

August 5, 2022

Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 (Extracted from Japanese version)

[Japanese GAAP]

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Listing: Tokyo Stock Exchange
 URL: <https://www.kidswellbio.com/en/>

Scheduled date of filing of Annual Securities Report: August 12, 2022
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for financial results: Yes
 Holding of financial result meeting: None

(All amounts are rounded down to the nearest million yen)

1. Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – June 30, 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter of the fiscal year ending Mar. 31, 2023	610	-	-37	-	-80	-	-80	-
First quarter of the fiscal year ended Mar. 31, 2022	-	-	-	-	-	-	-	-

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of the fiscal year ending Mar. 31, 2023	-2.57	-
First quarter of the fiscal year ended Mar. 31, 2022	-	-

(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.
- Since the Company shifted to non-consolidated financial statements from the fiscal year ending March 31, 2023, the result in the first quarter of the fiscal year ended Mar. 31, 2022 and percentage for year-on-year changes are not recorded.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2022	4,304	1,643	33.5
As of Mar. 31, 2022	3,470	1,702	43.8

(Reference) Shareholders' equity

First quarter of the fiscal year ending March 31, 2023: 1,444 million yen Fiscal Year ended March 31, 2022: 1,518 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2023	-	-	-	-	-
Fiscal year ending Mar. 31, 2023 (forecasts)	-	0.00	-	0.00	0.00

(Note) Changes to the most recent forecasted dividend amount: None

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

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,900	-	-980	-	-999	-	-1,000	-	-31.81

(Note) Changes to the most recent business forecast: None

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

*** Notes**

1. Special accounting treatments used in preparation of financial statements of the quarter: None

2. Changes in accounting policies and accounting-based estimates, and restatements

a. Changes in accounting policies due to revisions in accounting standards, others: None

b. Changes in accounting policies other than a) above: None

c. Changes in accounting-based estimates: None

d. Restatements: None

4. Number of outstanding shares (common stock)

a. Number of shares outstanding at the end of period (including treasury shares)

At the end of the fiscal year ending March, 2023: 31,444,547 shares

At the end of the fiscal year ended March, 2022: 31,437,547 shares

b. Number of treasury shares at the end of period

At the end of the fiscal year ending March, 2023: 92 shares

At the end of the fiscal year ended March, 2022: 92 shares

c. Average number of shares outstanding during the period

At the end of the fiscal year ending March, 2023: 31,440,208 shares

At the end of the fiscal year ended March, 2021: 29,912,862 shares

*This summary report on Kidswell Bio Corporation'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.

(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. Overview of business results for the current fiscal quarter

1. Biosimilar Business

The Company recorded stable profits from royalties based on sales of the neutropenia medicine "Filgrastim BS" by Fuji Pharmaceutical Co., Ltd. and Mochida Pharmaceutical Co., Ltd., and the biosimilar of darbepoetin alfa jointly developed with Sanwa Kagaku Kenkyusho Co., Ltd. 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.

2. New Biologics Business

In the new biologics business, the Company entered into a research collaboration 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 executed a research collaboration agreement with Chiome Bioscience Inc. (Chiome) in May, 2022 for accelerating the antibody-drug research in the oncology field by the combining knowledge and technologies of the Company and Chiome.

3. Cell Therapy (Regenerative Medicine) 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. As to CSC (cardiac stem cells, project name: JRM-001), the Company transferred all shares of Japan Regenerative Medicine Co., Ltd. (JRM) to Metcela, which would lead to the development of JRM-001 by combining experience, knowledge, and technologies in heart disease field, and continues support to JRM.

Furthermore, regarding the progress of a designer cell (reinforced cell therapy utilizing SHED) as the Company's future growth driver, 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. Regarding the development of a master cell bank (MCB), which is an essential step in commercializing SHED as a regenerative medicine product, "ChiVo Net Future Medical Children's Volunteer Network" was launched for deciduous teeth donation, and the Company established appropriate process to collect deciduous teeth from donors through collaboration with University of Tokyo Hospital and Showa University Dental Hospital. Then, the Company completed manufacturing MCB in compliance with GMP by Nikon CeLL innovation Co., Ltd. and is proceeding with the final quality check for establishing MCB.

As a result, the sales amount was 610,878 thousand yen, operational loss was 37,991 thousand yen, ordinary loss was 80,652 thousand yen and net loss for the first quarter of the current fiscal year was 80,954 thousand yen.

II. Financial statements and notes to financial statements

(A) Balance sheet

	(in thousand yen)	
	As of the end of the previous fiscal year (March 31, 2022)	As of the end of the current fiscal quarter (June 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	1,160,934	1,532,423
Trade receivables	461,854	685,813
Products	200,118	168,132
In-process inventory	788,696	1,014,889
Advance payments	495,544	594,575
Long-term debts to be repaid within one year from a subsidiary	600,000	—
Other current assets	161,537	83,809
Allowance for doubtful accounts	-573,745	—
Total current assets	3,294,940	4,079,644
Non-current assets		
Tangible fixed assets	1,641	1,600
Intangible fixed assets	3,064	2,872
Investments and other assets	170,690	220,585
Total non-current assets	175,396	225,057
Total assets	3,470,336	4,304,701
Liabilities		
Current liabilities		
Trade payables	45,479	59,056
Long-term debts to be repaid within one year	75,000	250,000
Accrued expenses	252,760	149,569
Income taxes payable	37,832	16,255
Contract liabilities	216,000	216,000
Reserve for loss on orders	475,243	475,243
Other current liabilities	8,851	9,556
Total current liabilities	1,111,168	1,175,680
Non-current liabilities		
Convertible bonds	100,000	100,000
Long-term debts	525,000	1,350,000
Reserve for retirement allowance	31,260	35,565
Total non-current liabilities	656,260	1,485,565
Total liabilities	1,767,428	2,661,245
Shareholders' equity		
Shareholders' capital		
Common stock	1,421,212	1,424,523
Capital surplus	10,726,813	10,730,124
Retained earnings	-10,629,570	-10,710,524
Treasury stock	-73	-73
Total shareholders capital	1,518,382	1,444,049
Equity warrants	184,525	199,406
Total shareholders' equity	1,702,908	1,643,456
Total liabilities and shareholders' equity	3,470,336	4,304,701

