Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending April 30, 2025 (Under Japan GAAP)

March 13, 2025

Company name: 3-D Matrix, Ltd. Listing: Tokyo
Securities code: 7777 URL http://www.3d-matrix.co.jp/
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Scheduled date to file quarterly securities report: March 13, 2025 Scheduled date to commence dividend payments: —
Preparation of supplementary material on quarterly financial results : Yes
Holding of quarterly financial results briefing : Yes (webcast only)

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

1. Consolidated financial results for the third quarter of the fiscal year ending April 30, 2025 (from May 1, 2024 to January 31, 2025)

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

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Q3 FYE April 2025	5,059	69.5	(606)	—	(1,381)	—	(1,393)	—
Q3 FYE April 2024	2,984	91.5	(1,618)	—	(335)	—	(699)	—

Note: Comprehensive income Q3 FYE April 2025 ¥ (780) million (— %) Q3 FYE April 2024 ¥ (1,950) million (— %)

	Basic earnings per share	Diluted earnings per share
	¥	¥
Q3 FYE April 2025	(14.55)	—
Q3 FYE April 2024	(9.83)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	¥ million	¥ million	%
Q3 FYE April 2025	7,037	2,641	30.8
FYE April 2024	5,886	353	(2.3)

Reference: Equity Q3 FYE April 2025 ¥ 2,170 million FYE April 2024 ¥ (135) million

2. Dividends

	Annual dividends per share				
	Q1-end	Q2-end	Q3-end	Fiscal year-end	Total
	¥	¥	¥	¥	¥
FYE April 2024	—	0.00	—	0.00	0.00
FYE April 2025		0.00			
FYE April 2025 (Forecast)			—	0.00	0.00

Note: Revisions to the forecast of dividends most recently announced: None

3. Consolidated financial forecasts for the fiscal year ending April 30, 2025 (from May 1, 2024 to April 30, 2025)

(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	6,994	52.4	(769)	—	(1,418)	—	(1,431)	—	(14.94)

Note: Revisions to the financial forecasts most recently announced: Yes

* 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) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements : None

(3) 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

(4) Number of issued shares (common stock)

(i) Total number of issued shares at the end of the period (including treasury stock)	Q3 FYE April 2025	108,640,181shares	FYE April 2024	81,640,709 shares
(ii) Number of treasury stock at the end of the period	Q3 FYE April 2025	246 shares	FYE April 2024	246 shares
(iii) Average number of shares outstanding during the period (cumulative)	Q3 FYE April 2025	95,797,115 shares	Q3 FYE April 2024	71,206,533 shares

* Quarterly financial results reports are exempt from quarterly reviews 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. Qualitative Information on Quarterly Financial Results: (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information] 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. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

(i) Results of Operations for the Third Quarter

Table 1. Operating revenue and income at each stage (Unit: ¥ million)

	Nine months ended January 31, 2024 (From May 1, 2023, to January 31, 2024)	Nine months ended January 31, 2025 (From May 1, 2024, to January 31, 2025)	Year-on-year
Operating revenue	2,984	5,059	+69.5%
Gross profit	1,944	3,619	+86.1%
Operating loss	(1,618)	(606)	―

3-D Matrix Group develops, manufactures, and markets medical products based on a self-assembling peptide technology discovered by researchers at the Massachusetts Institute of Technology (MIT) in the United States.

We have received multiple manufacturing and marketing approvals in Japan, the U.S., and Europe. In particular, we are engaged in sales activities on a global scale with a focus on absorbable local hemostatic materials.

