

February 7, 2024

**Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2024**  
**(Non-consolidated)**  
**(Excerpt from Japanese version)**

**[Japanese GAAP]**

Company name:	Kidswell Bio Corporation	Listing:	Tokyo Stock Exchange
Stock code:	4584	URL:	<a href="https://www.kidswellbio.com/en/">https://www.kidswellbio.com/en/</a>
Representative:	Shinya Kurebayashi, President & CEO		
Contact:	Takahiro Kurihara, Director, Corporate Planning Dept. Corporate Strategy Div. Tel: +81-3-6222-9547		
Scheduled date of filing of Annual Securities Report:	February 14, 2024		
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 – December 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	%
Third quarter of the fiscal year ending Mar. 31, 2024	1,566	-9.3	-667	-	-712	-	-747	-
Third quarter of the fiscal year ended Mar. 31, 2023	1,726	-	-135	-	-194	-	-194	-

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of the fiscal year ending Mar. 31, 2024	-21.80	-
Third quarter of the fiscal year ended Mar. 31, 2023	-6.18	-

## (2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2023	5,198	1,443	24.6
As of Mar. 31, 2023	3,894	1,233	26.6

(Reference) Shareholders' equity

Third quarter of the fiscal year ending March 31, 2024: 1,276 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	-	-43.87

(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 the period (including treasury shares)

At the third quarter of the fiscal year ending March, 2024: 38,427,113 shares

At the end of the fiscal year ended March, 2023: 32,059,713 shares

b. Number of treasury shares at the end of the period

At the third 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 third quarter of the fiscal year ending March, 2024: 34,290,700 shares

At the third quarter of the fiscal year ended March, 2023: 31,522,423 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 third quarter of FY2023 financial results, the sales was 1,566,742 thousand yen (9.3% decrease from the same quarter of the previous year), R&D expenses was 807,465 thousand yen (39.4% increase from the same quarter of the previous year), operational loss was 667,025 thousand yen (operational profit in the same quarter of the previous year was 135,523 thousand yen), ordinary loss was 712,858 thousand yen (ordinary loss in the same quarter of the previous year was 194,023 thousand yen) and net loss for the current fiscal year was 747,400 thousand yen (net loss for the previous fiscal quarter was 194,930 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, the probabilities of licensing out SHED pipelines to business partners has been increasing and the Company 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.

As the Company’s announcement released on January 12, 2024, the Company resolved the establishment of a new company, S-Quatre Corporation, through an incorporation-type company split in the cell therapy business on the scheduled effective date of April 1, 2024 at the Board of Directors meeting.

#### 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 was launched in November 2023. 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.

In July 2023, the Company issued stock acquisition rights (with an exercise price amendment clause) through a third-party allotment for the purpose of allocating the funds to support the above-mentioned increase in production in the biosimilars business and raised a total of approximately 900 million yen at the end of the third quarter of the fiscal year. In addition, in December 2023, the Company borrowed 600 million yen from Mizuho Bank for working capital for the Company’s biosimilars business.

Regarding future R&D funding, the Company will consider and select appropriate financing methods according to the characteristics of each business in addition to a fund from a part of continuous profits from the biosimilars business. For enhancing the pipelines and establishing a stable revenue base, the Company's will develop the R&D activities while considering the prioritization of products to be developed.

(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 (December 31, 2023)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,067,162	2,186,682
Trade receivables (Net amount)	1,088,766	481,855
Products	213,007	187,960
In-process inventory	422,308	1,149,405
Advance payments	821,536	819,463
Other current assets	84,373	211,444
<b>Total current assets</b>	<b>3,697,155</b>	<b>5,036,812</b>
Non-current assets		
Tangible fixed assets	1,476	1,359
Intangible fixed assets	2,297	1,722
Investments and other assets	193,836	158,641
<b>Total non-current assets</b>	<b>197,609</b>	<b>161,723</b>
<b>Total assets</b>	<b>3,894,765</b>	<b>5,198,535</b>
<b>Liabilities</b>		
Current liabilities		
Trade payables	155,563	72,334
Long-term debts to be repaid within one year	375,000	550,000
Account payable	482,286	213,943
Income taxes payable	32,680	22,909
Advance received	-	1,117,774
Other current liabilities	10,308	11,421
<b>Total current liabilities</b>	<b>1,055,839</b>	<b>1,988,383</b>
Non-current liabilities		
Convertible bonds	500,000	500,000
Long-term debt	1,075,000	1,225,000
Reserve for retirement allowance	30,420	41,610
<b>Total non-current liabilities</b>	<b>1,605,420</b>	<b>1,766,610</b>
<b>Total liabilities</b>	<b>2,661,259</b>	<b>3,754,993</b>
<b>Shareholders' equity</b>		
Shareholders capital		
Common stock	1,509,497	2,002,610
Capital surplus	10,815,098	11,308,210
Retained earnings	-11,287,004	-12,034,404
Treasury stock	-73	-73
<b>Total shareholders capital</b>	<b>1,037,518</b>	<b>1,276,342</b>
Equity warrants	195,987	167,199
<b>Total shareholders' equity</b>	<b>1,233,505</b>	<b>1,443,541</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,894,765</b>	<b>5,198,535</b>

