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Summary of Non-Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 2025 (Based on Japanese GAAP)

February 12, 2025

Company name: Tsubota Laboratory, Inc.

Listing exchange: Tokyo Stock Exchange

Securities code: 4890

URL: <https://tsubota-lab.com/>

Representative: Kazuo Tsubota, CEO

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Scheduled date for filing interim securities report: February 12, 2025

Scheduled date for commencing dividend payments: -

Preparation of supplementary materials on quarterly financial results: No

Holding of quarterly financial results briefing session: No

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

1. Financial Results for the Nine Months Ended December 31, 2024(April 1, 2024 to December 31, 2024)

(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 three quarters ended December 31, 2024	792	355.2	90	—	122	—	84	—
First three quarters ended December 31, 2023	174	(91.1)	(956)	—	(950)	—	(955)	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First three quarters ended December 31, 2024	3.30	3.25
First three quarters ended December 31, 2023	(37.51)	—

(Note) Diluted earnings per share of common stock for the Third quarters 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 December 31, 2024	2,281	1,464	64.2
As of March 31, 2024 (end of previous fiscal year)	2,295	1,367	59.6

(Reference) Total shareholders' equity

As of December 31, 2024: 1,464million 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		0.00	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	–	160	–	110	–	4.29

(Note) Revisions to the most recently announced earnings forecast: Yes

* 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

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|---|----|
| 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 December 31, 2024	25,577,500 shares	As of March 31, 2024	25,577,500 shares
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2) Number of treasury shares at the end of the period

As of September 30, 2024	– shares	As of March 31, 2024	– shares
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3) Average number of shares during the period (interim period)

December 31, 2024	25,582,397 shares	December 31, 2023	25,470,732 shares
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* 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.

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

(1) Overview of Operating Results

During the first three quarters under review (April 1, 2024 to December 31, 2024), the Japanese economy continued to show a modest recovery backed by an improvement in the employment environment, larger demand from inbound tourists, expanding digital-related investments, etc. Meanwhile, the economic outlook remains uncertain, given the impact of general price hikes due to soaring energy resource prices and the weaker yen, future policy trends in the U.S., and the outcome of conflict areas around the world, 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 promote collaboration in basic research with partner research institutions in order to discover new intellectual properties and add new pipelines (new drug candidates). The Company's development research on the TLG-005 medical device (a violet light-emitting eyeglass frame for Parkinson's disease, depression, and mild cognitive impairment) that enhances the QOL of elderly people through brain activation received the "Excellent Award" at the 5th Well-being & Age-tech 2024 Award. As for the research paper area, Tsubota Lab publicized "Myopic Shift in Female Mice after Ovariectomy."

In business development, the Company concluded an evaluation agreement with Rohto Pharmaceutical for eye drops. We also concluded a license agreement with an overseas pharmaceutical company for non-clinical trial data and some clinical trial results. As such, we have made steady progress in business development.

As a result of these, the Company achieved the following operating results for the first three quarters 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 income (loss)	Ordinary income (loss)	Net income (loss)	Basic earnings (loss) per share
First three quarters ended December 31, 2024	792,179	90,555	122,225	84,488	3.30 yen
First three quarters ended December 31, 2023	174,025	(956,716)	(950,766)	(955,474)	(37.51 yen)
Change	618,154	1,047,271	1,072,992	1,039,963	40.82 yen

(2) Explanation of Financial Position

(Financial Position)

	As of March 31, 2024	As of December 31, 2024	Change
Total assets (thousands of yen)	2,295,159	2,281,308	(13,851)
Total liabilities (thousands of yen)	927,927	817,113	(110,813)
Total net assets (thousands of yen)	1,367,231	1,464,194	96,962
Equity ratio (%)	59.6	64.2	4.6
Net assets per share (yen)	53.45	57.13	3.68

(Current assets)

The balance of current assets at the end of the third quarter of the current fiscal year totaled 2,221,401 thousand yen, a decrease of 2,295 thousand yen from the end of the previous fiscal year. The decrease was mainly due to decreases of 56,795 thousand yen in cash and deposits and 28,998 thousand yen in income taxes refund receivable, against increases of 41,632 thousand yen in prepaid expenses, 5,236 thousand yen in advances paid, and 28,268 thousand yen in consumption taxes refund receivable.

(Non-current assets)

The balance of non-current assets at the end of the third quarter of the current fiscal year totaled 59,907 thousand yen, a decrease of 11,555 thousand yen from the end of the previous fiscal year. The decrease was mainly due to decreases of 813 thousand yen in buildings and structures, 7,101 thousand yen in tools, furniture and fixtures, 1,477 thousand yen in patent right, 820 thousand yen in long-term prepaid expenses, and 1,304 thousand yen in leasehold and guarantee deposits.

(Current liabilities)

The balance of current liabilities at the end of the third quarter of the current fiscal year totaled 741,138 thousand yen, a decrease of 96,408 thousand yen from the end of the previous fiscal year. The decrease was mainly due to decreases of 64,854 thousand yen in contract liabilities and 118,595 thousand yen in provision for loss on contracts, against increases of 35,393 thousand yen in accounts payable - trade, 18,012 thousand yen in accounts payable - other and 42,469 thousand yen in income taxes payable.