Sales Progress

Table 2. Product sales by area (Unit: ¥ million)

	Nine months ended January 31, 2024 (From May 1, 2023, to January 31, 2024)	Nine months ended January 31, 2025 (From May 1, 2024, to January 31, 2025)	Year-on-year
U.S.	928	2,301	+147.9%
Europe	1,092	1,445	+32.3%
Japan	635	914	+43.9%
Australia	307	367	+19.7%
Other	20	31	+48.6%
Total operating revenue	2,984	5,059	+69.5%

Product sales in the U.S. totaled ¥2,301,322 thousand, a 147.9% increase year on year. High growth has been maintained in the field of gastrointestinal endoscopy, with record quarterly sales achieved and a continued trend of results having significantly exceeded our targets. In addition to progress in the growth of product sales for existing customers, the number of new customers acquired is also growing faster than expected, indicating significant demand from the market. Moreover, our efforts aimed at expanding sales personnel to strengthen sales activities have also been successful, with operating revenue growing more than the increase in costs and earnings contributions* continuing to increase as well. In the field of Ear, Nose and Throat (ENT), our strategy to shift our selling point from hemostatic materials to wound-healing and anti-adhesion materials has continued to be effective, allowing us to continue maintaining profitability in terms of earnings contributions. As a result of the above, our U.S. subsidiary achieved financial accounting profit for the nine months ended January 31, 2025.

Product sales in Europe grew to ¥1,445,054 thousand, a 32.3% increase year on year. In terms of our hemostatic materials used in the field of gastrointestinal endoscopy, we have not achieved our targets as it is taking longer than expected to secure sale capabilities for sales at some distributors. In the fields of cardiovascular surgery and ENT, we have continued to carry out sales activities by maintaining a small-scale structure, but we have not achieved our sales targets. As a result, in the field of cardiovascular surgery, we reduced our operating costs by revising our direct sales systems and reverting to sales through our distributors with the aim of increasing earnings contributions.

Product sales in Japan totaled ¥914,576 thousand, a 43.9% increase year on year. Our efforts to not only acquire new customers but also increase product usage by existing customers have proved successful, allowing us to continue to achieve high growth and higher profitability in terms of earnings contributions.

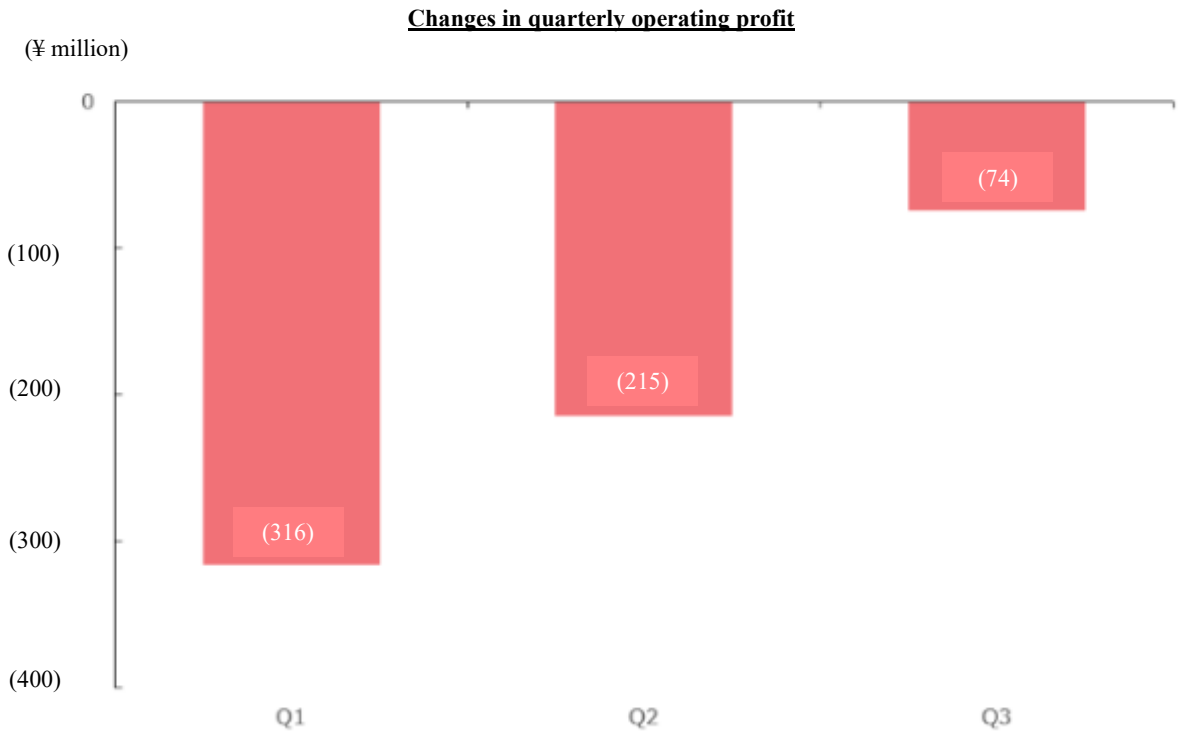
Product sales in Australia totaled ¥367,497 thousand, a 19.7% increase year on year. Although product sales prices have declined as a result of the reforms of private insurance prices by the Government, the reforms are believed to have been implemented as of July 2024. While hospitals had been reluctant to purchase products due to price uncertainties during the reforms, they have gradually resumed purchasing products as normal, and our sales have been growing.

