

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

[Japanese GAAP]

November 9, 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: November 10, 2020
 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, 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	%
Nine months ended September 30, 2020	847	(70.4)	(615)	—	(625)	—	(649)	—
Nine months ended September 30, 2019	2,862	387.7	1,357	—	1,346	—	1,113	—

Note: Comprehensive income Nine months ended Sep. 30, 2020: (654) million yen (—%)

Nine months ended Sep 30, 2019: 1,112 million yen (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2020	(52.93)	—
Nine months ended September 30, 2019	104.16	102.07

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	5,227	4,289	82.0
As of December 31, 2019	5,376	3,853	71.5

Reference: Shareholders' equity As of September 30, 2020: 4,286 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 September 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 September 30, 2020: 5,124 shares As of Dec. 31, 2019: 5,124 shares

3) Average number of shares outstanding during the period

Third quarter of FY2020: 12,264,603 shares Third quarter of FY2019: 10,686,332 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)	Third quarter of FY2020 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	4,915,056	4,749,416
Accounts receivable–trade	117,499	91,235
Merchandise and finished goods	62,864	63,350
Work in process	10,266	11,592
Raw materials and supplies	26,284	24,029
Other	142,921	173,811
Total current assets	5,274,893	5,113,435
Non-current assets		
Property, plant and equipment	29,799	27,059
Intangible assets	234	3,832
Investments and other assets	71,683	83,512
Total non-current assets	101,717	114,404
Total assets	5,376,610	5,227,840

	(Thousands of yen)	
	FY2019 (As of Dec. 31, 2019)	Third quarter of FY2020 (As of Sep. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable–trade	3,173	1,000
Current portion of bonds	28,000	28,000
Current portion of long-term borrowings	270,972	194,633
Accounts payable–other	276,120	149,622
Income taxes payable	120,822	—
Other	356,073	251,391
Total current liabilities	1,055,162	624,647
Non-current liabilities		
Bonds payable	88,000	60,000
Long-term borrowings	341,784	214,894
Asset retirement obligations	36,255	36,693
Other	1,886	1,793
Total non-current liabilities	467,926	313,381
Total liabilities	1,523,088	938,028
Net assets		
Shareholders' equity		
Share capital	4,657,466	558,829
Capital surplus	3,475,491	4,310,038
Retained earnings	(4,289,192)	(576,582)
Treasury shares	(222)	(222)
Total shareholders' equity	3,843,543	4,292,063
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(354)	34
Deferred gains or losses on hedges	—	(78)
Foreign currency translation adjustment	(496)	(5,757)
Total accumulated other comprehensive income	(851)	(5,802)
Share acquisition rights	10,830	3,550
Total net assets	3,853,522	4,289,811
Total liabilities and net assets	5,376,610	5,227,840

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

	(Thousands of yen)	
	First nine months of FY2019 (Jan. 1 – Sep. 30, 2019)	First nine months of FY2020 (Jan. 1 – Sep. 30, 2020)
Net sales	2,862,260	847,647
Cost of sales	150,254	132,750
Gross profit	2,712,006	714,897
Selling, general and administrative expenses	1,354,991	1,330,581
Operating profit (loss)	1,357,015	(615,684)
Non-operating income		
Interest income	320	109
Dividend income	283	291
Subsidy income	—	999
Foreign exchange gains	6,211	—
Other	162	118
Total non-operating income	6,978	1,518
Non-operating expenses		
Interest expenses	5,628	5,921
Guarantee commission	1,362	1,109
Share issuance costs	5,078	4,373
Issuance cost of subscription rights to shares	5,465	—
Foreign exchange losses	—	18
Other	330	14
Total non-operating expenses	17,864	11,437
Ordinary profit (loss)	1,346,129	(625,604)
Extraordinary income		
Gain on reversal of share acquisition rights	—	1,000
Total extraordinary income	—	1,000
Extraordinary losses		
Impairment loss	25,936	22,782
Total extraordinary losses	25,936	22,782
Profit (loss) before income taxes	1,320,192	(647,386)
Income taxes-current	207,260	1,859
Income taxes-deferred	(116)	(107)
Total income taxes	207,143	1,751
Profit (loss)	1,113,049	(649,138)
Profit (loss) attributable to owners of parent	1,113,049	(649,138)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	First nine months of FY2019 (Jan. 1 – Sep. 30, 2019)	First nine months of FY2020 (Jan. 1 – Sep. 30, 2020)
Profit(Loss)	1,113,049	(649,138)
Other comprehensive income		
Valuation difference on available-for-sale securities	503	388
Deferred gains or losses on hedges	(134)	(78)
Foreign currency translation adjustment	(782)	(5,260)
Total other comprehensive income	(413)	(4,950)
Comprehensive income	1,112,635	(654,089)
Comprehensive income attributable to owners of parent	1,112,635	(654,089)

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.