Translation
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Financial Results for the Nine Months Ended July 31, 2024 (Under Japan GAAP) (Non-consolidated)

September 12, 2024

Company name: Heartseed Inc.
Listing: Tokyo Stock Exchange
Securities code 219A
URL: https://heartseed.jp/
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Scheduled date to commence dividend payments: -
Preparation of supplementary materials on financial results: No
Holding of financial results briefings: No (for institutional investors, analysts and financial institutions)

(The amount in yen are rounded off to millions, unless otherwise noted)

1. Financial Results for the Nine Months Ended July 31, 2024 (from November 1, 2023 to July 31, 2024)

(1) Operating Results (Cumulative total)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
July 31, 2024	153	-	(1,213)	-	(1,086)	-	(1,088)	-
July 31, 2023	-	-	-	-	-	-	-	-

	Net Income Per Shares	Diluted Net Income Per Shares
Nine months ended	Yen	Yen
July 31, 2024	(74.93)	-
July 31, 2023	-	-

Note:
1. Since quarterly financial statements for the nine months ended July 31, 2023 were not prepared, the operating results and year-on-year changes for the nine months ended July 31, 2023, as well as the year-on-year changes for the nine months ended July 31, 2024, are not stated.
2. Diluted net income per share for the nine months ended July 31, 2024 is not stated in the above table, because net income per share was negative.

(2) Financial Position

	Total Assets	Total Net Assets	Equity Ratio
As of	Millions of yen	Millions of yen	%
July 31, 2024	6,572	6,103	92.7
October 31, 2023	5,719	5,269	91.9

(Reference) Shareholders' equity (millions of yen): 6,091, as of July 31, 2024 and 5,256, as of October 31, 2023

2. Cash Dividends

	Annual Dividends Per Share				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Fiscal Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2023	-	-	--	0.00	0.00
Fiscal year ending October 31, 2024	-	-	-		
Fiscal year ending October 31, 2024 (Forecast)				0.00	0.00

(Note) Revision to the most recently announced dividend forecast: No

3. Financial Results Forecast for the Fiscal Year Ending October 31, 2024 (from November 1, 2023 to October 31, 2024)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending October 31, 2024 (Forecast)	153	-	(1,965)	-	(1,798)	-	(1,798)	-	(109.09)

(Note) Revision to the most recently announced financial results forecast: No

***Notes**

(1) Accounting policies adopted specially for the preparation of quarterly financial statements: No

(2) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

(i) Changes in accounting policies due to revisions of accounting standards: No

(ii) Changes in accounting policies due to reasons other than (i) above: No

(iii) Changes in accounting estimates: No

(iv) Retrospective restatements: No

(3) Number of issued shares (ordinary shares)

(i) Total number of issued shares at the end of the period (including treasury shares):

As of July 31, 2024	21,996,900 shares
As of October 31, 2023	10,952,000 shares

(ii) Number of treasury shares at the end of the period

As of July 31, 2024	- shares
As of October 31, 2023	- shares

(iii) Average number of issued shares during the period (cumulative from the beginning of the fiscal year):

Nine months ended July 31, 2024	14,527,937 shares
Nine months ended July 31, 2023	- shares

Notes:

1. On September 15, 2023, the Company conducted an 800-for-1 stock split of its common stock. The "Total number of issued shares at the end of the period" and "Number of treasury shares at the end of the period" are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.
2. Since quarterly financial statements for the nine months ended July 31, 2023 were not prepared, the "Average number of issued shares during the period" for the nine months ended July 31, 2023 is not stated.

*These quarterly financial results are outside the scope of quarterly reviews by certified public accountants or audit firms.

*Proper use of earnings forecasts and other special matters

(Cautionary notice on forward-looking information)

The financial results forecasts and other forward-looking information contained in this document are based on the information currently available to the Company and certain assumptions considered reasonable by the Company. It is not a guarantee that the forecasts will be achieved, and actual results may differ significantly from such forecasts depending on various factors. For more information on the financial results forecast, please refer to page 2 of the Attachment, "1. Qualitative Information on Quarterly Financial Results for the Period under Review: (3) Explanation of Financial Results Forecast and Other Forward-looking Information."