As a result, in the first nine months of the fiscal year ending April 30, 2025, product sales of our hemostatic materials came to ¥2,301,322 thousand in the U.S., ¥1,445,054 thousand in Europe, ¥914,576 thousand in Japan, and ¥367,497 thousand in Australia. Including other sources of operating revenue of ¥31,034 thousand, operating revenue came to ¥5,059,485 thousand (an increase of ¥2,075,048 thousand year on year), achieving a 69.5% increase year on year, which has exceeded our target.

With regard to expenses, yen-based costs for overseas subsidiaries increased due to greater depreciation of the yen against the expected foreign exchange rates, but progress was made in line with target figures on the basis of local currencies. The increase in expenses due to foreign exchange rates was offset as operating revenue exceeded our target and increased as a result of the depreciation of the yen.

As a result, operating loss was ¥606,016 thousand, a year-on-year improvement of ¥1,012,276 thousand. Operating revenue also surpassed our target, exceeding our operating income/loss plan by ¥329,233 thousand, resulting in a smaller operating loss.

Figure 1. Changes in operating profit by quarter

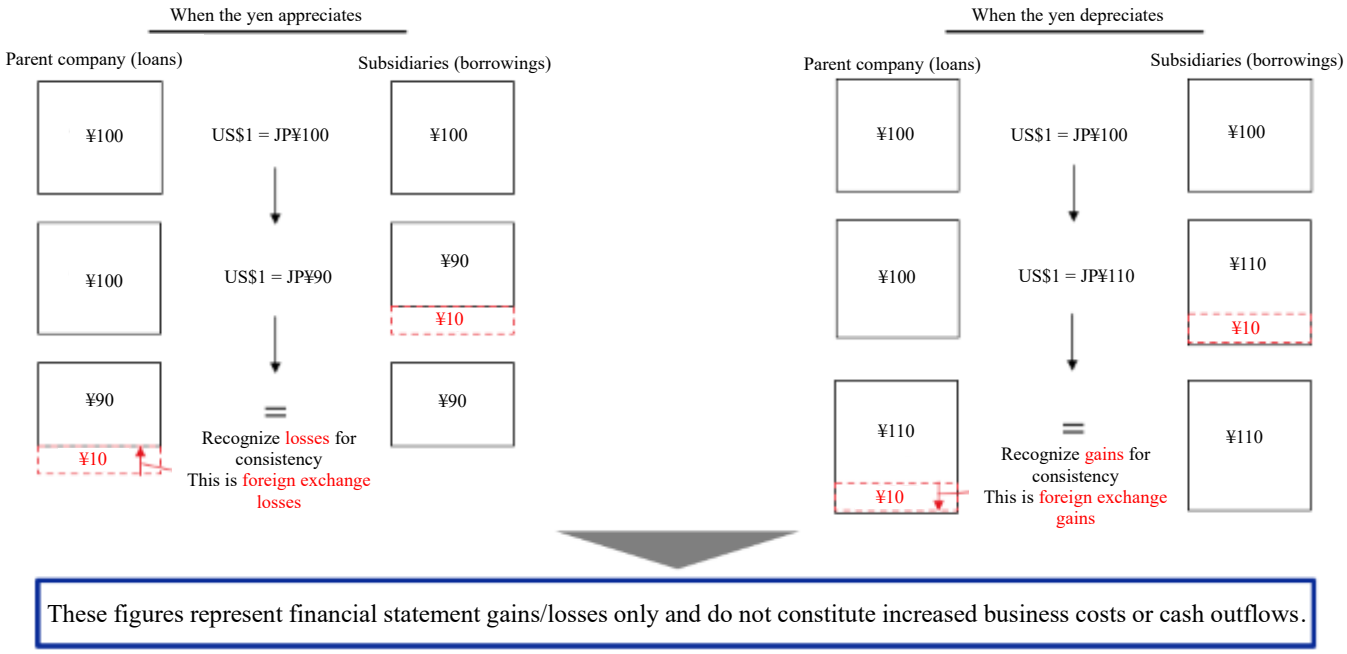


Also, we posted an ordinary loss of ¥1,381,127 thousand (compared with an ordinary loss of ¥335,886 thousand in the same period of the previous fiscal year) due primarily to the impact of foreign exchange losses associated with loans to subsidiaries, and a loss attributable to owners of parent of ¥1,393,818 thousand (compared with a loss attributable to owners of parent of ¥699,952 thousand in the same period of the previous fiscal year). While the depreciation of the yen against the U.S. dollar from ¥134.14 per dollar at

the beginning of the first nine months of the fiscal year ended April 30, 2024, to ¥147.55 per dollar at the end of the nine months ended January 31, 2024, had the effect of higher profit, the appreciation of the yen from ¥156.92 per dollar at the beginning of the first nine months of the fiscal year ending April 30, 2025, to ¥154.43 per dollar at the end of the nine months ended January 31, 2025, resulted in losses due to a decline in the valuation of loans to subsidiaries when converted to yen.

* Earnings contributions: Figures calculated by deducting operating expenses from the gross profit

Figure 2. (Reference) How foreign exchange gains and losses are caused by foreign exchange rate fluctuations



Research and Development Status

The table below shows the research and development projects that were recently added or in which there has been recent progress.

Table 3. Status of research and development projects

Project	Needs and characteristics	Status
Hemostasis in pediatric cardiac surgery	There are no safe hemostatic materials that have been approved for children. PuraStat could be the first candidate. There is a clinical need to secure a field of vision even in narrow areas and to prevent adhesion without any expansion after applying such materials.	Currently preparing to apply for approval in Europe. Data collection complete.
