

Consolidated Financial Results for the Second Quarter of the Year Ending December 31, 2021

[Japanese GAAP]

August 6, 2021

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: August 10, 2021
 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, 2021

(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, 2021	430	(25.8)	(777)	—	(774)	—	(776)	—
Six months ended June 30, 2020	579	(76.4)	(375)	—	(380)	—	(397)	—

Note: Comprehensive income Six months ended June 30, 2021: (765) million yen (—%)

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

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2021	(62.56)		—	
Six months ended June 30, 2020	(32.60)		—	

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	3,662	3,096	84.5
As of December 31, 2020	4,835	3,824	79.0

Reference: Shareholders' equity As of June 30, 2021: 3,093 million yen As of Dec. 31, 2020: 3,820 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
FY2020	—	0.00	—	0.00	0.00
FY2021	—	0.00	—	—	—
FY2021 (Forecast)	—	—	—	0.00	0.00

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

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 income		Ordinary income		Profit attributable to owners of parent		Earnings 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)

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, 2021: 12,436,900 shares As of Dec. 31, 2020: 12,407,100 shares

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

As of June 30, 2021: 5,124 shares As of Dec. 31, 2020: 5,124 shares

3) Average number of shares outstanding during the period

Second quarter of FY2021: 12,411,031 shares Second quarter of FY2020: 12,195,162 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)	
	FY2020 (As of Dec. 31, 2020)	FY2021 (As of Jun. 30, 2021)
Assets		
Current assets		
Cash and deposits	4,299,142	3,213,070
Accounts receivable–trade	129,175	73,910
Merchandise and finished goods	66,178	68,930
Work in process	14,555	7,226
Raw materials and supplies	23,789	34,445
Other	175,352	124,697
Total current assets	4,708,193	3,522,280
Non-current assets		
Property, plant and equipment	53,330	58,373
Intangible assets	3,613	3,210
Investments and other assets	70,218	78,629
Total non-current assets	127,162	140,213
Total assets	4,835,356	3,662,494

	(Thousands of yen)	
	FY2020 (As of Dec. 31, 2020)	FY2021 (As of Jun. 30, 2021)
Liabilities		
Current liabilities		
Accounts payable–trade	1,517	80
Current portion of bonds payable	28,000	28,000
Current portion of long-term borrowings	161,897	143,638
Accounts payable-other	343,956	134,955
Income tax payable	103	14,053
Other	191,719	50,009
Total current liabilities	727,194	370,736
Non-current liabilities		
Bonds payable	60,000	46,000
Long-term borrowings	179,887	109,873
Asset retirement obligations	36,839	37,136
Other	7,425	2,023
Total non-current liabilities	284,151	195,033
Total liabilities	1,011,346	565,770
Net assets		
Shareholders' equity		
Share capital	558,829	577,975
Capital surplus	4,310,038	4,329,185
Retained earnings	(1,038,476)	(1,814,948)
Treasury shares	(222)	(222)
Total shareholders' equity	3,830,169	3,091,989
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21	(271)
Deferred gains or losses on hedges	(1,176)	787
Foreign currency translation adjustment	(8,554)	666
Total accumulated other comprehensive income	(9,709)	1,183
Share acquisition rights	3,550	3,550
Total net assets	3,824,010	3,096,723
Total liabilities and net assets	4,835,356	3,662,494

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

	(Thousands of yen)	
	First six months of FY2020 (Jan. 1 – Jun. 30, 2020)	First six months of FY2021 (Jan. 1 – Jun. 30, 2021)
Net sales	579,703	430,010
Cost of sales	80,645	69,043
Gross profit	499,057	360,967
Selling, general and administrative expenses	874,328	1,138,307
Operating loss	(375,271)	(777,339)
Non-operating income		
Interest income	79	57
Dividend income	193	198
Subsidy income	785	—
Grant income	—	7,200
Foreign exchange gains	2,476	—
Other	93	789
Total non-operating income	3,627	8,245
Non-operating expenses		
Interest expenses	4,204	2,194
Guarantee commission	741	726
Share issuance costs	4,373	208
Foreign exchange losses	—	2,476
Other	12	30
Total non-operating expenses	9,331	5,637
Ordinary loss	(380,975)	(774,731)
Extraordinary income		
Gain on reversal of share acquisition rights	1,000	—
Total extraordinary income	1,000	—
Extraordinary losses		
Impairment loss	16,371	6,108
Total extraordinary losses	16,371	6,108
Loss before income taxes	(396,346)	(780,840)
Income taxes-current	1,240	1,371
Income taxes-deferred	(71)	(5,739)
Total income taxes	1,168	(4,367)
Loss	(397,514)	(776,472)
Loss attributable to owners of parent	(397,514)	(776,472)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	First six months of FY2020 (Jan. 1 – Jun. 30, 2020)	First six months of FY2021 (Jan. 1 – Jun. 31, 2021)
Loss	(397,514)	(776,472)
Other comprehensive income		
Valuation difference on available-for-sale securities	361	(292)
Deferred gains or losses on hedges	—	1,963
Foreign currency translation adjustment	(3,308)	9,221
Total other comprehensive income	(2,947)	10,892
Comprehensive income	(400,461)	(765,579)
Comprehensive income attributable to owners of parent	(400,461)	(765,579)

(3) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY2020 (Jan. 1 – Jun. 30, 2020)	FY2021 (Jan. 1 – Jun. 30, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	(396,346)	(780,840)
Depreciation	5,694	9,079
Impairment loss	16,371	6,108
Interest income	(79)	(57)
Dividend income	(193)	(198)
Interest expenses	4,204	2,194
Share-based remuneration expenses	25,226	29,565
Subsidy income	(785)	—
Grant income	—	(7,200)
Share issuance costs	4,373	208
Gain on reversal of share acquisition rights	(1,000)	—
Foreign exchange losses (gains)	(63)	(5,737)
Decrease (increase) in trade receivables	25,951	58,195
Decrease (increase) in inventories	7,599	(6,079)
Increase (decrease) in notes and trade payables	(3,173)	(1,437)
Increase (decrease) in accounts payable–other	(169,917)	(194,505)
Increase (decrease) in unearned revenue	(240,631)	(130,383)
Other, net	(6,399)	8,716
Subtotal	(729,171)	(1,012,370)
Interest received	79	57
Interest paid	(4,054)	(2,104)
Income taxes (paid) refund	(90,615)	43,880
Subsidies received	—	7,200
Other, net	785	—
Net cash provided by (used in) operating activities	(822,976)	(963,337)
Cash flows from investing activities		
Purchase of property, plant and equipment	(38,747)	(34,184)
Purchase of intangible asset	(4,117)	(155)
Net cash provided by (used in) investing activities	(42,864)	(34,339)
Cash flows from financing activities		
Repayments of long-term borrowings	(135,486)	(88,273)
Redemption of bonds	(14,014)	(14,014)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,023,423	—
Net cash provided by (used in) financing activities	873,923	(102,287)
Effect of exchange rate change on cash and cash equivalents	(2,559)	13,891
Net increase (decrease) in cash and cash equivalents	5,523	(1,086,072)
Cash and cash equivalents at beginning of period	4,915,056	4,299,142
Cash and cash equivalents at end of period	4,920,579	3,213,070

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.