Consolidated Financial Results for the Fiscal Year Ended April 30, 2023
(Under Japan GAAP)

June 14, 2023

Company name:	3-D Matrix, Ltd.	Listing:	Tokyo
Securities code:	7777	URL	http://www.3d-matrix.co.jp/
Representative:	Jun Okada, President and Representative Director		
Inquiries:	Tomoyuki Arai, Director		Telephone: +81-3-3511-3440
Scheduled date of Ordinary General Meeting of Shareholders:	July 27, 2023	Scheduled date to commence dividend payments:	—
Scheduled date to file annual securities report:	July 27, 2023		

Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (webcast only)

(Figures are rounded down to the nearest million yen.)

1. Consolidated financial results for the fiscal year ended April 30, 2023 (from May 1, 2022 to April 30, 2023)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FYE April 2023	2,314	53.6	(3,158)	—	(2,356)	—	(2,445)	—
FYE April 2022	1,506	47.0	(2,736)	—	(1,807)	—	(1,894)	—

Note: Comprehensive income FYE April 2023 (3,217) ¥ million (—%) FYE April 2022 (2,702) ¥ million (—%)

	Basic earnings per share	Diluted earning per share	Return on equity	Operating return on assets	Operating profit margin on sales
	¥	¥	%	%	%
FYE April 2023	(40.64)	—	(490.0)	(41.2)	(136.5)
FYE April 2022	(37.20)	—	(172.7)	(39.6)	(181.6)

Reference: Equity gains (losses) in affiliates FYE April 2023 — ¥ million FYE April 2022 — ¥ million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	¥ million	¥ million	%	¥
FYE April 2023	5,825	524	0.3	0.23
FYE April 2022	5,610	1,457	17.5	17.84

Reference: Equity FYE April 2023 14 ¥ million FYE April 2022 983 ¥ million

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Balance of cash and cash equivalents at the end of the period
	¥ million	¥ million	¥ million	¥ million
FYE April 2023	(4,585)	(81)	2,955	1,170
FYE April 2022	(2,903)	(79)	4,663	2,848

2. Dividends

	Annual dividends per share					Total dividends	Dividend payout ratio (consolidated)	Dividend payout ratio on net assets (consolidated)
	Q1-end	Q2-end	Q3-end	Fiscal year-end	Total			
	¥	¥	¥	¥	¥	¥ million	%	%
FYE April 2022	—	0.00	—	0.00	0.00	—	—	—
FYE April 2023	—	0.00	—	0.00	0.00	—	—	—
FYE April 2024 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Consolidated financial forecasts for the fiscal year ending April 30, 2024 (from May 1, 2023 to April 30, 2024)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full fiscal year	3,708	60.2	(1,524)	—	(1,875)	—	(1,925)	—	(29.90)

* Notes

(1) Changes in significant subsidiaries during the period : None
(changes in specified subsidiaries resulting in the change in scope of consolidation)
Newly included: — companies (Company name) Excluded: — companies (Company name)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations : None
(ii) Changes in accounting policies due to other reasons : None
(iii) Changes in accounting estimates : None
(iv) Restatement : None

(3) Number of issued shares (common stock)

(i) Total number of issued shares at the end of the period (including treasury stock)	FYE April 2023	64,384,509 shares	FYE April 2022	55,131,375 shares
(ii) Number of treasury stock at the end of the period	FYE April 2023	246 shares	FYE April 2022	246 shares
(iii) Average number of shares outstanding during the period	FYE April 2023	60,191,333 shares	FYE April 2022	50,933,291 shares

Reference: Summary of individual financial results

1. Individual financial results for the fiscal year ended April 30, 2023 (from May 1, 2022 to April 30, 2023)

(1) Individual operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FYE April 2023	1,935	(9.3)	(991)	—	(180)	—	(3,240)	—
FYE April 2022	2,133	248.9	(871)	—	(43)	—	(2,299)	—

	Basic earnings per share	Diluted earnings per share
	¥	¥
FYE April 2023	(53.84)	—
FYE April 2022	(45.15)	—

(2) Individual financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	¥ million	¥ million	%	¥
FYE April 2023	7,132	831	4.5	4.99
FYE April 2022	6,986	1,787	18.8	23.82

Reference: Equity FYE April 2023 321 ¥ million FYE April 2022 1,313 ¥ million

* Financial results reports are exempt from audits conducted by certified public accountants or audit corporations.

* Proper use of financial forecasts and other special matters

The forward-looking statements, including earnings forecasts, shown in these materials are based on information currently available and certain assumptions that the Company regards as reasonable. They are not intended to promise their achievement. Actual performance and other results may significantly differ from these forecasted figures due to various factors. Please refer to 1. Overview of Operating Results and Related Information, (4) Business Outlook, on page 7 of the Appendix for details with regard to the assumptions used as the basis for the financial forecasts and special remarks regarding the use of the financial forecasts.

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1. Overview of Operating Results and Related Information

(1) Overview of Results of Operations for the Period

(i) Results of Operations for the Period

3-D Matrix Group continues to focus on the development, manufacturing, and marketing of medical products based on a self-assembling peptide technology discovered by researchers at the Massachusetts Institute of Technology (MIT) in the United States. This self-assembling peptide technology serves as a platform technology with a wide range of applications. Its safety has been verified, and it has already been widely approved for use in humans. The technology can also be used to develop medical devices for additional indications, and the Company has expanded its business into a wide range of fields.

At present, the Company primarily works in the fields of surgery, tissue regeneration, and drug delivery systems ("DDS"). We have received manufacturing and marketing approval for multiple products in the surgical field in Japan, the U.S., and Europe respectively, and we are also working to scale up our manufacturing operations in order to achieve economies of scale.

Moving forward, we will utilize the technological superiority of self-assembling peptides and take advantage of our trilateral business development to adopt a globally optimized development and marketing policy in the fields of tissue regeneration and DDS, where even greater needs are expected in the future.

Research and Development Status

Surgical Field:

Hemostatic material (TDM-621)

In Japan, we received manufacturing and marketing approval for the absorbable local hemostatic material "PuraStat" in 2020 for the treatment of hemorrhage per diapedesis in gastrointestinal endoscopic procedures, and National Health Insurance (NHI) coverage for the product has begun as of December 2021. This allows hospitals to use PuraStat at no cost, which is expected to accelerate sales moving forward.

In Europe, we received CE marking for the product in 2014, and it is now on sale throughout the region. Moving forward, we plan to continue expanding indications for the product, including in disease areas such as central nervous system disorders and for functions such as wound healing, thereby enhancing its value and making it a "one and only" product.

In the U.S., we filed a 510(k) premarket notification to the Food and Drug Administration ("FDA") in January 2021 for use of the product in gastrointestinal endoscopic procedures, for which we received marketing approval in June 2021 and began sales in July 2022. In August 2022, we also filed a 510(k) premarket notification for an additional indication for spontaneous bleeding from lesions that are not attributable to surgical procedures ("primary bleeding"), for which we received marketing approval in March 2023. The market for primary bleeding treatments in Japan, the U.S., and Europe is estimated to be around ¥10 billion. We intend to make PuraStat more attractive with this additional indication and contribute to the expansion of gastrointestinal endoscopic procedures as well as their improved safety in the U.S.

Mucous membrane lifting-up solution (TDM-644)

This product "PuraLift" utilizes a new proprietary peptide sequence developed by the Company. It self-assembles into a gel structure with excellent lifting-up maintenance functions and differs from existing products in its superior safety as it poses no risk of viral contamination since it is not a biologically derived substance. It can potentially be widely used during endoscopic surgery to remove polyps and tumors.

The Company received manufacturing and marketing approval for this product in Japan in May 2021 and began manufacturing it for commercial sale in December 2021. We also launched a clinical study in August 2022 to further expand our data ahead of the start of sales. Furthermore, NHI coverage began in December 2022, which enables medical institutions to file insurance claims for the reimbursement price based on the specified healthcare material cost of PuraLift used at medical institutions. This will allow medical institutions to use PuraLift at no cost. We plan to use PuraLift as a sales hook when selling the hemostatic material PuraStat

to promote cross-sales and expand the sales of PuraStat as well.

Hemostatic material to prevent postoperative bleeding

In Europe, the prevention of postoperative bleeding that occurs during gastrointestinal endoscopic procedures was approved as an additional indication in December 2018. Prevention of postoperative bleeding was also approved as an additional indication in Australia in September 2019. On top of this, prevention of postoperative bleeding was approved as an additional indication in the U.S. at the same time the product was approved as a hemostatic material in June 2021.

Postoperative bleeding, which occurs after surgery, requires further surgery and increases stress on both patients and medical institutions. Thus, there is a strong need for its prevention. While bleeding occurs in about 5% of gastrointestinal endoscopic procedures, the risk of postoperative bleeding in high-risk patients and procedures is nearly 30%. With this additional indication, we believe that we can expand the potential market for our products by several times.

Next-generation hemostatic material (TDM-623)

This product under development utilizes a new proprietary peptide sequence developed by the Company. Compared to existing hemostatic materials, it has superior hemostatic effects and significantly lower costs, and we have been engaged in its development with a view to making it available to the market as our flagship product in the future.

In Europe, our clinical trial plan was approved in May 2021, and the clinical trial targeting the field of neurosurgery began in July 2021. The administration of the product to all patients in the exploratory clinical trial preceding the main trial was completed in December 2021, and with its safety verified, we have begun the transition to the main trial.

