

November 5, 2021

**Summary of Consolidated Financial Results  
for the Second Quarter of the Fiscal Year Ending March 31, 2022**

**[Japanese GAAP]**

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

Scheduled date of filing of Annual Securities Report: November 10, 2021  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for financial results: Yes  
 Holding of financial results meeting: Yes (for institutional investors and analysts)

*(All amounts are rounded down to the nearest million yen)*

**1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022  
(April 1, 2021 – September 30, 2021)**

(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 attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter of the fiscal year ending Mar.31, 2022	740	324.5	-450	-	-463	-	-463	-
Second quarter of the fiscal year ended Mar. 31, 2021	174	-44.4	-682	-	-693	-	-696	-

(Note) Comprehensive income

Second quarter of the fiscal year ending Mar. 31, 2022: -414 million yen (-%)

Second quarter of the fiscal year ended Mar. 31, 2021: -605 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of the fiscal year ending Mar.31, 2022	-15.30	-
Second quarter of the fiscal year ended Mar. 31, 2021	-24.49	-

(Note)

Even though there is a calculation of dilutive shares available, there is no reporting on quarterly 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 September 30, 2022	3,859	1,9 98	48.0
As of March 31, 2021	3,933	1,610	38.0

(Reference) Shareholders' equity

Second quarter of the fiscal year ending Mar.31, 2022: 1,853 million yen,

Fiscal year ended Mar. 31, 2021: 1,494million 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, 2021	-	0.00	-	0.00	0.00
Fiscal year ending Mar. 31, 2022	-	0.00			
Fiscal year ending Mar. 31, 2022 (forecasts)			-	0.00	0.00

(Note) Changes to the most recent forecasted dividend amount: None

**3. Consolidated Business Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2020 – March 31, 2021)**

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	1,900	90.7	-1,720	-	-1,740	-	-1,323	-	-42.91

(Note) Changes to the most recent forecasted dividend amount: None

Forecast for the fiscal year is only described as the Company controls business performance on an annual basis.

**\* Notes**

- Changes in significant subsidiaries during the period (change in specified subsidiaries which accompanies a change in the range of consolidation): None
- Special accounting treatments used in preparation of financial statements of the quarter: None
- Changes in accounting policies and accounting-based estimates, and restatements
  - Changes in accounting policies due to revisions in accounting standards, others: Yes
  - Changes in accounting policies other than a) above: None
  - Changes in accounting-based estimates: None
  - Restatements: None
- Number of outstanding shares (common stock)
  - Number of shares outstanding at the end of period (including treasury shares)
    - At the end of second quarter of the fiscal year ending March, 2022: 31,434,047 shares
    - At the end of second quarter of the fiscal year ended March, 2021: 29,622,847 shares
  - Number of treasury shares at the end of period
    - At the end of second quarter of the fiscal year ending March, 2022: 92 shares
    - At the end of second quarter of the fiscal year ended March, 2021: 92 shares
  - Average number of shares outstanding during the period
    - At the end of second quarter of the fiscal year ending March, 2022: 30,270,727 shares
    - At the end of second quarter of the fiscal year ended March, 2021: 28,424,005 shares

\*This summary report on Kidswell Bio's financial statements is not subject to audit procedures.

(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 "I. Overview of business results for the current fiscal quarter" on page 4 and 5 of the attachments for forecast assumptions and notes of caution for usage.

(How to obtain supplemental financial information)

Materials for the supplemental financial information is available on the Company's website (<https://www.kidswellbio.com/en/>).

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## I. Overview of business results for the current fiscal quarter

### A. Explanation of business results

The Company made a new start as Kidswell Bio Corporation from July 1, 2021. As Gene Techno Science Co., Ltd. the Company successfully established a basis of our solid and stable growth in the biosimilar business. With such success, the Company are striving for further growth by exploring the new biologics and regenerative medicine business. The Company will challenge pediatric disease as a new field, in addition to intractable and rare diseases on which the Company has also been focusing for R&D. With the Company's biotech expertise and children's potential vital force such as SHED ((stem cell human exfoliated deciduous teeth) and CSC (cardiac stem cells), the Company envision creating new pharmaceuticals and therapeutics for all people. Under "Kids Well, All Well" we will make our goal come true.

#### 1. Biosimilar Business

Following the sales of the neutropenia medicine "Filgrastim BS" by Fuji Pharmaceutical Co., Ltd. and Mochida Pharmaceutical Co., Ltd., the biosimilar of darbepoetin alfa jointly developed with Sanwa Kagaku Kenkyusho Co., Ltd., has been on sale since November 27, 2019. The Company continues stable sales by receiving royalties according to the sales of this products. 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 approval of manufacturing and sales in Japan from the Ministry of Health, Labour and Welfare on September 27, 2021.

