

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

December 15, 2023

Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2023 (Under Japanese GAAP)



Company name: CellSource Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 4880
 URL: <https://www.cellsource.co.jp/>
 Representative: Masato Tsumamoto, Chief Executive Officer (CEO) & Representative Director
 Inquiries: Katsuji Onishi, Executive Officer and General Manager of Administration
 Telephone: +81-3-6455-5308
 Scheduled date of annual general meeting of shareholders: January 25, 2024
 Scheduled date to commence dividend payments: January 9, 2024
 Scheduled date to file annual securities report: January 25, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2023 (from November 1, 2022 to October 31, 2023)

(1) Operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
October 31, 2023	4,510	5.5	1,221	(22.2)	1,194	(24.6)	923	(9.3)
October 31, 2022	4,273	46.3	1,571	58.3	1,583	57.4	1,017	56.3

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended					
October 31, 2023	48.88	47.93	18.7	20.8	27.1
October 31, 2022	54.54	52.98	31.6	39.8	36.8

Reference: Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended October 31, 2023: ¥— million

For the fiscal year ended October 31, 2022: ¥— million

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
October 31, 2023	6,879	6,201	89.4	311.25
October 31, 2022	4,599	3,785	81.4	200.37

Reference: Equity

As of October 31, 2023: ¥6,150 million

As of October 31, 2022: ¥3,743 million

(3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
October 31, 2023	846	(624)	1,449	4,781
October 31, 2022	847	(169)	14	3,123

2. Cash Dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio	Ratio of dividends to net assets
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
October 31, 2022	—	0.00	—	0.00	0.00	—	—	—
October 31, 2023	—	0.00	—	20.00	20.00	395	40.9	7.8
October 31, 2024 (Forecast)	—	0.00	—	5.00	5.00		13.7	

Note: 1. Breakdown of year-end dividend for the fiscal year ended October 31, 2023

Ordinary dividend: ¥5.00

Commemorative dividend: ¥15.00

2. Breakdown of year-end dividend for the fiscal year ended October 31, 2024

Ordinary dividend: ¥5.00

3. Non-consolidated Financial Result Forecasts for the Fiscal Year Ending October 31, 2024 (from November 1, 2023 to October 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,368	19.0	1,003	(17.8)	1,037	(13.1)	719	(22.0)	36.43

*** Notes**

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

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

(2) Number of issued shares (common shares)

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

As of October 31, 2023	19,761,100 shares
As of October 31, 2022	18,685,800 shares

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

As of October 31, 2023	575 shares
As of October 31, 2022	575 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended October 31, 2023	18,884,191 shares
Fiscal year ended October 31, 2022	18,662,319 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts and other special matters

(Cautionary statement with respect to forward-looking statements)

The earnings forecasts and forward-looking statements described herein are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended to be a promise by the Company to achieve them. As such, actual results may differ significantly from these forecasts due to a wide range of factors.

(Method of obtaining the supplementary material on financial results and details of the financial results briefing)

The Company plans to hold a briefing online for investors and analysts on Friday, December 15, 2023.

Non-consolidated Financial Statements and Principal Notes

(1) Non-consolidated Balance Sheets

(Thousands of yen)

	As of October 31, 2022	As of October 31, 2023
Assets		
Current assets		
Cash and deposits	3,123,580	4,781,022
Accounts receivable - trade	657,331	364,279
Merchandise and finished goods	121,352	153,453
Work in process	23,188	38,196
Raw materials and supplies	82,482	114,276
Advance payments to suppliers	27,356	13,241
Prepaid expenses	47,506	79,463
Other	2,122	48,034
Allowance for doubtful accounts	(7,528)	(2,787)
Total current assets	4,077,393	5,589,181
Non-current assets		
Property, plant and equipment		
Buildings, net	41,340	411,565
Tools, furniture and fixtures, net	124,922	132,381
Leased assets, net	—	88,284
Construction in progress	—	26,510
Other, net	0	0
Total property, plant and equipment	166,262	658,740
Intangible assets		
Software	10,480	19,809
Total intangible assets	10,480	19,809
Investments and other assets		
Investment securities	171,429	152,040
Long-term prepaid expenses	22,850	28,287
Deferred tax assets	57,000	43,964
Leasehold and guarantee deposits	94,264	387,713
Distressed receivables	0	165
Allowance for doubtful accounts	(0)	(165)
Total investments and other assets	345,544	612,004
Total non-current assets	522,287	1,290,555
Total assets	4,599,680	6,879,736

