

Consolidated Financial Results for the Year Ending December 31, 2022

[Japanese GAAP]

February 10, 2023

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 date of Annual General Shareholders' Meeting: March 24, 2023
 Scheduled date of Annual Securities Report filing: March 27, 2023

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the FY2022 (from January 1, 2022 to December 31, 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	%
FY2022	1,386	(31.3)	(1,269)	—	(1,278)	—	(1,349)	—
FY2021	2,017	78.0	(531)	—	(522)	—	(534)	—

Note: Comprehensive income FY2022: (1,331) million yen (—%) FY2021: (510) million yen (—%)

	Profit per share	Diluted profit per share	Return on equity	Return on assets	Operating profit to net sales
	Yen	Yen	%	%	%
FY2022	(99.10)	—	(34.0)	(26.4)	(91.6)
FY2021	(42.10)	—	(13.2)	(10.2)	(26.3)

Reference: Equity in earnings (losses) of associates FY2022: — FY2021: —

(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, 2022	4,266	3,641	85.0	255.04
As of Dec. 31, 2021	5,432	4,315	79.3	323.54

Reference: Shareholders' equity As of Dec. 31, 2022: 3,624 million yen As of Dec. 31, 2021: 4,305 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
FY2022	(708)	(125)	367	3,379
FY2021	(1,536)	(41)	1,064	3,817

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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2021	—	0.00	—	0.00	0.00	—	—	—
FY2022	—	0.00	—	0.00	0.00	—	—	—
FY2023 (Forecast)	—	0.00	—	0.00	0.00	—	—	—

3. Consolidated Financial Forecast for FY2023 (January 1, 2023 to December 31, 2023)

(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
FY2023	902	(34.9)	(1,890)	—	(1,911)	—	(1,936)	—	(125.25)

*** 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.: Yes
 - 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, 2022: 14,218,300 shares As of Dec. 31, 2021: 13,313,400 shares
 - 2) Number of treasury stock at the end of the period
As of Dec. 31, 2022: 7,124 shares As of Dec. 31, 2021: 5,124 shares
 - 3) Average number of shares outstanding during the period
FY2022: 13,617,341 shares FY2021: 12,695,548 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the FY 2022 (from January 1, 2022 to December 31, 2022)

- (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	%
FY2022	1,216	(37.0)	(1,349)	—	(1,357)	—	(1,405)	—
FY2021	1,931	85.2	(558)	—	(548)	—	(556)	—

	Profit per share	Diluted profit per share
	Yen	Yen
FY2022	(103.20)	—
FY2021	(43.83)	—

- (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, 2022	4,046	3,439	84.6	240.82
As of Dec. 31, 2021	5,305	4,194	78.9	314.45

Reference: Shareholders' equity As of Dec. 31, 2022: 3,422 million yen As of Dec. 31, 2021: 4,184 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.

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

	(Thousands of yen)	
	FY2021	FY2022
	(As of Dec. 31, 2021)	(As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	3,817,834	3,379,048
Accounts receivable-trade	1,243,839	182,426
Merchandise and finished goods	72,514	84,450
Work in process	7,521	5,918
Raw materials and supplies	30,453	28,163
Advance payments-trade	720	285,909
Other	145,604	138,399
Total current assets	5,318,487	4,104,316
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,634	29,421
Machinery, equipment and vehicles, net	9	—
Tools, furniture and fixtures, net	27,931	70,810
Total property, plant and equipment	51,574	100,231
Intangible assets	2,738	1,915
Investments and other assets	59,760	59,990
Total non-current assets	114,073	162,137
Total assets	5,432,560	4,266,453

	(Thousands of yen)	
	FY2021	FY2022
	(As of Dec. 31, 2021)	(As of Dec. 31, 2022)
Liabilities		
Current liabilities		
Accounts payable–trade	2,294	1,962
Current portion of bonds	28,000	32,000
Current portion of long-term borrowings	211,497	119,988
Accounts payable–other	307,832	235,136
Unearned revenue	177,707	—
Income taxes payable	24,236	30,664
Other	23,087	16,654
Total current liabilities	774,655	436,407
Non-current liabilities		
Bonds payable	32,000	—
Long-term borrowings	268,390	148,402
Asset retirement obligations	37,434	38,040
Other	4,508	1,759
Total non-current liabilities	342,332	188,201
Total liabilities	1,116,988	624,609
Net assets		
Shareholders' equity		
Capital stock	1,056,953	1,382,246
Capital surplus	4,808,163	5,133,456
Retained earnings	(1,572,951)	(2,922,490)
Treasury shares	(222)	(222)
Total shareholders' equity	4,291,942	3,592,988
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(630)	(2,373)
Deferred gains or losses on hedges	6,578	615
Foreign currency translation adjustment	7,841	33,225
Total accumulated other comprehensive income	13,789	31,467
Share acquisition rights	9,840	17,388
Total net assets	4,315,572	3,641,844
Total liabilities and net assets	5,432,560	4,266,453