Hemostasis of the head and neck	Surgical cases using PuraStat for hemostasis reduced postoperative fluid drainage, allowing early removal of drain tubes and shorter hospital stays. This could significantly reduce hospital costs.	On sale in Europe. Currently preparing research papers. Currently preparing to apply for approval in the U.S.
Osler-Weber-Rendu disease (HHT) hemostasis (nose)	This genetic disorder causes blood vessel abnormalities throughout the body, leading to symptoms such as bleeding and malformed blood vessels. Approximately 80% of patients experience recurring nosebleeds. Cauterization is currently the only way to stop such bleeding, but using PuraStat could enable home medical care.	Presented posters at an academic conference in Europe, and currently preparing another clinical study in Europe. Case accumulation underway in the U.S.
Hemostasis after biopsy	When collecting tissue using endoscopic biopsy forceps, there are no effective hemostatic measures in cases where the lungs or certain other parts bleed, which makes it difficult to collect sufficient samples. PuraStat can be used for sites where achieving hemostasis is difficult, enabling the collection of sufficient samples.	Currently considering the expansion of indications.
Hemostasis during benign prostatic hyperplasia surgery	Hemostasis using a transurethral catheter for oozing that occurs when removing the enlarged prostate in robotic surgery. Reducing cauterization helps prevent the postoperative loss of male reproductive function.	On sale in Europe. Scheduled to start test marketing with a surgical robotics company. Currently considering application in the U.S.
Hemostasis for brain surgery	This could be the only hemostatic material available as an alternative to cauterization in transnasal endoscopic brain surgery. This uses a novel proprietary peptide developed by the Company.	Applied for approval in Europe in April 2024. Additional questions have been presented, and approval is expected to be delayed for several months.
Healing of radiation proctopathy	A side effect of radiation therapy. Refractory ulcers and bleeding. There are currently no treatment options, which makes this an unmet need. Healing of ulcers by applying PuraStat has been observed.	Presented research papers at the European Society of Gastrointestinal Endoscopy (ESGE) and British Society of Gastroenterology (BSG). The ESGE mentioned PuraStat in its Guidelines. Started addition of cases in a clinical study in Europe aimed at achieving insurance coverage.
Healing of radiation cystitis	A side effect of radiation therapy. Refractory ulcers and bleeding. There are currently no treatment options, which makes this an unmet need. Healing of ulcers by applying PuraStat has been observed.	Presented case report at the Urological Society of Australia and New Zealand. Currently considering application in the U.S.