Anti-adhesion material (TDM-651)

We received marketing approval in the U.S. from the FDA in April 2019 for the anti-adhesion and hemostatic material “PuraSinus” for use in the field of Ear, Nose and Throat (ENT). This is the only existing product with anti-adhesive, hemostatic, and wound-healing effects at the same time, and we believe that it can deliver superior clinical value when used in ENT procedures such as turbinectomy and septoplasty. In particular, postoperative packing (stuffing of the nose) is said to significantly compromise the quality of life of patients. However, our product will allow packing to be reduced as much as possible, and we expect strong demand for it in the U.S. market where the quality of life of patients is a priority.

In addition, we launched an investigator-initiated specified clinical study in Japan in March 2023 to expand the indications for the hemostatic material PuraStat to the field of gynecology. We believe that the data obtained from this specified clinical study will not only confirm the effectiveness of our hemostatic materials in this field but also contribute to our development of anti-adhesion materials on this front. The global market for hemostatic and anti-adhesion materials in the fields of gynecology and obstetrics is expected to be worth over ¥100 billion, and we are continuing to prepare for future investigator-initiated clinical trials in both Japan and Europe with the goal of expanding the indications for such materials to these fields.

Tissue Regeneration Field:

Wound healing for rectal mucositis

We received approval in the U.S. for an additional indication for wound healing in mucositis in April 2022. This approval opens up the possibility for our product to be used in a wide range of applications, such as in wound healing for rectal mucositis, which could allow it to be marketed as a product with greater added value than a hemostatic material. One such application is in the case of radiation proctitis, a side effect of radiation therapy used to treat prostate and uterine cancers that frequently causes inflammation of the mucosa of the large intestine. Approximately 20% of patients suffer from late effects such as chronic bloody discharge, frequent bowel movements, and severe abdominal pain, and thus the development of an effective treatment is needed.

We aim to rapidly accumulate growth in this field and further expand indications to include inflammatory bowel disease (“IBD”), where a huge market exists. IBD, or the intractable inflammation of the gastrointestinal tract, is a disease of unknown cause specified

by the Japanese government that is marked by repeated relapses and remissions upon the onset of symptoms, and it has an actual global market of several trillion yen. In June 2023, we launched an investigator-initiated specified clinical study in Japan to verify the effectiveness of the product in the area of IBD. Moving forward, we will be planning multiple investigator-initiated specified clinical studies in Japan, the U.S., and Europe and aim to obtain a proof of concept (POC) as soon as possible. We plan to commence full-scale development once we have obtained the POC.

Wound-healing material (TDM-511)

In February 2015, we received marketing approval for this product in the U.S. from the FDA. In line with our aim to enter the fields of severe burns and skin cancer treatments, which require greater clinical value, we are conducting research on its combination with other pharmaceuticals (such as antibiotics and anticancer drugs). We also obtained additional indications in May 2020 that allowed us to gain access to the huge market of cosmetic surgery. Several clinical studies are underway in the U.S. and Europe, with promising results starting to be observed and papers having been published as well.

Dental bone filler (TDM-711)

We have completed treatment and observations for 15 cases in our clinical trials in the U.S., through which we have collected good results and data on bone formation. Meanwhile, because there was room for improvement in the protocol, we have continued with the clinical trials (including the FYE April 2018 clinical trial with 12 additional cases) and will continue to develop the product for commercialization. We are currently in discussions with the FDA regarding the next steps to be taken following completion of the current clinical trials.

DDS Field:
In a joint project with the National Cancer Center on a treatment for triple-negative breast cancer using a nucleic acid drug that targets the RPN2 gene, we provided the surfactant-like peptide A6K as the DDS for the nucleic acid drug. We have obtained joint patents with the National Cancer Center for drugs and diagnostic methods for cancer stem cells and are working toward advancing joint research/development in this area and related fields.

We have also been engaged in a joint project with Hiroshima University, where we have provided A6K for use in an innovative anti-tumor nucleic acid drug that targets malignant pleural mesothelioma and participated in its joint development. It has been decided that PURMX Therapeutics, Inc., a new company founded by Professor Hidetoshi Tahara of Hiroshima University, will lead future product development. We have acquired a portion of the shares of PURMX Therapeutics to continue joint product development. In January 2022, the first case was enrolled in an investigator-initiated clinical trial (Phase 1), and the clinical trial has started. This is the second time our product has been used as a DDS for a nucleic acid drug in an in-human clinical trial. As nucleic acid drugs become increasingly common in the future, the potential exists for our technology to be widely adopted as an option for nucleic acid delivery.

We are also investigating our technology's potential application as a DDS for vaccines, including COVID-19 vaccines. We have launched a joint research project with Tulane University in the U.S. to develop a safe and efficient vaccine delivery system that enhances the protective immune response of various vaccines and eliminates reactions to potent adjuvants (substances used in combination with the main drug to enhance its efficacy and support its function). This project promises to potentially reduce the number of vaccinations required to achieve the same level of immunity, alleviate the burden on patients, and enable the intranasal administration of various vaccines.

Investigation into possible changes to manufacturing methods to achieve a significant reduction in product cost ratios:
The Group aims to achieve a significant reduction in the cost ratios of its product portfolio by changing the sterilization process and scaling up production. We submitted an application to a European third-party notified body in October 2020 to switch to a new manufacturing method and obtained approval in May 2021. Production using this new manufacturing method has started smoothly, and global shipments have commenced. The new cost of goods has been reduced on a rolling basis using the moving average method. These measures are expected to significantly reduce our product cost ratios. With these cost-reduction measures, we believe that we have eliminated a bottleneck that was standing in the way of our return to profitability as soon as possible.

Expansion of manufacturing sites:
The Group entered into a contract manufacturing agreement with Fuso Pharmaceutical Industries, Ltd. ("Fuso") in May 2011 for the production of our absorbable local hemostatic material using self-assembling peptides. In July 2020, the Group received a notice of termination of the contract manufacturing agreement from Fuso, but subsequent discussions culminated in a temporary manufacturing agreement that was followed by a renewed agreement for ongoing manufacturing in June 2022.

In December 2021, the Group also entered into a manufacturing and service agreement with Pharmpur GmbH ("Pharmpur"), which is based in Germany. Pharmpur has already begun manufacturing products for the U.S. market, and we submitted an application for approval of an additional manufacturing site for Europe to a third-party notified body in January 2022, for which approval was obtained in March 2023. We are planning to launch a project aimed at reducing manufacturing costs by further scaling up production through Pharmpur. As this project is not part of our Mid-Term Business Plan, any further reduction in manufacturing costs offers upside potential.

These agreements provide the Company with multiple manufacturing bases that contribute to a stable product supply, with which the Company can further expand its business.

Sales Progress

Product sales in Europe grew to ¥1,155,803 thousand, a 40.8% increase year on year. Although we had planned to dramatically

increase the speed of sale of our hemostatic materials used in the field of gastrointestinal endoscopy, our flagship product, by targeting new users under the same hospitals as KOLs (Key Opinion Leaders) who are already our customers, sales fell far short of our targets. In particular, in Germany, where we had the most extensive sales plan in Europe, the process of switching our distributor from the existing distributor to FUJIFILM EUROPE B.V. ("FUJIFILM") took longer than our expected completion date of May 2022 and was delayed until November 2022. The commitment of our existing distributor waned sharply during our negotiations, which seriously disrupted our sales plan and constituted the greatest cause of our failure to achieve our targets in Europe. However, our partnership with FUJIFILM in Germany became fully functional in March 2023 and contributed to record product sales in Europe as a whole in the fourth quarter of the fiscal year under review.

As for the direct sales systems in the fields of cardiovascular surgery and ENT, the amount we had invested in expanding sales channels did not yield the expected results in the short term, resulting in an increase in operating loss in Europe. We will focus our resources on the highly profitable field of gastrointestinal endoscopy in the interim with the goal of achieving profitability in Europe on a stand-alone basis as soon as possible.

Product sales in Japan totaled ¥457,251 thousand, a 444.2% increase year on year. We have continued to maintain a high growth rate since the launch of product sales, with Japan surpassing Australia in sales to become our second largest market by region. We have also achieved profitability in terms of earnings contributed per sales representative, and we are getting ready to expand our capacity.

Product sales in Australia totaled ¥376,515 thousand, a 26.2% decrease year on year. The relaxation of government regulations on elective surgeries (i.e., surgeries for non-life-threatening conditions) that have continued since the previous fiscal year was significantly delayed, and the recovery in the number of surgeries was also delayed as a result of a temporary shortage of hospital staff due to the regulations. Product sales declined year on year as a result of not only the impact of lower product sales prices sparked by the revision of private insurance prices that was carried out in July 2022 but also a further 20% downward revision in product sales prices in March 2023. Nevertheless, we have captured demand by focusing on major hospitals and achieved record monthly sales numbers in the fiscal year under review. From FYE April 2024 onward, we will aim to maximize earnings by further capturing the recovering demand.

