

May 12, 2022

**Summary of Consolidated Financial Results for  
the Fiscal Year Ended March 31, 2022 (Extracted from Japanese version)**

**[Japanese GAAP]**

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Listing: Tokyo Stock Exchange  
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Scheduled date of Annual General Meeting of Shareholders: June 27, 2022  
 Scheduled date of filing of Annual Securities Report: June 28, 2022  
 Preparation of supplementary materials for financial results: Yes  
 Holding of financial result meeting: Yes (for institutional investors and analysts)

*(All amounts are rounded down to the nearest million yen)***1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)**

(1) Results of operations (Cumulative) (Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar.31, 2022	1,569	57.5	-919	-	-952	-	-535	-
Fiscal year ended Mar. 31, 2021	996	-7.5	-969	-	-991	-	-1,001	-

(Note) Comprehensive income

Fiscal year ended Mar. 31, 2022: -738 million yen (-%)

Fiscal year ended Mar. 31, 2021: -776 million yen (-%)

	Net income per share	Diluted net income per share	Return on Equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2022	-17.35	-	-35.4	-25.6	-58.6
Fiscal year ended Mar. 31, 2021	-34.79	-	-68.5	-26.3	-97.3

(Reference) Equity in net income of affiliates

Fiscal Year Ended March 31, 2022: - million yen (-%), Fiscal Year Ended March 2021: - million yen (-%)

(Note)

Even though there is a calculation of dilutive shares available, there is no reporting on net income per share after an adjustment of dilutive shares as the company recorded net loss.

**(2) Financial position**

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	3,503	1,718	43.8	48.79
As of Mar. 31, 2021	3,933	1,610	38.0	50.44

(Reference) Shareholders' equity March 31, 2022: 1,533 million yen, March 31, 2020: 1,494 million yen

**(3) Cash flows**

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million Yen	Million Yen
As of Mar. 31, 2022	-1,169	526	369	1,187
As of Mar. 31, 2021	-1,267	-22	718	1,461

**2. Dividends**

	Dividend per share					Total dividends	Dividend payout ratio (Consolidated)	Dividend on net assets
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
Fiscal year ended Mar. 31, 2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended Mar. 31, 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending Mar. 31, 2023 (forecasts)	-	0.00	-	0.00	0.00		-	

**3. Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)**

Since the Company will shift to non-consolidated financial statements from the fiscal year ending March 30, 2023, the Company has decided not to disclose consolidated business forecasts but to disclose individual ones. As to the individual business forecasts, please refer to “2. Parent Company (KWB only) business forecasts of the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)” in the Summary of Parent Company (KWB only) Performance below.

**\* Notes**

- Changes in significant subsidiaries during the period (change in specified subsidiaries which accompanies a change in the range of consolidation): None
- Changes in accounting policies and accounting-based estimates, and restatements
  - Changes in accounting policies due to revisions in accounting standards, others: Yes
  - Changes in accounting policies other than a) above: None
  - Changes in accounting-based estimates: None
  - Restatements: None
- Number of outstanding shares (common stock)
  - Number of shares outstanding at the end of period (including treasury shares)
    - At the end of the fiscal year ended March, 2022: 31,437,547 shares
    - At the end of the fiscal year ended March, 2021: 29,622,847 shares
  - Number of treasury shares at the end of period
    - At the end of the fiscal year ended March, 2022: 92 shares
    - At the end of the fiscal year ended March, 2021: 92 shares
  - Average number of shares outstanding during the period
    - At the end of the fiscal year ended March, 2022: 30,851,293 shares
    - At the end of the fiscal year ended March, 2021: 28,788,906 shares

## (Reference) Summary of Parent Company (KWB only) Performance

## 1. Parent Company (KWB only) performance of the Fiscal Year Ended March 31, 2022 (April 1, 2021 – March 31, 2022)

## (1) Parent Company (KWB only) business performance (Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2022	1,569	62.3	-651	-	-968	-	-550	-
Fiscal year ended Mar. 31, 2021	967	0.3	-780	-	-956	-	-1,001	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2022	-17.86	-
Fiscal year ended Mar. 31, 2021	-34.79	-

## (2) Parent Company (KWB only) financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	3,470	1,702	43.8	48.30
As of Mar. 31, 2021	3,897	1,610	38.3	50.44

(Reference) Shareholders' equity March 31, 2021: 1,518 million yen, March 31, 2020: 1,494 million yen

## 2. Parent Company (KWB only) business forecasts of the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales	Operating income	Net income	Net income per share
	Million yen	Million yen	Million yen	Yen
Full year	2,900	-999	-1,000	-31.82

Since the Company mainly manages annual performance, only full-year performance forecasts are shown.

