

## Consolidated Financial Results for the Year Ending December 31, 2021

[Japanese GAAP]

February 10, 2022

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 24, 2022  
 Scheduled date of Annual Securities Report filing: March 25, 2022

(Rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the FY2021 (from January 1, 2021 to December 31, 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	%
FY2021	2,017	78.0	(531)	—	(522)	—	(534)	—
FY2020	1,133	(64.7)	(1,057)	—	(1,077)	—	(1,111)	—

Note: Comprehensive income FY2021: (510) million yen (-%) FY2020: (1,119) million yen (-%)

	Profit per share	Diluted profit per share	Return on equity	Return on assets	Operating profit to net sales
	Yen	Yen	%	%	%
FY2021	(42.10)	—	(13.2)	(10.2)	(26.3)
FY2020	(90.33)	—	(29.0)	(21.1)	(93.3)

Reference: Equity in earnings (losses) of associates FY2021: — FY2020: —

### (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, 2021	5,432	4,315	79.3	323.54
As of Dec. 31, 2020	4,835	3,824	79.0	308.05

Reference: Shareholders' equity As of Dec. 31, 2021: 4,305 million yen As of Dec. 31, 2020: 3,820 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
FY2021	(1,536)	(41)	1,064	3,817
FY2020	(1,260)	(70)	724	4,299

### 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			
FY2020	—	0.00	—	0.00	0.00	—	—	—
FY2021	—	0.00	—	0.00	0.00	—	—	—
FY2022 (Forecast)	—	0.00	—	0.00	0.00	—	—	—

### 3. Consolidated Financial Forecast for FY2022 (January 1, 2022 to December 31, 2022)

(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
FY2022	1,127	(44.1)	(1,730)	—	(1,744)	—	(1,799)	—	(133.56)

**\* 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, 2021: 13,313,400 shares As of Dec. 31, 2020: 12,407,100 shares
  - 2) Number of treasury stock at the end of the period  
As of Dec. 31, 2021: 5,124 shares As of Dec. 31, 2020: 5,124 shares
  - 3) Average number of shares outstanding during the period  
FY2021: 12,695,548 shares FY2020: 12,299,134 shares

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

**1. Non-consolidated Financial Results for the FY 2021 (from January 1, 2021 to December 31, 2021)**

(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	%
FY2021	1,931	85.2	(558)	—	(548)	—	(556)	—
FY2020	1,042	(66.0)	(1,075)	—	(1,096)	—	(1,129)	—

	Profit per share	Diluted profit per share
	Yen	Yen
FY2021	(43.83)	—
FY2020	(91.84)	—

(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, 2021	5,305	4,194	78.9	314.45
As of Dec. 31, 2020	4,748	3,741	78.7	301.39

Reference: Shareholders' equity As of Dec. 31, 2021: 4,184 million yen As of Dec. 31, 2020: 3,737 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).....	10
(Significant Event After Reporting Period) .....	11

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

	(Thousands of yen)	
	FY2020	FY2021
	(As of Dec. 31, 2020)	(As of Dec. 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	4,299,142	3,817,834
Accounts receivable–trade	129,175	1,243,839
Merchandise and finished goods	66,178	72,514
Work in process	14,555	7,521
Raw materials and supplies	23,789	30,453
Other	175,352	146,324
Total current assets	4,708,193	5,318,487
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,406	23,634
Machinery, equipment and vehicles, net	18	9
Tools, furniture and fixtures, net	28,906	27,931
Total property, plant and equipment	53,330	51,574
Intangible assets	3,613	2,738
Investments and other assets	70,218	59,760
Total non-current assets	127,162	114,073
<b>Total assets</b>	<b>4,835,356</b>	<b>5,432,560</b>

	(Thousands of yen)	
	FY2020 (As of Dec. 31, 2020)	FY2021 (As of Dec. 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	1,517	2,294
Current portion of bonds	28,000	28,000
Current portion of long-term borrowings	161,897	211,497
Accounts payable–other	343,956	307,832
Unearned revenue	169,282	177,707
Income taxes payable	103	24,236
Other	22,436	23,087
Total current liabilities	727,194	774,655
Non-current liabilities		
Bonds payable	60,000	32,000
Long-term borrowings	179,887	268,390
Asset retirement obligations	36,839	37,434
Other	7,425	4,508
Total non-current liabilities	284,151	342,332
Total liabilities	1,011,346	1,116,988
<b>Net assets</b>		
Shareholders' equity		
Capital stock	558,829	1,056,953
Capital surplus	4,310,038	4,808,163
Retained earnings	(1,038,476)	(1,572,951)
Treasury shares	(222)	(222)
Total shareholders' equity	3,830,169	4,291,942
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21	(630)
Deferred gains or losses on hedges	(1,176)	6,578
Foreign currency translation adjustment	(8,554)	7,841
Total accumulated other comprehensive income	(9,709)	13,789
Share acquisition rights	3,550	9,840
Total net assets	3,824,010	4,315,572
Total liabilities and net assets	4,835,356	5,432,560

