

August 7, 2023

**Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2024
(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 filing of Annual Securities Report: August 14, 2023
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for financial results: Yes
 Holding of financial result meeting: No

*(All amounts are rounded down to the nearest million yen)***1. Financial Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – June 30, 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 ending March 31, 2024	45	-92.5	-455	-	-470	-	-470	-
Fiscal year ended March 31, 2023	610	-	-37	-	-80	-	-80	-

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of the fiscal year ending Mar. 31, 2023	-14.68	-
First quarter of the fiscal year ended Mar. 31, 2022	-2.57	-

(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.

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2023	3,044	768	18.8
As of March 31, 2023	3,894	1,233	26.6

(Reference) Shareholders' equity

Fiscal year ending March 31, 2024: 571 million yen Fiscal Year ended March 31, 2023: 1,037 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, 2023	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2024	-				
Fiscal year ending Mar. 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 ending March, 2024: 32,066,013 shares
 - At the end of the fiscal year ended March, 2023: 32,059,713 shares
 - b. Number of treasury shares at the end of period
 - At the end of the fiscal year ending March, 2024: 93 shares
 - At the end of the fiscal year ended March, 2023: 93 shares
 - c. Average number of shares outstanding during the period
 - At the end of the fiscal year ending March, 2024: 32,060,935 shares
 - At the third quarter of the fiscal year ended March, 2023: 31,440,208 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. Financial Results for the current fiscal quarter

As for the first quarter of FY2023 financial results, the sales was 45,979 thousand yen (564,889 thousand yen decrease from the same quarter of the previous year), R&D expenses was 312,535 thousand yen (207,045 thousand yen increase from the same quarter of the previous year), operational loss was 455,049 thousand yen (operational loss in the same quarter of the previous year was 37,991 thousand yen), ordinary loss was 470,326 thousand yen (ordinary loss in the same quarter of the previous year was 80,652 thousand yen) and net loss for the current fiscal year was 470,629 thousand yen (net loss for the previous fiscal quarter was 80,954 thousand yen).

II. Business updates in FY2022

1. Cell Therapy (Regenerative Medicine) Business

The Company has been making great progress of the research and development activities by utilizing SHED (Stem cells from Human Exfoliated Deciduous teeth) in both our own and collaborative research activities with academia and confirmed the potential of SHED as a source for future drug products while completed Master Cell Bank (MCB) in compliance with GMP (Good Manufacturing Practice) in August 2022 and, consequently, established a SHED drug discovery platform, “S-Quatre” which covers the process from sourcing of SHED to manufacturing of MCB.

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 and based on this result of the clinical research initiated by Nagoya University for cerebral palsy patients will be launched by the end of 2023. As a result of these accomplishments, the probabilities of licensing out SHED pipelines to business partners which we had been contacting has been increasing.

Furthermore, 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. Especially, the Company collaborates with Hamamatsu University School of Medicine regarding the innovative research results with the second generation SHED in preclinical models of brain cancer and is getting pre-clinical data steadily.

Through these actions, the Company accelerates its own SHED research and development activities as well as strengthen the pipelines by collaborating with academia and drives its growth strategy (KWB2.0) to bring SHED drugs into the market.

2. Biosimilar Business

Since 2012, the Company launched Filgrastim biosimilars (BS), darbepoetin alfa BS and Ranibizumab BS. By these three products, the Company is getting more revenue which exceeds its fixed operating costs continuously and established stable profit foundation for its future growth. Furthermore, the Company aims for launching the fourth biosimilar product by the end of the calendar year of 2023. This is a great progress to achieve FY2025 strategic target.

3. 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) and is actively engaged in finding a development partner.

III. Outlook

No changes in FY2023 financial forecasts disclosed on May 12, 2023.

