



**CellSource**

# Earnings Presentation

## Q3 FY10/2024

CellSource Co., Ltd (TSE Prime: 4880)

September 12, 2024

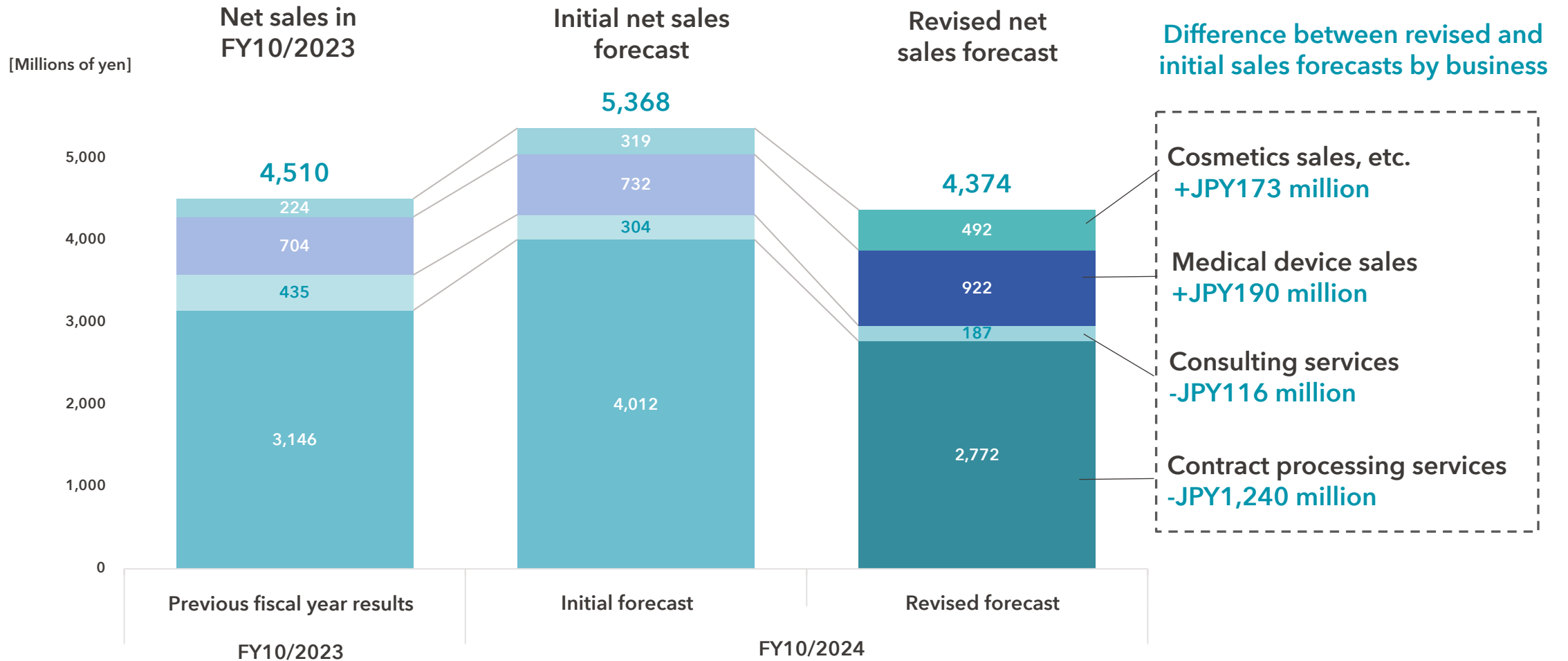
- 1 Downward Revision of the Earnings Forecast for FY10/2024**
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# Downward Revision of the Earnings Forecast for FY10/2024

Revised down the full-year forecast in light of progress through end-Q3 and current projections; see slide 6 for the analysis of factors leading to the downward revision and outlook

[Millions of yen]	FY10/2024			
	Net sales	Operating profit	Ordinary profit	Profit
Previous forecast (A)	5,368	1,003	1,037	719
Revised forecast (B)	4,374	420	527	417
Change (B-A)	-993	-583	-509	-301
% change	-18.5%	-58.1%	-49.2%	-41.9%
Ref.: Results for the previous fiscal year (FY10/2023)	4,510	1,221	1,194	923

Revised down the sales forecast by JPY990 million, due mainly to a decline in contract processing sales



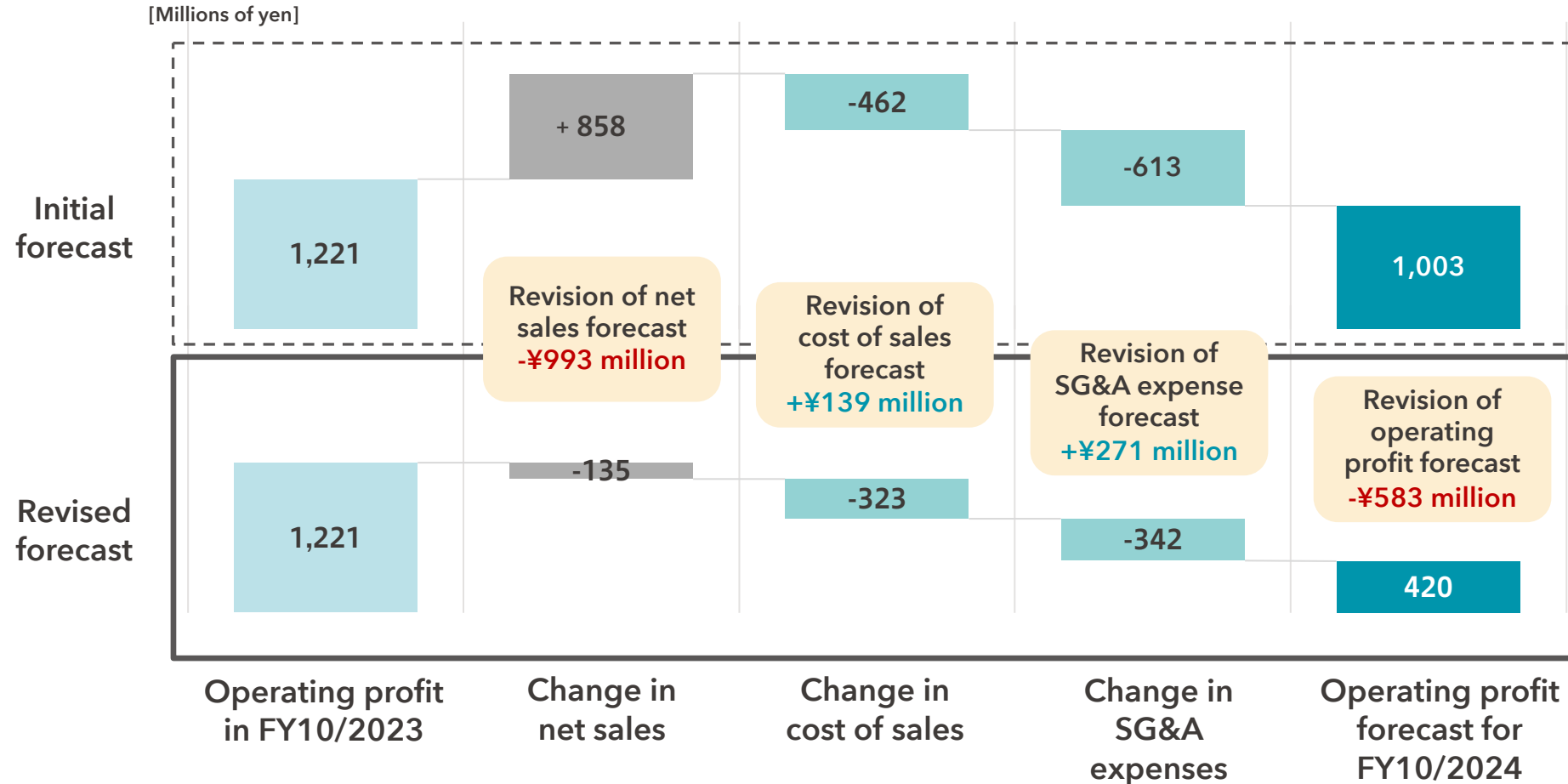
# Downward Revision of the FY10/2024 Earnings Forecast: Factors Leading to the Sales Forecast Revision

The downward revision was primarily due to discrepancies between the actual and projected contract processing orders from orthopedics clinics specializing in self-funded treatment

Business	Sales forecast revision	Service	Contributing factors
Contract processing	-JPY1,240 million	For orthopedics clinics specializing in self-funded treatment	Sales substantially undershot the initial forecast, which was based on the average sales for the previous fiscal year. Sales are picking up in 2H, mainly for ASC processing, thanks to technological updates (for adipose-derived cell processing).
		For hybrid orthopedics clinics	Due to delays in implementing and shifting strategies, orders from existing customer were slow to grow. Currently, sales are on an uptrend, thanks to new strategies and ongoing technological updates (for blood-derived product processing).
		Synovial stem cell processing	Sales were well below the target due to the misjudged difficulty of socially implementing this service. Careful service development and expansion efforts are underway in collaboration with existing partner medical institutions.
Other	+JPY246 million	Consulting services	Sales for this service closely correlate with sales from orthopedics clinics specializing in self-funded treatment. Due to sluggish sales from the latter, sales deteriorated and fell short of the forecast.
		Medical device sales	Sales surpassed the forecast, backed by increased market needs for fat injection and related services at medical institutions specializing in beauty related medical practices.
		Cosmetics sales and other	Sales exceeded expectations, owing to contributions from the supply of cosmetic ingredients, orders for which came in 1H.