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

	(Thousands of yen)	
	FY2020	FY2021
	(Jan. 1 – Dec. 31, 2020)	(Jan. 1 – Dec. 31, 2021)
Net sales	1,133,346	2,017,529
Cost of sales	192,149	135,387
Gross profit	941,196	1,882,141
Selling, general and administrative expenses	1,998,264	2,413,277
Operating profit (loss)	(1,057,067)	(531,135)
Non-operating income		
Interest income	124	107
Dividend income	389	399
Subsidy income	1,999	1,346
Grant income	—	7,200
Foreign exchange gains	—	14,425
Other	237	837
Total non-operating income	2,749	24,315
Non-operating expenses		
Interest expenses	7,373	3,925
Guarantee commission	1,476	1,336
Share issuance costs	4,373	3,766
Issuance cost of subscription rights to shares	—	5,952
Foreign exchange losses	9,540	—
Other	14	1,190
Total non-operating expenses	22,778	16,172
Ordinary profit (loss)	(1,077,096)	(522,992)
Extraordinary income		
Gain on reversal of share acquisition rights	1,000	—
Total extraordinary income	1,000	—
Extraordinary losses		
Impairment loss	26,390	9,507
Total extraordinary losses	26,390	9,507
Profit (loss) before income taxes	(1,102,487)	(532,499)
Income taxes-current	3,015	7,780
Income taxes-deferred	5,529	(5,805)
Total income taxes	8,545	1,975
Profit (loss)	(1,111,032)	(534,474)
Profit (loss) attributable to owners of parent	(1,111,032)	(534,474)

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY2020 (Jan. 1 – Dec. 31, 2020)	FY2021 (Jan. 1 – Dec. 31, 2021)
Profit (Loss)	(1,111,032)	(534,474)
Other comprehensive income		
Valuation difference on available-for-sale securities	376	(652)
Deferred gains or losses on hedges	(1,176)	7,754
Foreign currency translation adjustment	(8,058)	16,396
Total other comprehensive income	(8,858)	23,498
Comprehensive income	(1,119,890)	(510,976)
Comprehensive income attributable to owners of parent	(1,119,890)	(510,976)

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

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



FY2021 (Jan. 1 – Dec. 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	558,829	4,310,038	(1,038,476)	(222)	3,830,169
Changes of items during period					
Issuance of new shares	19,146	19,146			38,293
Issuance of new shares– exercise of share acquisition rights	478,977	478,977			957,955
Loss attributable to owners of parent			(534,474)		(534,474)
Net changes of items other than shareholders' equity					
Total changes of items during period	498,124	498,124	(534,474)	—	461,773
Balance at end of current period	1,056,953	4,808,163	(1,572,951)	(222)	4,291,942

	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	21	(1,176)	(8,554)	(9,709)	3,550	3,824,010
Changes of items during period						
Issuance of new shares						38,293
Issuance of new shares - exercise of share acquisition rights						957,955
Loss attributable to owners of parent						(534,474)
Net changes of items other than shareholders' equity	(652)	7,754	16,396	23,498	6,289	29,787
Total changes of items during period	(652)	7,754	16,396	23,498	6,289	491,561
Balance at end of current period	(630)	6,578	7,841	13,789	9,840	4,315,572