Project	Needs and characteristics	Status
Mucosal healing for inflammatory bowel disease	Intractable inflammation of the gastrointestinal tract. A chronic disease of unknown cause with repeated cycles of relapse and remission, requiring lifelong treatment. Designated by the Japanese government as an intractable disease. Many anti-inflammatory drugs are currently used for treatment, but mucosal healing might enhance the healing process. The aim is to achieve mucosal healing using PuraStat.	Currently recruiting cases at Gunma University (preparation of case report underway). Currently recruiting cases at Sapporo Medical University.
Wound healing in the mucosa	Effectiveness as a wound-healing material for the mucosa of the gastrointestinal tract, urethra, bladder, nasal cavity, etc., has been confirmed in various studies. Obtaining official regulatory approval will lead to sales expansion and further case accumulation for intractable inflammation.	Currently preparing for application in Europe and the U.S.
Absorbable tissue spacer for radiotherapy	During radiotherapy for prostate or uterine cancers, these spacers are percutaneously injected between the rectum and the prostate or the uterus to reduce damage to the rectum. Our peptides, which are biodegradable and highly biocompatible, are believed to match existing needs. In particular, injectable spacers for uterine cancer have not yet been approved in Japan, and early development is awaited.	Currently conducting joint research with universities in Japan. Animal testing underway.
Prevention of esophageal strictures	Demonstrated the preventive effects of endoscopic application for esophageal strictures after ESD, for which no preventive methods have been established. It also reduced wound-healing delays due to postoperative bleeding and scarring.	Efficacy confirmed from animal testing in Europe. Clinical study underway at Hiroshima University.
Prevention of dysphagia	Dysphagia following endoscopic laryngopharyngeal surgery performed after chemotherapy/radiotherapy for throat cancer leads to deterioration of quality of life, but no preventive methods exist. The aim is to achieve preventive effects for such dysphagia by endoscopic application.	Currently preparing for specified clinical studies in Japan.
Recovery (regeneration) of myocardial dysfunction	The aim is to develop an injectable myocardial functional recovery device. Our proprietary peptides were used to engineer scaffolds for myocardial regeneration, and we verified that injecting the peptides with stem cells and growth factors facilitated myocardial regeneration.	Papers currently being prepared at Harvard University.
Bone graft material (regeneration)	Our aim is to use our proprietary peptides as scaffolds for bone regeneration while retaining growth factors derived from the patient's bodily fluids to develop minimally invasive injectable fillers for bone regeneration. The aim is to develop regeneration materials not only for dental bone graft but also for reconstruction of large bone defects after resection of tumors.	Currently conducting joint research on reconstruction of large bones with a university in Japan based on the results of a pilot clinical trial on dental bone regeneration in the U.S.
Small interfering RNA (siRNA) delivery for breast cancer	Development of system to deliver siRNA with our proprietary peptides to suppress the cancer stem cells responsible for tumor growth, thereby contributing not only to tumor shrinkage but also to the prevention of breast cancer recurrence and metastasis. Clinical trial in Japan demonstrated that it is safe for people and is an effective mechanism to suppress tumor growth.	Updating of profile of applicable patients through RPN2 expression analysis and testing aimed at treatment with systemic administration is underway.