(Non-current liabilities)

The balance of non-current liabilities at the end of the third quarter of the current fiscal year totaled 75,975 thousand yen, a decrease of 14,405 thousand yen from the end of the previous fiscal year. The decrease was due to a decrease of 14,405 thousand yen in long-term borrowings.

(Net assets)

Total net assets at the end of the third quarter of the current fiscal year totaled 1,464,194 thousand yen, an increase of 96,962 thousand yen from the end of the previous fiscal year. The increase was due to an increase of 6,237 thousand yen in share capital and legal capital surplus, respectively, through the exercise of rights, and the recording of 84,488 thousand yen in net income for the period under review.

(3) Explanations on Earnings Forecast and Other Forecast Information

Operating results for the first three quarters under review made steady progress, including the conclusion of a licensing agreement with a Chinese company. On the other hand, the weaker-than-expected trend of the yen against the U.S. dollar and other currencies resulted in the accrual of foreign exchange gains of approximately 30 million yen. As for the full-year earnings forecast announced on May 13, 2024, ordinary income is expected to increase 23.1% (30 million yen) from the previously announced forecast to 160 million yen. As a result of the above, net income for the fiscal year ending March 2025 is expected to be 110 million yen, an increase of 10% (10 million yen) from the previously announced forecast.

2. Interim Financial Statements and Significant Notes Thereto

(1) Interim Balance Sheets

	(Thousands of yen)	
	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	1,883,400	1,826,605
Accounts receivable - trade	17,933	16,941
Work in process	285,500	285,500
Prepaid expenses	7,373	49,006
Consumption taxes refund receivable	-	28,268
Income taxes refund receivable	28,998	-
Other	490	15,079
Total current assets	2,223,696	2,221,401
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,679	3,410
Accumulated depreciation	(550)	(95)
Buildings and structures, net	4,128	3,314
Tools, furniture and fixtures	171,212	176,481
Accumulated depreciation	(122,673)	(135,044)
Tools, furniture and fixtures, net	48,538	41,436
Total property, plant and equipment	52,667	44,751
Intangible assets		
Patent right	8,801	7,324
Software	37	-
Total intangible assets	8,839	7,324
Investments and other assets		
Long-term prepaid expenses	4,066	3,245
Other	5,890	4,585
Total investments and other assets	9,956	7,831
Total non-current assets	71,463	59,907
Total assets	2,295,159	2,281,308
	(Thousands of yen)	
	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	20,366	55,760
Current portion of long-term borrowings	26,520	55,656
Accounts payable - other	44,068	62,080
Income taxes payable	4,880	47,350
Accrued consumption taxes	4,771	-
Contract liabilities	403,315	338,461
Provision for loss on contracts	328,303	209,707
Other	5,321	5,214
Total current liabilities	837,547	741,138
Non-current liabilities		
Long-term borrowings	90,380	75,975
Total non-current liabilities	90,380	75,975
Total liabilities	927,927	817,113

Net assets		
Shareholders' equity		
Share capital	818,060	824,297
Capital surplus		
Legal capital surplus	802,060	808,297
Total legal capital surplus	802,060	808,297
Retained earnings		
Other retained earnings	(252,888)	(168,399)
Retained earnings brought forward	(252,888)	(168,399)
Total retained earnings	(252,888)	(168,399)
Total shareholders' equity	1,367,231	1,464,194
Total net assets	1,367,231	1,464,194
Total liabilities and net assets	2,295,159	2,281,308

(2) Interim Statements of Income

(Thousands of yen)

	For the nine months ended December 31, 2023	F For the nine months ended December 31, 2024
Net sales	174,025	792,179
Cost of sales	640,330	63,835
Gross profit (loss)	(466,305)	728,343
Selling, general and administrative expenses	490,411	637,788
Operating profit (loss)	(956,716)	90,555
Non-operating income		
Interest income	10	155
Recoveries of written off receivables	-	29,688
Subsidy income	5,354	130
Other	1,432	1,324
Total non-operating income	6,796	32,486
Non-operating expenses		
Interest expenses	688	816
Foreign exchange losses	158	
Total non-operating expenses	846	816
Ordinary profit (loss)	(950,766)	122,225
Extraordinary losses		
Loss on sale of non-current assets	-	449
Total extraordinary losses	-	449
profit (loss) before income taxes	(950,766)	121,776
Income taxes	(4,708)	37,287
profit (loss)	(955,474)	84,488

(3) Notes to Quarterly 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 quarterly 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 first three quarters under review, and multiplying income before income taxes for the first three quarters 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 first three quarters under review.

(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.

(Notes on Statements of Cash Flows)

No quarterly statements of cash flows have been prepared for the first three quarters ended December 31, 2024. Depreciation (including amortization of intangible assets) for the first three quarters under review is as follows:

	(Thousands of yen)	
	First three quarters of previous fiscal year (April 1, 2023 - December 31, 2023)	First three quarters of current fiscal year (April 1, 2024 - December 31, 2024)
Depreciation	24,447	19,048

(Significant Subsequent Events)

Not applicable.

(Notes on the Financial Reporting Framework Applicable to Quarterly Financial Statements)

The Company's quarterly financial statements are prepared in accordance with Article 4-1 of the Tokyo Stock Exchange's Standard for Preparation of Quarterly Financial Statements, and accounting standards for quarterly financial statements generally accepted in Japan (however, the omission of descriptions set forth in Article 4-2 of the Standard for Preparation of Quarterly Financial Statements is applied).