Product sales in the U.S. totaled ¥306,721 thousand, a 489.5% increase year on year. Steady growth was achieved in the field of gastrointestinal endoscopy, for which sales began in July 2022, resulting in high growth in both customer acquisitions and sales per customer that came close to our targets. In the field of ENT, even though we have begun to acquire accounts as a result of a change in our strategy in terms of target facilities, the purchasing behavioral attributes of the target facilities following the change are different from what we expected, and acquisition is taking longer than expected. Certain hospitals are increasing their use of our products, and while there is a recognition of the potential of our products, it will still take time to significantly increase sales to offset our upfront investments in the direct sales systems. In view of this, we plan to allocate sales resources to the field of gastrointestinal endoscopy to maximize growth in this field in FYE April 2024.

As a result, in the fiscal year ended April 30, 2023, product sales of our hemostatic materials came to ¥1,155,803 thousand in Europe, ¥457,251 thousand in Japan, ¥376,515 thousand in Australia, and ¥306,721 thousand in the U.S. Including sales of ¥17,791 thousand in other areas, etc., operating revenue came to ¥2,314,083 thousand (an increase of ¥807,852 thousand year on year), achieving a 53.6% increase year on year.

In terms of expenses, in addition to the higher costs associated with the renewal of our sales systems for costs based in other foreign currencies, yen-based costs have grown considerably due to the constant depreciation of the Japanese yen during the period and its effects on exchange rates. We will continue to streamline our sales areas with a greater focus on the field of gastrointestinal endoscopy, where we expect robust results and high sales growth, while drastically scaling back our involvement in other fields that currently contribute little to our profits in the short term to reduce costs accordingly. We will seek to steadily improve our profit levels moving forward through these measures.

As a result, we posted an ordinary loss of ¥2,356,571 thousand (compared with an ordinary loss of ¥1,807,067 thousand in the previous fiscal year) and a loss attributable to owners of parent of ¥2,445,978 thousand (compared with a loss attributable to owners of parent of ¥1,894,757 thousand in the previous fiscal year).

(2) Overview of Financial Position for the Period

At the end of the fiscal year under review, total assets stood at ¥5,825,518 thousand (up ¥214,795 thousand from the end of the previous fiscal year), total liabilities stood at ¥5,300,746 thousand (up ¥1,147,742 thousand), and net assets totaled ¥524,771 thousand (down ¥932,947 thousand).

Below is an analysis of our assets, liabilities, and net assets at the end of the fiscal year under review.

(Current assets)

The balance of current assets at the end of the fiscal year under review totaled ¥5,667,419 thousand (up ¥89,898 thousand). This was mainly attributable to a decrease of ¥1,677,737 thousand in cash and deposits, despite an increase of ¥196,613 thousand in accounts receivable-trade, an increase of ¥1,190,776 thousand in inventories, and an increase of ¥319,524 thousand in advance payments to suppliers.

(Noncurrent assets)

The balance of noncurrent assets at the end of the fiscal year under review totaled ¥158,099 thousand (up ¥124,896 thousand). This was attributable to an increase in investments and other assets.

(Current liabilities)

The balance of current liabilities at the end of the fiscal year under review totaled ¥1,302,897 thousand (up ¥435,800 thousand). This was mainly attributable to an increase of ¥100,000 thousand in short-term loans payable, an increase of ¥243,598 thousand in accounts payable-other, and an increase of ¥58,982 thousand in accrued expenses.

(Noncurrent liabilities)

The balance of noncurrent liabilities at the end of the fiscal year under review totaled ¥3,997,849 thousand (up ¥711,941 thousand). This was mainly attributable to an increase of ¥608,726 thousand in convertible-bond-type bonds with share acquisition rights.

(Net assets)

The balance of net assets at the end of the fiscal year under review totaled ¥524,771 thousand (down ¥932,947 thousand). This was mainly attributable to a decrease of ¥2,445,978 thousand in retained earnings due to a loss attributable to owners of parent and a decrease of ¥771,408 thousand in foreign currency adjustment, despite an increase of ¥1,124,548 thousand each in capital stock and capital surplus.

(3) Overview of Cash Flow for the Period

Cash and cash equivalents (hereinafter “funds”) for the fiscal year under review totaled ¥1,170,903 thousand, a decrease of ¥1,677,737 thousand from the end of the previous fiscal year.

Below is a summary of our cash flow for the fiscal year under review.

(Cash flow from operating activities)

As a result of our operating activities over the fiscal year under review, funds decreased by ¥4,585,082 thousand (¥2,903,268 thousand in the previous fiscal year). This was mainly attributable to a loss before income taxes of ¥2,443,874 thousand caused by foreign exchange gains of ¥996,613 thousand, an increase of ¥164,213 thousand in trade receivables, an increase of ¥1,054,315 thousand in inventories, and an increase of ¥315,590 thousand in advance payments to suppliers, despite an impairment loss of ¥61,957 thousand, an increase of ¥253,170 thousand in accounts payable-other, and an increase of ¥52,058 thousand in accrued expenses.

(Cash flow from investing activities)

As a result of our investing activities over the fiscal year under review, funds decreased by ¥81,504 thousand (¥79,861 thousand in the previous fiscal year). This was mainly attributable to ¥49,334 thousand in purchase of long-term prepaid expenses, etc.

(Cash flow from financing activities)

As a result of our financing activities over the fiscal year under review, funds increased by ¥2,955,543 thousand (¥4,663,641 thousand in the previous fiscal year). This was mainly attributable to ¥304,100 thousand in proceeds from issuance of shares and

¥2,550,000 thousand in proceeds from issuance of convertible-bond-type bonds with share acquisition rights.

Reference: Trends in cash flow indicators

	FYE April 2019	FYE April 2020	FYE April 2021	FYE April 2022	FYE April 2023
Equity-to-asset ratio (%)	27.7	1.8	34.5	17.5	0.3
Equity-to-asset ratio based on market value (%)	462.7	384.7	327.9	339.9	173.5
Cash flow to interest-bearing debt ratio (%)	(23.9)	(18.3)	(12.5)	(74.5)	(95.4)
Interest coverage ratio (times)	(267.5)	(299.6)	(694.6)	(607.3)	(75.7)

Equity-to-asset ratio: Equity / Total assets

Equity-to-asset ratio based on market value: Market capitalization / Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest payments

Note 1: All calculations are based on consolidated financial figures.

Note 2: Market capitalization has been calculated based on the number of outstanding shares excluding treasury stock.

Note 3: Cash flow from operating activities is used for cash flow.

Note 4: Interest-bearing debt covers all liabilities on the Consolidated Balance Sheet for which interest is paid.

(4) Business Outlook

The Group conducts research and development in the fields of surgery, tissue regeneration, and DDS using our self-assembling peptide technology. We have received manufacturing and marketing approval for multiple products in the surgical field in Japan, the U.S., and Europe respectively, and we are also working to scale up our manufacturing operations in order to achieve economies of scale. Meanwhile, in the fields of tissue regeneration and DDS, we are conducting research and development on an ongoing basis in order to capture further growth potential moving forward.

(Sales and income)

(Millions of yen)

	Operating revenue	Operating profit	Ordinary profit	Profit attributable to owners of parent
FYE April 2024 (Forecast)	3,708	(1,524)	(1,875)	(1,925)

Note: Operating revenue has been projected based only on product sales and does not include one-time payments from business partnerships, etc.

(i) Hemostatic material product sales

・Covered regions:

Europe, Japan, Australia, the U.S., and others

・Full-year sales plan:

Our sales target is ¥3,708 million (¥1,562 million in Europe, ¥824 million in Japan, ¥531 million in Australia, ¥773 million in the U.S., and ¥17 million in other regions), a 60% increase in product sales over FYE April 2023. Although we had made upfront investments in new areas in FYE April 2023 with the aim of maximizing sales growth, we were unable to improve on our operating loss as our investments did not yield the expected results in the short term, and we could not recoup the invested amount. Therefore, in FYE April 2024, we will temporarily narrow down our business focus to the field of gastrointestinal endoscopy, a highly promising field where we are confident of achieving favorable results, and significantly revise our sales plan in order to carry out business operations in a manner that will ensure improvement in our operating profit every fiscal year.

・Assumptions for each region:

Europe

We plan to post sales of ¥1,562 million. In the field of gastrointestinal endoscopy, our sales partnership with FUJIFILM is working well. In FYE April 2023, we switched from our former distributor to FUJIFILM in Germany, the largest market in Europe, and we expect the speed of growth to further accelerate in FYE April 2024. We plan to continue to achieve steady growth in partnership with FUJIFILM.

Additionally, in the fields of cardiovascular surgery and ENT in which we have been involved since FYE April 2022, our upfront investments in direct sales systems did not yield the expected results in the short term. Therefore, we intend to reduce operating loss by temporarily scaling back our investment and focusing on the highly promising field of gastrointestinal endoscopy in FYE April 2024.

Japan

We plan to post sales of ¥824 million. At present, the Company is profitable in terms of earnings contributed per sales representative, and we believe that further earnings contribution is possible through the expansion of resources in FYE April 2024 and beyond.

Australia

We plan to post sales of ¥531 million. In FYE April 2023, the recovery in the number of surgeries was delayed by a significant delay in the relaxation of government regulations prohibiting non-essential surgeries due to the spread of the Omicron variant and compounded by a shortage of hospital staff due to the regulations. In addition, business results were also impacted by lower product sales prices sparked by the government-led review of private insurance prices that began in July 2022. In order to maximize sales, the Company will promote sales activities aimed primarily at hospitals where the number of surgeries is picking up while keeping a close eye on the trend of negotiations between the government and industry.