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

	(Thousands of yen)	
	FY2021 (Jan. 1 – Dec. 31, 2021)	FY2022 (Jan. 1 – Dec. 31, 2022)
Net sales	2,017,529	1,386,748
Cost of sales	135,387	171,550
Gross profit	1,882,141	1,215,197
Selling, general and administrative expenses	2,413,277	2,485,086
Operating profit (loss)	(531,135)	(1,269,888)
Non-operating income		
Interest income	107	147
Dividend income	399	411
Insurance income	—	1,957
Subsidy income	1,346	1,000
Grant income	7,200	—
Foreign exchange gains	14,425	830
Other	837	1,243
Total non-operating income	24,315	5,590
Non-operating expenses		
Interest expenses	3,925	5,310
Guarantee commission	1,336	977
Share issuance costs	3,766	2,682
Issuance cost of subscription rights to shares	5,952	5,501
Other	1,190	49
Total non-operating expenses	16,172	14,522
Ordinary profit (loss)	(522,992)	(1,278,820)
Extraordinary losses		
Impairment loss	9,507	44,578
Total extraordinary losses	9,507	44,578
Profit (loss) before income taxes	(532,499)	(1,323,399)
Income taxes-current	7,780	26,262
Income taxes-deferred	(5,805)	(122)
Total income taxes	1,975	26,140
Profit (loss)	(534,474)	(1,349,539)
Profit (loss) attributable to owners of parent	(534,474)	(1,349,539)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY2021	FY2022
	(Jan. 1 – Dec. 31, 2021)	(Jan. 1 – Dec. 31, 2022)
Profit (Loss)	(534,474)	(1,349,539)
Other comprehensive income		
Valuation difference on available-for-sale securities	(652)	(1,742)
Deferred gains or losses on hedges	7,754	(5,962)
Foreign currency translation adjustment	16,396	25,384
Total other comprehensive income	23,498	17,678
Comprehensive income	(510,976)	(1,331,861)
Comprehensive income attributable to owners of parent	(510,976)	(1,331,861)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

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

FY2022 (Jan. 1 – Dec. 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,056,953	4,808,163	(1,572,951)	(222)	4,291,942
Changes of items during period					
Issuance of new shares	22,243	22,243			44,487
Issuance of new shares - exercise of share acquisition rights	303,049	303,049			606,098
Loss attributable to owners of parent			(1,349,539)		(1,349,539)
Net changes of items other than shareholders' equity					
Total changes of items during period	325,292	325,292	(1,349,539)	—	(698,954)
Balance at end of current period	1,382,246	5,133,456	(2,922,490)	(222)	3,592,988

	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	(630)	6,578	7,841	13,789	9,840	4,315,572
Changes of items during period						
Issuance of new shares						44,487
Issuance of new shares - exercise of share acquisition rights						606,098
Loss attributable to owners of parent						(1,349,539)
Net changes of items other than shareholders' equity	(1,742)	(5,962)	25,384	17,678	7,548	25,226
Total changes of items during period	(1,742)	(5,962)	25,384	17,678	7,548	(673,727)
Balance at end of current period	(2,373)	615	33,225	31,467	17,388	3,641,844