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

	(Thousands of yen)	
	FY2020 (Jan. 1 – Dec. 31, 2020)	FY2021 (Jan. 1 – Dec. 31, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	(1,102,487)	(532,499)
Depreciation	12,410	19,164
Impairment loss	26,390	9,507
Interest income	(124)	(107)
Dividend income	(389)	(399)
Interest expenses	7,373	3,925
Foreign exchange losses (gains)	2,372	(10,029)
Share-based compensation expenses	57,520	53,674
Subsidy income	(1,999)	(1,346)
Grant income	—	(7,200)
Share issuance cost	4,373	3,766
Issuance cost of share acquisition rights	—	5,952
Gain on reversal of share acquisition rights	(1,000)	—
Decrease (increase) in notes and accounts receivable–trade	(13,951)	(1,110,099)
Decrease (increase) in inventories	(5,107)	(5,966)
Increase (decrease) in notes and accounts payable–trade	(1,655)	776
Increase (decrease) in accounts payable–other	71,248	(20,720)
Increase (decrease) in unearned revenue	(141,423)	8,424
Other, net	(33,710)	1,065
Subtotal	(1,120,158)	(1,582,110)
Interest income received	124	107
Interest expenses paid	(7,119)	(4,097)
Income taxes (paid) refund	(135,818)	40,942
Subsidies received	—	7,200
Other, net	1,999	1,346
Net cash provided by (used in) operating activities	(1,260,972)	(1,536,612)
Cash flows from investing activities		
Purchase of property, plant and equipment	(64,737)	(41,522)
Purchase of intangible asset	(4,117)	(155)
Other, net	(1,578)	—
Net cash provided by (used in) investing activities	(70,433)	(41,677)
Cash flows from financing activities		
Proceeds from long-term loans payable	—	300,000
Repayments of long-term loans payable	(270,972)	(161,897)
Redemption of bonds	(28,028)	(28,028)
Proceeds from issuance of share acquisition rights	—	8,722
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,023,423	949,270
Other, net	—	(3,080)
Net cash provided by (used in) financing activities	724,423	1,064,987
Effect of exchange rate change on cash and cash equivalents	(8,931)	31,994
Net increase (decrease) in cash and cash equivalents	(615,914)	(481,307)
Cash and cash equivalents at beginning of period	4,915,056	4,299,142

(Thousands of yen)

	FY2020 (Jan. 1 – Dec. 31, 2020)	FY2021 (Jan. 1 – Dec. 31, 2021)
Cash and cash equivalents at end of period	4,299,142	3,817,834

**(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

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.

FY2021 (Jan. 1 – Dec. 31, 2021)

(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	889,529	1,128,000	2,017,529	—	2,017,529
Intersegment sales or transfers	—	—	—	—	—
Total	889,529	1,128,000	2,017,529	—	2,017,529
Segment profit (loss)	289,021	(820,156)	(531,135)	—	(531,135)
Segment assets	496,869	1,221,414	1,718,284	3,714,276	5,432,560
Other items					
Depreciation	14,653	4,510	19,164	—	19,164
Increase in property, plant and equipment and intangible assets	12,107	13,765	25,872	—	25,872

Notes: 1. The adjustment of 3,714,276 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	FY2020	FY2021
	(Jan. 1 – Dec. 31, 2020)	(Jan. 1 – Dec. 31, 2021)
Net assets per share	308.05	323.54
Profit (loss) per share	(90.33)	(42.10)

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

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

(Thousands of yen)

Item	FY2020	FY2021
	(Jan. 1 – Dec. 31, 2020)	(Jan. 1 – Dec. 31, 2021)
Profit (loss) attributable to owners of parent	(1,111,032)	(534,474)
Profit (loss) not attributable to owner of common stock	—	—
Profit (loss) attributable to owners of common stock of parent	(1,111,032)	(534,474)
Average number of common stock outstanding during the period (Shares)	12,299,134	12,695,548
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)	1 share acquisition rights (16,678 share acquisition rights) (1,667,800 shares)

3. Net assets per share is calculated as follows.

(Thousands of yen)

Item	FY2020 (As of Dec. 31, 2020)	FY2021 (As of Dec. 31, 2021)
Total net assets	3,824,010	4,315,572
Deduction from total net assets	3,550	9,840
[of which share acquisition rights]	(3,550)	(9,840)
Net assets attributable to owners of common stock at end of period	3,820,459	4,305,732
Number of common stock used in calculation of net assets per share (Shares)	12,401,976	13,308,276

**(Significant Event After Reporting Period)**

The company entered into an exclusive license agreement with Brickell Biotech, Inc. as of February 2, 2022.

Agreement	EXCLUSIVE LICENSE AGREEMENT
Other party	Brickell Biotech, Inc.
Address of other party	Colorado, USA
Date of the agreement	February 2, 2022
Summary of the agreement	<ol style="list-style-type: none"> <li>1. The company grants Brickell Biotech the exclusive, worldwide rights to develop and commercialize company's portfolio of STING antagonists.</li> <li>2. The company is eligible to receive an upfront payment of \$2.0 million and success-based development, regulatory, and sales milestone payments of up to \$258.0 million.</li> <li>3. The company is eligible to receive royalty payments on net sales according to the royalty rates defined in the agreement.</li> </ol>

*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.*