

November 8, 2023

**Summary of Financial Results for the Second 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  
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 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 Ending March 31, 2024 (April 1, 2023 – September 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	%
Second quarter of the fiscal year ending Mar. 31, 2024	581	-47.9	-719	-	-744	-	-780	-
Second quarter of the fiscal year ended Mar. 31, 2023	1,116	-	11	-	-42	-	-42	-

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of the fiscal year ending Mar. 31, 2023	-24.10	-
Second quarter of the fiscal year ended Mar. 31, 2022	-1.36	-

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2023	3,193	1,075	27.9
As of Mar. 31, 2023	3,894	1,233	26.6

(Reference) Shareholders' equity

Second quarter of the fiscal year ending March 31, 2024: 892 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	-	0.00			
Fiscal year ending Mar. 31, 2024 (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, 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	-	-45.23

(Notes)

Changes to the most recent forecasted dividend amount: 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, 2024: 35,857,613 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 second quarter 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 second quarter of the fiscal year ending March, 2024: 32,378,63 shares

At the second quarter of the fiscal year ended March, 2023: 31,445,380 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

### (1) Business updates

As for the second quarter of FY2023 financial results, the sales was 581,870 thousand yen (47.9% decrease from the same quarter of the previous year), R&D expenses was 546,693 thousand yen (117.1% increase from the same quarter of the previous year), operational loss was 719,658 thousand yen (operational profit in the same quarter of the previous year was 11,137 thousand yen), ordinary loss was 744,646 thousand yen (ordinary loss in the same quarter of the previous year was 42,082 thousand yen) and net loss for the current fiscal year was 780,251 thousand yen (net loss for the previous fiscal quarter was 42,687 thousand yen).

#### ①Cell 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, the clinical research initiated by Nagoya University for cerebral palsy patients is planned to be launched by the end of 2023 and the first patient was enrolled in October, 2023. The preparation for starting the clinical research is well progressing.

As a result of these accomplishments, as the probabilities of licensing out SHED pipelines to business partners which we had been contacting has been increasing, we will strengthen partnering activities envisioning a company-led clinical trial to be started from 2025 onwards.

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.

#### ②Biosimilar 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, Mochida pharmaceutical Co., Ltd. which the Company had been collaborating with since December, 2016 received manufacturing and sales approval for GBS-010 (Pegfilgrastim biosimilar) September 25, 2023 and it will be launched within 2023. In addition to the additional indication of Ranibizumab biosimilar which should contribute to the further sales growth of Ranibizumab biosimilar, this is a great progress to achieve FY2025 strategic target.

#### ③New 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) in December, 2022 and is actively engaged in finding a development partner.

### (2) Outlook

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

## 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, 2023)	As of the end of the current fiscal quarter (June 30, 2023)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,067,162	622,231
Trade receivables	1,088,766	578,193
Products	213,007	258,596
In-process inventory	422,308	671,905
Advance payments	821,536	816,463
Other current assets	84,373	84,468
<b>Total current assets</b>	<b>3,697,155</b>	<b>3,031,859</b>
Non-current assets		
Tangible fixed assets	1,476	1,398
Intangible fixed assets	2,297	1,913
Investments and other assets	193,836	158,665
<b>Total non-current assets</b>	<b>197,609</b>	<b>161,978</b>
<b>Total assets</b>	<b>3,894,765</b>	<b>3,193,837</b>
<b>Liabilities</b>		
Current liabilities		
Trade payables	155,563	56,672
Long-term debts to be repaid within one year	375,000	425,000
Account payable	482,286	199,698
Income taxes payable	32,680	34,624
Other current liabilities	10,308	15,439
<b>Total current liabilities</b>	<b>1,055,839</b>	<b>731,434</b>
Non-current liabilities		
Convertible bonds	500,000	500,000
Long-term debts	1,075,000	850,000
Reserve for retirement allowance	30,420	37,290
<b>Total non-current liabilities</b>	<b>1,605,420</b>	<b>1,387,290</b>
<b>Total liabilities</b>	<b>2,661,259</b>	<b>2,118,724</b>
<b>Shareholders' equity</b>		
Shareholders capital		
Common stock	1,509,497	1,827,120
Capital surplus	10,815,098	11,132,721
Retained earnings	-11,287,004	-12,067,255
Treasury stock	-73	-73
<b>Total shareholders capital</b>	<b>1,037,518</b>	<b>892,512</b>
Equity warrants	195,987	182,600
<b>Total shareholders' equity</b>	<b>1,233,505</b>	<b>1,075,113</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,894,765</b>	<b>3,193,837</b>

## (B) Income statement

(Quarterly cumulative period)

(in thousand yen)