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Business Results

During the first nine months of the current fiscal year (November 1, 2023 to July 31, 2024), the Japanese economy showed signs of gradual improvement due to the normalization of economic activities and the enhancement in the employment and income environment. However, there are some uncertainties with the domestic economy such as due to foreign exchange fluctuations caused by the monetary policies of the Bank of Japan and the Federal Reserve Board of the United States, unstable international conditions, and the rising price of raw materials and cost of energy.

In the Japanese regenerative medicine industry, the revised Pharmaceutical Affairs Law enacted in 2014 introduced a “conditional and time-limited approval system” for regenerative medical products. Moreover, the “Sakigake designation system” was also enacted in 2019 to shorten the approval review period and provide priority support for prior consultation with the authorities. Thus, in Japan there are systems in place that allow for the rapid commercialization of superior regenerative medical products.

In terms of the overview of our business during the nine months ended July 31, 2024, we continued development of our lead pipeline. This is a treatment program (HS-001) for heart failure patients with ischemic heart disease by administration of allogeneic iPS cell-derived cardiomyocytes spheroids in conjunction with open heart surgery. In the ongoing Phase I/II clinical trial (LAPiS study) in combination with coronary artery bypass graft surgery, the Safety Monitoring Committee has completed its review of the results of the low-dose patient cohort. With its positive recommendation, preparations are underway to start administration of the high-dose cohort from this summer. In addition, the Company was newly listed on the Growth Market of the Tokyo Stock Exchange on July 30, 2024.

Meanwhile, under an exclusive worldwide collaboration and license agreement with Novo Nordisk A/S, a leading global pharmaceutical company, the Company recorded milestone revenues in the first quarter as it progressed with the development of manufacturing technology with Novo Nordisk A/S. In addition, the Company and Novo Nordisk A/S have formulated a plan to develop a catheter-based administration method that is less invasive for patients. It is now confirming and verifying the method with a prototype product.

As a result, the Company reported net sales of 153,210 thousand yen, operating losses of 1,213,816 thousand yen, ordinary losses of 1,086,886 thousand yen, and net losses of 1,088,599 thousand yen in the nine month period ended July 31, 2024.

As the Company has only one segment, the pharmaceutical business, the description of business results by segment is omitted.

(2) Explanation of Financial Position

1) Assets, Liabilities and Equity

(Assets)

Total assets at the end of the nine months ended July 31, 2024 increased by 852,947 thousand yen from the end of the previous fiscal year to 6,572,699 thousand yen. Current assets increased by 871,349 thousand yen to 5,899,526 thousand yen. This is mainly due to a 993,520 thousand yen increase in cash and cash equivalents from the issuance of new shares. Non-current assets decreased by 18,402 thousand yen to 673,173 thousand yen. This is mainly due to a 18,402 thousand yen decrease in property, plant and equipment by recording depreciation.

(Liabilities)

Total liabilities at the end of the nine months ended July 31, 2024 increased by 18,986 thousand yen from the end of the previous fiscal year to 469,178 thousand yen. Current liabilities increased by 45,203 thousand yen to 289,266 thousand yen. This is mainly due to an 84,456 thousand yen increase including advances of subsidies received from the Japan Agency for Medical Research and Development (AMED) while there was also a decrease by 43,800 thousand yen in reversal of asset retirement obligations and a decrease by 25,850

thousand yen in accounts payable. Non-current liabilities decreased by 26,217 thousand yen to 179,912 thousand yen. This is mainly due to a 20,645 thousand yen decrease in asset retirement obligations.

(Equity)

Total equity at the end of the nine months ended July 31, 2024 increased by 833,961 thousand yen from the end of the previous fiscal year to 6,103,521 thousand yen. This is mainly due to a 961,387 thousand yen increase each in share capital and legal capital surplus from the issuance of new shares while there was also a 1,088,599 thousand yen decrease in retained earnings from the net losses.

(3) Explanation of Financial Results Forecast and Other Forward-looking Information

There is no change to the earnings forecast for the fiscal year ending October 31, 2024, which was announced on July 30, 2024 in the “Notice of Financial Results of Heartseed Inc. in Connection with its Listing on the Growth Market of the Tokyo Stock Exchange.”

