

Consolidated Financial Results for the Second Quarter of the Year Ending December 31, 2022

[Japanese GAAP]

August 5, 2022

Company name: Carna Biosciences, Inc. Stock Exchange listing: Tokyo Stock Exchange (Growth)
 Stock code: 4572 URL: <https://www.carnabio.com/english/>
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 Scheduled submission of quarterly report: August 8, 2022
 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, 2022

(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, 2022	839	95.2	(312)	—	(306)	—	(359)	—
Six months ended June 30, 2021	430	(25.8)	(777)	—	(774)	—	(776)	—

Note: Comprehensive income Six months ended June 30, 2022: (236) million yen (—%)

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

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended June 30, 2022	(26.53)	—	—	—
Six months ended June 30, 2021	(62.56)	—	—	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	5,218	4,425	84.7
As of December 31, 2021	5,432	4,315	79.3

Reference: Shareholders' equity As of June 30, 2022: 4,417 million yen As of Dec. 31, 2021: 4,305 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
FY2021	—	0.00	—	0.00	0.00
FY2022	—	0.00	—	—	—
FY2022 (Forecast)	—	—	—	0.00	0.00

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

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 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
FY2022	1,186	(41.2)	(1,672)	—	(1,685)	—	(1,740)	—	(128.46)

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.: Yes

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, 2022: 13,668,300 shares As of Dec. 31, 2021: 13,313,400 shares

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

As of June 30, 2022: 5,124 shares As of Dec. 31, 2021: 5,124 shares

3) Average number of shares outstanding during the period

Second quarter of FY2022: 13,537,287 shares Second quarter of FY2021: 12,411,031 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)	
	FY2021 (As of Dec. 31, 2021)	FY2022 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	3,817,834	4,684,699
Accounts receivable–trade	1,243,839	129,885
Merchandise and finished goods	72,514	79,470
Work in process	7,521	6,208
Raw materials and supplies	30,453	27,502
Other	146,324	130,492
Total current assets	5,318,487	5,058,259
Non-current assets		
Property, plant and equipment	51,574	80,560
Intangible assets	2,738	2,326
Investments and other assets	59,760	77,068
Total non-current assets	114,073	159,955
Total assets	5,432,560	5,218,214

	(Thousands of yen)	
	FY2021	FY2022
	(As of Dec. 31, 2021)	(As of June 30, 2022)
Liabilities		
Current liabilities		
Accounts payable–trade	2,294	480
Current portion of bonds	28,000	28,000
Current portion of long-term borrowings	211,497	151,479
Accounts payable-other	307,832	229,908
Income taxes payable	24,236	22,849
Other	200,794	52,380
Total current liabilities	774,655	485,098
Non-current liabilities		
Bonds payable	32,000	18,000
Long-term borrowings	268,390	208,396
Asset retirement obligations	37,434	37,737
Other	4,508	43,035
Total non-current liabilities	342,332	307,169
Total liabilities	1,116,988	792,267
Net assets		
Shareholders' equity		
Capital stock	1,056,953	1,231,110
Capital surplus	4,808,163	4,982,320
Retained earnings	(1,572,951)	(1,932,071)
Treasury shares	(222)	(222)
Total shareholders' equity	4,291,942	4,281,137
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(630)	(1,871)
Deferred gains or losses on hedges	6,578	94,178
Foreign currency translation adjustment	7,841	44,504
Total accumulated other comprehensive income	13,789	136,811
Share acquisition rights	9,840	7,999
Total net assets	4,315,572	4,425,947
Total liabilities and net assets	5,432,560	5,218,214

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

	(Thousands of yen)	
	First six months of FY2021 (Jan. 1 – Jun. 30, 2021)	First six months of FY2022 (Jan. 1 – Jun. 30, 2022)
Net sales	430,010	839,543
Cost of sales	69,043	83,078
Gross profit	360,967	756,465
Selling, general and administrative expenses	1,138,307	1,068,482
Operating loss	(777,339)	(312,016)
Non-operating income		
Interest income	57	57
Dividend income	198	204
Subsidy income	7,200	—
Foreign exchange gains	—	7,918
Other	789	2,396
Total non-operating income	8,245	10,576
Non-operating expenses		
Interest expenses	2,194	3,063
Guarantee commission	726	492
Share issuance costs	208	1,434
Foreign exchange losses	2,476	—
Other	30	—
Total non-operating expenses	5,637	4,991
Ordinary loss	(774,731)	(306,431)
Extraordinary losses		
Impairment losses	6,108	42,948
Total extraordinary losses	6,108	42,948
Loss before income taxes	(780,840)	(349,379)
Income taxes-current	1,371	9,802
Income taxes-deferred	(5,739)	(61)
Total income taxes	(4,367)	9,740
Loss	(776,472)	(359,120)
Loss attributable to owners of parent	(776,472)	(359,120)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	First six months of FY2021 (Jan. 1 – Jun. 30, 2021)	First six months of FY2022 (Jan. 1 – Jun. 30, 2022)
Loss	(776,472)	(359,120)
Other comprehensive income		
Valuation difference on available-for-sale securities	(292)	(1,241)
Deferred gains or losses on hedges	1,963	87,600
Foreign currency translation adjustment	9,221	36,662
Other comprehensive income	10,892	123,021
Comprehensive income	(765,579)	(236,098)
Comprehensive income attributable to owners of parent	(765,579)	(236,098)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY2021 (Jan. 1 – Jun. 30, 2021)	FY2022 (Jan. 1 – Jun. 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	(780,840)	(349,379)
Depreciation	9,079	13,604
Impairment loss	6,108	42,948
Interest income	(57)	(57)
Dividend income	(198)	(204)
Interest expenses	2,194	3,063
Share-based payment expenses	29,565	24,205
Subsidy income	(7,200)	—
Share issuance costs	208	1,434
Foreign exchange losses (gains)	(5,737)	(20,351)
Decrease (increase) in trade receivables	58,195	1,125,012
Decrease (increase) in inventories	(6,079)	(2,693)
Increase (decrease) in trade payables	(1,437)	(1,814)
Increase (decrease) in accounts payable–other	(194,505)	(105,334)
Increase (decrease) in unearned revenue	(130,383)	(137,469)
Other, net	8,716	1,732
Subtotal	<u>(1,012,370)</u>	<u>594,696</u>
Interest received	57	57
Interest paid	(2,104)	(2,954)
Income taxes refund (paid)	43,880	(8,364)
Subsidies received	7,200	—
Other, net	—	1,906
Net cash provided by (used in) operating activities	<u>(963,337)</u>	<u>585,341</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(34,184)	(57,614)
Purchase of intangible asset	(155)	—
Other, net	—	305
Net cash provided by (used in) investing activities	<u>(34,339)</u>	<u>(57,309)</u>
Cash flows from financing activities		
Repayments of long-term borrowings	(88,273)	(120,012)
Redemption of bonds	(14,014)	(14,014)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	300,374
Net cash provided by (used in) financing activities	<u>(102,287)</u>	<u>166,348</u>
Effect of exchange rate change on cash and cash equivalents	13,891	172,483
Net increase (decrease) in cash and cash equivalents	<u>(1,086,072)</u>	<u>866,864</u>
Cash and cash equivalents at beginning of period	4,299,142	3,817,834
Cash and cash equivalents at end of period	<u>3,213,070</u>	<u>4,684,699</u>

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.