U.S.

We plan to post sales of ¥773 million. Product sales in the field of gastrointestinal endoscopy that began in FYE April 2023 have been favorable, with the high sales prices contributing significantly to profits. On the other hand, we are planning to temporarily scale back our sales system in the field of ENT significantly as measures such as shifting our target customer base have not been effective in contributing to profits. We believe that we can execute our plan with a high degree of certainty by focusing our sales resources on the field of gastrointestinal endoscopy, which is highly profitable and has a remarkable growth rate.

(ii) Other product sales

The Company has received approval for several products in addition to our hemostatic materials, including our mucous membrane lifting-up solution, wound-healing material, and research reagent, but these have not been included in our sales plan at this time due to their modest sales values. We plan to add them to our sales plan once they are on a high growth trajectory.

(iii) Research and development outlook

In FYE April 2024, the Company intends to put on hold new initiatives and the recruitment of new personnel, with the exception of certain key fields. As far as our key fields are concerned, in the surgical field, we plan to move forward with the next-generation hemostatic material clinical trial that has already begun in Europe; and in the field of tissue regeneration, we plan to pursue the possibility of expanding on the two indications for which we have already received approval in the U.S. (anti-adhesion in the ENT field and wound healing for rectal mucositis). If we are able to achieve anti-adhesion effects in the obstetrics and gynecology field, we will gain access to the market's largest segment. If we are also able to confirm wound healing benefits for IBD, we would be able to enter a market of tremendous size. We plan to move forward with development in both these areas so that we can verify the required effectiveness as soon as possible.

In the DDS field, multiple investigator-initiated clinical trials have already begun in the fields of nucleic acid drugs, malignant pleural mesothelioma, and vaccine delivery, led by our research partners. Based on the results of these trials, we plan to explore further opportunities for joint research moving forward and develop a track record so that our products can become promising options in fields that are expected to grow rapidly in the future.

(iv) Cost outlook

We expect our cost of goods sold to total ¥1,383 million, a figure calculated by rolling up costs such as those for peptide raw materials and contract manufacturing fees. Our gross profit is expected to increase as compared to FYE April 2023 thanks to a projected increase in product sales volume and cost reductions resulting from changes to manufacturing methods.

We plan to post selling, general and administrative expenses of ¥3,391 million. In FYE April 2023, the Company plans to temporarily put on hold investments in sales promotion expenses that had previously been invested in direct sales systems in the fields of ENT in the U.S. as well as both cardiovascular surgery and ENT in Europe, as part of efforts to significantly reduce costs. Research and development expenses are expected to total ¥458 million, approximately the same level of expenditure as in the previous fiscal year.

As a result, we plan to incur ¥3,849 million in expenses, including both research and development expenses and selling, general and administrative expenses.

(5) Business and Other Risks

Below is a list of major potential risk factors that may affect the Group's business development and other operations.

In the interest of proactively disclosing information to investors, we have also included matters that are not necessarily considered risk factors associated with the Group's business development but could be considered material when making investment decisions. While it is our policy to recognize these risks, strive to avoid them, and respond accordingly should they materialize, we believe that any decision to invest in our stock should be made after careful consideration of the information provided in this section as well as other sections of this document. It should also be noted that this is not an exhaustive list of risks associated with the Group.

The forward-looking statements in the following text are based on the Group's judgement as of the date these financial results were released.

(i) Risks related to our medical products business

A. The Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices and other legal regulations

Business activities such as the research, development, manufacturing, and marketing of medical products, including the medical devices developed and marketed by the Group, are subject to various regulations under the pharmaceutical laws, administrative guidance, and other related laws and regulations in each country (hereinafter "pharmaceutical regulations").

The Group is committed to complying with pharmaceutical regulations and has been working to improve its internal systems in line with its business progression. We will continue to maintain and sustain these systems moving forward, but changes to said pharmaceutical regulations may impact the development and sale of our medical products, including the hemostatic materials for which we have already received manufacturing and marketing approval and which are currently on the market (hereinafter, the medical devices for which the Group has received manufacturing and marketing approval, including those that possess functionalities besides hemostasis such as wound healing, anti-adhesion, and prevention of postoperative bleeding, as well as medical devices for which these functionalities serve as their primary function, may be referred to as "these hemostatic materials"). In addition, although we have received the relevant manufacturing and marketing approval for these hemostatic materials in each country where they are on the market, we cannot rule out the possibility that said manufacturing and marketing approval could be revoked, which would render us unable to sell these products, should the efficacy, effects, or performance for which approval was initially sought be deemed inadmissible or if other such circumstances arise. The occurrence of such events could affect the development and sale of the Group's medical products and have significant impact on the Group's financial position and operating results.

B. Revenue uncertainty

These hemostatic materials are widely used in surgeries as well as in the field of gastrointestinal endoscopy and have earned an excellent reputation for their hemostatic performance. The number of surgeries and cases for which they are used continues to trend at a steady pace, and stable demand is expected to continue moving forward. Moreover, unlike existing products that are derived from living organisms, these hemostatic materials are synthetic and offer a high level of safety, which we believe differentiates us sufficiently from existing products. However, technology is constantly advancing in the medical products industry, where international mega-corporations and many other companies and research institutes carry out development under intense competition. As such, we cannot rule out the possibility that sales of the Group's medical products could decrease as a result of drastic technological changes in the fields of surgery and gastrointestinal endoscopy or the introduction of competing products that outperform the Group's into the market. Such events could have significant impact on the Group's financial position and operating results.

C. Revenue uncertainty resulting from changes to insurance systems

These hemostatic materials are covered by insurance in multiple countries. However, we cannot rule out possibilities such as changes to these insurance systems, the removal of these hemostatic materials from insurance coverage, or future revisions of reimbursement prices. The occurrence of such events could affect the sale of the Group's medical products, including these hemostatic materials, which could in turn have significant impact on the Group's financial position and operating results.

D. Development process

The success rate for the development of medical products is not high, despite the considerable expenses required over a prolonged period of time. Failure to successfully develop the medical products that the Group seeks to develop, including those currently under development, could have significant impact on the Group's financial position and operating results.

E. Dependence on operating revenue from specific contractors

We have become increasingly dependent on FUJIFILM for the sale of these hemostatic materials in Europe. Should our contract with FUJIFILM be terminated or expire for other reasons in the future, it would have significant impact on the Group's financial position and operating results.

F. Important contracts

The termination of, unfavorable revision to, or failure to renew contracts that are important to the Group's business development could have significant impact on the Group's financial position and operating results.

G. Manufacturing, sales, and inventory

In order to ensure the supply of peptides of sufficient quality, our main raw material, the Group outsources the production of these peptides to a number of companies. With regard to the manufacturing of these hemostatic materials, we have established a stable product supply system based on multiple manufacturing bases by entering into a contract manufacturing agreement with Pharmpur in Germany in addition to Fuso Pharmaceutical Industries, Ltd.

Through these efforts, the Group is working to establish a backup mechanism to strengthen the product supply system for these hemostatic materials. However, unexpected accidents and other such delays in the contracted manufacturing operations of the Group's medical products as well as in the supply of raw materials and various product components, including peptides, could have significant impact on the Group's financial position and operating results.

In addition, should product sales not proceed as planned, causing the Group to retain excess quantities of raw materials, the loss on appraisal of these raw materials and other assets could have significant impact on the Group's financial position and operating results.

H. Product liability, etc.

The risk of adverse health effects due to unforeseen side effects and the risk of product liability are inherent in the design, development, manufacturing, and marketing of medical products.

The Group has already conducted in-human clinical trials in several countries on these hemostatic materials, which utilize the self-assembling peptide technology that forms the basis of our products, and no serious defects or adverse events such as side effects for which a causal relationship cannot be denied have been identified. There have also been no reports of adverse events related to these hemostatic materials marketed by the Group in numerous countries. However, we cannot rule out the possibility that unforeseen side effects of the medical products developed by the Group, including these hemostatic materials, may cause adverse health effects in patients moving forward. Furthermore, in addition to such adverse health effects caused by side effects, we cannot rule out the possibility that the Group may be held liable for product liability should any impropriety be discovered in the design, development, manufacturing, or marketing of the products. We carry worldwide product liability insurance coverage, but should any of these events occur, the suspension of sales, product recalls, and liability for damages could have significant

impact on the Group's financial position and operating results.

Should a product liability claim for compensatory damages be filed in such cases, responding to said claim may involve considerable costs, effort, and time, even if the Group is ultimately found not liable. In addition, the negative publicity stemming from a claim for compensatory damages could have significant impact on consumer confidence in our products and, in turn, the Group's financial position and operating results.

I. Large-scale disasters

As the Group is developing its business globally, large-scale disasters such as earthquakes, volcanic eruptions, tsunamis, and pandemics involving COVID-19 or other infectious diseases, could have a negative impact on the Group's performance and financial position. In view of this, we will regularly conduct drills and adopt the requisite measures that would allow us to respond to the hypothetical scenario of a large-scale disaster, while also taking the necessary action in a timely and appropriate manner in order to ensure business continuity and safeguard the health and safety of our employees.

