Notice: This document has been translated from the Japanese original for reference purposes. In the event of any discrepancy between this translated document and the Japanese original, the latter shall prevail.

Summary of Non-Consolidated Financial Results for the First Two Quarters (Interim Period) of the Fiscal Year Ending March 2025 (Based on Japanese GAAP)

November 12, 2024

Company name: Tsubota Laboratory, Inc. Listing exchange: Tokyo Stock Exchange

Securities code: 4890 URL: https://tsubota-lab.com/

Representative: Kazuo Tsubota, CEO

Inquiries: TakayaShimizu Operating Officer General Manager Administration Div. Phone: +81-3-6384-2866

Scheduled date for filing interim securities report: November 14, 2024

Scheduled date for commencing dividend payments: -

Preparation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

1. Financial Results for the First Two Quarters (Interim Period: April 1, 2024 to September 30, 2024) of the Fiscal Year Ending March 31, 2025

(1) Operating Results (Cumulative) (Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First two quarters ended September 30, 2024	486	887.0	69	–	65	–	44	–
First two quarters ended September 30, 2023	49	(91.1)	(408)	–	(403)	–	(293)	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First two quarters ended September 30, 2024	1.75	1.73
First two quarters ended September 30, 2023	(11.54)	–

(Note) Diluted earnings per share of common stock for the first two quarters (interim period) of the fiscal year ended March 31, 2024 is omitted because basic earnings per share was negative although there are residual shares.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	2,223	1,412	63.5
As of March 31, 2024 (end of previous fiscal year)	2,295	1,367	59.6

(Reference) Total shareholders' equity

As of September 30, 2024: 1,412 million yen As of March 31, 2024: 1,367 million yen

2. Cash Dividends

	Annual dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	0.00			
Fiscal year ending March 31, 2025	–	0.00			
Fiscal year ending March 31, 2025 (Forecast)			–	0.00	0.00

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

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentage figures indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,200	78.2	131	–	130	–	100	–	3.91

(Note) Revisions to the most recently announced earnings forecast: No

* Notes

(1) Application of accounting treatments specific to the preparation of interim consolidated financial statements: Yes

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations:	No
2) Changes in accounting policies other than those in 1) above:	No
3) Changes in accounting estimates:	No
4) Restatement of prior period financial statements:	No

(2) Number of issued shares (common shares)

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

As of September 30, 2024	25,577,500 shares	As of March 31, 2024	25,577,500 shares

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

As of September 30, 2024	– shares	As of March 31, 2024	– shares

3) Average number of shares during the period (interim period)

First two quarters ended September 30, 2024	25,577,500 shares	First two quarters ended September 30, 2023	25,424,81 shares

* This summary of interim financial results is not subject to review procedures by a public accountant or audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual financial results and the like may differ materially due to various factors.

Contents of Attachment

1. Qualitative Information on the Financial Results for the Period under Review 2
(1) Overview of Operating Results 2
(2) Explanation of Financial Position 2
(3) Explanations on Earnings Forecast and Other Forecast Information 3
2. Interim Financial Statements and Significant Notes Thereto 4
(1) Interim Balance Sheets 4
(2) Interim Statements of Income 6
(3) Interim Statements of Cash Flows 7
(4) Notes to Interim Financial Statements 8
(Notes on Going Concern Assumption) 8
(Notes When There Are Significant Changes in Amounts of Equity) 8
(Application of accounting treatments specific to the preparation of interim consolidated financial statements) 8
(Changes in Accounting Policies) 8
(Change in Accounting Estimate) 8
(Segment Information, etc.) 8
(Significant Subsequent Events) 8

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

(1) Overview of Operating Results

During the first two quarters (interim period) under review (April 1, 2024 to September 30, 2024), the Japanese economy continued to show a recovery trend due to an improvement in the employment and income environment and a resurgence in inbound tourist demand, etc. The outlook remains uncertain, however, given the impact of such geopolitical risks as the worsening situation in the Middle East and the prolonged invasion of Ukraine, as well as rapid exchange rate fluctuations associated with global monetary tightening, among other factors.