\*This summary report on Kidswell Bio's financial statements is not subject to audit procedures.

\*Cautionary statement with respect to forward-looking statements, and other special items

(Notes to information regarding future)

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and the information available to the Company at the time these materials were made. These materials on future performances are not promises by the Company. Actual performance may differ significantly from these forecasts for several reasons. Please refer to "II. Outlook" on page 5 and 6 of the attachments for forecast assumptions and notes of caution for usage.

(How to obtain supplemental financial information)

Materials for the supplemental financial information are available on the Company's website (<https://www.kidswellbio.com/en/>).

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## I. Financial Results in FY 2021

As a result of FY 2021, the sales amount was 1,569,232 thousand yen (57.5% increase compared to the previous consolidated fiscal year), operational loss was 919,118 thousand yen (operational loss for the previous consolidated fiscal year was 969,687 thousand yen), ordinary loss was 952,640 thousand yen (ordinary loss for the previous consolidated fiscal year was 991,166 thousand yen) and net loss attributable to owners of the parent was 535,259 thousand yen (net loss attributable to owners of the parent for the previous consolidated fiscal year was 1,001,461 thousand yen). There is no impact on business performance due to the COVID-19 pandemic for the end of the current fiscal year.

## II. Business update in FY 2021

### 1. Biosimilar Business

The Company has been collaborating with Senju Pharmaceutical Co., Ltd. based on the joint development agreement for the biosimilar in the ophthalmic area (Project name: GBS-007) executed on May 12, 2016, and Senju Pharmaceutical Co., Ltd. has received an approval of manufacturing and sales in Japan from the Ministry of Health, Labour and Welfare on September 27, 2021 and had it launched in the market on December 9, 2021. This is the third biosimilar product of the Company and is expected to contribute to the Company's stable business foundation as a revenue source.

### 4. New Biologics Business

In the new biologics business, the Company entered into a joint research agreement with Sapporo Medical University on anti-cancer drug using antibody with cancer cell invasion ability and with MabGenesis for the acquisition of new antibodies with cancer cell killing effect in January 2020. The Company is promoting research and development of malignant lymphoma, vasculitis, pulmonary hypertension and partnering activities as the early-stage new biologics pipeline.

### 5. Regenerative Medicine (Cell Therapy) Business

To succeed in the regenerative medicine business, the Company has been aggressively promoting multiple projects collaborative research and business partnering with academies as well as companies by utilizing SHED as important research source.

Regarding the development of Master Cell Bank (MCB), which is the basis for commercializing SHED as a product for regenerative medicine, the Company started manufacturing master cell bank (MCB) in compliance with GMP and it has been completed. For the Company's future growth strategy, as the progress of a designer cell (reinforced cell therapy utilizing SHED), the Company executed a collaborative research agreement with NanoCarrier Co., Ltd. (NanoCarrier) on September 8, 2021, and a contracted development agreement with BioMimetics Sympathies Inc. (BMS) on the development of new cell culture method for directivity of SHED to specific diseases on December 6, 2021.

As to CSC (project name: JRM-001), the Company executed a business alliance agreement with Metcela Inc. (Metcela) on January 19, 2022, for accelerating the regenerative medicine business of KWB and Metcela by combining management resources, knowledge, and technologies in the regenerative medicine field. In addition, the Company executed a share purchase agreement with Metcela, Inc. to lead the development of JRM-001 on April 4, 2022.

### 6. Others

The Company recorded the extraordinary income (sales profit of investment securities) in accordance with about 500 million yen cash proceed on October 21, 2021.