(B) Income statement
(Quarterly cumulative period)

(in thousand yen)

	This quarterly cumulative period (April 1, 2022 to June 30, 2022)
Gross sales	610,878
Cost of goods sold	292,703
Gross profit	318,175
Selling, general and administrative expenses	
Research and development expenses	105,490
Other expenses	250,676
Total selling, general and administrative expenses	356,167
Operating loss	-37,991
Non-operating income	
Miscellaneous income	360
Total non-operating income	360
Non-operating expenses	
Interest expense	3,924
Stock issuance expenses	164
Commission paid	30,000
Foreign exchange loss	8,931
Miscellaneous loss	43,020
Ordinary loss	-80,652
Net loss for the quarter before taxes adjustments	-80,652
Corporate, residential and enterprise taxes	302
Total corporate and other taxes	302
Net loss for the quarter	-80,954

(C) Notes to financial statements

(Notes on going concern assumption)

There is no reporting item applicable to this matter.

(Notes on material changes of shareholders' equity)

There is no reporting item applicable to this matter.

(Important subsequent event)

Issuance of the 4th series of convertible bonds with stock acquisition rights and the 15th series of stock acquisition rights

The Company resolved at the Board of the Directors meeting on June 23, 2022 to issue the 4th series of convertible bonds with stock acquisition rights and the 15th series of stock acquisition rights and payment for the issuance was completed on July 14, 2022.

1. 4th series of convertible bonds with stock acquisition rights

(1) Total amount of Issuances	JPY 500,000,000
(2) Issue amount	JPY 100 per face value of JPY 100 of each convertible bond
(3) Closing date (Issuance date)	July 14, 2022
(4) Subscription for shares and issuing method	Allottee: CVI Investments, Inc. Issuing method: By the method of third-party allocation
(5) Coupon rate	Annual rate: 0.625%
(6) Redemption price	JPY 100 per face value of JPY 100
(7) Maturity date	August 6, 2026
(8) Items on stock acquisition rights	
① Number of issuances	40 units
② Types of shares subject to stock acquisition rights	Ordinary stock
③ Number of shares subject to stock acquisition rights	The number of ordinary stocks newly issued or our ordinary stock exercised by the Company is the number of the total payment amount of the bond issued for the exercise request divided by the conversion price stated in ④ below. However, fractions less than one share resulting from exercise will be rounded down and no cash adjustment will be made.
④ Exercise price	Initial conversion price JPY 291 6 months after the closing date, and semiannually thereafter, the conversion price will be adjusted to the lesser of either; (i) 90% (fractions less than one will be rounded up) of the then prevailing market price, the average (fractions less than one will be rounded up) of the two lowest volume weighted average prices for the common shares during the fifteen trading day period immediately preceding the applicable date or (ii) the prevailing conversion price on the CB adjustment date. However, if the adjusted conversion price on the CB adjustment date falls below 132 yen, the conversion price will be the minimum conversion price.
⑤ Exercise period	JPY 291 per share

⑥ Amount of capital in case of issuing shares subject to stock acquisition rights	The amount shall be obtained by multiplying the amount of capital increase limit in accordance with Article 17 of the Company Calculation Regulations by 0.5. The amount of additional capital reserves shall be obtained by subtracting the amount of additional capital from the amount of capital increase limit.
(9) Guarantee	None
(10) Purpose of financing	Facility reinforcement funds for long-term stable supply of GBS-007

2. 15th series of stock acquisition rights

(1) Day of allotment	July 14, 2022
(2) Issuing method and allottee	Issuing method: By the method of third-party allocation Allottee: CVI Investments, Inc.
(3) Number of shares	13,746 shares
(4) Type of shares subject to stock acquisition rights	Ordinary stocks
(5) Number of shares subject to stock acquisition rights	1,374,600 shares
(6) Total amount of issue price of stock acquisition rights	JPY1,938,186
(7) Issue price of stock acquisition rights	JPY141 per stock acquisition right
(8) Amount (Value of property to be contributed when exercising the stock acquisition rights)	JPY 400,008,600*
(9) Exercise price	JPY 291 per share
(10) Exercise period	From July 15, 2022 to July 15, 2027
(11) Amount of capital in case of issuing shares subject to stock acquisition rights	The amount shall be obtained by multiplying the amount of capital increase limit in accordance with Article 17 of the Company Calculation Regulations by 0.5. The amount of additional capital reserves shall be obtained by subtracting the amount of additional capital from the amount of capital increase limit.
(12) Purpose of financing	Facility reinforcement funds for long-term stable supply of GBS-007

*Note: The mentioned amount is assumed that all of the stock acquisition rights have been exercised at the initial exercise price. If the exercise price is modified or adjusted, the amount will be reduced. If the stock acquisition rights are not exercised during the exercise period, or if our stock acquisition rights are canceled, the amount to be financed will change.