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY2021 (Jan. 1 – Dec. 31, 2021)	FY2022 (Jan. 1 – Dec. 31, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	(532,499)	(1,323,399)
Depreciation	19,164	33,808
Impairment loss	9,507	44,578
Interest income	(107)	(147)
Dividend income	(399)	(411)
Interest expenses	3,925	5,310
Foreign exchange losses (gains)	(10,029)	(19,670)
Share-based compensation expenses	53,674	49,746
Insurance income	—	(1,957)
Subsidy income	(1,346)	(1,000)
Grant income	(7,200)	—
Share issuance cost	3,766	2,682
Issuance cost of share acquisition rights	5,952	5,501
Decrease (increase) in notes and accounts receivable–trade	(1,110,099)	1,069,478
Decrease (increase) in inventories	(5,966)	(8,044)
Increase (decrease) in notes and accounts payable–trade	776	(331)
Increase (decrease) in accounts payable–other	(20,720)	(73,824)
Increase (decrease) in unearned revenue	8,424	(177,707)
Increase (decrease) in advanced payments	373	(285,188)
Other, net	691	(7,260)
Subtotal	(1,582,110)	(687,837)
Interest income received	107	147
Interest expenses paid	(4,097)	(5,128)
Income taxes (paid) refund	40,942	(18,529)
Subsidies received	7,200	—
Other, net	1,346	2,957
Net cash provided by (used in) operating activities	(1,536,612)	(708,390)
Cash flows from investing activities		
Purchase of property, plant and equipment	(41,522)	(125,831)
Purchase of intangible asset	(155)	(170)
Other, net	—	305
Net cash provided by (used in) investing activities	(41,677)	(125,696)
Cash flows from financing activities		
Proceeds from long-term loans payable	300,000	—
Repayments of long-term loans payable	(161,897)	(211,497)
Redemption of bonds	(28,028)	(28,028)
Proceeds from issuance of share acquisition rights	8,722	5,707
Proceeds from issuance of shares resulting from exercise of share acquisition rights	949,270	600,824
Other, net	(3,080)	—
Net cash provided by (used in) financing activities	1,064,987	367,006
Effect of exchange rate change on cash and cash equivalents	31,994	28,293
Net increase (decrease) in cash and cash equivalents	(481,307)	(438,786)

(Thousands of yen)

	FY2021 (Jan. 1 – Dec. 31, 2021)	FY2022 (Jan. 1 – Dec. 31, 2022)
Cash and cash equivalents at beginning of period	4,299,142	3,817,834
Cash and cash equivalents at end of period	3,817,834	3,379,048

(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

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.

FY2022 (Jan. 1 – Dec. 31, 2022)

(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	1,100,703	286,045	1,386,748	—	1,386,748
Intersegment sales or transfers	—	—	—	—	—
Total	1,100,703	286,045	1,386,748	—	1,386,748
Segment profit (loss)	452,752	(1,722,641)	(1,269,888)	—	(1,269,888)
Segment assets	685,179	373,032	1,058,211	3,208,242	4,266,453
Other items					
Depreciation	21,061	12,746	33,808	—	33,808
Increase in property, plant and equipment and intangible assets	57,508	68,492	126,001	—	126,001

Notes: 1. The adjustment of 3,208,242 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	FY2021 (Jan. 1 – Dec. 31, 2021)	FY2022 (Jan. 1 – Dec. 31, 2022)
Net assets per share	323.54	255.04
Profit (loss) per share	(42.10)	(99.10)

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	FY2021 (Jan. 1 – Dec. 31, 2021)	FY2022 (Jan. 1 – Dec. 31, 2022)
Profit (loss) attributable to owners of parent	(534,474)	(1,349,539)
Profit (loss) not attributable to owner of common stock	—	—
Profit (loss) attributable to owners of common stock of parent	(534,474)	(1,349,539)
Average number of common stock outstanding during the period (Shares)	12,695,548	13,617,341
Dilutive shares not included in the calculation of diluted net profit per share since there was no dilutive effect	No. of share acquisition rights: 1 (16,678 share acquisition rights) (1,667,800 shares)	No. of share acquisition rights: 2 (41,923 share acquisition rights) (4,192,300 shares)

3. Net assets per share is calculated as follows.

(Thousands of yen)

Item	FY2021 (As of Dec. 31, 2021)	FY2022 (As of Dec. 31, 2022)
Total net assets	4,315,572	3,641,844
Deduction from total net assets	9,840	17,388
[of which share acquisition rights]	(9,840)	(17,388)
Net assets attributable to owners of common stock at end of period	4,305,732	3,624,456
Number of common stock used in calculation of net assets per share (Shares)	13,308,276	14,211,176

(Significant Event After Reporting Period)

Share acquisition rights to shares were exercised from January 1, 2023 to February 10.

- | | |
|---|--|
| (1) Name of share acquisition rights | Series 20 th Share Acquisition rights |
| (2) Type and number of shares issued | 1,400,000 common stocks |
| (3) Amount of capital increased | 325,267 thousand yen |
| (4) Amount of capital surplus increased | 325,267 thousand yen |

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.