# Downward Revision of the FY10/2024 Earnings Forecast: Comparison of the Initial and Revised Operating Profit Forecasts

Fixed costs related to the relocation of a production facility and SG&A expenses were in line with initial expectations.  
Revised down the operating profit forecast by JPY583 million, due to net sales undershooting the target



## 1. Strengthen partnerships with medical institutions specializing in self-funded orthopedic clinics

- Continue strengthening collaboration with medical institutions specializing in self-funded treatment to build a stronger partnership
- Enhance the competitiveness of our services through various technological updates (for blood-derived and adipose-derived product processing)

## 2. Thoroughly implement sales strategies targeting hybrid orthopedic clinics

- Thoroughly implement sales strategies disclosed in the previous quarter to bolster contract processing services in the orthopedics field
- Aim for business expansion in the orthopedics field, leveraging various technological updates (for blood-derived and adipose-derived product processing) and sales strategies
- Meticulously cut unnecessary costs, a measure which had been insufficient so far

## 3. Promote selection and concentration of businesses, and release the medium- to long-term vision

- Promote selection and concentration of businesses, concentrating management resources in areas with the most growth potential. We plan to release the medium- to long-term vision based on this strategy in December
- Envision a plan to expand our business in the orthopedics field, and aim to achieve profitability improvements and sustainable growth through utilizing M&A

## 4. Become an organization that can realize growth

- Reform and optimize the current organizational structure into one that supports business growth
- Increase employee motivation by enhancing the performance-based incentive system
- Acquire talents necessary to implement growth strategies, and bolster competitive strengths



# Financial Results for Q3 FY10/2024

Net Sales

JPY **3.34**billion  
(-1.9% YoY)

Operating Profit

JPY **388**million  
(-62.8% YoY)

Profit

JPY **374**million  
(-44.6% YoY)

Operating Profit  
Margin

**11.6%**  
(-19.0pt YoY)

Blood-derived product  
contract processing  
orders

**16,348**  
(-13.6% YoY)

ASC contract  
processing orders

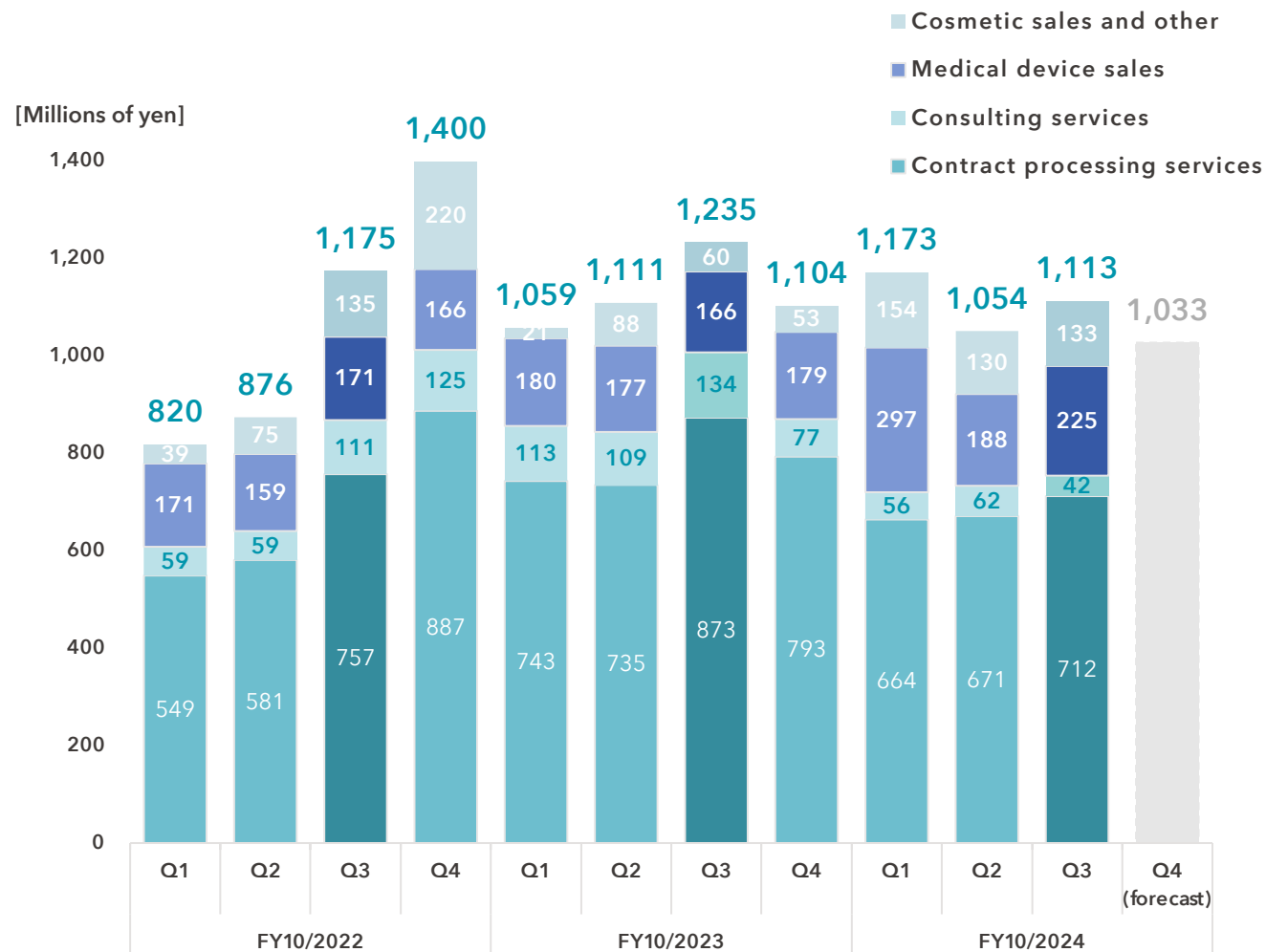
**1,178**  
(-28.7% YoY)

[Millions of yen]	Q2 FY10/2024	Q3 FY10/2024	QoQ	Cum. Q3 FY10/2023	Cum. Q3 FY10/2024	YoY
Net sales	1,054	1,113	+5.6%	3,406	3,341	-1.9%
Gross profit	661	694	+5.1%	2,431	2,119	-12.8%
Gross profit margin	62.7%	62.4%	-0.3pt	71.4%	63.4%	-7.9pt
Operating profit	75	106	+41.0%	1,043	388	-62.8%
Operating profit margin	7.2%	9.6%	+2.4pt	30.6%	11.6%	-19.0pt
Ordinary profit	179	107	-40.2%	1,039	495	-52.3%
Profit	156	74	-52.4%	675	374	-44.6%

Blood-derived product contract processing orders	5,202	5,832	+12.1%	18,932	16,348	-13.6%
ASC contract processing orders	368	439	+19.3%	1,652	1,178	-28.7%

- **Net sales:** Sales from contract processing services, medical device sales, and cosmetic sales and other increased QoQ, while consulting service sales decreased. Overall sales were up 5.6% QoQ.
- **Gross profit margin:** GPM decreased slightly QoQ, due to lower sales from consulting services and a change in the shipment mix of cosmetics sales.
- **Operating profit margin:** SG&A expenses were more or less flat QoQ, due to cost control measures. OPM improved 2.4pt QoQ, thanks to sales growth.
- **Profit:** Profit decreased 52.4% QoQ, due to the absence of gain on sales of investment securities and subsidy income recorded in Q2.
- **No. of contract processing orders:** Orders increased QoQ, owing to the release of PFC-FD™ (2.0) and technological updates for ASC processing.

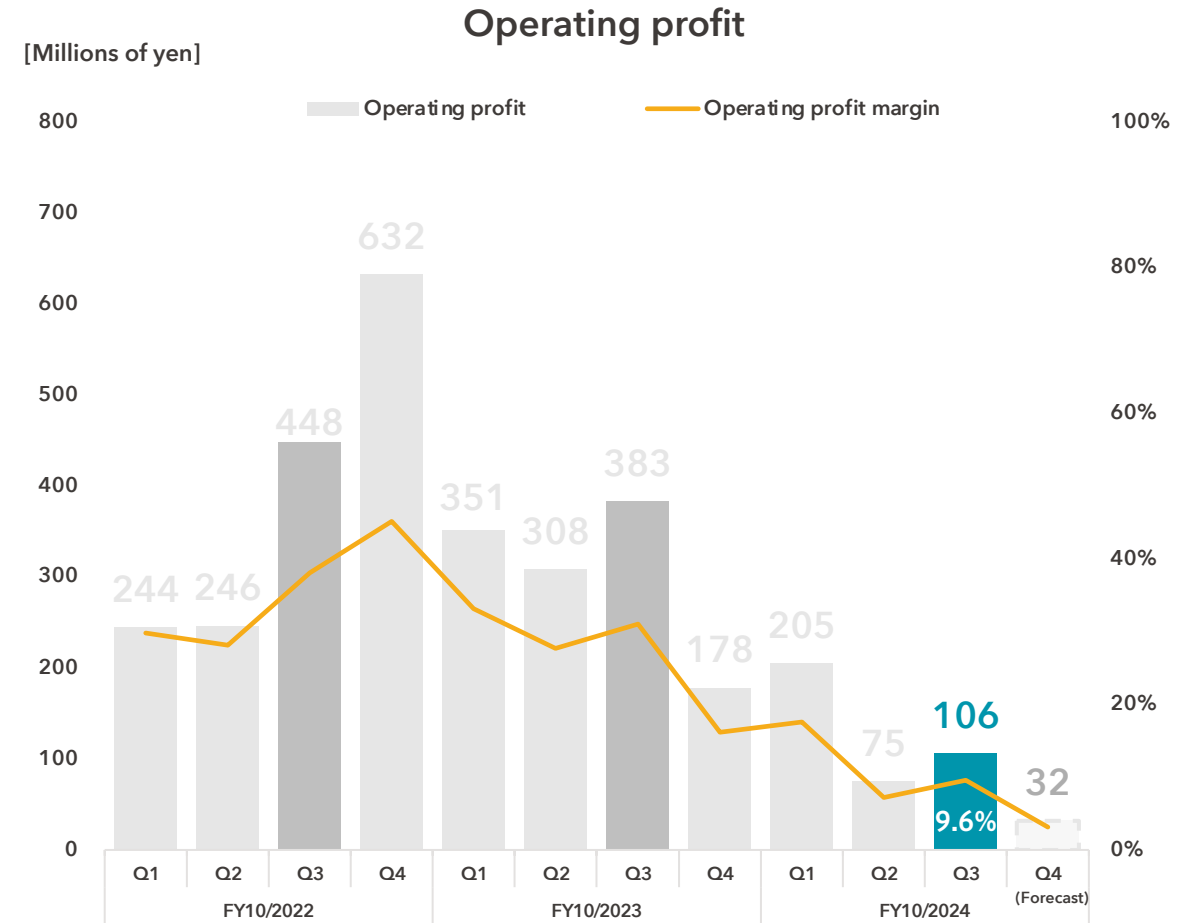
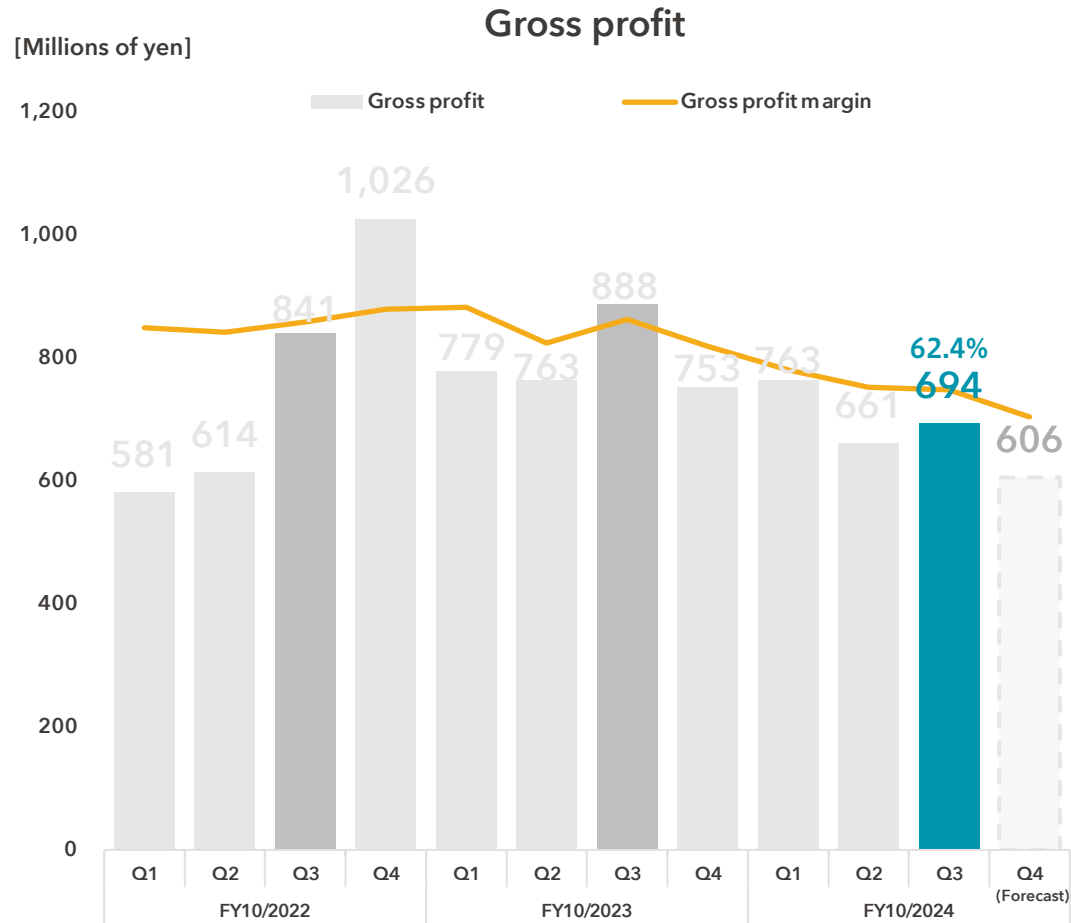
## Net sales increased QoQ, owing to a recovery in contract processing service sales