#### 2. New Biologics Business

In the new biologics business, the Company entered into a joint research 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. As the Company mentioned in the mid-term strategic plan From FY2021 to FY2025, the Company is promoting research and development of Malignant lymphoma, Vasculitis, Pulmonary Hypertension and partnering activities as the Company's target pipelines.

#### 3. New Biotech Business

To succeed in the regenerative medicine business, the Company has been aggressively promoting multiple projects collaborative research and business partnering with academies as well as companies by utilizing SHED and CSC as important research sources. Regarding SHED, multiple academies and companies have evaluated the possibility of providing new treatment methods in such as bone and neurologic disease. Especially, effectiveness of SHED in non-clinical studies has been shown in multiple SHED pipelines, and alliances and licensing-out with pharmaceutical companies will be accelerating.

Regarding CSC, the Company is accelerating the development activity of regenerative medicine (project name JRM-001), mainly targeting single ventricle physiology, which is a serious heart disease of children. After Japan Tissue Engineering Co., Ltd. (J-TEC) joined as a manufacturing partner, development of JRM-001 significantly accelerates with plenty of J-TEC's achievements in commercializing products of regenerative medicine from the patient's tissue. Furthermore, JRM-001 was designated as the orphan regenerative medicine products by the Ministry of Health, Labor and Welfare.

As progress of a designer cell as reinforced cell therapy utilizing SHED for the Company's future growth strategy, the Company executed a collaborative research agreement with NanoCarrier Co., Ltd. (NanoCarrier) for the development of a gene transfer method with effective mRNA for SHED and verification of the effectiveness of gene transfer designer SHED by combining SHED with a gene delivery technology Nanomicelles owned by Nanocarrier. Regarding the development of Master Cell Bank (MCB), which is the basis for commercializing SHED as a product for regenerative medicine, the Company has been collaborating with "ChiVo Net, Child Volunteer Network for Future Medical", Tokyo University of Tokyo Hospital and Showa University Dental Hospital. With the completion of SHED source supply system with the above collaboration, the Company started manufacturing the master cell bank at the GMP / GCTP manufacturing facility of Nikon CeLL innovation Co., Ltd. The Company continues to promote research and development of regenerative medicine in collaboration with academies and companies.

As a result, the sales amount was 740,635 thousand yen (324.5% decrease from the same quarter of the previous year), operational loss was 450,932 thousand yen (682,725 thousand yen in the same quarter of the previous year), ordinary loss was 463,616 thousand yen (693,599 thousand yen in the same quarter of the previous year) and net loss attributable to owners of the parents for the current fiscal quarter was 463,221 thousand yen (696,079 thousand yen in the same quarter of the previous year). There is no impact on business performance due to the COVID-19 pandemic for the current quarterly consolidated cumulative period.

## II. Financial statements and notes to financial statements

## (A) Consolidated balance sheet

(in thousand yen)

	As of the end of the previous fiscal year (March 31, 2021)	As of the end of 2Q FY2021 (September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,461,158	974,242
Trade receivables	816,737	752,902
Products	70,712	98,719
In-process inventory	380,039	617,437
Advance payments	431,718	575,136
Other current assets	185,943	185,002
<b>Total current assets</b>	<b>3,346,310</b>	<b>3,203,440</b>
Non-current assets		
Tangible fixed assets	3,223	2,425
Intangible fixed assets	2,622	2,277
Investments and other assets		
Investment securities	563,159	632,690
Other assets	18,636	18,228
<b>Total investments and other assets</b>	<b>581,795</b>	<b>650,919</b>
<b>Total non-current assets</b>	<b>587,641</b>	<b>655,622</b>
<b>Total assets</b>	<b>3,933,952</b>	<b>3,859,062</b>
<b>Liabilities</b>		
Current liabilities		
Trade payables	109,739	114,534
Income taxes payable	28,461	32,629
Reserve for loss on orders	379,243	475,243
Other current liabilities	596,875	411,672
<b>Total current liabilities</b>	<b>1,114,319</b>	<b>1,034,080</b>
Non-current liabilities		
Convertible bonds	500,000	100,000
Long-term debts	600,000	600,000
Allowance for retirement benefits	19,755	15,495
Other non-current liabilities	89,491	110,768
<b>Total non-current liabilities</b>	<b>1,209,246</b>	<b>826,263</b>
<b>Total liabilities</b>	<b>2,323,566</b>	<b>1,860,343</b>
<b>Shareholders' equity</b>		
Shareholders' capital		
Common stock	1,032,179	1,419,557
Capital surplus	10,337,779	10,725,157
Retained earnings	-10,078,706	-10,541,928
Treasury stock	-73	-73
<b>Total shareholders capital</b>	<b>1,291,179</b>	<b>1,602,713</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	202,965	251,220
<b>Total accumulated other comprehensive income</b>	<b>202,965</b>	<b>251,220</b>
Equity warrants	116,240	144,785
<b>Total shareholders' equity</b>	<b>1,610,385</b>	<b>1,998,718</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,933,952</b>	<b>3,859,062</b>

