

Consolidated Financial Results for the Year Ending December 31, 2020

[Japanese GAAP]

February 12, 2021

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 date of Annual General Shareholders' Meeting: March 25, 2021
 Scheduled date of Annual Securities Report filing: March 26, 2021

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the FY2020 (from January 1, 2020 to December 31, 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	%
FY2020	1,133	(64.7)	(1,057)	—	(1,077)	—	(1,111)	—
FY2019	3,207	325.0	977	—	957	—	828	—

Note: Comprehensive income FY2020: (1,119) million yen (—%) FY2019: 830 million yen (—%)

	Profit per share	Diluted profit per share	Return on equity	Return on assets	Operating profit to net sales
	Yen	Yen	%	%	%
FY2020	(90.33)	—	(29.0)	(21.1)	(93.3)
FY2019	76.05	74.51	35.1	26.8	30.5

Reference: Equity in earnings (losses) of associates FY2020: — FY2019: —

(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, 2020	4,835	3,824	79.0	308.05
As of Dec. 31, 2019	5,376	3,853	71.5	329.86

Reference: Shareholders' equity As of Dec. 31, 2020: 3,820 million yen As of Dec. 31, 2019: 3,842 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
FY2020	(1,260)	(70)	724	4,299
FY2019	1,477	(40)	2,121	4,915

2. Dividends

	Dividend per share					Total cash dividends	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	End of 1 st quarter	End of 2 nd quarter	End of 3 rd quarter	Year-end	Total			
FY2019	—	0.00	—	0.00	0.00	—	—	—
FY2020	—	0.00	—	0.00	0.00	—	—	—
FY2021 (Forecast)	—	0.00	—	0.00	0.00	—	—	—

3. Consolidated Financial Forecast for FY2021 (January 1, 2021 to December 31, 2021)

(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
FY2021	923	(18.5)	(1,811)	—	(1,816)	—	(1,825)	—	(147.19)

*** 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, 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 Dec. 31, 2020: 5,124 shares As of Dec. 31, 2019: 5,124 shares
 - 3) Average number of shares outstanding during the period
FY2020: 12,299,134 shares FY2019: 10,890,672 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the FY 2020 (from January 1, 2020 to December 31, 2020)

(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	%
FY2020	1,042	(66.0)	(1,075)	—	(1,096)	—	(1,129)	—
FY2019	3,070	379.3	898	—	874	—	745	—

	Profit per share	Diluted profit per share
	Yen	Yen
FY2020	(91.84)	—
FY2019	68.47	67.08

(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, 2020	4,748	3,741	78.7	301.39
As of Dec. 31, 2019	5,302	3,781	71.1	323.68

Reference: Shareholders' equity As of Dec. 31, 2020: 3,737 million yen As of Dec. 31, 2019: 3,770 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.

Contents

Consolidated Financial Statements.....	2
(1) Consolidated Balance Sheet.....	2
(2) Consolidated Statements of Income and Comprehensive Income	4
(3) Consolidated Statement of Changes in Equity.....	6
(4) Consolidated Statement of Cash Flows.....	8
(5) Notes to Consolidated Financial Statements.....	9
(Going Concern Assumption).....	9
(Segment Information)	9
(Per Share Information).....	11

Consolidated Financial Statements**(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2019	FY2020
	(As of Dec. 31, 2019)	(As of Dec. 31, 2020)
Assets		
Current assets		
Cash and deposits	4,915,056	4,299,142
Accounts receivable–trade	117,499	129,175
Merchandise and finished goods	62,864	66,178
Work in process	10,266	14,555
Raw materials and supplies	26,284	23,789
Other	142,921	175,352
Total current assets	5,274,893	4,708,193
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,208	24,406
Machinery, equipment and vehicles, net	27	18
Tools, furniture and fixtures, net	16,563	28,906
Total property, plant and equipment	29,799	53,330
Intangible assets	234	3,613
Investments and other assets	71,683	70,218
Total non-current assets	101,717	127,162
Total assets	5,376,610	4,835,356

