

Consolidated Financial Results for the Second Quarter of the Year Ending December 31, 2023

[Japanese GAAP]

August 7, 2023

Company name: Carna Biosciences, Inc. Stock Exchange listing: Tokyo Stock Exchange (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 submission of quarterly report: August 8, 2023
 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, 2023

(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, 2023	500	(40.4)	(863)	—	(868)	—	(885)	—
Six months ended June 30, 2022	839	95.2	(312)	—	(306)	—	(359)	—

Note: Comprehensive income Six months ended June 30, 2023: (861) million yen (—%)

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

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	(53.81)		—	
Six months ended June 30, 2022	(26.53)		—	

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	4,565	4,111	89.9
As of December 31, 2022	4,266	3,641	85.0

Reference: Shareholders' equity As of June 30, 2023: 4,103 million yen As of Dec. 31, 2022: 3,624 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
FY2022	—	0.00	—	0.00	0.00
FY2023	—	0.00	—	—	—
FY2023 (Forecast)	—	—	—	0.00	0.00

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

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

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, 2023: 17,101,900 shares As of Dec. 31, 2022: 14,218,300 shares

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

As of June 30, 2023: 7,124 shares As of Dec. 31, 2022: 7,124 shares

3) Average number of shares outstanding during the period

Second quarter of FY2023: 16,458,242 shares Second quarter of FY2022: 13,537,287 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.

Contents

Consolidated Financial Statements.....	2
(1) Consolidated Balance Sheet.....	2
(2) Consolidated Statements of Income and Comprehensive Income	4
(3) Consolidated Statement of Cash Flows.....	6

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

	(Thousands of yen)	
	FY2022	FY2023
	(As of Dec. 31, 2022)	(As of Jun. 30, 2023)
Assets		
Current assets		
Cash and deposits	3,379,048	3,684,625
Accounts receivable–trade	182,426	194,692
Merchandise and finished goods	84,450	87,690
Work in process	5,918	11,264
Raw materials and supplies	28,163	40,964
Other	424,308	388,436
Total current assets	4,104,316	4,407,673
Non-current assets		
Property, plant and equipment	100,231	90,577
Intangible assets	1,915	1,503
Investments and other assets	59,990	65,363
Total non-current assets	162,137	157,444
Total assets	4,266,453	4,565,118

	(Thousands of yen)	
	FY2022	FY2023
	(As of Dec. 31, 2022)	(As of Jun. 30, 2023)
Liabilities		
Current liabilities		
Accounts payable—trade	1,962	—
Current portion of bonds	32,000	18,000
Current portion of long-term borrowings	119,988	119,988
Accounts payable-other	235,136	137,227
Income taxes payable	30,664	31,098
Other	16,654	18,814
Total current liabilities	436,407	325,128
Non-current liabilities		
Long-term borrowings	148,402	88,408
Asset retirement obligations	38,040	38,349
Other	1,759	1,431
Total non-current liabilities	188,201	128,188
Total liabilities	624,609	453,317
Net assets		
Shareholders' equity		
Capital stock	1,382,246	2,052,614
Capital surplus	5,133,456	5,803,823
Retained earnings	(2,922,490)	(3,808,099)
Treasury shares	(222)	(222)
Total shareholders' equity	3,592,988	4,048,115
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2,373)	(2,713)
Deferred gains or losses on hedges	615	—
Foreign currency translation adjustment	33,225	58,399
Total accumulated other comprehensive income	31,467	55,685
Share acquisition rights	17,388	7,999
Total net assets	3,641,844	4,111,801
Total liabilities and net assets	4,266,453	4,565,118

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

	(Thousands of yen)	
	First six months of FY2022 (Jan. 1 – Jun. 30, 2022)	First six months of FY2023 (Jan. 1 – Jun. 30, 2023)
Net sales	839,543	500,570
Cost of sales	83,078	82,684
Gross profit	756,465	417,886
Selling, general and administrative expenses	1,068,482	1,281,582
Operating loss	(312,016)	(863,696)
Non-operating income		
Interest income	57	84
Dividend income	204	211
Foreign exchange gains	7,918	2,029
Other	2,396	104
Total non-operating income	10,576	2,430
Non-operating expenses		
Interest expenses	3,063	1,695
Guarantee commission	492	477
Share issuance costs	1,434	4,966
Total non-operating expenses	4,991	7,139
Ordinary loss	(306,431)	(868,405)
Extraordinary losses		
Impairment losses	42,948	984
Total extraordinary losses	42,948	984
Loss before income taxes	(349,379)	(869,389)
Income taxes-current	9,802	16,275
Income taxes-deferred	(61)	(56)
Total income taxes	9,740	16,218
Loss	(359,120)	(885,608)
Loss attributable to owners of parent	(359,120)	(885,608)

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	First six months of FY2022 (Jan. 1 – Jun. 30, 2022)	First six months of FY2023 (Jan. 1 – Jun. 30, 2023)
Loss	(359,120)	(885,608)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,241)	(340)
Deferred gains or losses on hedges	87,600	(615)
Foreign currency translation adjustment	36,662	25,174
Other comprehensive income	123,021	24,217
Comprehensive income	(236,098)	(861,390)
Comprehensive income attributable to owners of parent	(236,098)	(861,390)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY2022 (Jan. 1 – Jun. 30, 2022)	FY2023 (Jan. 1 – Jun. 30, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	(349,379)	(869,389)
Depreciation	13,604	16,602
Impairment loss	42,948	984
Interest income	(57)	(84)
Dividend income	(204)	(211)
Interest expenses	3,063	1,695
Share-based payment expenses	24,205	22,045
Share issuance costs	1,434	4,966
Foreign exchange losses (gains)	(20,351)	(12,264)
Decrease (increase) in trade receivables	1,125,012	(4,462)
Decrease (increase) in inventories	(2,693)	(21,386)
Increase (decrease) in trade payables	(1,814)	(1,962)
Increase (decrease) in accounts payable–other	(105,334)	(97,373)
Increase (decrease) in unearned revenue	(137,469)	—
Other, net	1,732	41,922
Subtotal	594,696	(918,919)
Interest received	57	84
Interest paid	(2,954)	(1,650)
Income taxes refund (paid)	(8,364)	(18,058)
Other, net	1,906	—
Net cash provided by (used in) operating activities	585,341	(938,544)
Cash flows from investing activities		
Purchase of property, plant and equipment	(57,614)	(6,854)
Other, net	305	—
Net cash provided by (used in) investing activities	(57,309)	(6,854)
Cash flows from financing activities		
Repayments of long-term borrowings	(120,012)	(59,994)
Redemption of bonds	(14,014)	(14,014)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	300,374	1,296,166
Net cash provided by (used in) financing activities	166,348	1,222,158
Effect of exchange rate change on cash and cash equivalents	172,483	28,818
Net increase (decrease) in cash and cash equivalents	866,864	305,577
Cash and cash equivalents at beginning of period	3,817,834	3,379,048
Cash and cash equivalents at end of period	4,684,699	3,684,625

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.