(Thousands of yen)

	As of October 31, 2022	As of October 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	109,692	75,463
Lease liabilities	—	20,251
Accounts payable - other	93,974	103,261
Accrued expenses	23,568	73,199
Income taxes payable	420,726	42,773
Accrued consumption taxes	101,350	19,503
Advances received	31,651	57,569
Deposits received	8,369	17,307
Provision for bonuses	24,591	40,012
Provision for loss on orders received	9	2,814
Other	215	—
Total current liabilities	814,149	452,156
Non-current liabilities		
Lease liabilities	—	77,291
Asset retirement obligations	—	148,289
Total non-current liabilities	—	225,581
Total liabilities	814,149	677,737
Net assets		
Shareholders' equity		
Share capital	689,226	1,425,397
Capital surplus		
Legal capital surplus	599,226	1,335,397
Total capital surplus	599,226	1,335,397
Retained earnings		
Other retained earnings		
Retained earnings brought forward	2,454,176	3,377,319
Total retained earnings	2,454,176	3,377,319
Treasury shares	(1,696)	(1,696)
Total shareholders' equity	3,740,933	6,136,418
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,045	14,034
Total valuation and translation adjustments	3,045	14,034
Share acquisition rights	41,552	51,546
Total net assets	3,785,531	6,201,999
Total liabilities and net assets	4,599,680	6,879,736

(2) Non-consolidated Statements of Income and Comprehensive Income
Non-consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended October 31, 2022	For the fiscal year ended October 31, 2023
Net sales	4,273,829	4,510,544
Cost of sales	1,209,528	1,325,543
Gross profit	3,064,300	3,185,000
Selling, general and administrative expenses		
Packing and freightage expenses	61,998	71,079
Advertising expenses	39,436	32,814
Provision of allowance for doubtful accounts	3,969	(4,576)
Remuneration for directors (and other officers)	82,200	82,800
Payrolls and allowances	409,512	512,700
Outsourcing expenses	166,541	233,152
Rent expenses on land and buildings	53,167	203,804
Commission expenses	157,506	220,705
Depreciation	13,129	25,480
Research and development expenses	87,562	72,453
Provision for bonuses	33,372	53,799
Other	384,851	459,287
Total selling, general and administrative expenses	1,493,247	1,963,501
Operating profit	1,571,052	1,221,499
Non-operating income		
Interest income	7	13
Foreign exchange gains	20,631	—
Subsidy income	1,775	18,166
Compensation income	1,259	—
Miscellaneous income	1,691	11,488
Total non-operating income	25,366	29,668
Non-operating expenses		
Interest expenses	11	379
Share issuance costs	54	15,531
Listing expenses	—	25,000
Foreign exchange losses	—	8,399
Loss on valuation of securities	9,549	1,814
Loss on investments in investment partnerships	3,163	3,077
Other	1	2,696
Total non-operating expenses	12,780	56,899
Ordinary profit	1,583,639	1,194,268
Extraordinary income		
Gain on sale of investment securities	—	34,816
Gain on reversal of share acquisition rights	—	8,667
Other	—	1,931
Total extraordinary income	—	45,414
Profit before income taxes	1,583,639	1,239,682
Income taxes - current	581,460	308,353
Income taxes - deferred	(15,663)	8,186
Total income taxes	565,796	316,540
Profit	1,017,842	923,142

(3) Non-consolidated Statements of Changes in Equity
 Fiscal year ended October 31, 2022 (from November 1, 2021 to October 31, 2022)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at beginning of period	679,122	589,122	589,122	1,436,334	1,436,334	(1,444)	2,703,134
Changes during period							
Issuance of new shares	10,104	10,104	10,104				20,208
Profit				1,017,842	1,017,842		1,017,842
Purchase of treasury shares						(251)	(251)
Net changes in items other than shareholders' equity							
Total changes during period	10,104	10,104	10,104	1,017,842	1,017,842	(251)	1,037,798
Balance at end of period	689,226	599,226	599,226	2,454,176	2,454,176	(1,696)	3,740,933