## III. Outlook

Since the Company will shift to non-consolidated financial statements from the fiscal year ending March 30, 2023, the Company has decided not to disclose consolidated business forecasts but to disclose individual ones. The business forecasts for the following year include sales of 2,900,000 thousand yen, operational loss of 980,000 thousand yen, ordinary loss of 999,000 thousand yen and net loss of 1,000,000 thousand yen. The Company will pursue to have better results than the forecasts by working on the opportunities mentioned below.

The sales in the next fiscal year comprise (1) sales of biosimilar products (marketed products) and expansion of profits related to royalties, (2) sales of the product for development of manufacturing process of the fourth biosimilar product aiming to be launched by 2025, and (3) revenue related to the completion of the master cell bank (MCB), which is the basis for commercializing SHED (stem cells from human exfoliated deciduous teeth) as regenerative medicine was carried forward from the current consolidated fiscal year. Therefore, the sales in the next fiscal year estimate at 2,900,000 thousand yen. In addition, (3) is temporary items required in the

development process for accounting purposes, as sales, which are equivalent to the manufacturing costs. The basis of our mid-to-long term profit structure is the profit related to biosimilars in (1). The sales of GBS-001 will decrease compared to the previous fiscal year due to inventory adjustments of the sales company, while GBS-007 launched in FY 2021 will be a new source of revenue and raise overall revenue. In addition, as a profit perspective, GBS-001 is expected to maintain the same profit ratio as in the previous fiscal year, and GBS-007 is expected to improve further profit ratio by investing in cost reduction measures over the medium term.

Establishing a stable profit base in the biosimilar business, the Company has been pursuing a stable profit and business growth with new biologics business and regenerative medicine (cell therapy) business as future growth drivers. In particular, the SHED business is the most important pipeline that supports our growth. While the Company has been working to strengthen the Company's manufacturing and clinical trial infrastructure for SHED products to launch in Japan, the Company is planning to expand its SHED business not only domestically but also overseas.

Accordingly, forecasts for the following year include R&D expenses of 1,400,000 thousand yen (the actual R&D expense for the current fiscal year was 1,150,209 thousand yen). The main breakdown is additional investments related to strengthening manufacturing capabilities for a longer-term stable supply of GBS-007, which is more steadily introduced into the market than expected after the launch, and continued investment in manufacturing cost reduction measures, including carried over from the current consolidated fiscal year. Furthermore, based on the positive results of nonclinical research of SHED, the SHED-related R&D expenses will also be maintained at a high level due to additional investments in the establishment of a manufacturing system for mass culture of SHED and an organizational structure including human resources to effectively conduct SHED clinical trials on a company-led basis for enhancing future licensing-out probability. On the other hand, as JRM-001 has been transferred to Metcela Inc., the business alliance partner, development cost will not be incurred any more, while the profit contribution from JRM-001 has been changed to royalty revenue only.

In summary, the Company decided to make a more R&D investment in the growth driver, especially the SHED pipelines. Based on the results of basic and nonclinical research results of SHED after the acquisition of Advanced Cell Technology and Engineering Ltd. in 2019, the Company has confidence in the effectiveness of SHED for our target diseases. In addition, with research, manufacturing, clinical trial know-how related to the regenerative medicine business through the development of JRM-001 and partnering activities such as a business alliance with Metcela Inc., the Company will supplement human resources and technology resources for the regenerative medicine business with such partners and invest in establishment of the infrastructure to facilitate effective and efficient R&D activities and prepare for implementing clinical trials in a timely manner.

As it should take several years to recover return from these investments, the Company decided to announce the mid-term strategic plan KWB 2.0. The Company recognizes the importance of this investment strategy based on accumulated R&D experience related to SHED after the announcement of the mid-term strategic plan in February 2021 and believes that it is appropriate and essential to implement the change of strategy at this timing in order to survive the competition in the regenerative medicine business in the future.