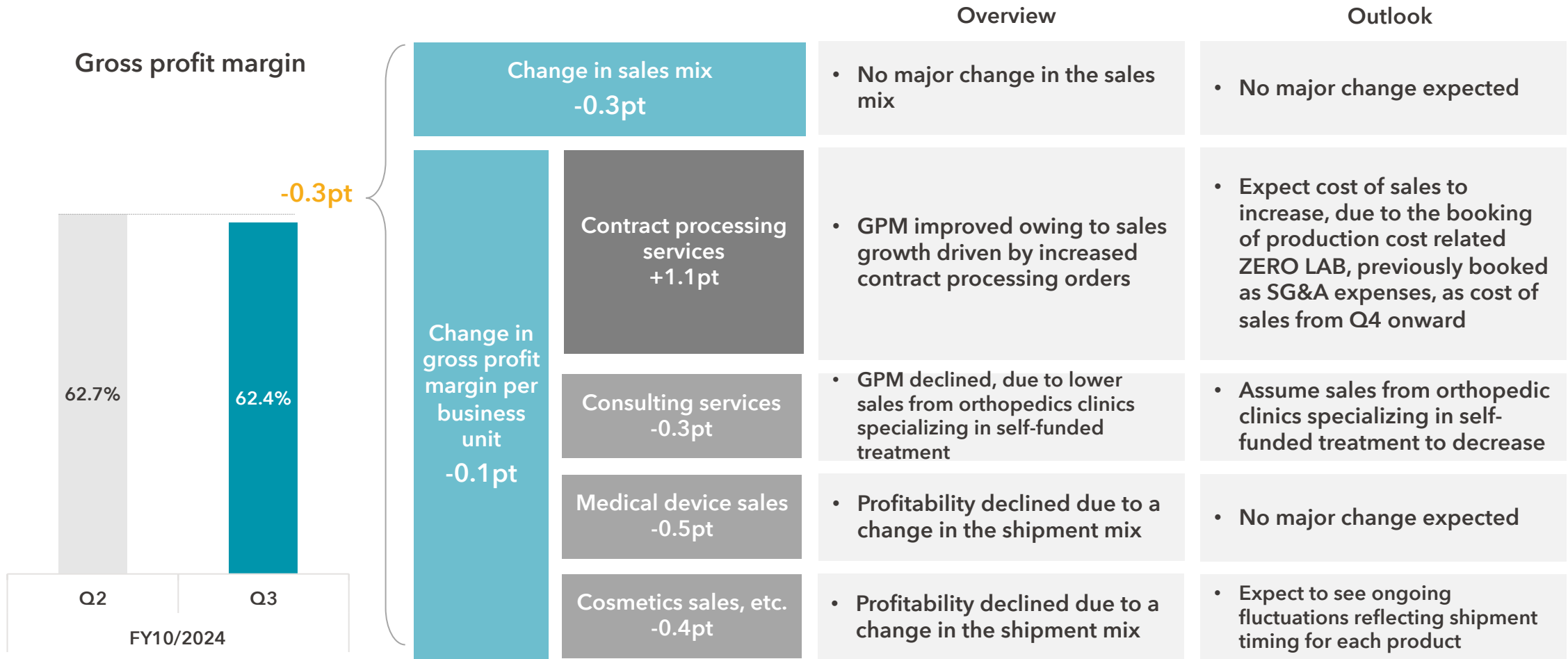
	Cum. Q3 FY10/2023	Cum. Q3 FY10/2024	YoY
<b>Total</b>	<b>3,406</b>	<b>3,341</b>	<b>-1.9%</b>
<b>Contract processing services</b>	<b>2,352</b>	<b>2,048</b>	<b>-12.9%</b>
<b>Consulting services</b>	<b>357</b>	<b>161</b>	<b>-54.8%</b>
<b>Medical device sales</b>	<b>524</b>	<b>711</b>	<b>+35.6%</b>
<b>Cosmetic sales and other</b>	<b>171</b>	<b>419</b>	<b>+145.0%</b>

Millions of yen

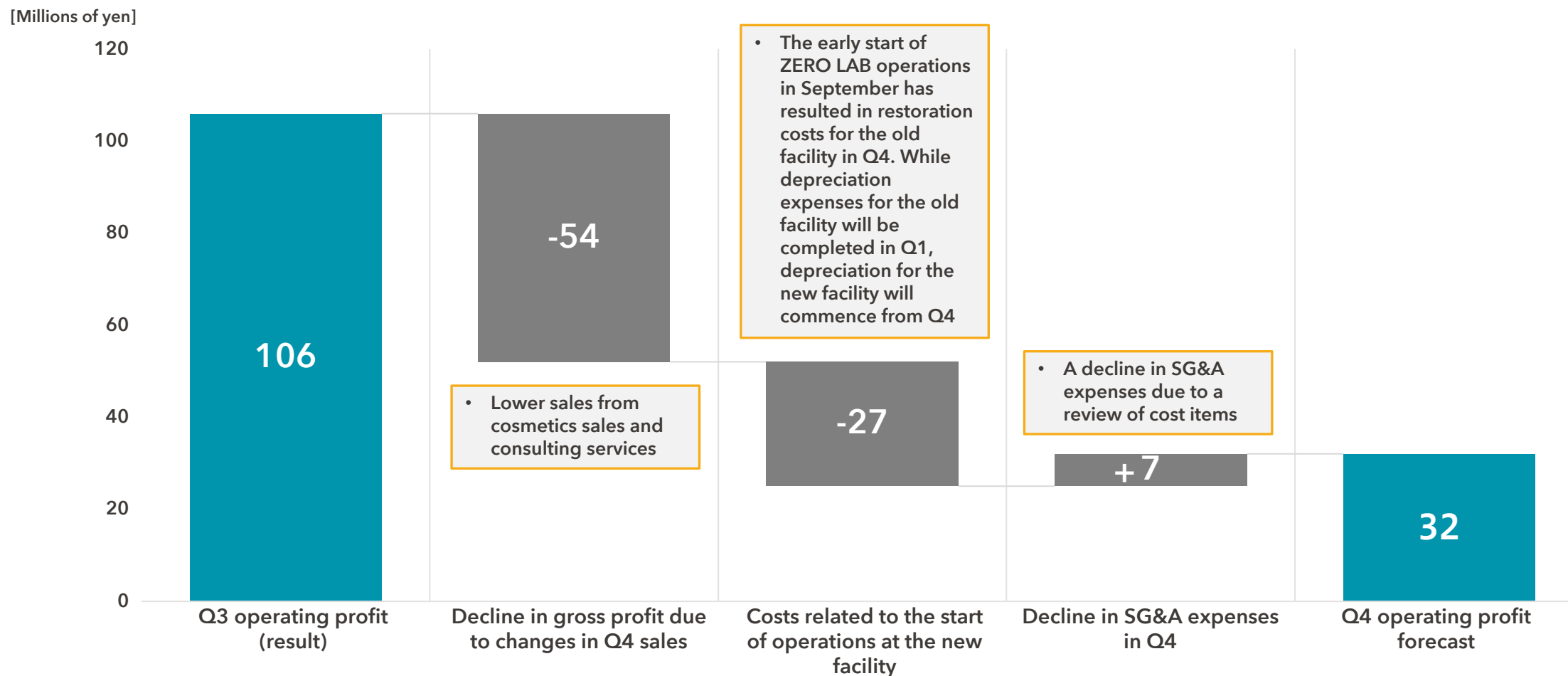
Q3: Gross profit and operating profit increased QoQ, thanks to sales growth and GPM remaining flat (slide 14)  
 Q4: See slide 15



GPM decreased, despite improved GPM for contract processing services, due to slight declines for other services. Expect GPM to fall slightly from Q4 onward, reflecting the recording of expenses associated with the start of operations at the new production facility as cost of sales