In this environment, Tsubota Laboratory, Inc. (" Tsubota Lab" or the "Company"), a startup from Keio University, has conducted business activities aiming to achieve continuous growth and business expansion under the mission of "Create a Future of Clear Vision through Visionary Innovations" and with the aim of developing innovative solutions for myopia, dry eye, presbyopia, and brain diseases.

In research and development, Tsubota Lab has continued to expand collaboration in basic research with partner research institutions in order to discover new intellectual properties and add new pipelines (new drug candidates).

In addition to obtaining efficacy in the preliminary results of the specific clinical research of TLG-005 for depression and Parkinson's disease, the Company has completed the enrollment of subjects in the specific clinical research of the project in which the application of an eye drop for glaucoma is expanded to develop an eye drop for preventing myopia progression (TLM-007).

As for the research paper area, Tsubota Lab publicized "Establishment of an in vitro choroid complex system for vascular response screening."

In business development, the Company made rapid progress in entering the high-potential Chinese market. This includes becoming the first Japanese company to open an office in the "Eye Valley" in Wenzhou, Zhejiang Province, the center of the national-level myopia research in China, and Kazuo Tsubota, the Company's representative, being appointed as visiting professor of the School of Ophthalmology and Optometry, Wenzhou Medical University. Moreover, in September 2024, the Company concluded a patent licensing agreement with Shenyang Xingqi Pharmaceutical Co., Ltd., a major Chinese ophthalmic pharmaceutical manufacturer. Tsubota Lab believes that the agreement will allow it to offer, widely in China, the treatment methods based on the patents it possesses.

As a result of these, the Company achieved the following operating results for the first two quarters (interim period) under review.

Note that descriptions related to segment information are not provided, as the Company has a single operating segment engaged in the research and development business

(Thousands of yen)

	Net sales	Operating profit (loss)	Ordinary profit (loss)	Net profit (loss)	Basic earnings (loss) per share
First two quarters ended September 30, 2024	486,712	69,295	65,085	44,844	1.75 yen
First two quarters ended September 30, 2023	49,314	(408,182)	(403,626)	(293,396)	(11.54 yen)
Change	437,398	477,478	468,712	338,241	13.29 yen

(2) Explanation of Financial Position

1) Financial Position

	As of March 31, 2024	As of September 30, 2024	Change
Total assets (thousands of yen)	2,295,159	2,223,694	(71,465)
Total liabilities (thousands of yen)	927,927	811,617	(116,309)
Total net assets (thousands of yen)	1,367,231	1,412,076	44,844
Equity ratio (%)	59.6	63.5	3.9
Net assets per share (yen)	53.45	55.21	1.75

(Current assets)

The balance of current assets at the end of the interim period under review totaled 2,166,362 thousand yen, a decrease of 57,333 thousand yen from the end of the previous fiscal year. The decrease was mainly due to decreases of 524,466 thousand yen in cash and deposits and 28,998 thousand yen in income taxes refund receivable, against increases of 411,781 thousand yen in accounts receivable - trade, 55,006 thousand yen in prepaid expenses, and 23,724 thousand yen in consumption taxes refund receivable.

(Non-current assets)

The balance of non-current assets at the end of the interim period under review totaled 57,331 thousand yen, a decrease of 14,131 thousand yen from the end of the previous fiscal year. The decrease was mainly due to decreases of 756 thousand yen in buildings and structures, 11,052 thousand yen in tools, furniture and fixtures, and 985 thousand yen in patent right.

(Current liabilities)
The balance of current liabilities at the end of the interim period under review totaled 731,261 thousand yen, a decrease of 106,285 thousand yen from the end of the previous fiscal year. The decrease was mainly due to decreases of 7,000 thousand yen in accounts payable - trade, 41,891 thousand yen in contract liabilities and 84,304 thousand yen in provision for loss on contracts, against increases of 13,016 thousand yen in accounts payable - other and 21,322 thousand yen in income taxes payable.

(Non-current liabilities)
The balance of non-current liabilities at the end of the interim period under review totaled 80,356 thousand yen, a decrease of 10,024 thousand yen from the end of the previous fiscal year. The decrease was due to a decrease of 10,024 thousand yen in long-term borrowings.