	(Thousands of yen)	
	FY2019	FY2020
	(As of Dec. 31, 2019)	(As of Dec. 31, 2020)
Liabilities		
Current liabilities		
Accounts payable–trade	3,173	1,517
Current portion of bonds	28,000	28,000
Current portion of long-term borrowings	270,972	161,897
Accounts payable–other	276,120	343,956
Unearned revenue	310,706	169,282
Income taxes payable	120,822	103
Other	45,367	22,436
Total current liabilities	1,055,162	727,194
Non-current liabilities		
Bonds payable	88,000	60,000
Long-term borrowings	341,784	179,887
Asset retirement obligations	36,255	36,839
Other	1,886	7,425
Total non-current liabilities	467,926	284,151
Total liabilities	1,523,088	1,011,346
Net assets		
Shareholders' equity		
Capital stock	4,657,466	558,829
Capital surplus	3,475,491	4,310,038
Retained earnings	(4,289,192)	(1,038,476)
Treasury shares	(222)	(222)
Total shareholders' equity	3,843,543	3,830,169
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(354)	21
Deferred gains or losses on hedges	—	(1,176)
Foreign currency translation adjustment	(496)	(8,554)
Total accumulated other comprehensive income	(851)	(9,709)
Share acquisition rights	10,830	3,550
Total net assets	3,853,522	3,824,010
Total liabilities and net assets	5,376,610	4,835,356

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

	(Thousands of yen)	
	FY2019	FY2020
	(Jan. 1 – Dec. 31, 2019)	(Jan. 1 – Dec. 31, 2020)
Net sales	3,207,423	1,133,346
Cost of sales	207,590	192,149
Gross profit	2,999,833	941,196
Selling, general and administrative expenses	2,022,055	1,998,264
Operating profit (loss)	977,778	(1,057,067)
Non-operating income		
Interest income	351	124
Dividend income	379	389
Subsidy income	—	1,999
Foreign exchange gains	2,362	—
Other	189	237
Total non-operating income	3,282	2,749
Non-operating expenses		
Interest expenses	8,164	7,373
Guarantee commission	1,736	1,476
Share issuance costs	8,008	4,373
Issuance cost of subscription rights to shares	5,465	—
Foreign exchange losses	—	9,540
Other	525	14
Total non-operating expenses	23,900	22,778
Ordinary profit (loss)	957,161	(1,077,096)
Extraordinary income		
Gain on reversal of share acquisition rights	—	1,000
Total extraordinary income	—	1,000
Extraordinary losses		
Impairment loss	44,101	26,390
Total extraordinary losses	44,101	26,390
Profit (loss) before income taxes	913,059	(1,102,487)
Income taxes-current	84,925	3,015
Income taxes-deferred	(155)	5,529
Total income taxes	84,770	8,545
Profit (loss)	828,289	(1,111,032)
Profit (loss) attributable to owners of parent	828,289	(1,111,032)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY2019 (Jan. 1 – Dec. 31, 2019)	FY2020 (Jan. 1 – Dec. 31, 2020)
Profit (Loss)	828,289	(1,111,032)
Other comprehensive income		
Valuation difference on available-for-sale securities	404	376
Deferred gains or losses on hedges	--	(1,176)
Foreign currency translation adjustment	2,070	(8,058)
Total other comprehensive income	830,764	(1,119,890)
Comprehensive income		
Comprehensive income attributable to owners of parent	830,764	(1,119,890)

(3) Consolidated Statement of Changes in Equity

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 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 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

FY2020 (Jan. 1 – Dec. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,657,466	3,475,491	(4,289,192)	(222)	3,843,543
Changes of items during period					
Issuance of new shares	31,807	31,807			63,614
Issuance of new shares - exercise of share acquisition rights	517,021	517,021			1,034,043
Capital reduction	(4,647,466)	4,647,466			—
Deficit disposition		(4,361,748)	4,361,748		—
Loss attributable to owners of parent			(1,111,032)		(1,111,032)
Net changes of items other than shareholders' equity					
Total changes of items during period	(4,098,637)	834,547	3,250,716	—	(13,374)
Balance at end of current period	558,829	4,310,038	(1,038,476)	(222)	3,830,169

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	(354)	—	(496)	(851)	10,830	3,853,522
Changes of items during period						
Issuance of new shares						63,614
Issuance of new shares - exercise of share acquisition rights						1,034,043
Capital reduction						—
Deficit disposition						—
Loss attributable to owners of parent						(1,111,032)
Net changes of items other than shareholders' equity	376	(1,176)	(8,058)	(8,858)	(7,279)	(16,137)
Total changes of items during period	376	(1,176)	(8,058)	(8,858)	(7,279)	(29,512)
Balance at end of current period	21	(1,176)	(8,554)	(9,709)	3,550	3,824,010