Profitability will be carried forward to FY 2025 in the mid-term strategic plan KWB 2.0. However, our profit structure is being strengthened by the steady progress of the biosimilar business as expected, and the sales and profits target for the mid-term period has been secured. We believe that it is most important to pursue results that should exceed the profits target from FY 2025 and beyond set in the original mid-term strategic plan, and increase the corporate value by steadily delivering new medical treatments to patients. The Company will continue to strive to optimize and facilitate R&D activities.

The financial forecasts are derived utilizing the currently available information obtained by the Company and are based on assumptions the Company deemed reasonable. The forecasts are by no means guarantees of the Company's performance. The actual results may differ significantly due to various factors. Since it is difficult to properly forecast the impact on business performance due to the COVID-19 pandemic, we have not included this impact in our business forecast.

The Company transitioned to Growth Market from April 4, 2022, as per the selection results of the new market segments by the Tokyo Stock Exchange.

### III. Fundamental policy on adoption of the accounting standards

The Group adopts the Japanese Accounting Standards by considering various burdens to prepare financial statements based on the International Financial Reporting Standards.

## IV. Financial statements and notes to financial statements

## (A) Consolidated balance sheet

(in thousand yen)

	As of the end of the previous fiscal year (March 31, 2021)	As of the end of the current fiscal year (March 31, 2022)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,461,158	1,187,189
Trade receivables	816,737	461,854
Products	70,712	200,118
In-process inventory	380,039	788,696
Advance payments	431,718	495,544
Other current assets	185,943	192,536
<b>Total current assets</b>	<b>3,346,310</b>	<b>3,325,939</b>
Non-current assets		
Tangible fixed assets		
Building	2,396	2,396
Accumulated depreciation	-698	-828
Building (net)	1,697	1,568
Tools, equipment and fixtures	11,500	11,500
Accumulated depreciation	-5,737	-7,190
Accumulated impairment loss	-4,236	-4,236
Tools, equipment and fixtures (net)	1,526	73
<b>Total tangible fixed assets</b>	<b>3,223</b>	<b>1,641</b>
Intangible fixed assets	2,622	3,064
Investments and other assets		
Investment securities	563,159	154,672
Other assets	18,636	18,017
<b>Total investments and other assets</b>	<b>581,795</b>	<b>172,690</b>
<b>Total non-current assets</b>	<b>587,641</b>	<b>177,396</b>
<b>Total assets</b>	<b>3,933,952</b>	<b>3,503,335</b>
<b>Liabilities</b>		
Current liabilities		
Trade payables	109,739	45,479
Long-term debts to be repaid within one year	—	75,000
Accrued expenses	367,817	259,853
Income taxes payable	28,461	38,122
Contract liabilities	216,000	216,000
Reserve for loss on orders	379,243	475,243
Other current liabilities	13,058	18,863
<b>Total current liabilities</b>	<b>1,114,319</b>	<b>1,128,562</b>
Non-current liabilities		
Convertible bonds	500,000	100,000
Long-term debts	600,000	525,000
Deferred tax liabilities	89,491	—
Allowance for retirement benefits	19,755	31,260
<b>Total non-current liabilities</b>	<b>1,209,246</b>	<b>656,260</b>
<b>Total liabilities</b>	<b>2,323,566</b>	<b>1,784,822</b>

(in thousand yen)

	As of the end of the previous fiscal year (March 31, 2021)	As of the end of the current fiscal year (March 31, 2022)
<b>Shareholders' equity</b>		
Shareholders' capital		
Common stock	1,032,179	1,421,212
Capital surplus	10,337,779	10,726,813
Retained earnings	-10,078,706	-10,613,965
Treasury stock	-73	-73
Total shareholders capital	1,291,179	1,533,987
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	202,965	—
Total accumulated other comprehensive income	202,965	—
Equity warrants	116,240	184,525
Total shareholders' equity	1,610,385	1,718,513
Total liabilities and shareholders' equity	3,933,952	3,503,335



(B) Statement of consolidated income and comprehensive income  
(Statement of consolidated income)

