b>	<b>(1,113,681)</b>	<b>1,491,593</b>
Interest income received	16	351
Interest expenses paid	(10,739)	(8,210)
Income taxes (paid) refund	(4,068)	(5,960)
Other, net	446	—
<b>Net cash provided by (used in) operating activities</b>	<b>(1,128,026)</b>	<b>1,477,773</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(58,314)	(41,881)
Proceeds from sales of property, plant and equipment	—	1,091
Purchase of intangible asset	—	(155)
<b>Net cash provided by (used in) investing activities</b>	<b>(58,314)</b>	<b>(40,945)</b>
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	350,000	300,000
Repayments of long-term loans payable	(259,550)	(229,813)
Redemption of bonds	(28,028)	(28,028)
Proceeds from issuance of share acquisition rights	—	7,953
Proceeds from issuance of shares resulting from exercise of share acquisition rights	625,128	2,071,741
Other, net	(28)	(105)
<b>Net cash provided by (used in) financing activities</b>	<b>687,522</b>	<b>2,121,748</b>
Effect of exchange rate change on cash and cash equivalents	(2,144)	1,224
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(500,964)</b>	<b>3,559,801</b>
Cash and cash equivalents at beginning of period	1,856,218	1,355,254
<b>Cash and cash equivalents at end of period</b>	<b>1,355,254</b>	<b>4,915,056</b>

**(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

FY2018 (Jan. 1 – Dec. 31, 2018)

(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	704,691	50,000	754,691	—	754,691
Intersegment sales or 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 equipment and intangible 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).

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

FY2019 (Jan. 1 – Dec. 31, 2019)

(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	1,079,423	2,128,000	3,207,423	—	3,207,423
Intersegment sales or transfers	—	—	—	—	—
Total	1,079,423	2,128,000	3,207,423	—	3,207,423
Segment profit (loss)	400,547	577,230	977,778	—	977,778
Segment assets	457,749	110,565	568,314	4,808,295	5,376,610
Other items					
Depreciation	6,566	2,828	9,394	—	9,394
Increase in property, plant and equipment and intangible assets	12,561	53,712	66,274	—	66,274

Notes: 1. The adjustment of 4,808,295 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 profit shown on the consolidated statement of income.

**(Per Share Information)**

(Yen)

Item	FY2018 (Jan. 1 – Dec. 31, 2018)	FY2019 (Jan. 1 – Dec. 31, 2019)
Net assets per share	86.83	329.86
Profit (loss) per share	(125.02)	(76.05)
Diluted Profit per share	—	74.51

Notes: 1. Despite the existence of dilutive shares, diluted net profit per share is not presented for FY2018 because net loss was posted.

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

(Thousands of yen)

Item	FY2018 (Jan. 1 – Dec. 31, 2018)	FY2018 (Jan. 1 – Dec. 31, 2018)
Profit (loss) attributable to owners of parent	(1,210,573)	828,289
Profit (loss) not attributable to owner of common stock	—	—
Profit (loss) attributable to owners of common stock of parent	(1,210,573)	828,289
Average number of common stock outstanding during the period (Shares)	9,683,190	10,890,672

3. Net assets per share is calculated as follows.

(Thousands of yen)

Item	FY2018 (As of Dec. 31, 2018)	FY2019 (As of Dec. 31, 2019)
Total net assets	887,453	3,853,522
Deduction from total net assets	7,216	10,830
[of which share acquisition rights]	(7,216)	(10,830)
Net assets attributable to owners of common stock at end of period	880,237	3,842,691
Number of common stock used in calculation of net assets per share (Shares)	10,137,535	11,649,376

*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.*