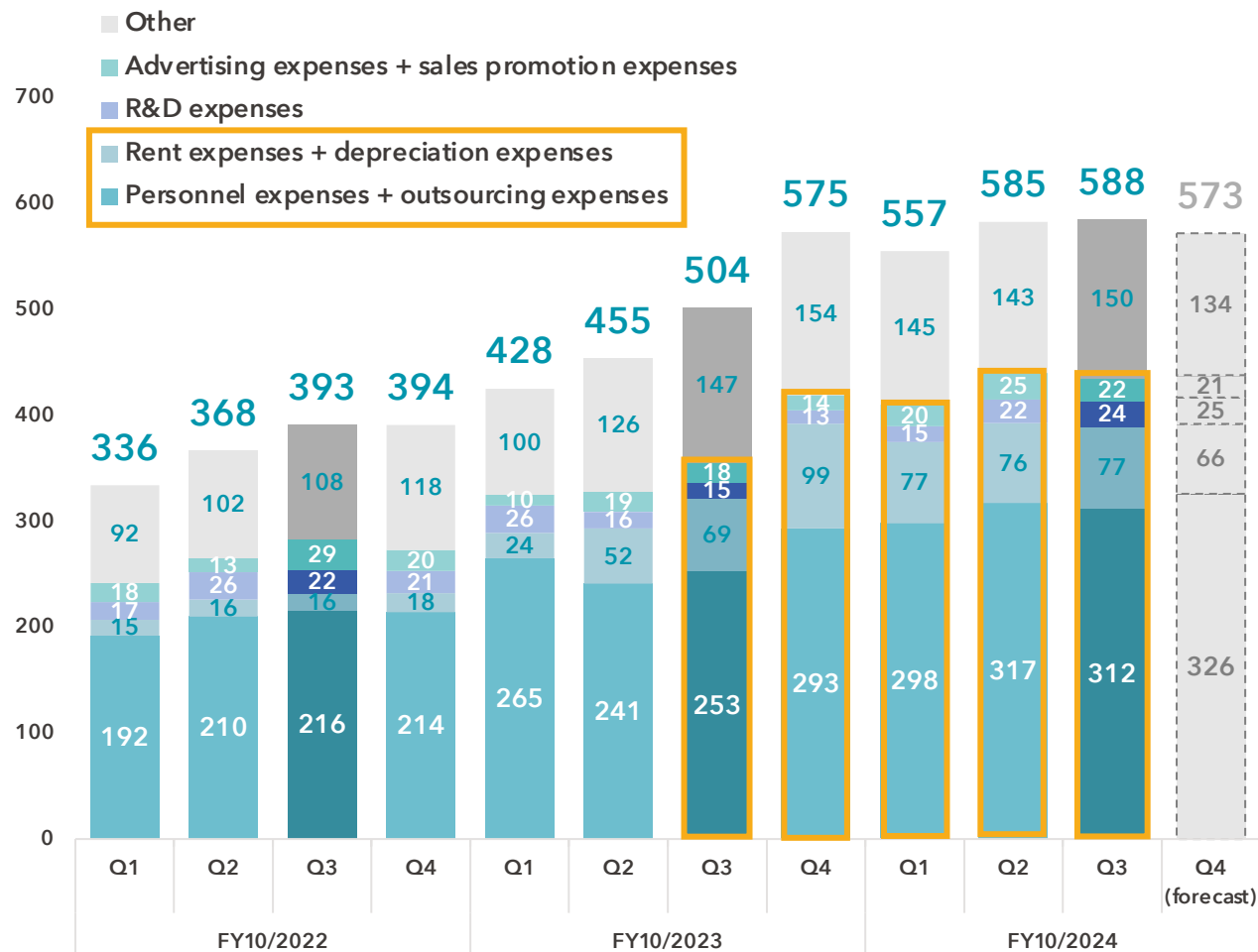
Expect operating profit to fall sharply in Q4, due to lower cosmetics and consulting services sales and the booking of double facility-related costs as a result of the earlier-than-expected startup of the new production facility



Q3: SG&A expenses were largely flat QoQ, thanks to ongoing cost-control measures

Q4: Expect rent to decline, following the production start at the new facility

[Millions of yen]

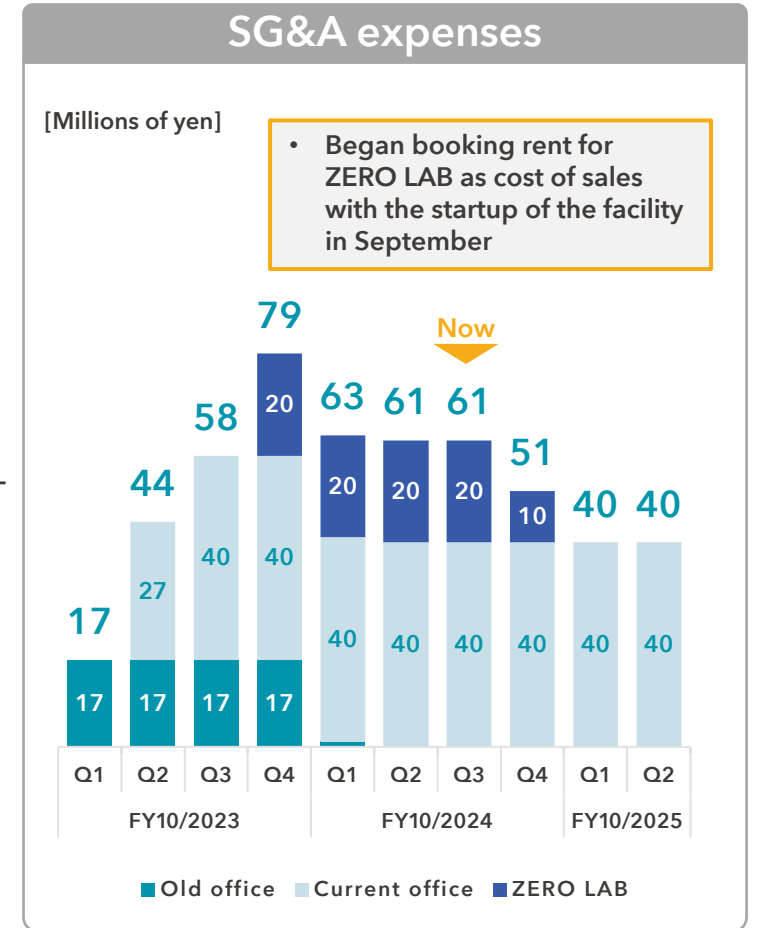
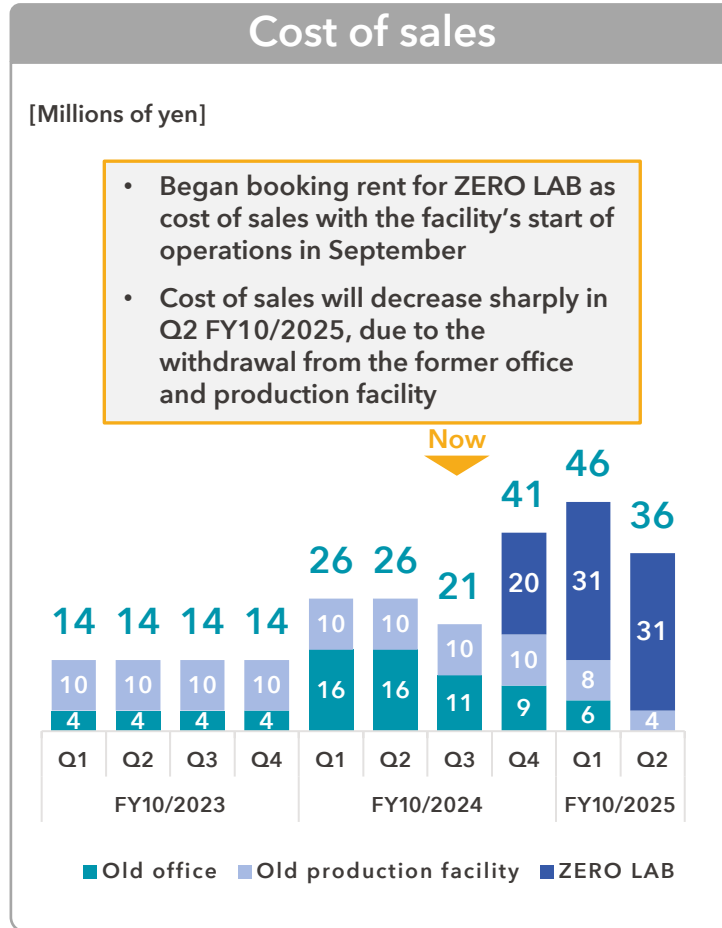
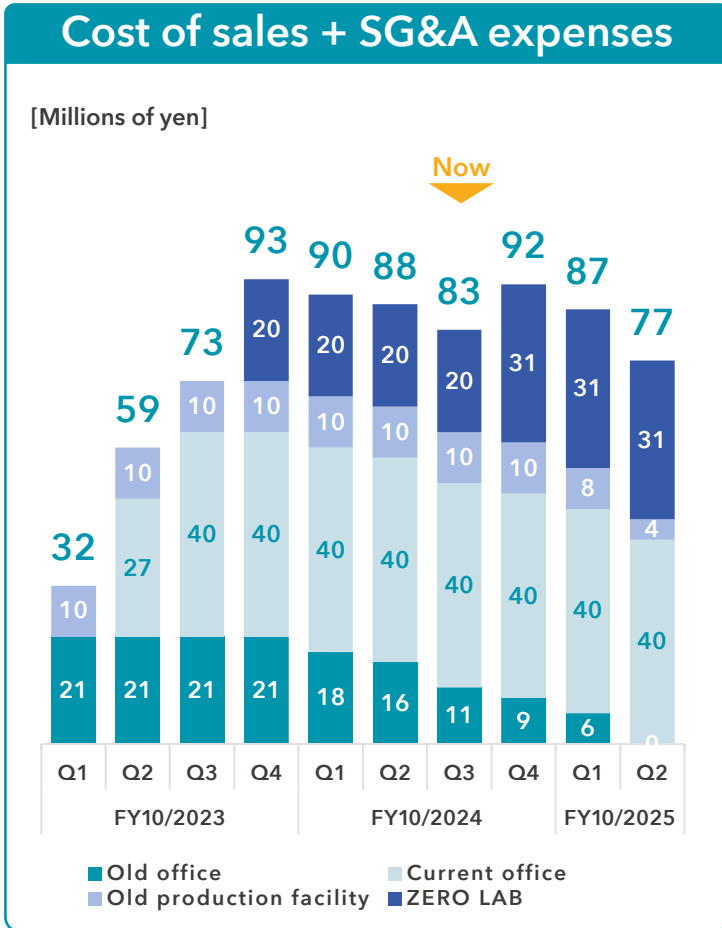


	Cum. Q3 FY10/2023	Cum. Q3 FY10/2024	YoY
<b>Total</b>	<b>1,388</b>	<b>1,731</b>	<b>+24.8%</b>
<b>Personnel expenses + outsourcing expenses</b>			
	<b>759</b>	<b>929</b>	<b>+22.3%</b>
<b>Rent expenses + depreciation expenses</b>			
	<b>146</b>	<b>231</b>	<b>+58.3%</b>
<b>R&amp;D expenses</b>			
	<b>58</b>	<b>62</b>	<b>+5.3%</b>
<b>Advertising expenses + sales promotion expenses</b>			
	<b>49</b>	<b>68</b>	<b>+39.1%</b>
<b>Other</b>			
	<b>373</b>	<b>439</b>	<b>+17.7%</b>



