

February 7, 2023

Summary of Financial Results for the Third 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: February 10, 2023
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for financial results: Yes
 Holding of financial result meeting: No (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 – December 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	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter of the fiscal year ending March 31, 2023	1,726	-	-135	-	-194	-	-194	-
Third quarter of the fiscal year ended March 31, 2022	-	-	-	-	-	-	-	-

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of the fiscal year ending March 31, 2023	-6.18	-
Third 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 third 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 December 31, 2023	4,173	1,688	35.7
As of March 31, 2022	3,470	1,702	43.8

(Reference) Shareholders' equity

Third quarter of the fiscal year ending March 31, 2023: 1,490 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	-	0.00	-		
Fiscal year ending March 31, 2023 (forecasts)				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 third quarter of the fiscal year ending March, 2023: 32,046,513 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 third 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 third quarter of the fiscal year ending March, 2023: 31,522,423 shares

At the third quarter of the fiscal year ended March, 2022: 30,660,203 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)

I. 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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II. 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. Moreover, the Company has received a patent grant from Japan Patent Office for anti-RAMP2 antibodies (RAMP: Receptor Activity Modifying Protein, project code: GND-004), which is one of candidates for a breakthrough new antibody drug that inhibits the formation of new blood vessels with a new mechanism.

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.

As results of identification of SHED's characteristics, the Company has been striving for creating new treatment methods in the fields of neurological and bone diseases that are evaluated by academies and pharmaceutical companies. While conducting research and development with academies and pharmaceutical companies, the Company is steadily considering the possibility of developing treatment methods utilizing SHED and the Company aims to create the world's first regenerative medicine products utilizing SHED. As a part of patent strategies for SHED's commercialization, the patent on the cell therapy for cerebral palsy utilizing SHED was applied through the collaborative research with the Company and Nagoya University.

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. Furthermore, research articles were published in collaboration with Department of Neurosurgery, Hamamatsu University School of Medicine regarding the innovative research results with the next generation SHED (stem cells from human exfoliated deciduous teeth) in preclinical models of brain cancer.

Moreover, 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 1,726,862 thousand yen, operational loss was 135,523 thousand yen, ordinary loss was 194,023 thousand yen and net loss for the third quarter of the current fiscal year was 194,930 thousand ye

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 third quarter of the current fiscal quarter (Dec. 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	1,160,934	1,499,615
Trade receivables	461,854	826,845
Products	200,118	312,683
In-process inventory	788,696	408,427
Advance payments	495,544	850,399
Long-term debts to be repaid within one year from a subsidiary	600,000	—
Other current assets	161,537	51,022
Allowance for doubtful accounts	-573,745	—
Total current assets	3,294,940	3,948,993
Non-current assets		
Tangible fixed assets	1,641	1,517
Intangible fixed assets	3,064	2,488
Investments and other assets	170,690	220,374
Total non-current assets	175,396	224,380
Total assets	3,470,336	4,173,374
Liabilities		
Current liabilities		
Trade payables	45,479	29,139
Long-term debts to be repaid within one year	75,000	400,000
Accrued expenses	252,760	324,118
Income taxes payable	37,832	16,165
Contract liabilities	216,000	—
Reserve for loss on orders	475,243	—
Other current liabilities	8,851	11,040
Total current liabilities	1,111,168	780,463
Non-current liabilities		
Convertible bonds	100,000	500,000
Long-term debts	525,000	1,175,000
Reserve for retirement allowance	31,260	29,655
Total non-current liabilities	656,260	1,704,655
Total liabilities	1,767,428	2,485,118
Shareholders' equity		
Shareholders capital		
Common stock	1,421,212	1,504,913
Capital surplus	10,726,813	10,810,514
Retained earnings	-10,629,570	-10,824,501
Treasury stock	-73	-73
Total shareholders capital	1,518,382	1,490,853
Equity warrants	184,525	197,402
Total shareholders' equity	1,702,908	1,688,256
Total liabilities and shareholders' equity	3,470,336	4,173,374

(B) Income statement
(Quarterly cumulative period)

(in thousand yen)

	This quarterly cumulative period (April 1, 2022 to Dec. 31, 2022)
Gross sales	1,726,862
Cost of goods sold	654,042
Gross profit	1,072,819
Selling, general and administrative expenses	
Research and development expenses	579,055
Other expenses	629,287
Total selling, general and administrative expenses	1,208,342
Operating loss (-)	-135,523
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	23,251
Bond interest	1,464
Stock issuance expenses	1,482
Loan arrangement fee paid	30,000
Foreign exchange loss	4,364
Miscellaneous loss	551
Total non-operating expenses	61,115
Ordinary loss (-)	-194,023
Net loss for the quarter before taxes adjustments (-)	-194,023
Corporate, residential and enterprise taxes	907
Total corporate and other taxes	907
Net loss for the quarter (-)	-194,930

(C) (Notes on going concern assumption)

There is no reporting item applicable to this matter.

(Notes on material changes of shareholders' equity)

During the current quarterly cumulative period, the stock acquisition rights of the 3rd convertible bonds and the 7th, 8th, 10th and 12th series of stock acquisition rights were exercised. stock acquisition rights attached to the third series of unsecured convertible bonds with stock acquisition rights and the seventh, eighth, tenth and twelfth series of exercise of stock acquisition rights. As a result, common stock and capital reserves increased by 83,701 thousand yen each, and at the end of the third quarter of the current fiscal year, common stock was 1,504,913 thousand yen and capital surplus were 10,810,514 thousand yen.