	Previous quarterly cumulative period (April 1, 2022 to September 30, 2022)	This quarterly cumulative period (April 1, 2023 to September 30, 2023)
Gross sales	1,116,111	581,870
Cost of goods sold	420,954	351,901
Gross profit	695,156	229,968
Selling, general and administrative expenses		
Research and development expenses	251,787	546,693
Other expenses	432,230	402,933
Total selling, general and administrative expenses	684,018	949,627
Operating loss (-)	11,137	-719,658
Non-operating income		
Interest income	5	3
Material Sale income	2,250	2,289
Miscellaneous income	360	7
Total Non-operating income	2,615	2,299
Non-operating expenses		
Interest expense	13,664	18,842
Interest on corporate bonds	676	1,836
Stock issuance expenses	389	1,277
Loan arrangement fee paid	30,000	-
Foreign exchange loss	10,553	4,813
Casualty loss	551	517
Total non-operating expenses	55,835	27,287
Ordinary loss (-)	-42,082	-744,646
Extraordinary loss		
Valuation loss on investment securities	-	35,000
Total extraordinary loss	-	35,000
Net loss for the quarter before taxes adjustments (-)	-42,082	-779,646
Corporate, residential and enterprise taxes	605	605
Total corporate and other taxes	605	605
Net loss for the quarter (-)	-42,687	-780,251

## (C) Quarterly Statement of consolidated cash flows

(in thousand yen)

	Previous quarterly cumulative period (April 1, 2022 to September 30, 2022)	This quarterly cumulative period (April 1, 2023 to September 30, 2023)
<b>Cash flows from operating activities</b>		
Net loss for the year before taxes adjustments (-)	-42,082	-779,646
Cash flows from operating activities	466	460
Gain/loss on valuation of securities (- means increase)	-	35,000
Increase/decrease in reserve for loss on orders (- means decrease)	-475,243	-
Interest or dividends received	-5	-3
Interest expense	13,664	18,842
Bond interest	676	1,836
Commission paid	30,000	-
Changes in trade receivables (- means increase)	-188,842	510,573
Changes in inventory (- means increase)	270,537	-295,186
Changes in advance payments (- means increase)	-259,746	5,073
Changes in trade payables (- means decrease)	71,865	-98,891
Changes in accrued expenses (- means decrease)	-60,810	-283,330
Changes in contract liabilities (- means increase)	-216,000	-
Other changes	167,330	22,699
Sub-total	-688,189	-862,571
Interest and dividends received	5	3
Interest payment	-19,607	-13,372
Payment of corporate and other taxes	-1,210	-1,210
Cash flows from operating activities	-709,001	-877,150
<b>Cash flows from investing activities</b>		
Purchase of investment securities	-50,000	-
Proceeds from the collection of loans from affiliates	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	-175,000
Income from issuance of shares by warrants exercise	-	584,420
Proceeds from issuance of convertible bonds	499,720	-
Proceeds from issuance of warrants	-	22,800
Other changes	1,610	-
Cash flows from financing activities	1,446,330	432,220
Increase/decrease in cash and cash equivalents (- means decrease)	713,584	-444,930
Cash and cash equivalents at the beginning of the year	1,160,934	1,067,162
Cash and cash equivalents at the end of the quarter	1,874,518	622,231

## (D) 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)

During the cumulative period of the second quarter, the 7<sup>th</sup>, 8<sup>th</sup>, 12<sup>th</sup> and 18<sup>th</sup> series of stock acquisition rights were exercised. As a result, capital and capital reserve increased by 317,622 thousand yen respectively, and as of the end of the second quarter of the fiscal year, capital was 1,827,120 thousand yen and capital reserve was 11,132,721 thousand yen.

(Important subsequent event)

With regard to the 18th series of stock acquisition rights (with an exercise price amendment clause) issued by the Company on July 26, 2023 through a third-party allotment, the following rights were exercised between October 1, 2023 and October 31, 2023.

(1) Number of exercised stock acquisition rights	14,700 shares
(2) Types and number of issued shares	Ordinary stock, 1,470,000 shares
(3) Total cash amount by stock acquisition rights (warrants) exercise	202,580 thousand yen
(4) Increase in capital	102,407 thousand yen
(5) Increase in capital reserve	102,407 thousand yen

(Note)

1. Increase in capital and capital reserve include the transferred amount of 1,117 thousand yen respectively.
2. As a result of issuance of shares by exercising stock acquisition rights, number of issued shares is 37,309,113 shares, capital is 1,929,527 thousand yen and capital reserve is 11,235,128 thousand yen.

## III. Others

Important events regarding the going concern assumption

Although the operating surplus in the biosimilars business is secured, which is the Company's core business, the periodic profit and loss resulted in negative due to our investment in R&D in the cell therapy business (regenerative medicine).

Regarding the needs for working capital to expand biosimilar business and research activities in the cell therapy business, in addition to the cash flow from the biosimilars business, the Company borrows from financial institutions, and conducts fundraising activities necessary for business continuity in a timely manner by issuing convertible bond and stock acquisition rights through third-party allotment. Although the operating deficit continued in the cumulative period of this quarter, which raises doubts about the assumption of a going concern, the Company believes that there are no material uncertainties regarding the going concern assumptions.