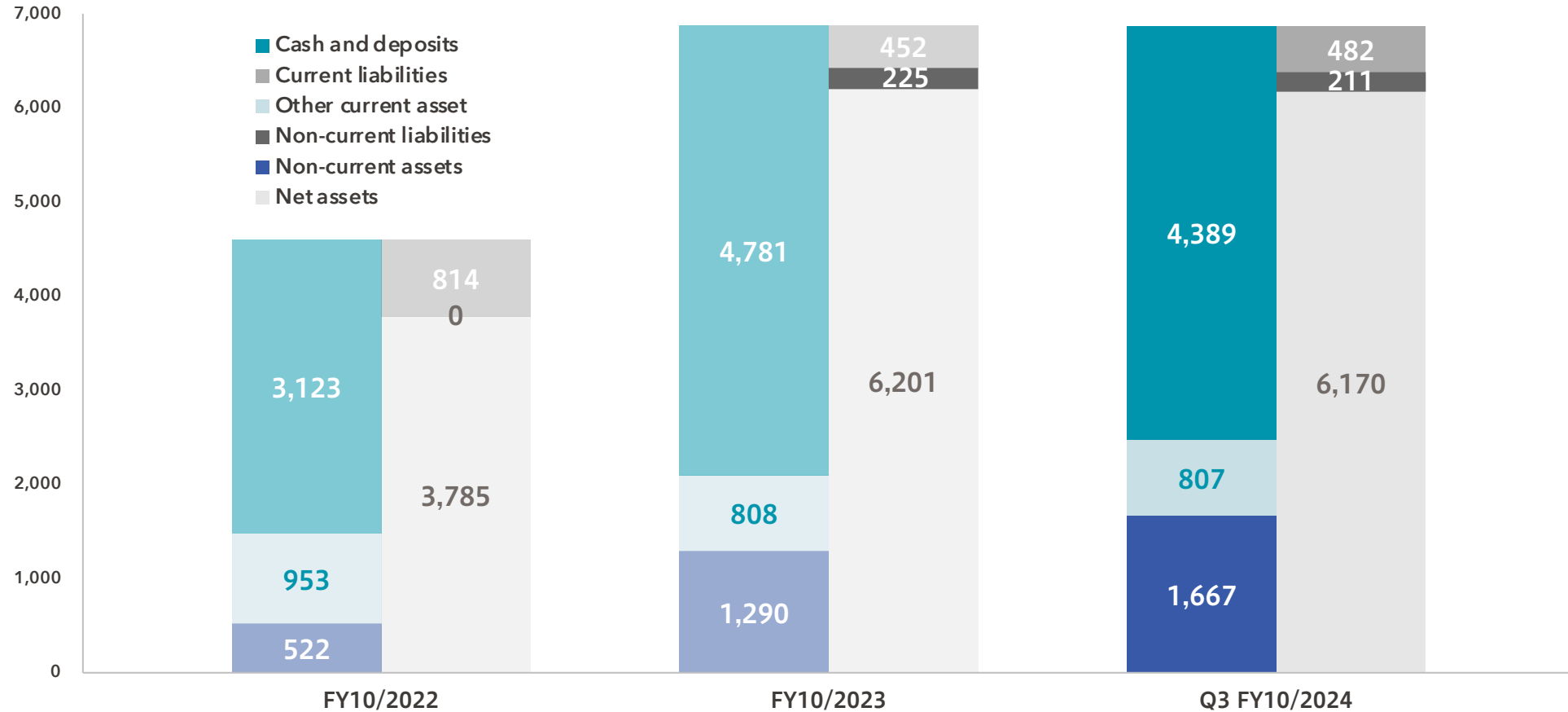
Total rent was in line with expectations, despite changes in expense recording due to the earlier-than-expected startup of ZERO LAB

Made progress in withdrawing from the former office and production facility, and expect rent to gradually decrease from next fiscal year onward



Non-current assets increased due to the addition of a new facility.  
 We are maintaining a robust financial base, and plan to review and include a cash allocation policy in the medium- to long-term vision.

[Millions of yen]



# Progress of Strategies for Contract Processing Services in Orthopedics

Making steady progress in implementing strategies for the contract processing services business in the orthopedics field disclosed in the previous quarter

Aim to be able to disclose a certain level of results at the time of full-year results announcement

FY10/2024

FY10/2025

Q2

Q3

Q4

Q1

Q2

● Sep: Q3 results briefing (today)

● Dec: Q4 results briefing

Launch of PFC-FD™ (2.0)

Launch and growth in contract processing orders

Sales contribution

Launch of the new ASC technology

Launch and growth in contract processing orders

Sales contribution

Strategies for contract processing service

New sales structure

Preparations to implement measures

Gradual sales contribution from each measure

## PFC-FD™(2.0)

- Since its launch in April, the service has been steadily penetrating the market. As of end-August, total orders amounted to 6,192.
- Succeeded in attracting new patient segments with the introduction of a multi-tiered pricing system.

## New ASC technology

- The new technology was adopted by all orthopedics clinics specializing in self-funded treatment\*, leading to an increase in orders. We plan to introduce the technology to hybrid orthopedics clinics starting in November, as planned.
- Aim for further expansion of contract processing services, leveraging the updated processing technology announced today (see slide 24).

## Contract processing business strategy

- After changing our sales strategy in June, we began making preparations for various initiatives. We plan to implement them one by one, starting in September.
- Intend to expand our sales force and strengthen new sales tactics.

\*Note: Of the orthopedics clinics specializing in self-funded treatment, refers to those belonging to key clinic groups

Orders from medical institutions specializing in self-funded treatment held firm, despite the impact of holidays  
 Orders from hybrid medical institutions grew sharply

	Specializing in self-funded treatment*1		Hybrid*2		Overall	
	Q2	Q3	Q2	Q3	Q2	Q3
Number of partner medical institutions	16	14	1,304	1,352	1,320	1,366
×						
Active ratio*3	100.0%	100.0%	37.5%	39.4%	38.3%	40.0%
×						
No. of orders per active medical institution	183.3	214.4	3.9	4.5	9.6	9.9
No. of orders	2,932	3,001	1,931	2,392	4,863	5,393

**1** Introduction of a new pricing scheme contributed to re-engaging inactive medical institutions



**2** Orders per medical institution increased, due to the launch of PFC-FD™ (2.0) and the introduction of a multi-tiered pricing system

\*1: Of the orthopedic clinics specializing in self-funded treatment, refer to those belonging to the key clinic groups. Excludes closed medical institutions specializing in self-funded treatment.

\*2: Refer to orthopedic clinics excluding those specified in \*1 above (those belonging to clinic groups specializing in self-funded treatment)

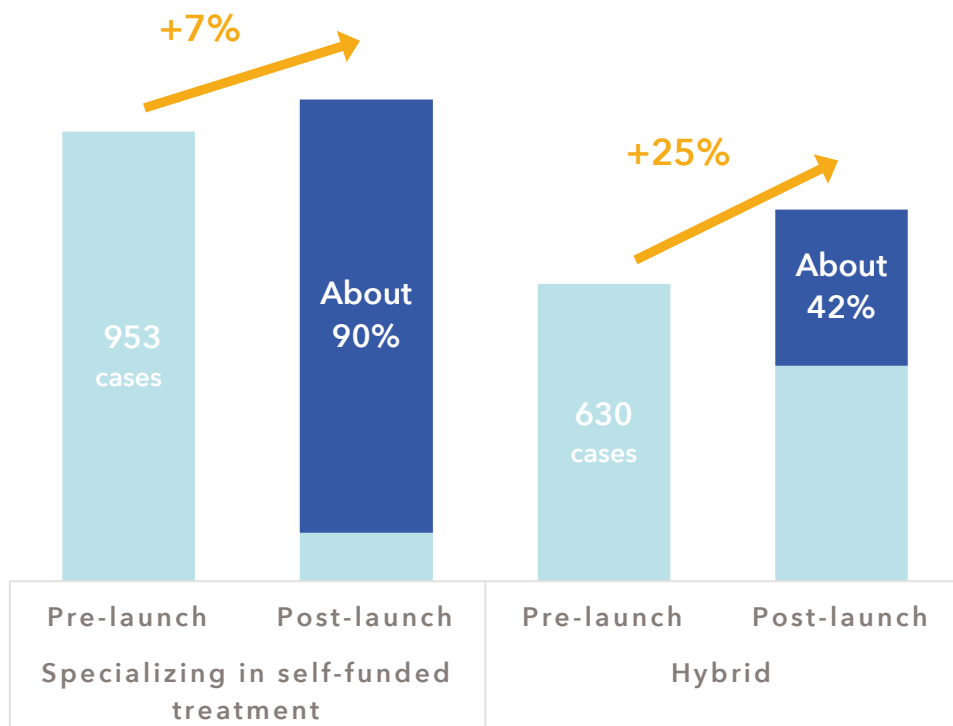
\*3: The ratio of medical institutions from which we have received at least one order in the specified quarter

**PFC-FD™ (2.0):** Orders from hybrid clinics increased due to the introduction of a multi-tiered pricing system, as initially expected

**ASC:** The new technology contributed to order growth from clinics specializing in self-funded treatment. We expect an increase in ASC processing orders from hybrid clinics as well.

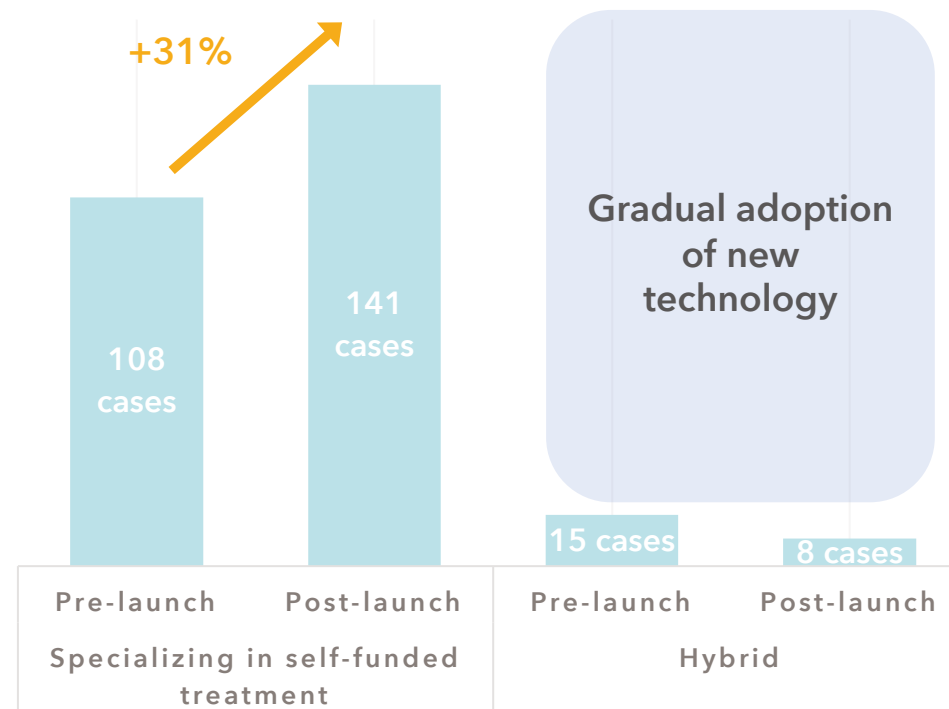
Monthly PFC-FD orders\*

■ PFC-FD™ ■ PFC-FD™ (2.0)