## (B) Statement of consolidated income and comprehensive income

(Statement of consolidated income)

(Quarterly Consolidated Cumulative Period)

(in thousand yen)

	As of the end of 2Q FY2020 (April 1 to September 30, 2020)	As of the end of 2Q FY2021 (April 1 to September 30, 2021)
Gross sales	174,487	740,635
Cost of goods sold	39,964	275,700
Gross profit	134,523	464,935
Selling, general and administrative expenses		
Research and development expenses	403,208	532,689
Other expenses	414,040	383,178
Total selling, general and administrative expenses	817,249	915,868
Operating loss (-)	-682,725	-450,932
Non-operating income		
Interest income	36	6
Foreign exchange loss	103	—
Income from sale of materials	—	1,650
Miscellaneous income	669	47
Total non-operating income	809	1,704
Non-operating expenses		
Interest expense	7,985	7,761
Stock issuance expenses	2,959	4,127
Foreign exchange loss	—	2,264
Miscellaneous loss	737	235
Total non-operating expenses	11,682	14,387
Ordinary loss (-)	-693,599	-463,616
Extraordinary gain		
Reversal of equity warrant	—	1,144
Total extraordinary gain	—	1,144
Extraordinary loss		
Loss on retirement of fixed assets	0	—
Impairment loss	1,449	—
Total extraordinary loss	1,449	—
Net loss for the year before taxes adjustments (-)	-695,048	-462,471
Corporate, residential and enterprise taxes	1,031	750
Total corporate and other taxes	1,031	750
Net loss for the quarter (-)	-696,079	-463,221
Net loss attributable to owners of the parents for the quarter (-)	-696,079	-463,221

(Statement of consolidated comprehensive income)

(Quarterly consolidated cumulative period)

(in thousand yen)

	As of the end of t2Q FY2020 (April 1 to September 30, 2020)	As of the end of 2Q FY2021 (April 1 to September 30, 2021)
Net loss for the quarter (-)	-696,079	-463,221
Other comprehensive income		
Valuation difference on available-for-sale securities	90,615	48,255
Total other comprehensive income	90,615	48,255
Comprehensive income for the quarter	-605,464	-414,966
(breakdown)		
Comprehensive income attributable to owners of the parent	-605,464	-414,966
Comprehensive income attributable to non-controlling interests	—	—

## (C) Quarterly Statement of consolidated cash flows

(in thousand yen)

	As of the end of 2Q FY2020 (April 1 to September 30, 2020)	As of the end of 2Q FY2021 (April 1 to September 30, 2021)
<b>Cash flows from operating activities</b>		
Net loss for the year before taxes adjustments (-)	-695,048	-462,471
Depreciation expenses	561	1,143
Impairment loss	1,449	—
Increase/decrease in reserve for loss on orders (- means decrease)	24,000	96,000
Interest or dividends received	-36	-6
Interest expense	7,985	7,761
Changes in trade receivables (- means increase)	576,630	63,834
Changes in inventory (- means increase)	-48,508	-265,404
Changes in advance payments (- means increase)	34,673	-143,418
Changes in trade payables (- means decrease)	11,442	4,795
Changes in accrued expenses (- means decrease)	-22,547	-187,418
Other changes	15,082	36,715
Sub-total	-94,317	-848,468
Interest and dividends received	36	6
Interest payment	-7,927	-7,846
Payment of corporate and other taxes	-2,430	-1,500
Cash flows from operating activities	-104,638	-857,808
<b>Cash flows from investing activities</b>		
Purchase of Intangible fixed assets	-3,254	—
Other payments	-2,600	—
Cash flows from investing activities	-5,854	—
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings (- means decrease)	-25,000	—
Proceeds from issuance of convertible bonds	599,710	—
Proceeds from issuance of stocks through exercising equity warrants	—	370,892
Proceeds from issuance of equity warrants	4,774	—
Cash flows from investing activities	579,484	370,892
Effect of exchange rate changes on cash and cash equivalents	—	—
Increase/decrease in cash and cash equivalents (- means decrease)	468,991	-486,916
Cash and cash equivalents at the beginning of the year	2,032,575	1,461,158
Cash and cash equivalents at the end of the quarter	2,501,566	974,242