The global spread of COVID-19 in particular has had a considerable impact on the sales of these hemostatic materials due to the restrictions imposed on visits to medical institutions, the constraints placed on our sales activities by travel restrictions, and the postponement of surgeries in which these hemostatic materials are used. The impact of these factors has been alleviated to a considerable extent with the current state of the pandemic, but should the emergence of a new variant or other factors exacerbate the COVID-19 situation once again, sales of these hemostatic materials could be affected. We will continue to monitor the impact of the pandemic on the medical industry in each country where the Group conducts business and adopt the necessary measures in response to any significant impact on regions in which it operates. However, depending on the situation, such circumstances could have significant impact on the Group's financial position and operating results.

(ii) Risks related to intellectual property rights and lawsuits

A. Patent acquisition status

The Group has applied for substance patents related to self-assembling peptide technology and basic method-of-use patents utilizing said substance patents that are listed in the table below (hereinafter collectively referred to as the "basic patent portfolio") through an exclusive license (with sublicensing rights) granted to our subsidiary by the Massachusetts Institute of Technology ("MIT"), which our subsidiary has in turn sublicensed to the Company.

With regard to the following self-assembling peptide patents held by MIT (country of filing: U.S.), we had entered into a non-exclusive sublicensing agreement with ARCH Therapeutics, Inc. (hereinafter "ARCH"), a bioventure company founded by a researcher from MIT that is working on applied technologies using said self-assembling peptides. Although we believe that the possibility of ARCH competing with the Group is low at this point in time based on ARCH's current progress in its business development, we cannot rule out the possibility of future competition.

In addition, ARCH has been granted an exclusive license by MIT for patents related to certain self-assembling peptides for use in hemostatic materials (primarily the RADA sequence also used by the Company). While there is a possibility that adjustments may need to be made in connection with our exclusive license, ARCH has made no previous attempt to approach us in this regard. As MIT's licensing policy is aimed at spreading its technologies and MIT discourages disputes among licensees, the Company has been and still is of the understanding that MIT would provide some form of assistance should the need to make such adjustments arise. However, given MIT's reluctance to commit in writing to making such adjustments itself, we cannot rule out the possibility that the Company may need to make such adjustments on its own in the future.

The basic patent portfolio covers the patents for a set of major peptides that self-assemble to form hydrogels, and while there is some variance across countries and regions, these patents have already been registered in Japan. Nevertheless, there is a possibility that patents in the basic patent portfolio that have yet to be registered may ultimately fail to be registered, in which case the Group may be unable to fully protect its future business. Furthermore, R&D activities are being carried out every day in

the biomaterials industry, which encompasses the Group's business, and we cannot rule out the possibility that the technologies in the basic patent portfolio may be rendered obsolete by the development of technologies that surpass the Group's.

In addition, the Group is engaged in joint research with a number of research institutes on applied technologies using the basic patent portfolio and has already filed joint applications for several method-of-use patents other than those related to its main pipeline, although not all of these patents may be registered. Should these patents fail to be granted, the Group may be unable to fully protect its future business.

B. Lawsuits

The Group conducts investigations into third-party intellectual property rights on an ongoing basis. As far as the development of products using self-assembling peptide technology is concerned, we believe that the likelihood of a lawsuit being filed against the Group for infringing on a third party's patent rights or other intellectual property rights is extremely low, with the exception of cases related to the aforementioned rights of ARCH derived from MIT's patents. Furthermore, as of the date these financial results were released, there has been no litigation between the Group and any third party or any claims of infringement on intellectual property rights made by a third party. However, as the Group is contemplating the development of its business in diverse areas moving forward, it may be unable to completely avoid issues related to the infringement on intellectual property rights. In the future, should the Group be sued for compensatory damages on the grounds that its business activities infringe on the intellectual property rights of a third party, it may not only be held liable for said compensatory damages but also be required to spend a significant amount of time and money to resolve the matter, which could have significant impact on the Group's business strategy, financial position, and operating results. In addition to intellectual property rights, the Group may be subject to other lawsuits incidental to its business activities, and the details and outcomes of which could impact the Group's performance and financial position.

In such cases, even if the Group is ultimately found not liable, the negative publicity stemming from an intellectual property right infringement claim for compensatory damages or other such lawsuit could impact consumer confidence in our products or in the Group itself and, in turn, its business activities, which could have significant impact on the Group's financial position and operating results.

<State of Basic Patent Portfolio>

Patent Description	Patent Number	Country of Filing	Patent Holder
Purified amphiphilic peptide compositions	JP 5730828 JP 5255274	Japan	3-D Matrix, Ltd.
	WO 06/014570 (Patent pending)	U.S.	
	EP 3031466	Europe	
	CA 2572964	Canada	
Tissue occluding agent	JP 5922749 JP 6200997 JP 6492137	Japan	3-D Matrix, Ltd.
	US 10576123 US 10596225	U.S.	
	EP 2345433 EP 3238749 EP 3470093	Europe	

Patent Description	Patent Number	Country of Filing	Patent Holder
Self-assembling peptide incorporating modifications thereof	US 7713923 US 8901084	U.S.	MIT
	JP 5057781	Japan	
	EP 1636250	Europe	
Self-assembling peptides for regeneration and repair of neural tissue	US 7846891	U.S.	MIT
Self-assembling peptide compositions and methods for protection and regeneration of heart tissue	EP 2089047	Europe	3-D Matrix, Inc.
	JP 5558104 JP 5903068	Japan	
	US 9012404	U.S.	
Self-assembling peptide cell cultivation method and cell culture	JP 5263756	Japan	Okayama University, 3-D Matrix, Ltd.
	US 8647867 US 8697438	U.S.	
Self-assembling peptide wound-healing/skin reconstruction material	JP 5497451	Japan	3-D Matrix, Ltd.
	EP 2229960	Europe	
Self-assembling peptide transfection agent	EP 2322608	Europe	Nippon Medical School, 3-D Matrix, Ltd.
	JP 5606318	Japan	
	US 9133484	U.S.	
Self-assembling peptide surfactant peptide nanostructures	US 7179784 US 7671258	U.S.	MIT
Method and composition for the treatment, prevention, and diagnosis of cancer containing or derived from cancer stem cells	JP 5891173 JP 6262707	Japan	National Cancer Center, 3-D Matrix, Ltd.
	US 10337012	U.S.	
	EP 2606909	Europe	
MicroRNA-based methods and assays for osteosarcoma	US 9322016	U.S.	3-D Matrix, Ltd.
	JP 6153932	Japan	
	EP 2753692	Europe	

(iii) Risks related to operating results, financial position, etc.

A. Trends in business performance

The main source of the Group's operating revenue has been milestone payment revenue from sales partnership agreements prior to the launch of these hemostatic materials and product revenue from the sale of these hemostatic materials following their launch. In addition to the upfront research and development expenses recorded for these hemostatic materials in the past, we have continued to record a considerable amount of upfront expenses for the establishment of sales systems for these hemostatic materials. As a result, with the exception of FYE April 2012, the expenses that we have recorded have exceeded operating revenue and have caused us to post operating, ordinary, and net losses. As a result, these financial management indicators from previous fiscal years are not completely adequate for the purposes of comparing the Company's performance across periods or predicting future performance.

B. Recording of negative retained earnings

The Group has recorded negative retained earnings at the end of FYE April 2023. As present, we are planning to achieve profitability as soon as possible based on expanding sales of these hemostatic materials. With regard to future product development, we seek to receive manufacturing approval for medical devices with the goal of securing profits as soon as possible based on the assumption that the time and cost needed to develop these devices is significantly less than for pharmaceutical products. However, there is a possibility that we will be unable to achieve net profit and that there will be a delay in achieving positive retained earnings should our business fail to progress as planned.

C. Material events

The Group has continued to record operating losses and a negative operating cash flow. We acknowledge that this indicates the existence of circumstances that could raise material doubts about the assumption of a going concern. While we are adopting measures to resolve or improve these circumstances, we have determined that significant uncertainty exists regarding the going concern assumption. The measures we are adopting to resolve or improve said circumstances are listed under "(6) Material Events Related to Going Concern Assumptions."

D. Tax loss carryforwards

As of the date these financial results were released, the Group has a large amount of tax loss carryforwards. Should these tax loss carryforwards expire, they will not be deductible against taxable income. In such an event, we will record income taxes at normal corporate tax rates, which may impact our net income and cash flow.

E. Funding

The Group will continue to record R&D expenses for our pipeline upfront. In addition to achieving profitability as soon as possible based on expanding sales of these hemostatic materials, we strive to secure funding through diverse means of financing, including by entering into business partnerships and out-licensing agreements. However, should our business fail to progress as planned, there is a possibility that we could face a capital shortfall, which would have significant impact on our ability to stay in business.

Some of the Company's loan-related agreements are subject to financial covenants related to consolidated net assets at the end of each fiscal year. In addition, the Company's agreements concerning convertible-bond-type bonds with share acquisition rights contain redemption clauses related to the bonds. If such covenants or clauses are breached or triggered, the Company may forfeit the benefit of time or become obligated to make repayments for its loans or its convertible-bond-type bonds with share acquisition rights, either wholly or in part, upon the request of the loan financial institutions or the underwriters of the convertible-bond-type bonds with share acquisition rights. The Company's forfeiture of the benefit of time with respect to, or obligation to repay, said loans or convertible-bond-type bonds with share acquisition rights could have significant impact on the Group's financial position and cash flow.

Although the Group was in breach of financial covenants for some contracts related to borrowings at the end of the current fiscal year, the Group has obtained agreement from the lending financial institutions that they will not exercise their rights related to forfeiture of the benefit of time.