Monthly ASC processing orders\*

■ ASC

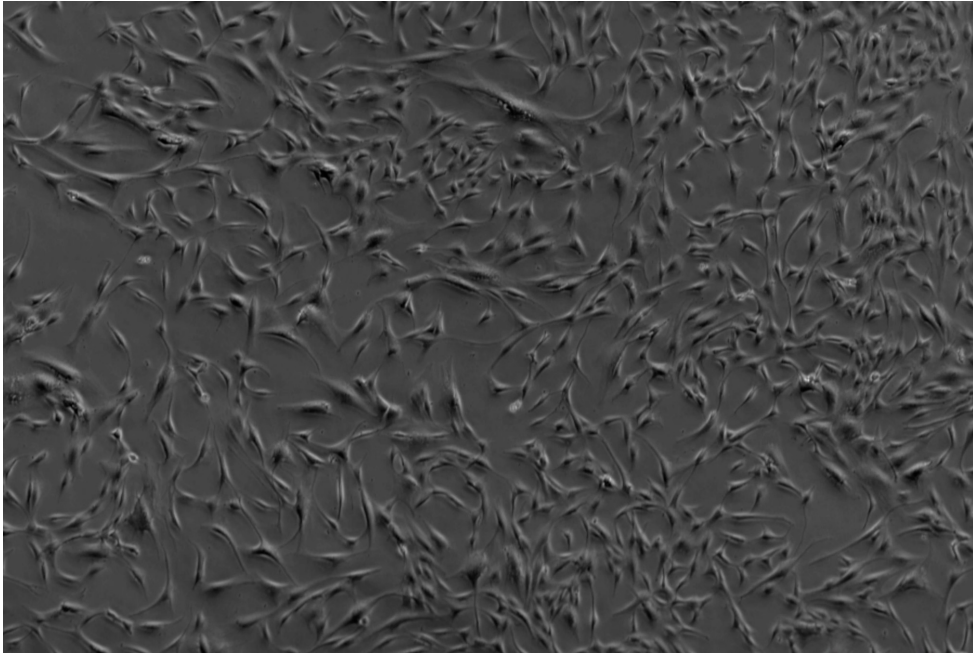


Aim for further expansion of services using ASC with an updated extraction technology

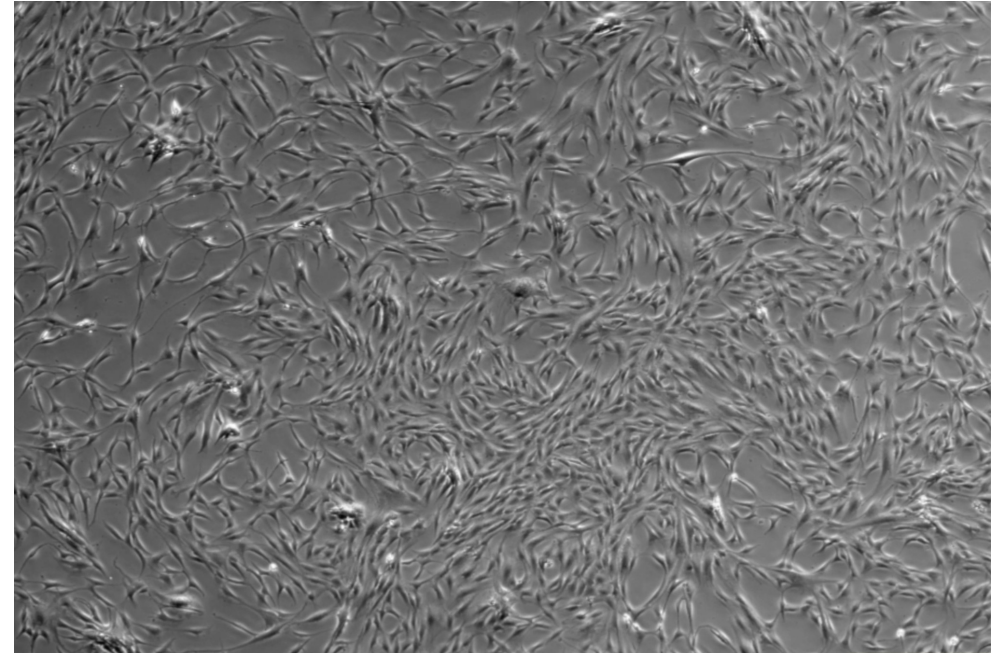
## Summary

- Cellular hypertrophy is known as one of the common phenotypes of senescent cells
- Updated the extraction technology to remove cells exhibiting this phenotype

Trapped cell population (trap side)



Filtered cell population (filtrate side)





# KPIs

Number of partner  
medical institutions

**1,923**

(+269 YoY)

Blood-derived product  
contract processing orders  
(cumulative)

**16,348**

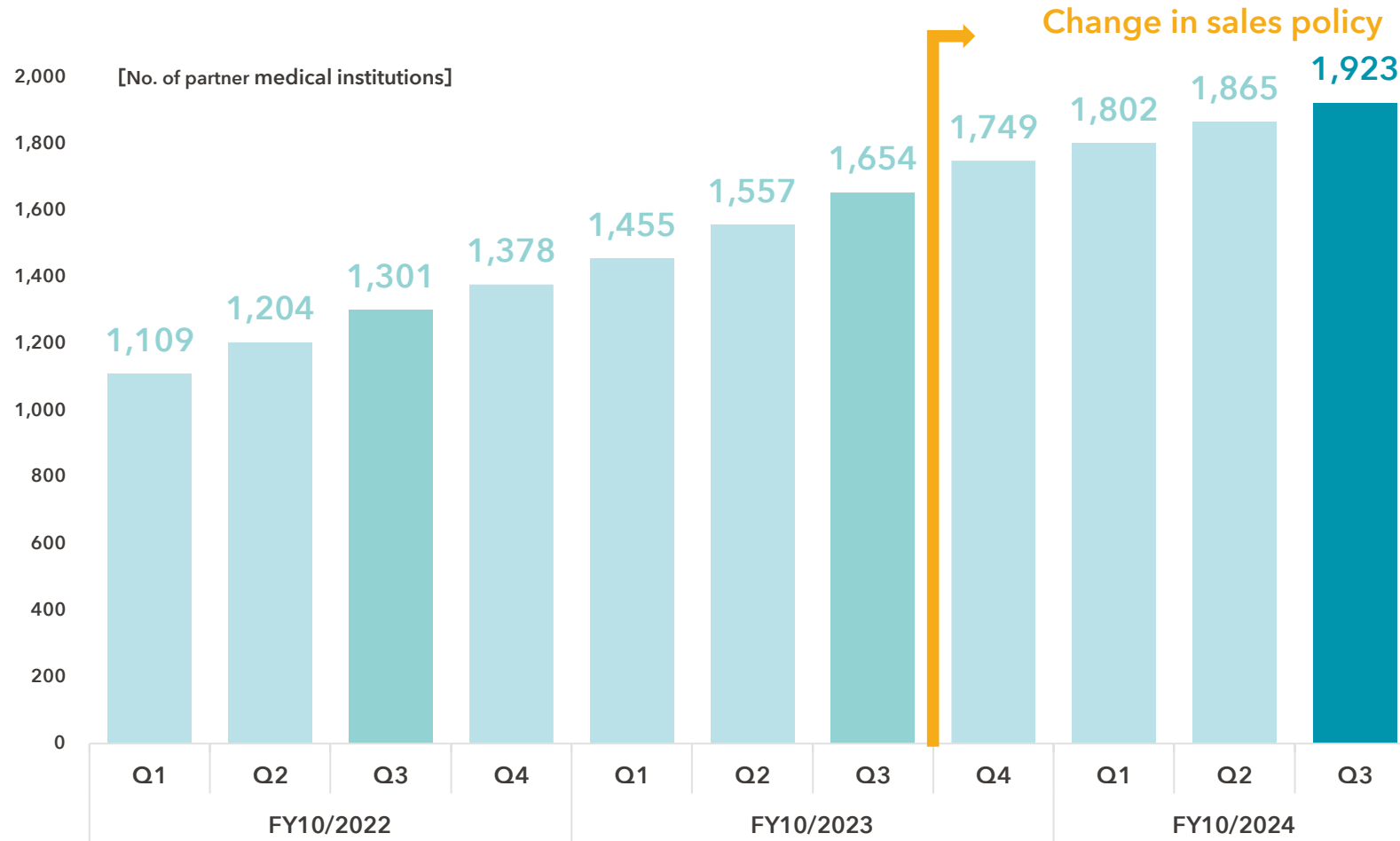
(-13.6% YoY)

Adipose-derived stem cell  
contract processing orders  
(cumulative)

**1,178**

(-28.7% YoY)

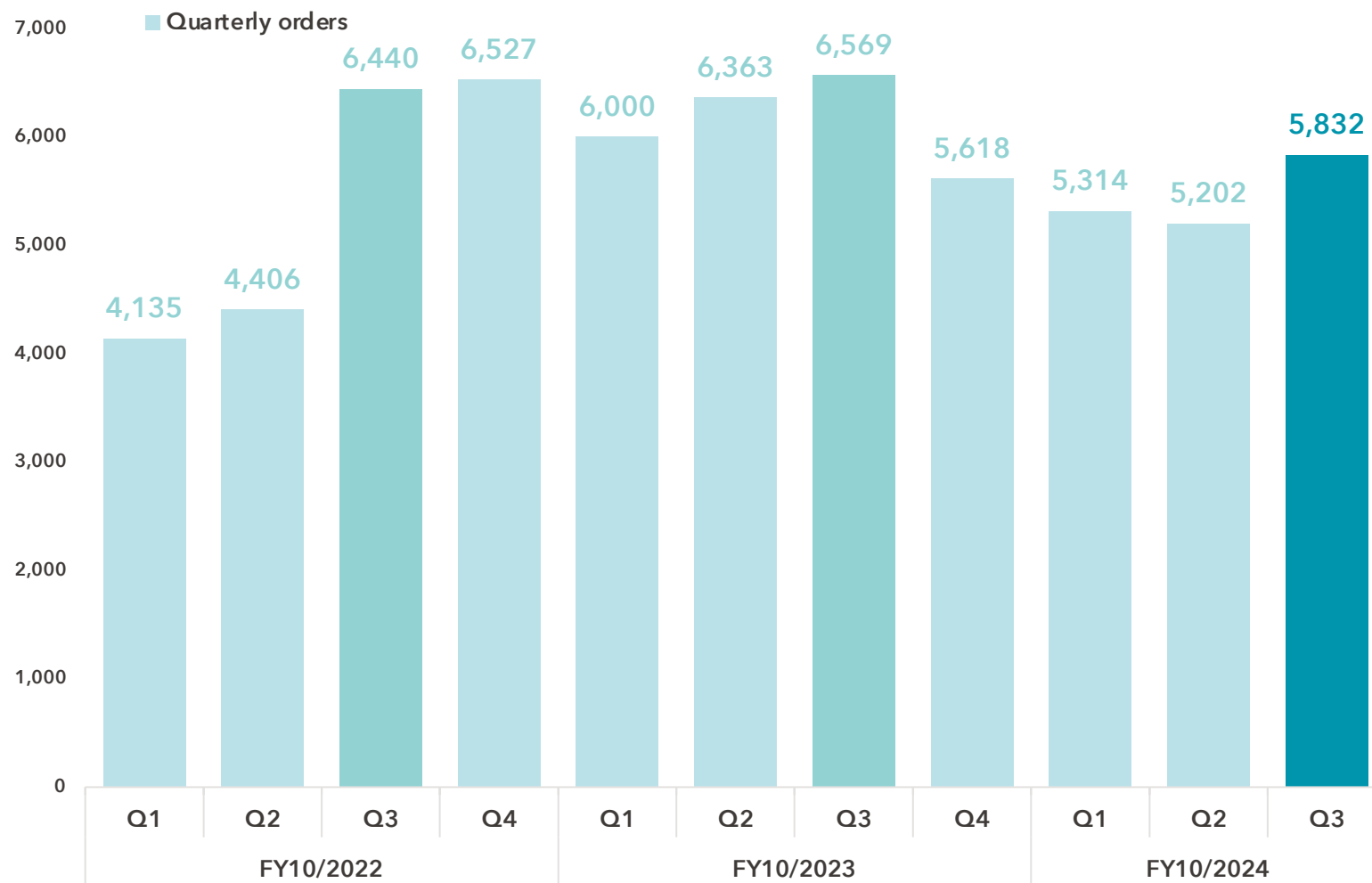
Partner medical institutions continued to increase, even after we cut back sales resources for acquiring new contracts