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY2019 (Jan. 1 – Dec. 31, 2019)	FY2020 (Jan. 1 – Dec. 31, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	913,059	(1,102,487)
Depreciation	9,394	12,410
Impairment loss	44,101	26,390
Interest income	(351)	(124)
Dividend income	(379)	(389)
Interest expenses	8,164	7,373
Foreign exchange losses (gains)	683	2,372
Share-based compensation expenses	41,908	57,520
Subsidy income	—	(1,999)
Share issuance cost	8,008	4,373
Issuance cost of share acquisition rights	5,465	—
Gain on reversal of share acquisition rights	—	(1,000)
Decrease (increase) in notes and accounts receivable–trade	(29,137)	(13,951)
Decrease (increase) in inventories	11,366	(5,107)
Increase (decrease) in notes and accounts payable–trade	2,694	(1,655)
Increase (decrease) in accounts payable–other	125,437	71,248
Increase (decrease) in unearned revenue	310,706	(141,423)
Other, net	40,472	(33,710)
Subtotal	1,491,593	(1,120,158)
Interest income received	351	124
Interest expenses paid	(8,210)	(7,119)
Income taxes (paid) refund	(5,960)	(135,818)
Other, net	—	1,999
Net cash provided by (used in) operating activities	1,477,773	(1,260,972)
Cash flows from investing activities		
Purchase of property, plant and equipment	(41,881)	(64,737)
Proceeds from sales of property, plant and equipment	1,091	—
Purchase of intangible asset	(155)	(4,117)
Other, net	—	(1,578)
Net cash provided by (used in) investing activities	(40,945)	(70,433)
Cash flows from financing activities		
Proceeds from long-term loans payable	300,000	—
Repayments of long-term loans payable	(229,813)	(270,972)
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	2,071,741	1,023,423
Other, net	(105)	—
Net cash provided by (used in) financing activities	2,121,748	724,423
Effect of exchange rate change on cash and cash equivalents	1,224	(8,931)
Net increase (decrease) in cash and cash equivalents	3,559,801	(615,914)
Cash and cash equivalents at beginning of period	1,355,254	4,915,056
Cash and cash equivalents at end of period	4,915,056	4,299,142

(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

FY2019 (Jan. 1 – Dec. 31, 2019)

	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	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 are consistent with operating profit shown on the consolidated statement of income.

FY2020 (Jan. 1 – Dec. 31, 2020)

(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	1,080,321	53,025	1,133,346	—	1,133,346
Intersegment sales or transfers	—	—	—	—	—
Total	1,080,321	53,025	1,133,346	—	1,133,346
Segment profit (loss)	458,741	(1,515,809)	(1,057,067)	—	(1,057,067)
Segment assets	492,637	83,249	575,886	4,259,470	4,835,356
Other items					
Depreciation	7,223	5,186	12,410	—	12,410
Increase in property, plant and equipment and intangible assets	33,915	31,851	65,767	—	65,767

Notes: 1. The adjustment of 4,259,470 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.

(Per Share Information)

(Yen)

Item	FY2019 (Jan. 1 – Dec. 31, 2019)	FY2020 (Jan. 1 – Dec. 31, 2020)
Net assets per share	329.86	308.05
Profit (loss) per share	76.05	(90.33)
Diluted Profit per share	74.51	—

Notes: 1. Despite the existence of dilutive shares, diluted net profit per share is not presented for FY2020 because net loss was posted.

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

(Thousands of yen)

Item	FY2019 (Jan. 1 – Dec. 31, 2019)	FY2020 (Jan. 1 – Dec. 31, 2020)
Profit (loss) per share		
Profit (loss) attributable to owners of parent	828,289	(1,111,032)
Profit (loss) not attributable to owner of common stock	—	—
Profit (loss) attributable to owners of common stock of parent	828,289	(1,111,032)
Average number of common stock outstanding during the period (Shares)	10,890,672	12,299,134
Diluted profit per share		
Profit attributable to owners of parent	—	—
Increase in common shares, number of shares	225,724	—
(Share acquisition rights, number of shares)	(225,724)	—
Dilutive shares not included in the calculation of diluted net profit per share since there was no dilutive effect	—	1 share acquisition rights (430 share acquisition rights) (430,000 shares)

3. Net assets per share is calculated as follows.

(Thousands of yen)

Item	FY2019 (As of Dec. 31, 2019)	FY2020 (As of Dec. 31, 2020)
Total net assets	3,853,522	3,824,010
Deduction from total net assets	10,830	3,550
[of which share acquisition rights]	(10,830)	(3,550)
Net assets attributable to owners of common stock at end of period	3,842,691	3,820,459
Number of common stock used in calculation of net assets per share (Shares)	11,649,376	12,401,976

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.