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheets

(Thousands of yen)

	FY2023 (As of October 31, 2023)	FY2024 (As of July 31, 2024)
Assets		
Current assets		
Cash and deposits	4,588,118	5,581,639
Supplies	136,610	110,390
Advance payments to suppliers	36,630	51,524
Prepaid expenses	52,397	21,604
Accounts receivable: other	17,310	29,971
Consumption taxes refund receivable	197,109	104,396
Total current assets	5,028,176	5,899,526
Non-current assets		
Property, plant and equipment	483,503	465,101
Intangible fixed assets	-	-
Investments and other assets	208,072	208,072
Total non-current assets	691,575	673,173
Total assets	5,719,751	6,572,699
Liabilities		
Current liabilities		
Lease liabilities	6,008	4,794
Accounts payable: other	118,885	93,035
Accrued expenses	41,814	36,062
Income taxes payable	2,851	39,733
Advances received	19,533	103,989
Deposits received	11,169	11,650
Asset retirement obligations	43,800	-
Total current liabilities	244,062	289,266
Non-current liabilities		
Lease liabilities	5,570	2,039
Asset retirement obligations	186,494	165,848
Deferred tax liabilities	14,065	12,023
Total non-current liabilities	206,129	179,912
Total liabilities	450,192	469,178
Net assets		
Shareholder's equity		
Share capital	50,000	1,011,387
Capital surplus	8,171,732	8,125,338
Retained earnings (deficit)	(2,964,803)	(3,045,621)
Total shareholders' equity	5,256,929	6,091,104
Share acquisition rights	12,630	12,416
Total net assets	5,269,559	6,103,521
Total liabilities and net assets	5,719,751	6,572,699

(2) Quarterly Statements of Income

(For the nine months ended July 31)

(Thousands of yen)

	FY2024 (From November 1, 2023 to July 31, 2024)
Net sales	153,210
Cost of sales	-
Gross profit	153,210
Selling, general and administrative expenses	1,367,026
Operating income (loss)	(1,213,816)
Non-operating income	
Interest income	23
Subsidy income	152,000
Commission income	18,343
Other	980
Total non-operating income	171,346
Non-operating expenses	
Interest expenses	332
Foreign exchange losses	9,720
Listing expenses	34,363
Total non-operating expenses	44,416
Ordinary income (loss)	(1,086,886)
Net income (loss) before income taxes	(1,086,886)
Income taxes: current	3,753
Income taxes: adjustment	(2,041)
Total income taxes	1,712
Total net income (loss)	(1,088,599)

(3) Notes to the Quarterly Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

The Company was listed on the Growth Market of the Tokyo Stock Exchange on July 30, 2024. Upon being listed on this market, the Company's share capital and capital surplus increased by 961,387 thousand yen each due to the issuance of 1,801,700 shares through a public offering (offering through the book building method) with a payment date of July 29, 2024. As a result, the Company's share capital and capital surplus amounted to 1,011,387 thousand yen and 8,125,338 thousand yen, respectively, at the end of the third quarter of the current fiscal year.

(Notes on the statement of quarterly cash flows)

Quarterly statements of cash flows for the nine months ended July 31, 2024 were not prepared. Depreciation (including amortization related to intangible assets) for the nine-month period ended July 31, 2024 is as follows.

	FY2024 (From November 1, 2023 to July 31, 2024)
Depreciation	31,054 thousand yen

(Notes on the segment information)

As the Company has only one segment, the pharmaceutical business, the description of business results by segment is omitted.

(Notes on the significant subsequent events)

(Issuance of new shares through a third-party allotment)

The Company was listed on the Growth Market of the Tokyo Stock Exchange on July 30, 2024. Upon being listed, the Company passed resolutions at the Board of Directors' meetings held on June 26, 2024 and July 11, 2024 to issue new shares through a third-party allotment to SMBC Nikko Securities Inc. in connection with the offering by over-allotment. The payment for the allotment was completed on August 28, 2024.

(1) Method of offering:	By way of third-party allotment (offering by over-allotment)
(2) Number of new shares:	228,500 shares of ordinary share
(3) Issue price:	1,067.20 yen per share
(4) Amount booked as share capital:	533.60 yen per share
(5) Total issue price:	243,855 thousand yen
(6) Total amount booked as share capital:	121,927 thousand yen
(7) Payment date:	August 28, 2024
(8) Allottees:	SMBC Nikko Securities Inc.
(9) Use of proceeds:	R&D and business administration expenses