(Net assets)
Total net assets at the end of the interim period under review totaled 1,412,076 thousand yen, an increase of 44,844 thousand yen from the end of the previous fiscal year. The increase was due to the recording of 44,844 thousand yen in profit for the interim period.

2) Cash Flows
Cash and cash equivalents ("net cash") at the end of the interim period under review amounted to 1,358,933 thousand yen. The status of cash flows in the interim period under review and their contributing factors are as follows.

(Cash flows from operating activities)
Net cash used in operating activities amounted to 505,804 thousand yen (in contrast to net cash used amounting to 551,517 thousand yen in the year-earlier period). The major factors of cash inflow were income before income taxes of 64,636 thousand yen, depreciation of 15,238 thousand yen, increase in accounts payable - other of 9,820, and income taxes refund of 28,998 thousand yen. These were offset by the major factors of cash outflow including decrease in provision for loss on contracts of 84,304 thousand yen, increase in trade receivables of 411,781 thousand yen, decrease in contract liabilities of 41,891 thousand yen, increase in consumption taxes refund receivable of 23,724 thousand yen, increase in other assets of 57,443 thousand yen, and income taxes paid of 4,904 thousand yen.

(Cash flows from investing activities)
Net cash used in investing activities amounted to 4,382 thousand yen (in contrast to net cash used amounting to 9,242 thousand yen in the year-earlier period). This was mainly due to payments of leasehold and guarantee deposits of 4,723 thousand yen against proceeds from sale of property, plant and equipment of 1,100 thousand yen.

(Cash flows from financing activities)
Net cash used in financing activities amounted to 14,280 thousand yen (in contrast to net cash provided amounting to 42,976 thousand yen in the year-earlier period). This was due to repayments of long-term borrowings of 14,280 thousand yen.

(3) Explanations on Earnings Forecast and Other Forecast Information

Operating results for the interim period under review have generally been as initially planned. As for the earnings forecast for the fiscal year ending March 31, 2025, there are no changes at present to the forecast figures announced on May 13, 2024.

2. Interim Financial Statements and Significant Notes Thereto

(1) Interim Balance Sheets

(Thousands of yen)

	Previous fiscal year (As of March 31, 2024)	Second quarter of current fiscal year (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	1,883,400	1,358,933
Accounts receivable - trade	17,933	429,714
Work in process	285,500	285,500
Prepaid expenses	7,373	62,379
Consumption taxes refund receivable	-	23,724
Income taxes refund receivable	28,998	-
Other	490	6,110
Total current assets	2,223,696	2,166,362
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,679	3,410
Accumulated depreciation	(550)	(38)
Buildings and structures, net	4,128	3,371
Tools, furniture and fixtures	171,212	166,758
Accumulated depreciation	(122,673)	(129,272)
Tools, furniture and fixtures, net	48,538	37,486
Total property, plant and equipment	52,667	40,857
Intangible assets		
Patent right	8,801	7,816
Software	37	-
Total intangible assets	8,839	7,816
Investments and other assets		
Long-term prepaid expenses	4,066	3,383
Other	5,890	5,273
Total investments and other assets	9,956	8,656
Total non-current assets	71,463	57,331
Total assets	2,295,159	2,223,694

(Thousands of yen)

	Previous fiscal year (As of March 31, 2024)	Second quarter of current fiscal year (As of September 30, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	20,366	13,366
Current portion of long-term borrowings	26,520	22,264
Accounts payable - other	44,068	57,084
Income taxes payable	4,880	26,202
Accrued consumption taxes	4,771	-
Contract liabilities	403,315	361,423
Provision for loss on contracts	328,303	243,998
Other	5,321	6,921
Total current liabilities	837,547	731,261
Non-current liabilities		
Long-term borrowings	90,380	80,356
Total non-current liabilities	90,380	80,356
Total liabilities	927,927	811,617

Net assets		
Shareholders' equity		
Share capital	818,060	818,060
Capital surplus		
Legal capital surplus	802,060	802,060
Total legal capital surplus	802,060	802,060
Retained earnings		
Other retained earnings	(252,888)	(208,043)
Retained earnings brought forward	(252,888)	(208,043)
Total retained earnings	(252,888)	(208,043)
Total shareholders' equity	1,367,231	1,412,076
Total net assets	1,367,231	1,412,076
Total liabilities and net assets	2,295,159	2,223,694