IV. Financial statements and notes to financial statements

(A) Balance sheet

(in thousand yen)

	As of the end of the previous fiscal year (March 31, 2023)	As of the end of the current fiscal quarter (June 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	1,067,162	624,513
Trade receivables	1,088,766	170,945
Products	213,007	258,596
In-process inventory	422,308	868,494
Advance payments	821,536	821,533
Other current assets	84,373	103,056
Total current assets	3,697,155	2,847,139
Non-current assets		
Tangible fixed assets	1,476	1,437
Intangible fixed assets	2,297	2,105
Investments and other assets	193,836	193,760
Total non-current assets	197,609	197,303
Total assets	3,894,765	3,044,442
Liabilities		
Current liabilities		
Trade payables	155,563	53,348
Long-term debts to be repaid within one year	375,000	375,000
Account payable	482,286	311,156
Income taxes payable	32,680	16,484
Other current liabilities	10,308	11,232
Total current liabilities	1,055,839	767,221
Non-current liabilities		
Convertible bonds	500,000	500,000
Long-term debts	1,075,000	975,000
Reserve for retirement allowance	30,420	33,375
Total non-current liabilities	1,605,420	1,508,375
Total liabilities	2,661,259	2,275,596
Shareholders' equity		
Shareholders capital		
Common stock	1,509,497	1,511,685
Capital surplus	10,815,098	10,817,286
Retained earnings	-11,287,004	-11,757,633
Treasury stock	-73	-73
Total shareholders capital	1,037,518	571,265
Equity warrants	195,987	197,581
Total shareholders' equity	1,233,505	768,846
Total liabilities and shareholders' equity	3,894,765	3,044,442

(B) Income statement
(Quarterly cumulative period)

(in thousand yen)

	Previous quarterly cumulative period (April 1, 2022 to June 30, 2022)	This quarterly cumulative period (April 1, 2023 to June 30, 2023)
Gross sales	610,878	45,979
Cost of goods sold	292,703	853
Gross profit	318,175	45,126
Selling, general and administrative expenses		
Research and development expenses	105,490	312,535
Other expenses	250,676	187,640
Total selling, general and administrative expenses	356,167	500,175
Operating loss	-37,991	-455,049
Non-operating income		
Material Sale income	-	2,089
Miscellaneous income	360	7
Non-operating expenses	360	2,096
Non-operating expenses		
Interest expense	3,924	10,830
Interest on corporate bonds	-	779
Stock issuance expenses	164	148
Loan arrangement fee paid	30,000	-
Foreign exchange loss	8,931	5,615
Total non-operating expenses	43,020	17,373
Ordinary loss	-80,652	-470,326
Net loss for the quarter before taxes adjustments	-80,652	-470,326
Corporate, residential and enterprise taxes	302	302
Total corporate and other taxes	302	302
Net loss for the quarter	-80,954	-470,629

(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 18th series of convertible bonds with exercise price adjustment clause

The Company resolved at the Board of the Directors meeting on July 10, 2023 to issue the 18th series of convertible bonds with exercise price adjustment clause and payment for the issuance was completed on July 26, 2023.

Outline of the 18th series of stock acquisition rights

(1)	Closing date (Issuance date)	July 26,2023
(2)	Subscription for shares and issuing method	Allottee: CVI Investments, Inc. Issuing method: By the method of third-party allocation
(3)	Number of issuances	150,000 units
4)	Types of shares subject to stock acquisition rights	Ordinary stock
(5)	Number of shares subject to stock acquisition rights	15,000,000 shares
(6)	Total amount of issue price of stock acquisition rights	JPY 22,800,000
(7)	Exercise price	JPY 152 per share
(8)	Amount (Value of property to be contributed when exercising the stock acquisition rights)	JPY 3,247,800,000*
(9)	Exercise price and exercise price adjustment clause	<p>Initial exercise price: JPY 215. 15,000,000 common shares (100 shares per unit of the stock acquisition rights)</p> <p>There is no upper limit of exercise price, and the minimum exercise price is JYP 119.</p> <p>The exercise price of the 18th stock acquisition rights shall be determined by August 3, 2023 as the first revision date, and every Thursday thereafter (hereinafter referred to as the "18th stock acquisition rights amendment date"). If the amount rounded up to the nearest 1 yen of an amount equivalent to 90% of the lowest volume weighted average price of ordinary trading of the KWB's common stock on the Tokyo Stock Exchange on each of the fifteen consecutive trading days prior to the adjustment day.</p> <p>If the revised exercise price on the date of correction is less than the minimum exercise price (JPY 119), the exercise price shall be the minimum exercise price.</p>
(10)	Exercise period	From July 7, 2023 to January 27, 2026
(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	For securing the working capital of biosimilar business

*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.

