

February 4, 2022

**Summary of Consolidated Financial Results for the Third Quarter of  
the Fiscal Year Ending March 31, 2022 (Extracted 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: February 14, 2022  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for financial results: Yes  
 Holding of financial results meeting: None (for institutional investors and analysts)

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

**1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2022  
(April 1, 2021 – December 31, 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	%
Third quarter of the fiscal year ending Mar.31, 2022	1,383	91.9	-432	-	-460	-	-94	-
Third quarter of the fiscal year ended Mar. 31, 2021	720	-1.7	-647	-	-660	-	-670	-

(Note) Comprehensive income

Third quarter of the fiscal year ending Mar. 31, 2022: -297 million yen (-%)

Third quarter of the fiscal year ended Mar. 31, 2021: -617 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of the fiscal year ending Mar.31, 2022	-3.08	-
Third quarter of the fiscal year ended Mar. 31, 2021	-23.43	-

(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 December 31, 2021	3,900	2,137	50.6
As of March 31, 2021	3,933	1,610	38.0

(Reference) Shareholders' equity

Third quarter of the fiscal year ending Mar.31, 2022: 1,972 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, 2021 – March 31, 2022)**

(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 forecasts: 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 third quarter of the fiscal year ending March, 2022: 31,435,047 shares
    - At the end of third 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 third quarter of the fiscal year ending March, 2022: 92 shares
    - At the end of third quarter of the fiscal year ended March, 2021: 92 shares
  - Average number of shares outstanding during the period
    - At the end of third quarter of the fiscal year ending March, 2022: 30,660,203 shares
    - At the end of third quarter of the fiscal year ended March, 2021: 28,632,218 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 are 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 is 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 envisions creating new pharmaceuticals and therapeutics for all people. Under "Kids Well, All Well" we will make our goal come true.

In addition, regarding the transition to the new market segments of Tokyo Stock Exchange from April 2022, the Company resolved to apply for the Growth Market at the Board of Directors Meeting held on December 10, 2021, and disclosed the Company's business plans for realizing further growth. The Company will proceed with the procedures for the application of the Growth Market according to the schedule of the Tokyo Stock Exchange, Inc.

#### 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 an approval of manufacturing and sales in Japan from the Ministry of Health, Labour and Welfare on September 27, 2021 and had it launched in the market on December 9, 2021. This is the third biosimilar product of the Company and is expected to contribute to the Company's stable business foundation as a revenue source.

#### 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 early-stage new biologics pipeline.

#### 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 has been shown in non-clinical studies of the multiple SHED pipelines, and activities of alliances and licensing-out with pharmaceutical companies have been moving forward steadily.

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.

For the Company's future growth strategy, as the progress of a designer cell (reinforced cell therapy utilizing SHED), the Company executed a collaborative research agreement with NanoCarrier Co., Ltd. (NanoCarrier) on September 8, 2021, and a 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. 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. In addition, the Company executed a business alliance agreement with Metcela Inc. (Metcela) on January 19, 2022 for accelerating the regenerative medicine business of KWB and Metcela by combining management resources, knowledge and technologies in the regenerative medicine field.