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	149	149	17,069	2,720,353
Changes during period				
Issuance of new shares				20,208
Profit				1,017,842
Purchase of treasury shares				(251)
Net changes in items other than shareholders' equity	2,896	2,896	24,482	27,378
Total changes during period	2,896	2,896	24,482	1,065,177
Balance at end of period	3,045	3,045	41,552	3,785,531

Fiscal year ended October 31, 2023 (from November 1, 2022 to October 31, 2023)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at beginning of period	689,226	599,226	599,226	2,454,176	2,454,176	(1,696)	3,740,933
Changes during period							
Issuance of new shares	736,171	736,171	736,171				1,472,342
Profit				923,142	923,142		923,142
Purchase of treasury shares							—
Net changes in items other than shareholders' equity							
Total changes during period	736,171	736,171	736,171	923,142	923,142	—	2,395,485
Balance at end of period	1,425,397	1,335,397	1,335,397	3,377,319	3,377,319	(1,696)	6,136,418

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	3,045	3,045	41,552	3,785,531
Changes during period				
Issuance of new shares				1,472,342
Profit				923,142
Purchase of treasury shares				—
Net changes in items other than shareholders' equity	10,988	10,988	9,994	20,983
Total changes during period	10,988	10,988	9,994	2,416,468
Balance at end of period	14,034	14,034	51,546	6,201,999

(4) Non-consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended October 31, 2022	For the fiscal year ended October 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,583,639	1,239,682
Depreciation	45,422	63,851
Amortization of long-term prepaid expenses	14,940	14,233
Amortization of lease deposits	1,318	3,058
Increase (decrease) in allowance for doubtful accounts	3,969	(4,576)
Increase (decrease) in provision for bonuses	24,591	15,420
Interest income	(7)	(13)
Interest expenses	11	379
Foreign exchange losses (gains)	(21,621)	14,291
Subsidy income	(1,775)	(18,166)
Compensation income	(1,259)	—
Loss (gain) on valuation of securities	9,549	1,814
Loss (gain) on investments in investment partnerships	3,163	3,077
Share issuance costs	54	15,531
Share-based payment expenses	29,117	21,751
Loss (gain) on sale of investment securities	—	(34,816)
Gain on reversal of share acquisition rights	—	(8,667)
Listing expenses	—	25,000
Decrease (increase) in trade receivables	(346,338)	293,051
Decrease (increase) in inventories	(61,475)	(78,903)
Decrease (increase) in advance payments to suppliers	471	14,114
Increase (decrease) in trade payables	68,662	(34,228)
Increase (decrease) in advances received	3,370	25,918
Other, net	(37,343)	(35,577)
Subtotal	1,318,460	1,536,229
Interest received	7	13
Interest paid	(11)	(379)
Subsidies received	13,973	—
Proceeds from compensation	1,259	—
Income taxes paid	(486,086)	(689,172)
Net cash provided by (used in) operating activities	847,603	846,691
Cash flows from investing activities		
Purchase of property, plant and equipment	(94,717)	(348,072)
Purchase of intangible assets	(4,450)	(10,930)
Purchase of investment securities	(36,364)	(49,992)
Proceeds from sale of investment securities	—	114,816
Purchase of long-term prepaid expenses	(14,632)	(33,394)
Payments of leasehold and guarantee deposits	(19,223)	(296,507)
Net cash provided by (used in) investing activities	(169,388)	(624,080)
Cash flows from financing activities		
Proceeds from issuance of shares	15,519	1,461,669
Purchase of treasury shares	(253)	—
Payments of listing expenses	—	(6,000)
Repayments of lease liabilities	(1,097)	(6,546)
Other, net	253	(0)
Net cash provided by (used in) financing activities	14,421	1,449,123
Effect of exchange rate change on cash and cash equivalents	21,621	(14,291)
Net increase (decrease) in cash and cash equivalents	714,258	1,657,441
Cash and cash equivalents at beginning of period	2,409,322	3,123,580
Cash and cash equivalents at end of period	3,123,580	4,781,022