

May 12, 2023

**Summary of Financial Results for the Fiscal Year Ended March 31, 2023 (Non-consolidated)
(Excerpt from Japanese version)**

[Japanese GAAP]

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

Scheduled date of Annual General Meeting of Shareholders: June 29, 2023
 Scheduled date of filing of Annual Securities Report: June 30, 2023
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for financial results: Yes
 Holding of financial result meeting: Yes

*(All amounts are rounded down to the nearest million yen)***1. Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)**

(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	%
Fiscal year ended March 31, 2023	2,776	76.9	-550	-	-624	-	-657	-
Fiscal year ended March 31, 2022	1,569	62.3	-651	-	-968	-	-550	-

	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 March.31, 2023	-20.77	-	-51.4	-17.0	-19.8
Fiscal year ended March 31, 2022	-17.86	-	-	-	-

(Reference) Equity Gains (Losses) of Affiliated Companies

Fiscal year ended Mar.31, 2023: - million yen (- %)

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

(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 ended March 31, 2023, the result in 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	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	3,894	1,233	26.6	32.36
As of March 31, 2022	3,470	1,702	43.8	48.30

(Reference) Shareholders' equity

Fiscal year ended March 31, 2023: 1,037 million yen Fiscal Year ended March 31, 2022: 1,518 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 March 31, 2023	-1,421	-28	1,356	1,067
As of March 31, 2022				

(Notes) Since the Company shifted to non-consolidated financial statements from the fiscal year ended March 31, 2023, the result in the fiscal year ended March 31, 2022 is not recorded.

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 March 31, 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2024 (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, 2024 (April 1, 2023 – March 31, 2024)

(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	3,500	26.1	-1,500	-	-1,550	-	-1,550	-	-48.97

(Notes)

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

*** Annotations**

1. 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
2. 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 ended March, 2023: 32,059,713 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: 93 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: 31,654,192 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)

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 "III. 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 FY2022

As for FY2022 financial results, the sales was 2,776,241 thousand yen (76.9% increase compared to the previous fiscal year), operational loss was 550,929 thousand yen (operational loss for the previous fiscal year was 651,139 thousand yen), ordinary loss (ordinary loss for the previous fiscal year was 968,535 thousand yen) was 624,769 thousand yen and net loss for the current fiscal year was 657,434 thousand yen (net loss for the previous fiscal year was 550,863 thousand yen).

II. Business updates in FY2022

1. Biosimilar Business

The Company recorded stable profits from the sales of the neutropenia medicine "Filgrastim BS" and the royalties from biosimilar of darbepoetin alfa. While the sales of GBS-007 (Ranibizumab BS) have been performing steady since the launch on December 9, 2021, further sales are expected to increase due to approval of additional indication for diabetic macular oedema in January 2023. The Company expects to contribute to the Company's stable business foundation as a revenue source. Following the above three products, the Company has been steadily promoting research and development of the fourth products and new biosimilars.

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 academia 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 academia and pharmaceutical companies. While conducting research and development with academia and pharmaceutical companies, steady progress has been made on the possibility of developing treatment methods utilizing SHED and the Company aims to create the world's first regenerative medicine products utilizing SHED. Regarding the collaborative research of cerebral palsy with the Company and Nagoya University, improvement of movement disorders for the chronic cerebral palsy model was confirmed by the SHED administration for the first time in the world. Based on this result, the patent on the cell therapy for cerebral palsy utilizing SHED was applied through the collaborative research with the Company and Nagoya University, and the research results were presented at the annual meeting of the 66th Japan Society for Neonatal Health and Development in November, 2022.

Furthermore, as a start to the clinical research of SHED, preparations for clinical research on cerebral palsy are currently under way by Nagoya University. As SHED development stage has been changed from exploration/ basic research to administration to humans, the Company believes that probability of the launch of SHED product at an early stage has increased.

As a future growth strategy, the Company has been promoting research and development of the second generation SHED (designer cell, reinforced cell therapy with SHED) that enhance the functions of SHED modified by gene transfection and development of new culture method to achieve higher therapeutic goals. As specific progress, 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 second generation SHED in preclinical models of brain cancer.

Moreover, regarding the development of a master cell bank (MCB), 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. Additionally, the Company executed a master service agreement with Showa Denko Materials Co., Ltd. (Showa Denko Materials) for the development of manufacturing process for the regenerative medicine products utilizing advantage characteristics of SHED and manufacturing investigational new drugs in September, 2022, and the Company is accelerating the development activities for manufacturing investigational new drugs utilizing high-reliable SHED MCB. With the above progress, the Company will further accelerate research and development activities for regenerative medicine products and strengthen the Company's R&D pipelines in collaboration with academia and companies using SHED drug discovery platform based on S-Quatre®.