End-Q3 FY10/2024  
**1,923**  
 (+269 YoY)

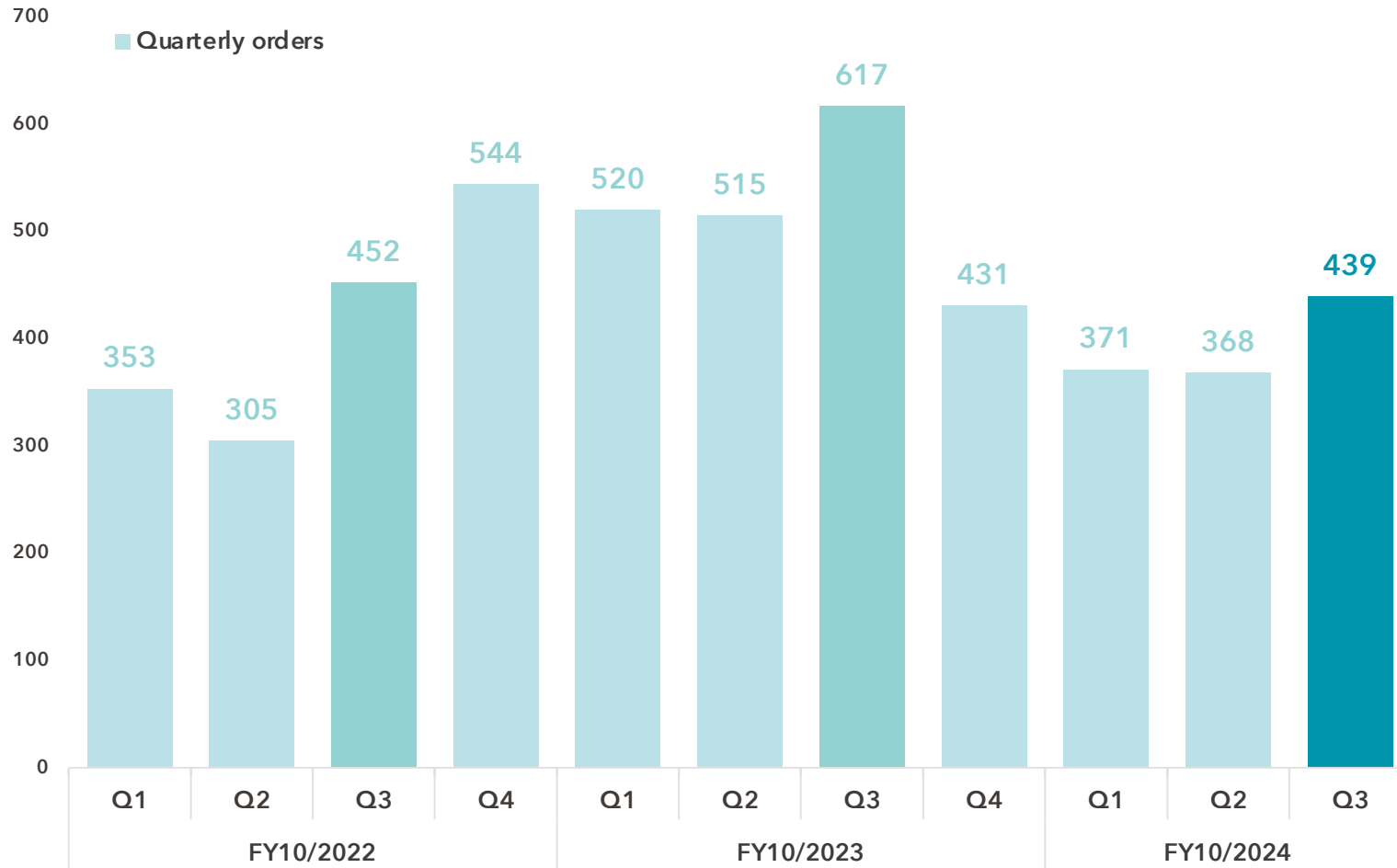
\*Note: Excludes the number of closed medical institutions specializing in self-funded treatment

# Number of Contract Processing Orders for Blood-derived Products



Q3 FY10/2024  
**5,832** orders  
(-11.2% YoY)