Project	Needs and characteristics	Status
Micro-RNA (miRNA) delivery for malignant pleural mesothelioma	A type of cancer that has a latency period of several decades after exposure to asbestos. The number of cases is expected to continue increasing in the next ten years. After disease presentation, there is no clearly effective drug therapy. Surgery is extremely invasive and offers only a bleak prognosis. The goal is to treat MPM by using our proprietary peptides to deliver micro-RNA (miRNA) as a revolutionary novel drug.	PURMX Therapeutics, our out-licensing partner, is currently preparing to conduct a global phase 1/2 clinical trial (to begin in 2025).
Vaccine delivery	With our sustained-release vaccine, which combines our proprietary peptides and antigens (protein or mRNA), we aim to increase antibody levels, develop antibodies with single doses, and reduce side effects through the suppression of inflammation. Also expected to increase stability of antigens it carries, and to eliminate the need for cold chain (transportation and storage) as the vaccine can be stored at room temperature.	Currently conducting joint research with Tulane University (U.S.) and Hokkaido University.

(2) Explanation of Financial Position

(i) Assets, Liabilities, and Net Assets

In the third quarter of the fiscal year ending April 30, 2025, total assets stood at ¥7,037,107 thousand (up ¥1,150,825 thousand from the end of the previous fiscal year).

Current assets totaled ¥6,945,950 thousand (up ¥1,154,200 thousand). This was mainly attributable to an increase of ¥617,876 thousand in cash and deposits, an increase of ¥478,058 thousand in accounts receivable–trade, and an increase of ¥103,586 thousand in inventories, despite a decrease of ¥63,780 thousand in advance payments to suppliers.

Noncurrent assets totaled ¥91,156 thousand (down ¥3,374 thousand). This was attributable to a decrease in investments and other assets.

Current liabilities totaled ¥1,411,759 thousand (down ¥125,091 thousand). This was mainly attributable to a decrease of ¥290,783 thousand in income taxes payable, despite an increase of ¥154,239 thousand in accounts payable–other.

Noncurrent liabilities totaled ¥2,983,419 thousand (down ¥1,012,704 thousand). This was mainly attributable to a decrease of ¥976,886 thousand in convertible-bond-type bonds with share acquisition rights.

Net assets totaled ¥2,641,928 thousand (up ¥2,288,621 thousand). This was mainly attributable to an increase of ¥1,543,343 thousand each in capital stock and capital surplus and an increase of ¥613,493 thousand in foreign currency translation adjustment, despite a decrease of ¥1,393,818 thousand in retained earnings due to a loss attributable to owners of parent.

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

Please be advised that we have revised our consolidated financial forecasts for the fiscal year ending April 2025 as per the “Notice regarding Revisions to Financial Forecast” announced on March 13, 2025.

(4) 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. Also, in the first nine months of the fiscal year ending April 30, 2025, the Group recorded an operating loss of ¥606,016 thousand. 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. 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 did not yield the expected results in the short term, resulting in an ongoing operating loss in the period under review. We will temporarily narrow down our business focus to the field of gastrointestinal endoscopy, where our hemostatic materials are highly competitive and sales growth is expected to be robust, while scaling back our sales systems in other fields to activities within the scope of those expected to contribute to earnings, thereby reducing marketing expenses and other operating expenses and placing top priority on securing profits.

With regard to research and development, we will temporarily suspend new development projects except in our priority areas such as next-generation hemostatic materials and wound healing for 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 39th tranche of share acquisition rights in April 2024 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 first nine months of the fiscal year ending April 30, 2025, we were able to raise ¥2,628,560 thousand by exercising the rights from the 39th tranche of share acquisition rights. On the other hand, because the partial redemption of issued bonds was demanded due to the application of the early redemption clause, ¥62,500 thousand of the 7th tranche of unsecured convertible-bond-type bonds with share acquisition rights was redeemed in September 2024, ¥256,250 thousand of the 6th tranche of unsecured convertible-bond-type bonds with share acquisition rights was redeemed in October 2024, and ¥220,636 thousand of the 5th tranche of unsecured convertible-bond-type bonds with share acquisition rights was redeemed in November 2024.