As to CSC (cardiac stem cells, project name: JRM-001), the Company transferred all shares of Japan Regenerative Medicine Co., Ltd. (JRM) to Metcela Inc. on April 4, 2022, which would lead the development of JRM-001 by combining experience, knowledge, and technologies in heart disease field, and continues support to JRM.

III. Outlook

The business forecasts for the following year include sales of 3,500,000 thousand yen, operational loss of 1,500,000 thousand yen, ordinary loss of 1,550,000 thousand yen and net loss of 1,550,000 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 and royalties of three biosimilar products (launched), especially, Ranibizumab BS which sales has been expanding remarkably due to the strong demand, and (2) revenue from the fourth biosimilar product. Therefore, the sales in the next fiscal year estimate at 3,500,000 thousand yen. The sales of GBS-001 will decrease compared to the previous fiscal year due to inventory adjustments of the sales company, while GBS-007 will be a stable source of 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, though the cost of goods sold ratio will temporarily increase due to changes in the product mix.

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 cell therapy (regenerative medicine) 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 its manufacturing and clinical trial infrastructure aiming for launching SHED products in Japan, the Company is further preparing to start clinical development of SHED in the U.S. Accordingly, forecasts for the following year include R&D expenses of 1,600,000 thousand yen (the actual R&D expense for the current fiscal year was 1,216,349 thousand yen). The main breakdown is, for biosimilars 1) 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 2) continued investment in manufacturing cost reduction measures. For SHED pipelines, based on the positive results of nonclinical research of SHED, 3) additional investments in the establishment of a manufacturing system for mass culture of SHED, 4) expenses for strengthening an organizational structure including human resources to effectively conduct SHED clinical trials on a company-led basis, and 5) expenses for the newly established laboratory in Tokyo (Tokyo laboratory) to accelerate development activities of the second generation SHED.

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 and SHED development stage has been changed from exploration/ basic research to administration to humans. 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. Though it should take several years to recover return from these investments and mid-term investments in research and development of SHED are required, based on accumulated R&D experience and results of SHED after the announcement of the Company's mid-term strategic plan -KWB 2.0- in May 2022, the Company recognized the importance of continuous investments in SHED to accelerate SHED R&D activities in Japan and the U.S. and survive the future competition.

The Company believes that it is most important to pursue results that should exceed the profits target from FY2025 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.

IV. 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 Standard.

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 year (March 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	1,160,934	1,067,162
Trade receivables	461,854	-
Accounts receivable and contract assets	-	1,088,766
Products	200,118	213,007
In-process inventory	788,696	422,308
Advance payments	495,544	821,536
Prepaid expenses	7,833	11,957
Long-term debts to be repaid within one year from a subsidiary	600,000	-
Other current assets	153,703	72,416
Allowance for doubtful accounts	-573,745	-
Total current assets	3,294,940	3,697,155
Non-current assets		
Tangible fixed assets		
Building	2,396	2,396
Accumulated depreciation	-828	-957
Building (net)	1,568	1,438
Tools, equipment and fixtures	11,500	6,492
Accumulated depreciation	-7,190	-6,454
Tools, equipment and fixtures (net)	73	37
Total tangible fixed assets	1,641	1,476
Intangible fixed assets		
Trademark right	1,111	995
Software	1,952	1,301
Total Intangible fixed assets	3,064	2,297
Investments and other assets		
Investment securities	154,672	173,218
Stocks of affiliates	0	-
Other investments and assets	16,017	20,618
Total Investments and other assets	170,690	193,836
Total non-current assets	175,396	197,609
Total assets	3,470,336	3,894,765
Liabilities		
Current liabilities		
Trade payables	45,479	155,563
Long-term debts to be repaid within one year	75,000	375,000
Account payable	252,760	482,286
Accrued expense	650	1,262
Income taxes payable	37,832	32,680
Contract liabilities	216,000	-
Deposit	8,201	9,046
Reserve for loss on orders	475,243	-
Total current liabilities	1,111,168	1,055,839
Non-current liabilities		
Convertible bonds	100,000	500,000
Long-term debts	525,000	1,075,000
Reserve for retirement allowance	31,260	30,420
Total non-current liabilities	656,260	1,605,420
Total liabilities	1,767,428	2,661,259

(in thousand yen)