(in thousand yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	As of the end of the current fiscal year (April 1, 2021 to March 31, 2022)
Gross sales	996,543	1,569,232
Cost of goods sold	119,571	550,357
Gross profit	876,971	1,018,875
Selling, general and administrative expenses		
Retirement benefits cost	5,040	15,585
Research and development expenses	963,868	1,150,209
Salaries and allowances	246,723	267,420
Other expenses	631,027	504,778
Total selling, general and administrative expenses	1,846,659	1,937,994
Operating loss	-969,687	-919,118
Non-operating income		
Interest income	52	11
Income from sale of materials	1,000	2,775
Miscellaneous income	1,499	48
Total non-operating income	2,552	2,834
Non-operating expenses		
Interest expense	15,688	15,460
Stock issuance expenses	4,534	4,286
Commission paid	-	6,998
Foreign exchange loss	3,028	9,366
Miscellaneous loss	780	244
Total non-operating expenses	24,031	36,356
Ordinary loss	-991,166	-952,640
Extraordinary gain		
Profits on Investment securities sold	-	417,736
Reversal of equity warrant	-	1,144
Total extraordinary gain	-	418,881
Extraordinary loss		
Loss on retirement of fixed assets	0	-
Loss on sales of stocks of subsidiaries and affiliates	7,064	-
Impairment loss	1,449	-
Total extraordinary loss	8,513	-
Net loss for the year before taxes adjustments	-999,680	-533,759
Corporate, residential and enterprise taxes	1,781	1,500
Total corporate and other taxes	1,781	1,500
Net loss for the year	-1,001,461	-535,259
Net loss attributable to owners of the parents	-1,001,461	-535,259

## (Statement of consolidated comprehensive income)

(in thousand yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	As of the end of the current fiscal year (April 1, 2021 to March 31, 2022)
Net loss for the year	-1,001,461	-535,259
Other comprehensive income		
Valuation difference on available-for-sale securities	224,505	-202,965
Total other comprehensive income	224,505	-202,965
Comprehensive income for the year	-776,955	-738,224
(breakdown)		
Comprehensive income attributable to owners of the parent	-776,955	-738,224
Comprehensive income attributable to non-controlling interests	—	—

## (C) Statement of consolidated cash flows

(in thousand yen)

	Previous fiscal year (April 1, 2020 to March 31, 2021)	As of the end of the current fiscal year (April 1, 2021 to March 31, 2022)
<b>Cash flows from operating activities</b>		
Net loss for the year before taxes adjustments	-999,680	-533,759
Depreciation expenses	992	2,300
Impairment loss	1,449	–
Profits or loss on sales of stocks of subsidiaries and affiliates (- means profit)	7,064	–
Increase/decrease in reserve for loss on orders (- means decrease)	24,000	96,000
Interest or dividends received	-52	-11
Interest expense	15,688	15,460
Profits or loss on Investment securities sold (- means profit)	–	-417,736
Commission paid	–	6,998
Changes in trade receivables (- means increase)	-174,617	354,882
Changes in inventory (- means increase)	-196,491	-538,062
Changes in advance payments (- means increase)	-156,763	-63,825
Changes in trade payables (- means decrease)	107,399	-64,259
Changes in accrued expenses (- means decrease)	158,630	-107,026
Other changes	-37,080	96,511
Sub-total	-1,249,462	-1,152,527
Interest and dividends received	52	11
Interest payment	-15,630	-15,545
Payment of corporate and other taxes	-2,430	-1,500
Cash flows from operating activities	-1,267,471	-1,169,561
<b>Cash flows from investing activities</b>		
Purchase of Intangible fixed assets	-3,254	-160
Income due to sale of investment securities	–	526,669
Payment for sale of shares of subsidiary due to change in scope of consolidation	-14,291	–
Cash flows from investing activities	-22,290	526,509
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings (- means decrease)	-25,000	–
Proceeds from issuance of convertible bonds	599,710	–
Proceeds from issuance of stocks through exercising equity warrants	138,860	369,083
Proceeds from issuance of equity warrants	4,774	–
Cash flows from investing activities	718,345	369,083
Effect of exchange rate changes on cash and cash equivalents	–	–
Increase/decrease in cash and cash equivalents (- means decrease)	-571,417	-273,968
Cash and cash equivalents at the beginning of the year	2,032,575	1,461,158
Cash and cash equivalents at the end of the year	1,461,158	1,187,189