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. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: ¥ thousand)

	Previous fiscal year (ended April 30, 2024)	Third quarter of FYE April 2025 (ended January 31, 2025)
Assets		
Current assets		
Cash and deposits	1,363,538	1,981,415
Accounts receivable–trade	1,224,256	1,702,314
Inventories	2,860,903	2,964,490
Advance payments to suppliers	233,886	170,105
Other	162,705	174,498
Allowance for doubtful account	(53,540)	(46,873)
Total current assets	5,791,750	6,945,950
Noncurrent assets		
Property, plant and equipment	—	—
Intangible assets	—	—
Investments and other assets	94,531	91,156
Total noncurrent assets	94,531	91,156
Total assets	5,886,282	7,037,107
Liabilities		
Current liabilities		
Short-term loans payable	300,000	300,000
Accounts payable–other	354,425	508,664
Accrued expenses	443,643	451,690
Income taxes payable	333,980	43,197
Other	104,801	108,206
Total current liabilities	1,536,851	1,411,759
Noncurrent liabilities		
Convertible-bond-type bonds with share acquisition rights	3,873,820	2,896,933
Other	122,303	86,486
Total noncurrent liabilities	3,996,123	2,983,419
Total liabilities	5,532,974	4,395,179
Net assets		
Shareholders' equity		
Capital stock	13,818,459	15,361,803
Capital surplus	13,808,179	15,351,523
Retained earnings	(23,764,244)	(25,158,063)
Treasury stock	(153)	(153)
Total shareholders' equity	3,862,241	5,555,110
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	382	257
Foreign currency translation adjustment	(3,997,920)	(3,384,427)
Total accumulated other comprehensive income	(3,997,538)	(3,384,169)
Share acquisition rights	488,604	470,987
Total net assets	353,307	2,641,928
Total liabilities and net assets	5,886,282	7,037,107

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly consolidated statements of income

for the nine months ended January 31, 2025

(Unit: ¥ thousand)

	Nine months ended January 31, 2024 (From May 1, 2023, to January 31, 2024)	Nine months ended January 31, 2025 (From May 1, 2024, to January 31, 2025)
Operating revenue		
Sales	2,984,436	5,059,485
Total operating revenue	2,984,436	5,059,485
Operating expenses		
Cost of goods sold	1,040,124	1,440,456
Research and development expenses	364,052	395,726
Selling, general and administrative expenses	3,198,553	3,829,318
Total operating expenses	4,602,729	5,665,501
Operating loss	(1,618,293)	(606,016)
Non-operating income		
Interest income	30	101
Foreign exchange gains	1,342,674	—
Commission income	2,226	3,689
Other	13,787	4,789
Total non-operating income	1,358,718	8,580
Non-operating expenses		
Interest expenses	62,730	59,587
Commission fee	2,293	3,439
Foreign exchange losses	—	649,239
Stock issuance expenses	8,208	9,591
Other	3,080	61,833
Total non-operating expenses	76,312	783,691
Ordinary loss	(335,886)	(1,381,127)
Extraordinary income		
Gain on reversal of share acquisition rights	1,296	15,663
Total extraordinary income	1,296	15,663
Extraordinary loss		
Impairment loss	12,021	17,579
Loss from fraudulent remittances	198,807	—
Total extraordinary loss	210,828	17,579
Loss before income taxes	(545,419)	(1,383,043)
Income taxes–current	154,532	10,774
Total income taxes	154,532	10,774
Net loss	(699,952)	(1,393,818)
Loss attributable to owners of parent	(699,952)	(1,393,818)

Quarterly consolidated statements of comprehensive income

for the nine months ended January 31, 2025

(Unit: ¥ thousand)

	Nine months ended January 31, 2024 (From May 1, 2023, to January 31, 2024)	Nine months ended January 31, 2025 (From May 1, 2024, to January 31, 2025)
Net loss	(699,952)	(1,393,818)
Other comprehensive income		
Valuation difference on available-for-sale securities	361	(124)
Foreign currency translation adjustment	(1,250,652)	613,493
Total other comprehensive income	(1,250,290)	613,368
Comprehensive income	(1,950,242)	(780,449)
(Breakdown)		
Comprehensive income attributable to owners of parent	(1,950,242)	(780,449)
Comprehensive income attributable to noncontrolling interests	—	—