F. Dividend policy

The Group recorded a net loss for the period and has not distributed any profit-sharing dividends. We also recorded a net loss of ¥2,445,978 thousand at the end of FYE April 2023. Given such circumstances, we intend to review our dividend policy once our accumulated losses have been cleared while taking into consideration our financial position and operating results.

(iv) Risks related to our organization

A. Limited business history

As a young company established in May 2004, we do not have enough financial figures available to compare performance across periods. While we started sales of these hemostatic materials abroad in FYE April 2015 and in Japan in FYE April 2022, our business is still in the upfront investment stage. Given the characteristics of our business, our operating results from previous fiscal years alone are not completely adequate for the purpose of predicting future performance.

B. Small-scale organization

The Group is a small-scale organization. As of April 30, 2023, the parent company has a total of 31 members, consisting of 7 Directors, 3 Auditors, and 21 employees, while its subsidiaries are made up of 96 members, including 9 Directors (5 of whom concurrently serve as Officers at the parent company) and 87 employees. While we strive to enhance our system of business

execution, we are a small-scale organization and our internal control system is commensurate with our size. We will work to further enhance our organizational structure in preparation for future business expansion, though failure to establish an appropriate structure could impact management efficiency. Meanwhile, a rapid expansion in the scale of our business would also lead to an increase in fixed costs, which could have significant impact on the Group's financial position and operating results.

C. Dependence on select personnel

Jun Okada, Representative Director, is the driving force behind the Group's business. He has taken over the responsibility of determining our management and development strategies, formulating our business plan, and managing the business handed over from the previous Representative Director, and he holds great influence as the driver behind the Group's management. While the Group is working to strengthen its managerial structure to establish a system that is not excessively reliant on him, we expect to remain highly dependent on him in the interim. As a result, the inability of the Representative Director to continue performing his duties for any reason could have significant impact on our business strategy and operating results.

D. Securing and training human resources

As the Group's core competitiveness lies in its R&D capabilities, business planning skills, and ability to make proposals to medical professionals, it is essential that we retain highly specialized researchers and other personnel, as well as specialized sales, manufacturing, and internal management staff to support business expansion. While the Group strives to recruit talented human resources and train its internal staff, the failure to recruit and train human resources as planned could have significant impact on the Group's financial position and operating results.

(v) Other risks

A. Use of procured funds

The Company has been using the funds procured through the issuance of new stocks and other means for the payment of research and development costs, raw materials costs for these hemostatic materials, operating expenses, etc., as per its financing policy. However, given the possibility of unpredictable technological innovation resulting from changes in the business environment and protracted research and development activities, there is no guarantee that we will be able to produce the desired results from our investment. In such an event, investors may not see the returns that they expect.

B. Dilution of share prices through the exercise of share acquisition rights

The Company has adopted a stock option plan for its executives and employees. We have also issued the 5th, 6th, and 7th tranches of unsecured convertible-bond-type bonds with share acquisition rights as well as the 25th, 28th, 31st, 33rd, and 34th tranches of share acquisition rights to the investment fund Heights Capital Management, Inc., primarily for financing the procurement of raw materials for our hemostatic materials, our operating expenses, etc. The total number of dilutive shares should all of these outstanding share acquisition rights be executed would come to 37,858,425 shares (as of May 31, 2023). This represents 37.0% of the total 102,242,934 shares when including the 64,384,509 shares already issued (as of May 31, 2023). Should these share acquisition rights be executed, the value of our shares may be diluted.

We are also considering the continued offering of similar incentives in the future in order to secure talented human resources. Consequently, the exercise of such share acquisition rights granted moving forward could further dilute the value of our shares.

C. Exchange rates

Of the transactions the Group engages in, the contract manufacturing of raw materials for self-assembling peptide technology-based products and the sale of such products overseas are mainly settled in foreign currencies. However, we do not hedge against foreign exchange risk in any particular way. As a result, unexpected fluctuations in foreign exchange rates could impact the Group's performance. Moving forward, we will consider the need to implement measures to mitigate foreign exchange risk in light of the potential gains and losses involved.

(6) Material Events Related to Going Concern Assumptions

The Group is a company that makes upfront investments in the research and development of medical products. While global sales of our hemostatic materials, our flagship product, have already begun, we have continued to post operating losses since before the previous fiscal year as a result of the considerable amount of upfront expenses recorded for the establishment of sales systems for hemostatic materials, etc. In the fiscal year under review, we recorded an operating loss of ¥3,158,345 thousand, an ordinary loss of ¥2,356,571 thousand, a loss attributable to owners of parent of ¥2,445,978 thousand, and a negative operating cash flow. We acknowledge that this indicates the existence of circumstances that could raise material doubts about the assumption of a going concern.

In order to resolve the aforementioned situation as soon as possible and achieve a stable operating foundation, the Group will adopt the following remedial actions moving forward:

(i) Expansion of operating revenues and reduction of costs

The Group is developing a pipeline of products that include hemostatic materials, anti-adhesion materials, and mucous membrane lifting-up solutions in the surgical field, wound-healing materials in the field of tissue regeneration, and nucleic acid drugs in the field of DDS. We recognize that launching these products on the market as soon as possible and capturing revenue through product sales are two challenges that must be addressed to stabilize the Group's management.

Full-scale product sales for our hemostatic materials, our flagship product, have begun not only in Europe and Australia but also in Japan, a global leader in endoscopy, and the U.S., the world's largest market, from the fiscal year under review. Despite having invested the required amount of operating expenses into the establishment and expansion of sales systems in each region with the goal of maximizing sales growth, the systems in some areas and regions did not yield the expected results in the short term, resulting in a greater operating loss in the fiscal year under review. We will temporarily narrow down our current aggressive sales activities to the field of gastrointestinal endoscopy, where our hemostatic materials are highly competitive and sales growth is expected to be robust, and scale back our sales systems in other fields to restructure our teams across the board. In addition, by focusing on marketing activities in the field of gastrointestinal endoscopy, we will also reduce operating expenses and place top priority on securing profits.

With regard to research and development, we will temporarily suspend new development projects except in our key priority areas such as next-generation hemostatic materials and wound healing for rectal mucositis, and even in these areas, we will strive to minimize costs and time by selecting the most promising markets from a global perspective, including those that do not require clinical trials or where clinical trials can be conducted on the smallest scale. Furthermore, we will continue to consider capital and business alliances, and the Group as a whole will strive to improve profitability as soon as possible from a global perspective.

(ii) Capital funding

To secure sufficient funds for its business operations and research and development, the Group issued its 6th tranche of unsecured convertible-bond-type bonds with share acquisition rights and its 33rd tranche of share acquisition rights in October 2022, as well as its 7th tranche of unsecured convertible-bond-type bonds with share acquisition rights and its 34th tranche of share acquisition rights in March 2023, to Heights Capital Management, Inc., a U.S. investment fund with a solid track record in investing in the biotech sector. As a result, in the fiscal year under review, we were able to raise ¥2,059,835 thousand through the issuance of the 6th tranche of unsecured convertible-bond-type bonds with share acquisition rights and the 33rd tranche of share acquisition rights, as well as ¥812,860 thousand through the issuance of the 7th tranche of unsecured convertible-bond-type bonds with share acquisition rights and the 34th tranche of share acquisition rights and the partial exercise thereof.

We expect that the 25th, 28th, 31st, 33rd, and 34th tranches of share acquisition rights that have already been issued will be exercised in succession moving forward, and we will formulate the necessary capital funding plans to secure sufficient funds for subsequent periods.

We have also entered into a commitment line agreement with Resona Bank, Limited, as part of efforts to secure stable funding for our business. Moving forward, we will continue to consider various financing options, including borrowing from financial

institutions, to strengthen our financial base on an ongoing basis.

However, with regard to "(i) Expansion of operating revenues and reduction of costs," there is a risk that the expansion of product sales, improvement of profit structure, or the capital and business alliances may not proceed as expected. With regard to "(ii) Capital funding," there is a risk that the initially projected funding could not be secured through the exercise of share acquisition rights due to stock market trends, a decline in stock prices, or other factors, as well as a risk that the Company may forfeit the benefit of time and become obligated to make repayments as a result of triggering the early redemption clauses of its convertible-bond-type bonds with share acquisition rights or breaching the financial covenants of its loans.

Uncertainty exists as a result of the possibility that we may be unable to secure sufficient funds for our business operations and research and development due to these risks, which we recognize to pose material uncertainty to the going concern assumption at present.

2. Basic View on the Choice of Accounting Standards

The Group's plan is to prepare its consolidated financial statements in accordance with Japanese GAAP in the interim in view of the ability to compare said consolidated financial statements from period to period as well as between companies.