(B) Income statement  
(Quarterly cumulative period)

(in thousand yen)

	Previous quarterly cumulative period (April 1, 2022 to December 31, 2022)	This quarterly cumulative period (April 1, 2023 to December 31, 2023)
Gross sales	1,726,862	1,566,742
Cost of goods sold	654,042	703,808
Gross profit	1,072,819	862,934
Selling, general and administrative expenses		
Research and development expenses	579,055	807,465
Other expenses	629,287	722,493
Total selling, general and administrative expenses	1,208,342	1,529,959
Operating loss	-135,523	-667,025
Non-operating income		
Interest income	5	3
Material Sale income	2,250	2,939
Miscellaneous income	360	7
Total non-operating income	2,615	2,949
Non-operating expenses		
Interest expense	23,251	26,536
Interest on corporate bonds	1,464	2,367
Stock issuance expenses	1,482	2,209
Loan arrangement fee paid	30,000	12,000
Foreign exchange loss	4,364	5,149
Casualty loss	551	520
Total non-operating expenses	61,115	48,782
Ordinary loss (-)	-194,023	-712,858
Extraordinary income		
Reversal of stock acquisition rights	-	3,307
Total extraordinary income	-	3,307
Extraordinary loss		
Valuation loss on investment securities	-	35,000
Total extraordinary loss	-	35,000
Net loss for the quarter before taxes adjustments (-)	-194,023	-744,550
Corporate, residential and enterprise taxes	907	2,850
Total corporate and other taxes	907	2,850
Net loss for the quarter (-)	-194,930	-747,400

## (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)

During the cumulative period of the second quarter, the 7<sup>th</sup>, 8<sup>th</sup>, 12<sup>th</sup>, 14<sup>th</sup> and 18<sup>th</sup> series of stock acquisition rights were exercised. As a result, capital and capital reserve increased by 493,112 thousand yen respectively, and as of the end of the third quarter of the fiscal year, capital was 2,002,610 thousand yen and capital reserve was 11,308,210 thousand yen.

(Notes on Significant Post-Balance Sheet Events)

(Establishment of a subsidiary in the cell therapy business (regenerative medicine))

The Company resolved the establishment of a new company, S-Quatre Corporation, on the scheduled effective date of April 1, 2024 at the Board of Directors meeting on January 12, 2024.

## (1) Purpose of the incorporation-type company split

To realize the Mid-Term Strategic Plan - KWB2.0 -, the Company is optimizing management resources through selection and concentration, and is restructuring the organization for the speedy and reliable execution of business strategies under the leadership of Shinya Kurebayashi, CEO. As a part of the restructuring the organization, the Company has decided to separate the cell therapy business and establish an independent new company for the purpose of flexible financing and promoting each business and further visualizing the improvement of business value. With the incorporation-type company split, the Company will focus on its biosimilars business as its core business, and the new company will be a single entity of the cell therapy business. Therefore, in addition to further optimizing management resources in both companies, it will be possible to accelerate the growth of each business by diversifying financing methods according to the projects. Furthermore, the Company will pursue the visualization of improving business value in both companies by showing growth in KWB's biosimilars business, and by promoting a wider range of partnering and the acquisition of various subsidies in the new company.

The new company aims to create the world's first SHED (Stem cells from Human Exfoliated Deciduous teeth) cell and gene therapy products based on S-Quatre<sup>®</sup> (SHED Source Supply Service), a platform for the stable supply of SHED.

S-Quatre<sup>®</sup> is a stable SHED raw material supply system from registration of donors, who provide their deciduous teeth, to the production of SHED master cell banks. Through S-Quatre<sup>®</sup>, the Company has already completed manufacturing a SHED master cell bank in compliance with GCTP and GMP, which are the safety and quality standards for medicines in Japan. In the current situation where many domestic pharmaceutical companies, not just cell therapy, depend on raw materials from overseas, S-Quatre<sup>®</sup>, which enables a stable supply of domestic raw materials, will be a great advantage for partnering together with the progress of clinical development of SHED. The new company will continue to promote the R&D activities and clinical development for the practical application of SHED with S-Quatre<sup>®</sup>.

## (2) Outline of the subsidiary

(1) Company name	S-Quatre Corporation
(2) Location	1-2-12, Shinkawa, Chuo-ku, Tokyo, 104-0033, Japan
(3) CEO	Yasuyuki Mitani (Chief Scientific Officer of KWB)
(4) Business Activities	Cell therapy (regenerative medicine) business
(5) Amount of capital	5,000 thousand yen
(6) Scheduled establishment	April 1, 2024
(7) Major shareholders and their shareholding ratios	Kidswell Bio Corporation 100%



### 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.