

November 8, 2022

## Summary of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2023 (Excerpt 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: November 11, 2022  
 Scheduled date of payment of dividend: -  
 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. Financial Results for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – September 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	%
Second quarter of the fiscal year ending March 31, 2023	1,116	-	11	-	-42	-	-42	-
Second quarter of the fiscal year ended March 31, 2022	-	-	-	-	-	-	-	-

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of the fiscal year ending March 31, 2023	-1.36	-
Second quarter of the fiscal year ended March 31, 2022	-	-

(Notes)

- 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 second quarter of the fiscal year ended March 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 September 30, 2022	4,259	1,699	35.2
As of March 31, 2022	3,470	1,702	43.8

(Reference) Shareholders' equity

Second quarter of the fiscal year ending March 31, 2023: 1,500 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 March 31, 2022	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2023	-	-	-	-	-
Fiscal year ending March 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	-	-31.80

(Notes)

Changes to the most recent business forecast: None

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

**\* Annotations**

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

3. Number of outstanding shares (common stock)

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

At the second quarter of the fiscal year ending March, 2023: 31,471,147 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 second quarter 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 second quarter of the fiscal year ending March, 2023: 31,445,380 shares

At the second quarter of the fiscal year ended March, 2022: 30,270,727 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 the sales of the neutropenia medicine "Filgrastim BS" by Fuji Pharmaceutical Co., Ltd. and Mochida Pharmaceutical Co., Ltd., and the royalties from 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. While the sales have been performing steady since the launch, further sales are expected to increase due to strong demand. The Company expects 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 the 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 the 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 collaborative research projects with academies as well as business partnering with companies by utilizing SHED (Stem cells from Human Exfoliated Deciduous teeth) as important research source. While conducting research and development with academies and companies, the Company has been steadily progressing the development of cell therapy with SHED, and the Company accelerates to create the world's first cell therapy and regenerative medicine product with SHED as the Company's growth driver.

Furthermore, regarding the progress of a designer cell (reinforced cell therapy with SHED) as the Company's future growth driver, the Company executed the collaborative research agreement with NanoCarrier Co., Ltd. (NanoCarrier) on September 8, 2021, and the 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, SHED MCB passed final verification tests and SHED MCB in compliance with GMP was completed in August 2022. Therefore, the Company released S-Quatre®, a one-stop service from sourcing of deciduous teeth through collaboration with "ChiVo Net Future Medical Children's Volunteer Network", University of Tokyo Hospital and Showa University Dental Hospital to supply of highly reliable and GMP-compliant SHED MCB as an intermediate product for cell therapy.

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 the development of JRM-001 by combining experience, knowledge, and technologies in heart disease field, and continues support to JRM.

As a result, the sales amount was 1,116,111 thousand yen, operational profit was 11,137 thousand yen, ordinary loss was 42,082 thousand yen and net loss for the second quarter of the current fiscal year was 42,687 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 second quarter of the current fiscal quarter (Sept. 30, 2022)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,160,934	1,874,518
Trade receivables	461,854	650,697
Products	200,118	213,888
In-process inventory	788,696	504,388
Advance payments	495,544	755,290
Long-term debts to be repaid within one year from a subsidiary	600,000	—
Other current assets	161,537	36,444
Allowance for doubtful accounts	-573,745	—
<b>Total current assets</b>	<b>3,294,940</b>	<b>4,035,227</b>
Non-current assets		
Tangible fixed assets	1,641	1,558
Intangible fixed assets	3,064	2,680
Investments and other assets	170,690	220,479
<b>Total non-current assets</b>	<b>175,396</b>	<b>224,719</b>
<b>Total assets</b>	<b>3,470,336</b>	<b>4,259,946</b>
<b>Liabilities</b>		
Current liabilities		
Trade payables	45,479	117,344
Long-term debts to be repaid within one year	75,000	300,000
Accrued expenses	252,760	192,250
Income taxes payable	37,832	32,558
Contract liabilities	216,000	—
Reserve for loss on orders	475,243	—
Other current liabilities	8,851	9,487
<b>Total current liabilities</b>	<b>1,111,168</b>	<b>651,641</b>
Non-current liabilities		
Convertible bonds	100,000	600,000
Long-term debts	525,000	1,275,000
Reserve for retirement allowance	31,260	33,555
<b>Total non-current liabilities</b>	<b>656,260</b>	<b>1,908,555</b>
<b>Total liabilities</b>	<b>1,767,428</b>	<b>2,560,196</b>
<b>Shareholders' equity</b>		
Shareholders capital		
Common stock	1,421,212	1,433,566
Capital surplus	10,726,813	10,739,166
Retained earnings	-10,629,570	-10,672,257
Treasury stock	-73	-73
<b>Total shareholders capital</b>	<b>1,518,382</b>	<b>1,500,401</b>
Equity warrants	184,525	199,348
<b>Total shareholders' equity</b>	<b>1,702,908</b>	<b>1,699,749</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,470,336</b>	<b>4,259,946</b>

(B) Income statement  
(Quarterly cumulative period)

(in thousand yen)

	This quarterly cumulative period (April 1, 2022 to Sept. 30, 2022)
Gross sales	1,116,111
Cost of goods sold	420,954
Gross profit	695,156
Selling, general and administrative expenses	
Research and development expenses	251,787
Other expenses	432,230
Total selling, general and administrative expenses	684,018
Operating profit	11,137
Non-operating income	
Interest income	5
Materials sales income	2,250
Miscellaneous income	360
Total non-operating income	2,615
Non-operating expenses	
Interest expense	13,664
Bond interest	676
Stock issuance expenses	389
Loan arrangement fee paid	30,000
Foreign exchange loss	10,553
Miscellaneous loss	551
Total non-operating expenses	55,835
Ordinary loss	-42,082
Net loss for the quarter before taxes adjustments	-42,082
Corporate, residential and enterprise taxes	605
Total corporate and other taxes	605
Net loss for the quarter	-42,687

## (C) Quarterly Statement of consolidated cash flows

(in thousand yen)

	As of the end of 2Q FY2022 (April 1 to September 30, 2022)
<b>Cash flows from operating activities</b>	
Net loss for the year before taxes adjustments (-)	-42,082
Depreciation expenses	466
Increase/decrease in reserve for loss on orders (- means decrease)	-475,243
Interest or dividends received	-5
Interest expense	13,664
Bond interest	676
Commission paid	30,000
Changes in trade receivables (- means increase)	-188,842
Changes in inventory (- means increase)	270,537
Changes in advance payments (- means increase)	-259,746
Changes in trade payables (- means decrease)	71,865
Changes in accrued expenses (- means decrease)	-60,810
Changes in contract liabilities (- means increase)	-216,000
Other changes	167,330
Sub-total	-688,189
Interest and dividends received	5
Interest payment	-19,607
Payment of corporate and other taxes	-1,210
Cash flows from operating activities	-709,001
<b>Cash flows from investing activities</b>	
Purchase of investment securities	-50,000
Proceeds from loan collection from affiliated company	26,254
Other payments	0
Cash flows from investing activities	-23,745
<b>Cash flows from financing activities</b>	
Proceeds from long-term loan	970,000
Repayment of long-term loan	-25,000
Proceeds from issuance of convertible bonds	499,720
Other changes	1,610
Cash flows from financing activities	1,446,330
Effect of exchange rate changes on cash and cash equivalents	-
Increase/decrease in cash and cash equivalents (- means decrease)	713,584
Cash and cash equivalents at the beginning of the year	1,160,943
Cash and cash equivalents at the end of the quarter	1,874,518

(D) (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.