With regard to the application of the International Financial Reporting Standards (IFRS), we plan to respond appropriately while taking into consideration various circumstances in Japan and abroad.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	Previous fiscal year (ended April 30, 2022)	Fiscal year under review (ended April 30, 2023)
Assets		
Current assets		
Cash and deposits	2,848,641	1,170,903
Accounts receivable-trade	465,790	662,404
Inventories	1,801,170	2,991,947
Advance payments to suppliers	230,882	550,407
Other	280,675	345,316
Allowance for doubtful account	(49,639)	(53,559)
Total current assets	5,577,520	5,667,419
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	8,064	8,064
Accumulated depreciation and impairment	(8,064)	(8,064)
Buildings and structures, net	—	—
Machinery, equipment and vehicles	35,940	35,940
Accumulated depreciation and impairment	(35,940)	(35,940)
Machinery, equipment and vehicles, net	—	—
Tools, furniture and fixtures	111,008	127,281
Accumulated depreciation and impairment	(111,008)	(127,281)
Tools, furniture and fixtures, net	—	—
Leased assets	75,488	90,610
Accumulated depreciation and impairment	(75,488)	(90,610)
Leased assets, net	—	—
Total property, plant and equipment	—	—
Intangible assets	—	—
Investments and other assets		
Investment securities	560	7,266
Other	32,643	150,832
Total investments and other assets	33,203	158,099
Total noncurrent assets	33,203	158,099
Total assets	5,610,723	5,825,518

(Thousands of yen)

	Previous fiscal year (ended April 30, 2022)	Fiscal year under review (ended April 30, 2023)
Liabilities		
Current liabilities		
Short-term loans payable	400,000	500,000
Accounts payable-other	235,104	478,703
Accrued expenses	104,480	163,463
Income taxes payable	70,224	72,729
Other	57,286	88,000
Total current liabilities	867,096	1,302,897
Noncurrent liabilities		
Convertible-bond-type bonds with share acquisition rights	3,265,093	3,873,820
Other	20,814	124,029
Total noncurrent liabilities	3,285,907	3,997,849
Total liabilities	4,153,004	5,300,746
Net assets		
Shareholders' equity		
Capital stock	11,550,837	12,675,385
Capital surplus	11,540,557	12,665,105
Retained earnings	(21,062,760)	(23,508,739)
Treasury stock	(153)	(153)
Total shareholders' equity	2,028,482	1,831,599
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	(447)
Foreign currency translation adjustment	(1,044,929)	(1,816,337)
Total accumulated other comprehensive income	(1,044,929)	(1,816,785)
Share acquisition rights	474,166	509,958
Total net assets	1,457,719	524,771
Total liabilities and net assets	5,610,723	5,825,518

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	Previous fiscal year (From May 1, 2021, to April 30, 2022)	Fiscal year under review (From May 1, 2022, to April 30, 2023)
Operating revenue		
Sales	1,506,230	2,314,083
Total operating revenue	1,506,230	2,314,083
Operating expenses		
Cost of goods sold	845,219	1,025,807
Research and development expenses	684,502	451,538
Selling, general and administrative expenses	2,713,155	3,995,082
Total operating expenses	4,242,878	5,472,429
Operating loss	(2,736,647)	(3,158,345)
Non-operating income		
Interest income	1,243	101
Foreign exchange gains	899,247	853,464
Other	46,028	21,594
Total non-operating income	946,519	875,160
Non-operating expenses		
Interest expenses	4,780	60,563
Commission fee	2,991	1,881
Stock issuance expenses	8,991	7,957
Other	176	2,984
Total non-operating expenses	16,940	73,386
Ordinary loss	(1,807,067)	(2,356,571)
Extraordinary income		
Gain on reversal of share acquisition rights	5,760	13,330
Total extraordinary income	5,760	13,330
Extraordinary loss		
Impairment loss	92,239	61,957
Loss on reversal of foreign currency translation adjustment associated with the liquidation of an overseas subsidiary	—	38,675
Total extraordinary loss	92,239	100,633
Loss before income taxes	(1,893,547)	(2,443,874)
Income taxes-current	1,209	2,104
Total income taxes	1,209	2,104
Net loss	(1,894,757)	(2,445,978)
Loss attributable to owners of parent	(1,894,757)	(2,445,978)

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (From May 1, 2021, to April 30, 2022)	Fiscal year under review (From May 1, 2022, to April 30, 2023)
Net loss	(1,894,757)	(2,445,978)
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(447)
Foreign currency translation adjustment	(808,195)	(771,408)
Total other comprehensive income	(808,195)	(771,856)
Comprehensive income	(2,702,952)	(3,217,835)
(Breakdown)		
Comprehensive income attributable to owners of parent	(2,702,952)	(3,217,835)
Comprehensive income attributable to noncontrolling interests	—	—

(3) Consolidated Statement of Changes in Net Assets

Previous fiscal year (From May 1, 2021 to April 30, 2022)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	10,312,756	10,302,476	(19,168,003)	(153)	1,447,077
Changes during the period					
Issuance of new shares	1,238,081	1,238,081			2,476,162
Loss attributable to owners of parent			(1,894,757)		(1,894,757)
Net changes in items other than shareholders' equity					
Total changes during the period	1,238,081	1,238,081	(1,894,757)	—	581,404
Balance at the end of the period	11,550,837	11,540,557	(21,062,760)	(153)	2,028,482

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	—	(236,733)	(236,733)	449,484	1,659,828
Changes during the period					
Issuance of new shares					2,476,162
Loss attributable to owners of parent					(1,894,757)
Net changes in items other than shareholders' equity	—	(808,195)	(808,195)	24,681	(783,514)
Total changes during the period	—	(808,195)	(808,195)	24,681	(202,109)
Balance at the end of the period	—	(1,044,929)	(1,044,929)	474,166	1,457,719

Fiscal year under review (From May 1, 2022 to April 30, 2023)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	11,550,837	11,540,557	(21,062,760)	(153)	2,028,482
Changes during the period					
Issuance of new shares	1,124,548	1,124,548			2,249,096
Loss attributable to owners of parent			(2,445,978)		(2,445,978)
Net changes in items other than shareholders' equity					
Total changes during the period	1,124,548	1,124,548	(2,445,978)	—	(196,882)
Balance at the end of the period	12,675,385	12,665,105	(23,508,739)	(153)	1,831,599

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of the period	—	(1,044,929)	(1,044,929)	474,166	1,457,719
Changes during the period					
Issuance of new shares					2,249,096
Loss attributable to owners of parent					(2,445,978)
Net changes in items other than shareholders' equity	(447)	(771,408)	(771,856)	35,791	(736,064)
Total changes during the period	(447)	(771,408)	(771,856)	35,791	(932,947)
Balance at the end of the period	(447)	(1,816,337)	(1,816,785)	509,958	524,772

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	Previous fiscal year (From May 1, 2021, to April 30, 2022)	Fiscal year under review (From May 1, 2022, to April 30, 2023)
Cash flow from operating activities		
Loss before income taxes	(1,893,547)	(2,443,874)
Loss on reversal of foreign currency translation adjustment associated with the liquidation of an overseas subsidiary	—	38,675
Impairment loss	92,239	61,957
Interest income	(1,243)	(101)
Interest expenses	4,780	60,563
Foreign exchange losses (gains)	(861,101)	(996,613)
Stock issuance expenses	8,991	7,957
Share-based payment expenses	31,463	34,250
Gain on reversal of share acquisition rights	(5,760)	(13,330)
Decrease (increase) in trade receivables	(255,916)	(164,213)
Decrease (increase) in inventories	(195,015)	(1,054,315)
Decrease (increase) in advance payments to suppliers	127,087	(315,590)
Decrease (increase) in prepaid expenses	21,533	3,738
Increase (decrease) in accounts payable-other	67,335	253,170
Increase (decrease) in accrued expenses	(26,124)	52,058
Other	(13,253)	(45,811)
Subtotal	(2,898,530)	(4,521,479)
Interest received	1,243	101
Interest paid	(4,772)	(60,696)
Income taxes paid	(1,209)	(3,007)
Cash flow from operating activities	(2,903,268)	(4,585,082)
Cash flow from investing activities		
Purchase of property, plant and equipment	(7,029)	(16,418)
Purchase of intangible assets	(6,089)	(2,287)
Purchase of long-term prepaid expenses	(67,702)	(49,334)
Other	959	(13,464)
Cash flow from investing activities	(79,861)	(81,504)
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	(8,076)	100,000
Proceeds from issuance of shares	2,094,883	304,100
Proceeds from issuance of convertible-bond-type bonds with share acquisition rights	2,565,093	2,550,000
Proceeds from issuance of share acquisition rights	21,264	18,595
Other	(9,524)	(17,152)
Cash flow from financing activities	4,663,641	2,955,543
Effect of exchange rate change on cash and cash equivalents	30,330	33,305
Net increase (decrease) in cash and cash equivalents	1,710,841	(1,677,737)
Balance of cash and cash equivalents at the beginning of the period	1,137,799	2,848,641
Balance of cash and cash equivalents at the end of the period	2,848,641	1,170,903

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumptions)

The Group is a company that makes upfront investments in the research and development of medical products. While global sales of our hemostatic materials, our flagship product, have already begun, we have continued to post operating losses since before the previous fiscal year as a result of the considerable amount of upfront expenses recorded for the establishment of sales systems for hemostatic materials, etc. In the fiscal year under review, we recorded an operating loss of ¥3,158,345 thousand, an ordinary loss of ¥2,356,571 thousand, a loss attributable to owners of parent of ¥2,445,978 thousand, and a negative operating cash flow. We acknowledge that this indicates the existence of circumstances that could raise material doubts about the assumption of a going concern.