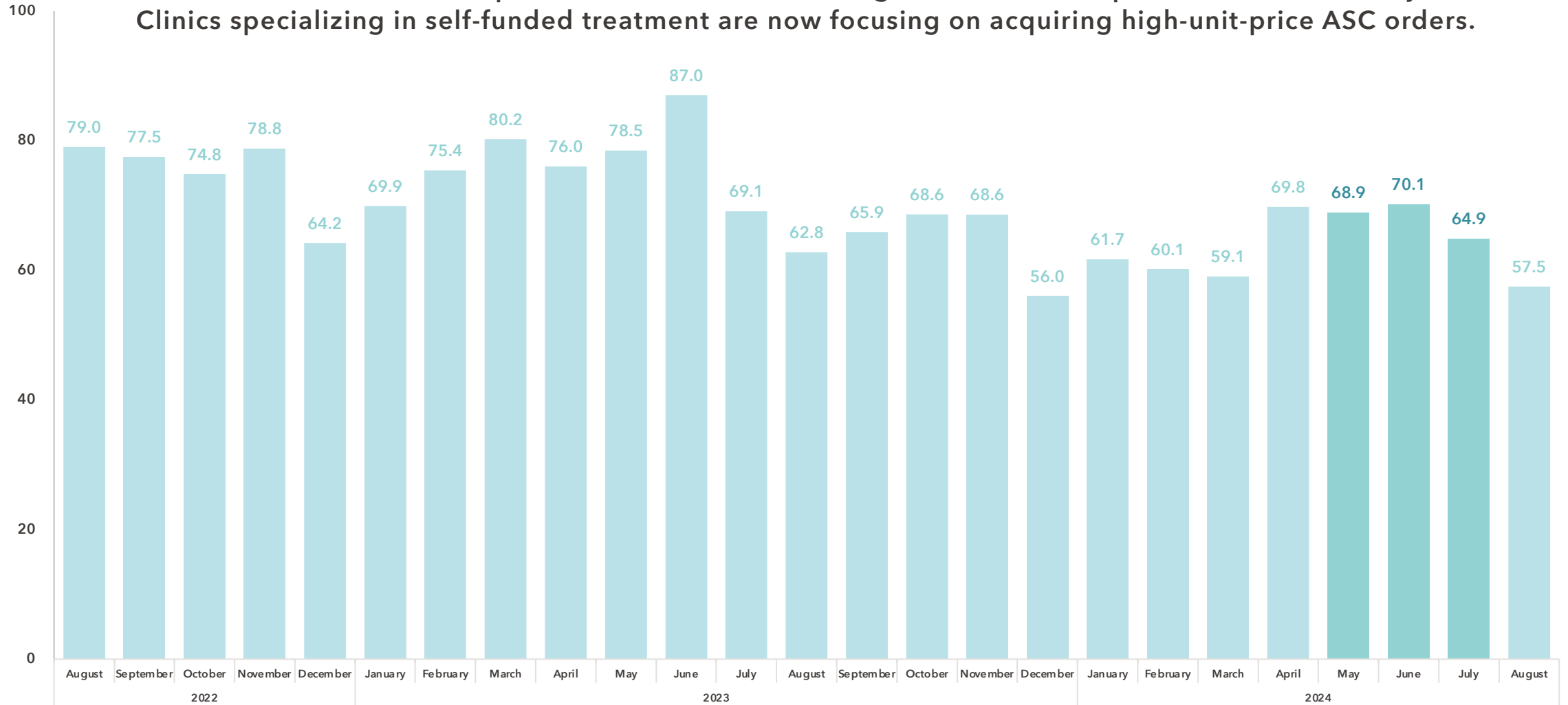
Cumulative: **90,018** orders

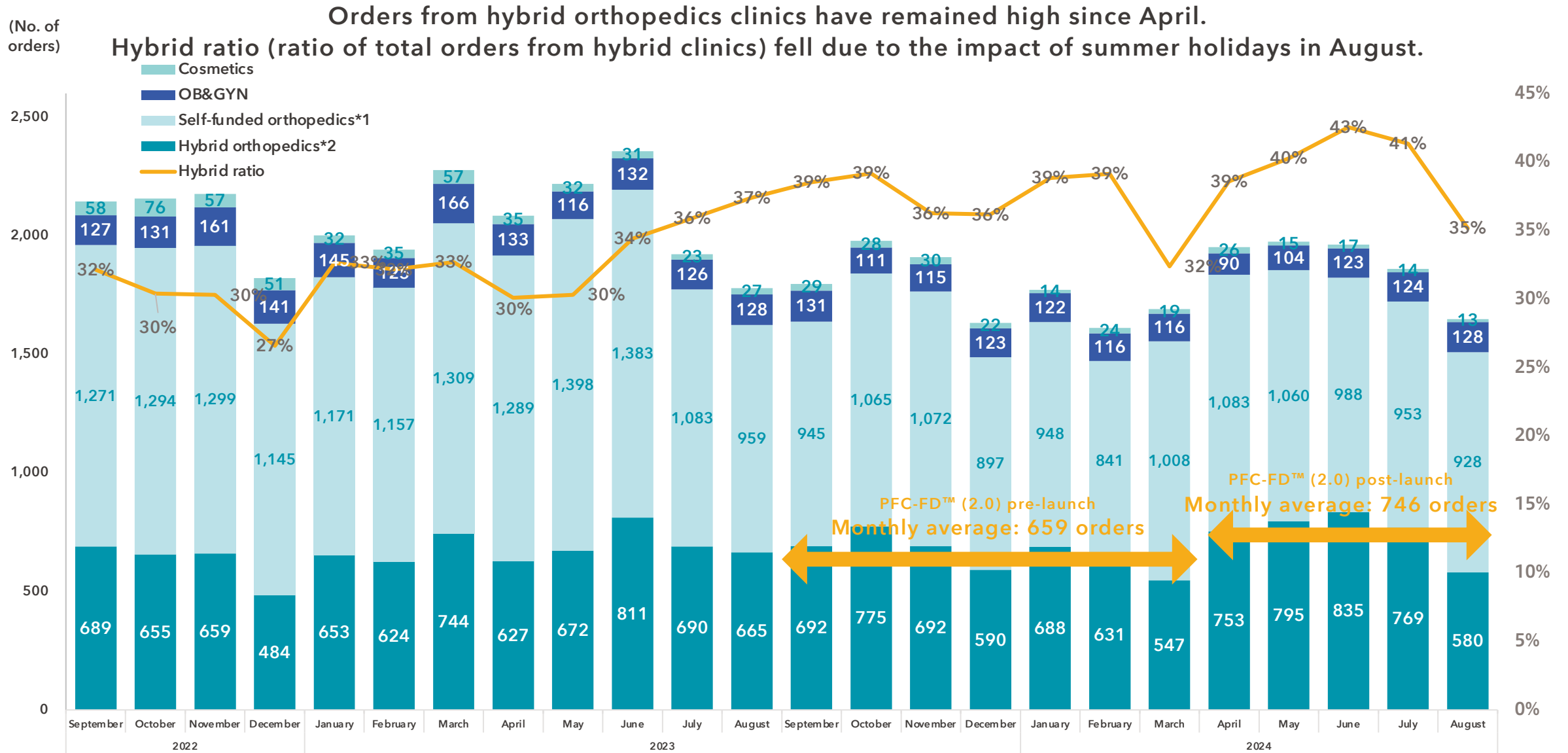


Q3 FY10/2024  
**439** orders  
 (-28.8% YoY)

Cumulative: **8,798** orders

Orders recovered from April to June. Orders fell in August due to the impact of summer holidays. Clinics specializing in self-funded treatment are now focusing on acquiring high-unit-price ASC orders.





\*1: Of orthopedic clinics specializing in self-funded treatment, refer to the mainstay medical corporation groups  
 \*2: Of orthopedic clinics, those excluding \*1 (medical corporation groups specializing in self-funded treatment)

# KPIs Comprising the No. of Blood-derived Product Processing Orders

		FY10/2023		FY10/2024			Q4FY2022- Q3FY2023	Q4FY2023- Q3FY2024
		Q3	Q4	Q1	Q2	Q3	Latest twelve months (LTM)	Latest twelve months (LTM)
Specializing in self-funded treatment*1	Number of partner medical institutions (quarter-end)	14	16	16	16	14	14	14
	Active ratio*3	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	No. of orders per active medical institution	276.0	185.6	182.3	183.3	214.4	1,084.4	844.2
	No. of orders	3,864	2,969	2,917	2,932	3,001	15,182	11,819
Hybrid*2	Number of partner medical institutions (quarter-end)	1,123	1,200	1,259	1,304	1,352	1,123	1,352
	Active ratio*3	43.9%	41.8%	38.4%	37.5%	39.4%	59.9%	57.0%
	No. of orders per active medical institution	4.4	4.2	4.1	3.9	4.5	11.8	10.9
	No. of orders	2,173	2,132	1,970	1,931	2,392	7,931	8,425
Total	Number of partner medical institutions (quarter-end)	1,137	1,216	1,275	1,320	1,366	1,137	1,366
	Active ratio*3	44.6%	42.6%	39.1%	38.3%	40.0%	60.4%	57.5%
	No. of orders for active medical institution	11.9	9.8	9.8	9.6	9.9	33.6	25.8
	No. of orders	6,037	5,101	4,887	4,863	5,393	23,113	20,244

\*1: Of the orthopedic clinics specializing in self-funded treatment, refers to those belonging to key clinic groups

\*2: Of orthopedic clinics, refers to medical institutions excluding those belonging to clinic groups specializing in self-funded treatment in \*1 above

\*3: The ratio of medical institutions from which we have received at least one order as of the end of the specified quarter



# Quarterly Results

[Millions of yen]		FY10/2022				FY10/2023				FY10/2024		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Sales		820	876	1,175	1,400	1,059	1,111	1,235	1,104	1,173	1,054	1,113
	Contract processing services	549	581	757	887	743	735	873	793	664	671	712
	Consulting services	59	59	111	125	113	109	134	77	56	62	42
	Medical device sales	171	159	171	166	180	177	166	179	297	188	225
	Cosmetic sales and other	39	75	135	220	21	88	60	53	154	130	133
SG&A expenses		336	368	393	394	428	455	504	575	557	585	588
Operating profit		244	246	448	632	351	308	383	178	205	75	106
Profit for the quarter		155	152	280	428	216	194	265	248	143	156	74
Total assets		3,202	3,545	3,825	4,599	4,416	4,812	5,017	6,879	6,807	6,876	6,864
Net assets		2,884	3,048	3,348	3,785	4,005	4,201	4,487	6,201	5,960	6,096	6,170
EBITDA		257	261	464	649	366	323	403	208	234	110	145
FTE*1		130	142	145	153	160	176	191	198	208	211	207
EBITDA per employee (unit:1,000yen)*2		1,974	1,844	3,193	4,250	2,297	1,836	2,112	1,050	1,129	522	702
Number of Contract Processing Orders*3		4,488	4,711	6,892	7,071	6,520	6,878	7,186	6,049	5,685	5,570	6,271
	ASC contract processing orders	353	305	452	544	520	515	617	431	371	368	439
	Blood-derived product contract processing orders	4,135	4,406	6,440	6,527	6,000	6,363	6,569	5,618	5,314	5,202	5,832
Number of partner medical institutions (quarter-end)		1,109	1,204	1,301	1,378	1,455	1,557	1,654	1,749	1,802	1,865	1,923

\*1: FTE (full-time equivalent) = Total working hours of employees / (Number of working days x 8 hours)

33 \*2: FTE used for number of personnel in denominator

\*3: Does not include contract processing orders for synovial stem cells

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As of FY10/2024, the number of contract processing orders is calculated as of when the order is fulfilled (previously as of when the order is received). As the impact of this change is minimal, figures for FY10/2023 and earlier have not been retroactively revised.

# Other Updates

Through the acquisition, we aim to improve services for partner medical institutions and generate synergies in the field of beauty related medical practices and utilize the expertise of Medibase in new business endeavors outlined in the medium- to long-term vision

## Outline

- Acquired company: Medibase Co., Ltd.
- Business: Development, operation, and maintenance of electronic medical records
- Acquisition method: Share transfer
- Stake after acquisition: 100%
- Closing date: During September (scheduled)

## Strengths of Medibase

- Provides electronic medical record services that help improve information security through centralized management of medical records and utilization of the cloud
- Significantly improves operational efficiency of medical institutions, and contributes to improving their performance through appointment scheduling and CRM functionalities

## Purpose

- Take advantage of Medibase's leading technology and expertise
- Utilize Medibase's expertise in services for partner medical institution
- Generate synergies in the aesthetic medicine field
- Develop new businesses



MEDiBASE

We view the increased scrutiny by the MHLW as an opportunity to further develop the industry, and intend to continue complying with relevant guidelines and provide information in a timely manner

## Administrative notice on the safety and quality assurance of exosomes, etc., released July 31, 2024

事務連絡  
令和6年7月31日

再生医療等提供機関 管理者 殿

厚生労働省医政局研究開発政策課

幹細胞培養上清液及びエクソソーム等を用いる医療について（周知）

平素より厚生労働行政に御協力いただき厚く御礼申し上げます。

ヒトの幹細胞の培養上清液及び当該上清液に含まれる可能性のある細胞外小胞等の細胞の分泌物（以下「エクソソーム等」という。）を用いた医療（以下「当該医療」という。）については、現時点で、使用されるエクソソーム等で諸外国を含め有効性・安全性が示され、薬事承認を得て製造販売されている医薬品はありません。このため、当該医療を行う場合には、実施する医師・歯科医師の責任のもと、特にその安全性について留意する必要があると考えられます。

なお、一般社団法人日本再生医療学会より「細胞外小胞等の臨床応用に関するガイダンス（第1版）」が発出されており、同学会ウェブサイトにおいて公表されております。

当該医療を行う際には、その品質やリスクの管理等について、当該ガイダンスも適宜参照の上、安全な実施に努めていただきますようお願いいたします。

（参考）

「細胞外小胞等の臨床応用に関するガイダンス」（一般社団法人日本再生医療学会（協力：日本細胞外小胞学会））

<https://www.jsrm.jp/cms/uploads/2024/05/news14993-2.pdf>

### Outline

- MHLW recommends that medical institutions refer to the [Guidance on Clinical Application of Extracellular Vesicles](#) (1<sup>st</sup> edition) by the Japanese Society for Regenerative Medicine (JSRM) to ensure safety of exosome treatment

#### Summary of the Guidance

- Provides a comprehensive, sound direction for the future development of safe and reliable exosome therapies
- Emphasizes the importance of risk management in providing exosome therapies
- Outlines basic concepts regarding the manufacturing process and quality assurance of exosomes
- Recommends key points in examining exosomes and verifying their effectiveness

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- There is a growing concern in the market regarding the safety of exosome therapies, due to increasing cases of misleading claims suggesting that exosomes are approved pharmaceuticals or those making unverified claims about clinical effects and efficacy



We have facilities and management systems that **comply with the Act on the Safety of Regenerative Medicine**, and we **carefully aligning our practices to the JSRM Guidance**

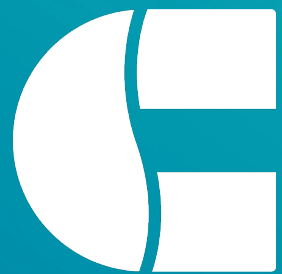
- We are able to differentiate our services from those of competitors in terms of safety. Our strict adherence to rigorous standards will serve as a strength in the market and lead to the provision of reliable products and services.

The materials and information provided in this presentation contain so-called "forward-looking statements."

These statements are based on current expectations, forecasts, and assumptions accompanying risks, and they may involve uncertainties that could cause actual results to differ materially from the expectations expressed in the forward-looking statements.

Such risks and uncertainties include, but are not limited to, market conditions, legal regulations, quality and safety assurance and production systems, specific business partners, reputational risk, research and development, advertising strategies, and system failures.

*Note: This translated material is for reference purposes only and is not guaranteed to be accurate or complete. In the event of any translation error or misunderstanding, the original Japanese version shall prevail.*



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