

Consolidated Financial Results for the Second Quarter of the Year Ending December 31, 2020

[Japanese GAAP]

Aug 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 submission of quarterly report: Aug 11, 2020
 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, 2020

(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, 2020	579	(76.4)	(375)	—	(380)	—	(397)	—
Six months ended June 30, 2019	2,460	516.6	1,451	—	1,446	—	1,195	—

Note: Comprehensive income Six months ended June 30, 2020: (400) million yen (—%)

Six months ended June 30, 2019: 1,193 million yen (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2020	(32.60)	—
Six months ended June 30, 2019	113.86	112.54

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	5,349	4,543	84.9
As of December 31, 2019	5,376	3,853	71.5

Reference: Shareholders' equity As of June 30, 2020: 4,539 million yen As of Dec. 31, 2019: 3,842 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
FY2019	—	0.00	—	0.00	0.00
FY2020	—	0.00	—	—	—
FY2020 (Forecast)	—	—	—	0.00	0.00

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

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

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, 2020: 12,407,100 shares As of Dec. 31, 2019: 11,654,500 shares

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

As of June 30, 2020: 5,124 shares As of Dec. 31, 2019: 5,124 shares

3) Average number of shares outstanding during the period

Second quarter of FY2020: 12,195,162 shares Second quarter of FY2019: 10,502,334 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**(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2019 (As of Dec. 31, 2019)	Second quarter of FY2020 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	4,915,056	4,920,579
Accounts receivable–trade	117,499	90,989
Merchandise and finished goods	62,864	64,496
Work in process	10,266	9,577
Raw materials and supplies	26,284	17,741
Other	142,921	118,915
Total current assets	5,274,893	5,222,300
Non-current assets		
Property, plant and equipment	29,799	29,172
Intangible assets	234	4,051
Investments and other assets	71,683	93,486
Total non-current assets	101,717	126,710
Total assets	5,376,610	5,349,010

	(Thousands of yen)	
	FY2019 (As of Dec. 31, 2019)	Second quarter of FY2020 (As of Jun. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable–trade	3,173	—
Current portion of bonds	28,000	28,000
Current portion of long-term borrowings	270,972	223,759
Accounts payable–other	276,120	88,361
Income taxes payable	120,822	13,952
Other	356,073	85,622
Total current liabilities	1,055,162	439,695
Non-current liabilities		
Bonds payable	88,000	74,000
Long-term borrowings	341,784	253,511
Asset retirement obligations	36,255	36,547
Other	1,886	1,817
Total non-current liabilities	467,926	365,876
Total liabilities	1,523,088	805,571
Net assets		
Shareholders' equity		
Share capital	4,657,466	558,829
Capital surplus	3,475,491	4,310,038
Retained earnings	(4,289,192)	(324,958)
Treasury shares	(222)	(222)
Total shareholders' equity	3,843,543	4,543,686
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(354)	6
Foreign currency translation adjustment	(496)	(3,805)
Total accumulated other comprehensive income	(851)	(3,798)
Share acquisition rights	10,830	3,550
Total net assets	3,853,522	4,543,439
Total liabilities and net assets	5,376,610	5,349,010

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

	(Thousands of yen)	
	First six months of FY2019 (Jan. 1 – Jun. 30, 2019)	First six months of FY2020 (Jan. 1 – June. 30, 2020)
Net sales	2,460,795	579,703
Cost of sales	90,029	80,645
Gross profit	2,370,765	499,057
Selling, general and administrative expenses	919,358	874,328
Operating profit/loss	1,451,407	(375,271)
Non-operating income		
Interest income	6	79
Dividend income	188	193
Subsidy income	—	785
Foreign exchange gains	2,542	2,476
Other	140	93
Total non-operating income	2,878	3,627
Non-operating expenses		
Interest expenses	3,901	4,204
Guarantee commission	910	741
Share issuance costs	2,883	4,373
Other	239	12
Total non-operating expenses	7,934	9,331
Ordinary profit/loss	1,446,350	(380,975)
Extraordinary income		
Gain on reversal of share acquisition rights	—	1,000
Total extraordinary income	—	1,000
Extraordinary losses		
Impairment loss	25,149	16,371
Total extraordinary losses	25,149	16,371
Profit/loss before income taxes	1,421,201	(396,346)
Income taxes-current	225,464	1,240
Income taxes-deferred	(77)	(71)
Total income taxes	225,387	1,168
Profit/loss	1,195,813	(397,514)
Profit/loss attributable to owners of parent	1,195,813	(397,514)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	First six months of FY2019 (Jan. 1 – Jun. 30, 2019)	First six months of FY2020 (Jan. 1 – June. 30, 2020)
Profit/Loss	1,195,813	(397,514)
Other comprehensive income		
Valuation difference on available-for-sale securities	479	361
Foreign currency translation adjustment	(2,861)	(3,308)
Total other comprehensive income	(2,381)	(2,947)
Comprehensive income	1,193,431	(400,461)
Comprehensive income attributable to owners of parent	1,193,431	(400,461)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	First six months of FY2019 (Jan. 1 - Jun. 30, 2019)	First six months of FY2020 (Jan. 1 - June. 30, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	1,421,201	(396,346)
Depreciation	3,727	5,694
Impairment loss	25,149	16,371
Interest income	(6)	(79)
Dividend income	(188)	(193)
Interest expenses	3,901	4,204
Share-based remuneration expenses	20,216	25,226
Subsidy income	—	(785)
Share issuance cost	2,883	4,373
Gain on reversal of share acquisition rights	—	(1,000)
Foreign exchange losses (gains)	(617)	(63)
Decrease (increase) in trade receivables	(2,154,205)	25,951
Decrease (increase) in inventories	7,078	7,599
Increase (decrease) in trade payables	2,976	(3,173)
Increase (decrease) in accounts payable—other	94,684	(169,917)
Increase (decrease) in unearned revenue	1,511	(240,631)
Other, net	34,388	(6,399)
Subtotal	(537,300)	(729,171)
Interest received	6	79
Interest paid	(3,798)	(4,054)
Income taxes (paid) refund	(4,066)	(90,615)
Other, net	—	785
Net cash provided by (used in) operating activities	(545,158)	(822,976)
Cash flows from investing activities		
Purchase of property, plant and equipment	(27,211)	(38,747)
Proceeds from sales of property, plant and equipment	1,091	—
Purchase of intangible assets	—	(4,117)
Net cash provided by (used in) investing activities	(26,120)	(42,864)
Cash flows from financing activities		
Repayments of long-term borrowings	(117,248)	(135,486)
Redemption of bonds	(14,014)	(14,014)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	673,472	1,023,423
Other, net	(35)	—
Net cash provided by (used in) financing activities	542,174	873,923
Effect of exchange rate change on cash and cash equivalents	(1,331)	(2,559)
Net increase (decrease) in cash and cash equivalents	(30,435)	5,523
Cash and cash equivalents at beginning of period	1,355,254	4,915,056
Cash and cash equivalents at end of period	1,324,819	4,920,579

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.