	As of the end of the previous fiscal year (March 31, 2022)	As of the end of the current fiscal year (March 31, 2023)
Shareholders' equity		
Shareholders capital		
Common stock	1,421,212	1,509,497
Capital surplus		
Capital reserve	10,726,813	10,815,098
Total capital surplus	10,726,813	10,815,098
Retained earnings		
Other retained earnings		
Earned surplus carried forward to the following term	-10,629,570	-11,287,004
Total retained earnings	-10,629,570	-11,287,004
Treasury stock	-73	-73
Total shareholders capital	1,518,382	1,037,518
Equity warrants	184,525	195,987
Total shareholders' equity	1,702,908	1,233,505
Total liabilities and shareholders' equity	3,470,336	3,894,765

(B) Income statement

(in thousand yen)

	Previous fiscal year (April 1, 2022 to March 31, 2022)	Current fiscal year (April 1, 2022 to March 31, 2023)
Gross sales		
Product sales	1,447,568	2,331,444
Income from intellectual property rights, etc.	121,663	248,433
Income from services	—	196,363
Total gross sales	1,569,232	2,776,241
Cost of goods sold		
Cost of finished goods sold		
Beginning product inventory	70,712	200,118
Procut manufacturing cost of current term	679,762	1,263,443
Total cost of finished goods sold	750,475	1,463,561
Closing product inventory	200,118	213,007
Cost of finished goods sold	550,357	1,250,553
Total cost of goods sold	550,357	1,250,553
Gross profit	1,018,875	1,525,688
Selling, general and administrative expenses		
Depreciation	2,254	928
R&D expenses	903,062	1,216,349
Royalty to be paid	101,902	182,930
Salaries and allowances	249,420	255,703
Other expenses	413,374	420,706
Total selling, general and administrative expenses	1,670,014	2,076,617
Operating loss (-)	-651,139	-550,929
Non-operating income		
Interest income	936	12
Commission fee	39,600	-
Material Sale income	-	2,250
Miscellaneous income	2,801	1,718
Total non-operating income	43,337	3,980
Non-operating expenses		
Interest expense	15,460	32,760
Interest on corporate bonds	-	2,076
Allowance for doubtful accounts	324,377	-
Stock issuance expenses	-	1,790
Loan arrangement fee paid	6,998	31,200
Foreign exchange loss	9,366	9,441
Miscellaneous loss	4,530	551
Total non-operating expenses	360,733	77,820
Ordinary loss (-)	-968,535	-624,769
Extraordinary gain		
Profits on Investment securities sold	417,736	-
Reversal of equity warrant	1,144	-
Total extraordinary gain	418,881	-
Extraordinary loss		
Loss on valuation of investment securities	—	31,454
Total extraordinary loss	—	31,454
Net loss for the year before tax adjustment (-)	-549,653	-656,224
Corporate, residential and enterprise taxes	1,210	1,210
Total corporate and other taxes	1,210	1,210
Net loss for the year (-)	-550,863	-657,434

(C) Statement of cash flows

(in thousand yen)

	Current fiscal year (April 1, 2022 to March 31, 2023)
Cash flows from operating activities	
Net loss for the year before taxes adjustments (-)	-656,224
Depreciation expenses	932
Loss on valuation of investment securities (- means increase)	31,454
Increase/decrease in reserve for loss on orders (- means decrease)	-475,243
Interest or dividends received	-12
Interest expense	32,760
Interest on corporate bonds	2,076
Commission paid	31,200
Changes in trade receivables (- means increase)	-626,912
Changes in inventory (- means increase)	353,498
Changes in advance payments (- means increase)	-325,992
Changes in trade payables (- means decrease)	110,084
Changes in accrued expenses (- means decrease)	229,373
Changes in contract liability (- means decrease)	-216,000
Other changes	127,006
Sub-total	-1,381,999
Interest and dividends received	12
Interest payment	-38,062
Payment of corporate and other taxes	-1,210
Cash flows from operating activities	-1,421,259
Cash flows from investing activities	
Purchase of Investment securities	-50,000
Proceeds from the collection of loans from affiliates	26,254
Guarantee deposits	-5,080
Cash flows from investing activities	-28,825
Cash flows from financing activities	
Proceeds from long-term borrowings (- means decrease)	970,000
Repayment of long-term debt	-150,000
Proceeds from issuance of convertible bonds	499,720
Proceeds from issuance of stocks through exercising equity warrants	34,694
Proceeds from issuance of equity warrants	1,898
Expenses due to acquisition of treasury stock	-0
Cash flows from investing activities	1,356,312
Increase/decrease in cash and cash equivalents (- means decrease)	-93,772
Cash and cash equivalents at the beginning of the year	1,160,934
Cash and cash equivalents at the end of the year	1,067,162