(2) Interim Statements of Income

(Thousands of yen)

	First two quarters of previous fiscal year (April 1, 2023 - September 30, 2023)	First two quarters of current fiscal year (April 1, 2024 - September 30, 2024)
Net sales	49,314	486,712
Cost of sales	127,031	1,533
Gross profit (loss)	(77,717)	485,179
Selling, general and administrative expenses	330,465	415,883
Operating profit (loss)	(408,182)	69,295
Non-operating income		
Interest income	10	155
Recoveries of written off receivables	-	792
Subsidy income	4,703	79
Other	220	757
Total non-operating income	4,934	1,784
Non-operating expenses		
Interest expenses	345	621
Foreign exchange losses	33	5,372
Total non-operating expenses	379	5,994
Ordinary profit (loss)	(403,626)	65,085
Extraordinary losses		
Loss on sale of non-current assets	-	449
Total extraordinary losses	-	449
profit (loss) before income taxes	(403,626)	64,636
Income taxes	(110,230)	19,791
profit (loss)	(293,396)	44,844

(3) Interim Statements of Cash Flows

(Thousands of yen)

	First two quarters of previous fiscal year (April 1, 2023 - September 30, 2023)	First two quarters of current fiscal year (April 1, 2024 - September 30, 2024)
Cash flows from operating activities		
profit (loss) before income taxes	(403,626)	64,636
Depreciation	17,506	15,238
Interest income	(10)	(155)
Interest expenses	345	621
Subsidy income	(4,703)	(79)
Loss (gain) on sale of property, plant and equipment	-	449
Increase (decrease) in provision for loss on contracts	-	(84,304)
Decrease (increase) in trade receivables	16,928	(411,781)
Decrease (increase) in inventories	(16,067)	-
Increase (decrease) in trade payables	(3,041)	(7,000)
Increase (decrease) in accounts payable - other	(22,216)	9,820
Increase (decrease) in contract liabilities	(43,999)	(41,891)
Increase (decrease) in accrued consumption taxes	(18,385)	(4,771)
Decrease (increase) in consumption taxes refund receivable	-	(23,724)
Decrease (increase) in other assets	(41,463)	(57,443)
Increase (decrease) in other liabilities	(140)	1,599
Other, net	4,537	9,287
Subtotal	(514,337)	(529,498)
Interest received	10	155
Interest paid	(306)	(633)
Subsidies received	4,703	79
Income taxes paid	(41,587)	(4,904)
Income taxes refund	-	28,998
Net cash provided by (used in) operating activities	(551,517)	(505,804)
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,242)	(759)
Proceeds from sale of property, plant and equipment	-	1,100
Payments of leasehold and guarantee deposits	-	(4,723)
Net cash provided by (used in) investing activities	(9,242)	(4,382)
Cash flows from financing activities		
Repayments of long-term borrowings	(10,200)	(14,280)
Proceeds from issuance of shares	53,176	-
Net cash provided by (used in) financing activities	42,976	(14,280)
Net increase (decrease) in cash and cash equivalents	(517,783)	(524,466)
Cash and cash equivalents at beginning of period	2,161,016	1,883,400
Cash and cash equivalents at end of period	1,643,233	1,358,933

(4) Notes to Interim Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes When There Are Significant Changes in Amounts of Equity)

Not applicable.

(Application of accounting treatments specific to the preparation of interim consolidated financial statements)

Calculation of tax expenses

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes for the fiscal year, including the interim period under review, and multiplying income before income taxes for the interim period by the estimated effective tax rate.

However, if the calculation of tax expenses using such estimated effective tax rate would result in significantly irrational results, tax expenses are calculated by multiplying the statutory effective tax rate after adjusting significant differences that do not fall under temporary differences to or from income before income taxes for the interim period.

(Changes in Accounting Policies)

Not applicable.

(Change in Accounting Estimate)

Not applicable.

(Segment Information, etc.)

Descriptions of segment information are omitted due to lack of importance, as the Company has a single operating segment engaged in the research and development business.

(Significant Subsequent Events)

Not applicable.