As a result, the sales amount was 1,383,239 thousand yen (91.9% increase from the same quarter of the previous year), operational loss was 432,958 thousand yen (647,405 thousand yen in the same quarter of the previous year), ordinary loss was 460,046 thousand yen (660,897 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 94,401 thousand yen (670,897 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 3Q FY2021 (December 31, 2021)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,461,158	1,253,307
Trade receivables	816,737	909,765
Products	70,712	119,056
In-process inventory	380,039	693,857
Advance payments	431,718	545,749
Other current assets	185,943	200,743
<b>Total current assets</b>	<b>3,346,310</b>	<b>3,722,479</b>
Non-current assets		
Tangible fixed assets	3,223	2,025
Intangible fixed assets	2,622	3,255
Investments and other assets		
Investment securities	563,159	154,672
Other assets	18,636	18,123
<b>Total investments and other assets</b>	<b>581,795</b>	<b>172,795</b>
<b>Total non-current assets</b>	<b>587,641</b>	<b>178,077</b>
<b>Total assets</b>	<b>3,933,952</b>	<b>3,900,557</b>
<b>Liabilities</b>		
Current liabilities		
Trade payables	109,739	32,008
Income taxes payable	28,461	78,034
Reserve for loss on orders	379,243	475,243
Other current liabilities	596,875	459,292
<b>Total current liabilities</b>	<b>1,114,319</b>	<b>1,044,579</b>
Non-current liabilities		
Convertible bonds	500,000	100,000
Long-term debts	600,000	600,000
Allowance for retirement benefits	19,755	18,105
Other non-current liabilities	89,491	—
<b>Total non-current liabilities</b>	<b>1,209,246</b>	<b>718,105</b>
<b>Total liabilities</b>	<b>2,323,566</b>	<b>1,762,684</b>
<b>Shareholders' equity</b>		
Shareholders' capital		
Common stock	1,032,179	1,420,030
Capital surplus	10,337,779	10,725,630
Retained earnings	-10,078,706	-10,173,107
Treasury stock	-73	-73
<b>Total shareholders capital</b>	<b>1,291,179</b>	<b>1,972,479</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	202,965	—
<b>Total accumulated other comprehensive income</b>	<b>202,965</b>	<b>—</b>
Equity warrants	116,240	165,393
<b>Total shareholders' equity</b>	<b>1,610,385</b>	<b>2,137,872</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,933,952</b>	<b>3,900,557</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 3Q FY2020 (April 1 to December 31, 2020)	As of the end of 3Q FY2021 (April 1 to December 31, 2021)
Gross sales	720,859	1,383,239
Cost of goods sold	86,186	458,501
Gross profit	634,673	924,737
Selling, general and administrative expenses		
Research and development expenses	600,660	770,421
Other expenses	681,417	587,275
Total selling, general and administrative expenses	1,282,078	1,357,696
Operating loss (-)	-647,405	-432,958
Non-operating income		
Interest income	42	6
Foreign exchange loss	1,424	—
Income from sale of materials	—	1,650
Miscellaneous income	779	47
Total non-operating income	2,245	1,704
Non-operating expenses		
Interest expense	11,868	11,653
Stock issuance expenses	3,203	4,205
commission paid	—	6,998
Foreign exchange loss	—	5,696
Miscellaneous loss	746	237
Total non-operating expenses	15,818	28,792
Ordinary loss (-)	-660,977	-460,046
Extraordinary gain		
Profits on Investment securities sold	—	417,736
Reversal of equity warrant	—	1,144
Total extraordinary gain	—	418,881
Extraordinary loss		
Loss on retirement of fixed assets	0	—
Loss on sales of stocks of subsidiaries and affiliate	7,064	—
Impairment loss	1,449	—
Total extraordinary loss	8,513	—
Net loss for the year before taxes adjustments (-)	-669,491	-41,165
Corporate, residential and enterprise taxes	1,406	53,236
Total corporate and other taxes	1,406	53,236
Net loss for the quarter (-)	-670,897	-94,401
Net loss attributable to owners of the parents for the quarter (-)	-670,897	-94,401

(Statement of consolidated comprehensive income)

(Quarterly consolidated cumulative period)

(in thousand yen)

	As of the end of 3Q FY2020 (April 1 to December 31, 2020)	As of the end of 3Q FY2021 (April 1 to December 31, 2021)
Net loss for the quarter (-)	-670,897	-94,401
Other comprehensive income		
Valuation difference on available-for-sale securities	53,541	-202,965
Total other comprehensive income	53,541	-202,965
Comprehensive income for the quarter (breakdown)	-617,356	-297,367
Comprehensive income attributable to owners of the parent	-617,356	-297,367
Comprehensive income attributable to non-controlling interests	—	—