In order to resolve the aforementioned situation as soon as possible and achieve a stable operating foundation, the Group will adopt the following remedial actions moving forward:

(i) Expansion of operating revenues and reduction of costs

The Group is developing a pipeline of products that include hemostatic materials, anti-adhesion materials, and mucous membrane lifting-up solutions in the surgical field, wound-healing materials in the field of tissue regeneration, and nucleic acid drugs in the field of DDS. We recognize that launching these products on the market as soon as possible and capturing revenue through product sales are two challenges that must be addressed to stabilize the Group's management.

Full-scale product sales for our hemostatic materials, our flagship product, have begun not only in Europe and Australia but also in Japan, a global leader in endoscopy, and the U.S., the world's largest market, from the fiscal year under review. Despite having invested the required amount of operating expenses into the establishment and expansion of sales systems in each region with the goal of maximizing sales growth, the systems in some areas and regions did not yield the expected results in the short term, resulting in a greater operating loss in the fiscal year under review. We will temporarily narrow down our current aggressive sales activities to the field of gastrointestinal endoscopy, where our hemostatic materials are highly competitive and sales growth is expected to be robust, and scale back our sales systems in other fields to restructure our teams across the board. In addition, by focusing on marketing activities in the field of gastrointestinal endoscopy, we will also reduce operating expenses and place top priority on securing profits.

With regard to research and development, we will temporarily suspend new development projects except in our key priority areas such as next-generation hemostatic materials and wound healing for rectal mucositis, and even in these areas, we will strive to minimize costs and time by selecting the most promising markets from a global perspective, including those that do not require clinical trials or where clinical trials can be conducted on the smallest scale. Furthermore, we will continue to consider capital and business alliances, and the Group as a whole will strive to improve profitability as soon as possible from a global perspective.

(ii) Capital funding

To secure sufficient funds for its business operations and research and development, the Group issued its 6th tranche of unsecured convertible-bond-type bonds with share acquisition rights and its 33rd tranche of share acquisition rights in October 2022, as well as its 7th tranche of unsecured convertible-bond-type bonds with share acquisition rights and its 34th tranche of share acquisition rights in March 2023, to Heights Capital Management, Inc., a U.S. investment fund with a solid track record in investing in the biotech sector. As a result, in the fiscal year under review, we were able to raise ¥2,059,835 thousand through the issuance of the 6th tranche of unsecured convertible-bond-type bonds with share acquisition rights and the 33rd tranche of share acquisition rights, as well as ¥812,860 thousand through the issuance of the 7th tranche of unsecured convertible-bond-type bonds with share acquisition rights and the 34th tranche of share acquisition rights and the partial exercise thereof.

We expect that the 25th, 28th, 31st, 33rd, and 34th tranches of share acquisition rights that have already been issued will be exercised in succession moving forward. We will also formulate the necessary capital funding plans to secure sufficient funds for subsequent periods.

We have also entered into a commitment line agreement with Resona Bank, Limited, as part of efforts to secure stable funding for our business. Moving forward, we will continue to consider various financing options, including borrowing from financial institutions, to strengthen our financial base on an ongoing basis.

However, with regard to "(i) Expansion of operating revenues and reduction of costs," there is a risk that the expansion of product sales, improvement of profit structure, or the capital and business alliances may not proceed as expected. With regard to "(ii) Capital funding," there is a risk that the initially projected funding could not be secured through the exercise of share acquisition rights due to stock market trends, a decline in stock prices, or other factors, as well as a risk that the Company may forfeit the benefit of time and become obligated to make repayments as a result of triggering the early redemption clauses of its convertible-bond-type bonds with share acquisition rights or breaching the financial covenants of its loans.

Uncertainty exists as a result of the possibility that we may be unable to secure sufficient funds for our business operations and research and development due to these risks, which we recognize to pose material uncertainty to the going concern assumption at present.

The consolidated financial statements were prepared with the assumption of a going concern, and no impacts caused by the material uncertainty on the going concern assumption were reflected in the consolidated financial statements.

(Basis for Preparing Consolidated Financial Statements)

1. Scope of Consolidation

All of our subsidiaries have been consolidated.

Number of consolidated subsidiaries:

8

Names of principal consolidated subsidiaries:

3-D Matrix, Inc.
3-D Matrix Europe SAS.
3-D Matrix Asia Pte. Ltd.
3-D Matrix (Beijing) Biotechnology Co., Ltd.
3-D Matrix Medical Technology Limited
3-D Matrix EMEA B.V.
3-D Matrix UK Limited
3-D Matrix Medical Technology Pty Ltd

3-D Matrix Da America Latina Representação Comercial Ltda. has been excluded from consolidation in the fiscal year under review due to its liquidation.

2. Application of Equity Method

None to be disclosed as the Company does not have any non-consolidated subsidiaries or affiliates.

(Consolidated Balance Sheet)

1. Breakdown of inventories

	Previous fiscal year (ended April 30, 2022)	Fiscal year under review (ended April 30, 2023)
Merchandise and finished goods	1,219,894 thousand yen	1,9546,501 thousand yen
Work in process	47,503 "	349,694 "
Raw materials and supplies	533,772 "	695,752 "

2. The company has entered into a loan commitment agreement with Resona Bank, Limited, to efficiently procure working capital. The unexecuted loan balance and other details related to the loan commitment as of the end of the fiscal year under review are as follows.

	Previous fiscal year (ended April 30, 2022)	Fiscal year under review (ended April 30, 2023)
Total loan commitment	300,000 thousand yen	300,000 thousand yen
Executed loan balance	300,000 "	300,000 "
Unexecuted loan balance	－ thousand yen	－ thousand yen

3. Financial Covenants

Although the Company was in breach of financial covenants for some contracts related to borrowings at the end of the current fiscal year, the Company has obtained the agreement of the borrowing financial institutions not to exercise the right to forfeit the benefit of time.

(Consolidated Statements of Income)

1. Gross profit, calculated by subtracting the cost of goods sold from sales, is as follows.

	Previous fiscal year (From May 1, 2021, to April 30, 2022)	Fiscal year under review (From May 1, 2022, to April 30, 2023)
Gross profit	661,011 thousand yen	1,288,275 thousand yen

2. The balance of inventories at the end of the period represents the amount after the book value has been reduced due to decreased profitability, and the following loss on appraisal of inventories has been included in the cost of goods sold.

Previous fiscal year (From May 1, 2021, to April 30, 2022)	Fiscal year under review (From May 1, 2022, to April 30, 2023)
5,692 thousand yen	12,888 thousand yen

3. Major research and development expense items and their amounts are as follows.

	Previous fiscal year (From May 1, 2021, to April 30, 2022)	Fiscal year under review (From May 1, 2022, to April 30, 2023)
Salaries	204,379thousand yen	201,447thousand yen
Fee expenses	382,479"	165,643"
Retirement benefit expenses	2,024"	1,530"

4. Major selling, general and administrative expense items and their amounts are as follows.

	Previous fiscal year (From May 1, 2021, to April 30, 2022)	Fiscal year under review (From May 1, 2022, to April 30, 2023)
Remuneration for directors (and other officers)	157,966thousand yen	174,259thousand yen
Salaries	881,197"	1,232,417"
Fee expenses	477,055"	495,045"
Travel and transportation expenses	136,664"	329,080"
Retirement benefit expenses	21,962"	31,288"

(Consolidated Statement of Cash Flows)

1. The relationship between the balance of cash and cash equivalents at the end of the period and the amounts for the account titles set down in the Consolidated Balance Sheet is as follows.

	Previous fiscal year (From May 1, 2021, to April 30, 2022)	Fiscal year under review (From May 1, 2022, to April 30, 2023)
Cash and deposits	2,848,641 thousand yen	1,170,903 thousand yen
Cash and cash equivalents	2,848,641 thousand yen	1,170,903 thousand yen

(Segment Information)

Since the Group is only involved in a single segment (medical products), segment information is omitted.

(Per Share Information)

Previous fiscal year (From May 1, 2021, to April 30, 2022)		Fiscal year under review (From May 1, 2022, to April 30, 2023)	
Book value per share	¥17.84	Book value per share	¥0.23
Basic net loss per share	¥37.20	Basic net loss per share	¥40.64

Note: Although there are dilutive shares, diluted earnings per share is not listed in the table above as we recorded a net loss per share.

2. The calculation of basic net loss per share is based on the following information:

Item	Previous fiscal year (From May 1, 2021, to April 30, 2022)	Fiscal year under review (From May 1, 2022, to April 30, 2023)
Basic net loss per share		
Loss attributable to owners of parent (thousands of yen)	(1,894,757)	2,445,978
Amount not attributable to common shareholders (thousands of yen)	—	—
Loss attributable to owners of parent on common shares (thousands of yen)	(1,894,757)	2,445,978
Average number of common shares outstanding during the period (shares)	50,933,291	60,191,333
Summary of dilutive shares not included in the calculation of diluted earnings per share due to an absence of dilutive effects	—	—

3. The calculation of book value per share is based on the following information:

Item	Previous fiscal year (ended April 30, 2022)	Fiscal year under review (ended April 30, 2023)
Total net assets (thousands of yen)	1,457,719	524,771
Amount to be deducted from total net assets (thousands of yen)	474,166	509,958
Of which share acquisition rights (thousands of yen)	474,166	509,958
Net assets of common shares (thousands of yen)	983,552	14,813
Number of common shares used in the calculation of book value per share (shares)	55,131,129	64,384,263

(Significant Events After Reporting Period)

None to be disclosed.