(3) Notes to Quarterly 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. Also, in the first nine months of the fiscal year ending April 30, 2025, the Group recorded an operating loss of ¥606,016 thousand. 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. 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 did not yield the expected results in the short term, resulting in an ongoing operating loss in the period under review. We will temporarily narrow down our business focus to the field of gastrointestinal endoscopy, where our hemostatic materials are highly competitive and sales growth is expected to be robust, while scaling back our sales systems in other fields to activities within the scope of those expected to contribute to earnings, thereby reducing marketing expenses and other operating expenses and placing top priority on securing profits.

With regard to research and development, we will temporarily suspend new development projects except in our priority areas such as next-generation hemostatic materials and wound healing for 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 39th tranche of share acquisition rights in April 2024 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 first nine months of the fiscal year ending April 30, 2025, we were able to raise ¥2,628,560 thousand by exercising the rights from the 39th tranche of share acquisition rights. On the other hand, as a result of the partial redemption of issued bonds through the application of the early redemption clause, ¥62,500 thousand of the 7th tranche of unsecured convertible-bond-type bonds with share acquisition rights was redeemed in September 2024, ¥256,250 thousand of the 6th tranche of unsecured convertible-bond-type bonds with share acquisition rights was redeemed in October 2024, and ¥220,636 thousand of the 5th tranche of unsecured convertible-bond-type bonds with share acquisition rights was redeemed in November 2024.

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 as a result of breaching the financial covenants of its loans or become obligated to make repayments prior to the final redemption date as a result of the application of the early redemption clauses of its convertible-bond-type bonds with share acquisition rights.

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 quarterly 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 quarterly consolidated financial statements.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

The Company issued new shares by exercising the rights from the 39th tranche of share acquisition rights issued in April 2024 and the rights from the 7th tranche of unsecured convertible-bond-type bonds with share acquisition rights issued 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, capital stock and capital surplus both increased by ¥1,543,343 thousand in the first nine months of the fiscal year ending April 30, 2025, totaling a capital stock of ¥15,361,803 thousand and capital surplus of ¥15,351,523 thousand at the end of the third quarter of FYE April 2025.

(Segment Information)

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

(Notes on Statement of Cash Flows)

A quarterly consolidated statement of cash flows has not been prepared for the first nine months of the fiscal year ending April 30, 2025.

In addition, depreciation (including depreciation of intangible assets) for the first nine months of each fiscal year is as follows.

	Nine months ended January 31, 2024 (From May 1, 2023, to January 31, 2024)	Nine months ended January 31, 2025 (From May 1, 2024, to January 31, 2025)
Depreciation	― thousand yen	― thousand yen

(Revenue Recognition)

Breakdown of revenue arising from contracts with customers

Nine months ended January 31, 2024 (From May 1, 2023, to January 31, 2024)

(Unit: ¥ thousand)

Japan	U.S.	Netherlands	Australia	Other	Total sales to external customers
635,529	932,739	746,675	307,081	362,409	2,984,436

Note: Operating revenue is based on the location of the customer and is classified by country or region.

Nine months ended January 31, 2025 (From May 1, 2024, to January 31, 2025)

(Unit: ¥ thousand)

Japan	U.S.	Netherlands	Australia	Other	Total sales to external customers
914,576	2,301,322	918,543	363,272	561,770	5,059,485

Note: Operating revenue is based on the location of the customer and is classified by country or region.

(Significant Events After Reporting Period)

Conversion of convertible-bond-type bonds with share acquisition rights

The 6th tranche of unsecured convertible-bond-type bonds with share acquisition rights issued by the Company was converted into shares between the end of the third quarter of FYE April 2025 and February 28, 2025, a summary of which is as follows.

1. Number of share acquisition rights exercised	5 units
2. Face value of converted bonds	¥256,250 thousand
3. Type and number of shares issued (Around 1.5% of total issued shares as of January 31, 2025)	1,653,225 shares of common stock
4. Increase in capital	¥128,125 thousand
5. Increase in capital reserve	¥128,125 thousand