

May 14, 2024

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

[Japanese GAAP]

Company name:	Kidswell Bio Corporation	Listing:	Tokyo Stock Exchange
Stock code:	4584	URL:	https://www.kidswellbio.com/en/
Representative:	Shinya Kurebayashi, President & CEO		
Contact:	Takahiro Kurihara, Director, Corporate Planning Dept., Corporate Strategy Div.		
	Tel: +81-3-6222-9547		
Scheduled date of Annual General Meeting of Shareholders:	June 26, 2024		
Scheduled date of filing of Annual Securities Report:	June 27, 2024		
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 Ended March 31, 2024 (April 1, 2023 – March 31, 2024)**

(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 ended March 31, 2024	2,431	-12.4	-1,335	-	-1,389	-	-1,422	-
Fiscal year ended March 31, 2023	2,776	76.9	-550	-	-624	-	-657	-

	Net income per share	Diluted net income per share	Return on Equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2024	-40.23	-	-166.6	-30.9	-54.9
Fiscal year ended March 31, 2023	-20.77	-	-51.4	-17.0	-19.8

(Reference) Equity Gains (Losses) of Affiliated Companies

Fiscal year ended Mar 31, 2024: - million yen (- %)

Fiscal year ended Mar 31, 2023: - million yen (- %)

(Note)

1. 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	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	5,085	831	13.2	21.35
As of March 31, 2023	3,894	1,233	26.6	32.36

(Reference) Shareholders' equity

Fiscal year ended March 31, 2024: 669 million yen Fiscal Year ended March 31, 2023: 1,037 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million Yen	Million Yen
As of March 31, 2024	-453	-	1,617	2,231
As of March 31, 2023	-1,421	-28	1,356	1,067

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (Consolidated)	Dividend on net assets
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
Fiscal year ended March 31, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2024	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2025 (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, 2024 – March 31, 2025)

(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	3,500–4,500	43.9–85.0		-		-		-	

(Note)

KWB will transition to consolidated accounting beginning with the fiscal year ending March 31, 2025 (FY2024). For FY2024, only net sales will be disclosed as a full-year forecast in a range format. For details on operating income, ordinary income, and net income, please refer to “III. Outlook” on page 5 and 6 of the attachments for forecast assumptions and notes of caution for usage. Since the Company primarily manages its business on an annual basis, only the full-year forecast is presented.

*** 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 ended March, 2024: 38,939,913 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: 94 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: 35,344,906 shares
 - At the third quarter of the fiscal year ended March, 2023: 31,654,192 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. Please refer to “III. Outlook” on page 5 and 6 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. Financial Results in FY2023

As for FY2023 financial results, the sales was 2,431,236 thousand yen (12.4% decrease compared to the previous fiscal year), operational loss was 1,335,597 thousand yen (operational loss for the previous fiscal year was 550,929 thousand yen), ordinary loss was 1,389,601 thousand yen (ordinary loss for the previous fiscal year was 624,769 thousand yen) and net loss for the current fiscal year was 1,422,078 thousand yen (net loss for the previous fiscal year was 657,434 thousand yen).

II. Business updates in FY2023

1. Biosimilar business

KWB is working to commercialize biosimilars that have the same quality, safety, and efficacy as originator biopharmaceuticals in order to reduce the financial burden on patients to continue treatment and to sustain the health insurance system by reducing medical costs. The biosimilars market is expected to grow continuously due to 1) the increased development of biopharmaceuticals by major pharmaceutical companies and the expiration of patent and post-marketing review periods, which will provide opportunities for new biosimilars to enter the market, 2) the establishment of a target by the Ministry of Health, Labor and Welfare (MHLW) to promote the use of biosimilars, and 3) new medical fees to promote of the use of biosimilars.

KWB has been involved in the development of four of the 18 biosimilars currently approved in Japan. As a result of the first-in-class launch of all four products, KWB's sales revenue from the launched products has grown to a level that generates more profit than the company's general and administrative expenses (excluding R&D expenses) or fixed costs, and is expected to generate stable and continuous revenue over the medium term. Therefore, we have positioned this business as an important business that supports the maximization of corporate value through both stability and growth, a strategy characteristic of a bio-venture company.

In FY2023, the additional indication for Ranibizumab BS (GBS-007) and the launch of Pegfilgrastim BS (GBS-010) in September 2023, as originally planned, were approved, establishing a business foundation for further revenue growth in the future. On the other hand, net sales decreased compared to the previous year. This was due to 1) the impact of declining drug prices resulting from annual NHI price revisions from 2021 on Filgrastim BS (GBS-001), Darbepoetin alfa BS (GBS-011), and GBS-007, which are already on the market, 2) the postponement of some of the biosimilars scheduled for delivery in FY2023 to FY2024 due to adjustments in the manufacturing schedule of the contract manufacturer, and 3) the change in payment terms for some of the biosimilars, such as a temporary direct payment of manufacturing costs from the partner pharmaceutical company to the contract manufacturer.

2. Cell therapy (regenerative medicine) business

Based on the technology of Advanced Cell Technology and Engineering Ltd. acquired in March 2019, KWB is engaged in R&D of innovative regenerative medicine using SHEDs that can be collected from healthy donor deciduous teeth, positioning this as a growth business that will support a dramatic increase in our enterprise value. Cell therapy (regenerative medicine) is expected to be able to treat intractable and rare diseases for which there are no effective treatments. In 2012, Professor Shinya Yamanaka and his colleagues at Kyoto University received the Nobel Prize in Physiology or Medicine for their discovery of iPS cells, which has led to significant progress in applied research and industrialization efforts.

Since SHED is derived from pediatric tissue, it is younger and has higher proliferative potential than MSCs derived from bone marrow or adipose tissue, which have been extensively studied, making it possible to produce a large volume of regenerative medicine from a single deciduous tooth. In addition, since deciduous teeth are stably and continuously available in Japan, they can be used as raw materials for regenerative medical products in a more stable manner than regenerative medical products derived from overseas donors.

Since 2019, we have been pursuing the science of SHED and developing manufacturing methods for regenerative medicine using SHED as a raw material through our own research and collaborative research with partner companies and academia. In March 2020, the Ministry of Economy, Trade and Industry (METI) issued the "Guidance for the Supply of Human (Allogeneic) Cell Raw Materials (First Edition)" (the second edition was published in March 2021), which outlines the legal, ethical, and social issues involved in the supply of human cell raw materials for the manufacture of regenerative medicine. As a result, the manufacturing of a master cell bank (MCB) was completed in August 2022, and efforts for clinical development of regenerative medicine using this MCB are steadily progressing. In addition, by utilizing a series of systems (S-Quatre®) established in this process, from the recruitment of deciduous tooth donors to tooth extraction at affiliated medical institutions and MCB production at GMP facilities, we are working to develop MCB not only for our own pipeline, but also for other companies developing regenerative medicine and cell therapy-related products such as exosomes, etc.

SHED (SQ-SHED: name changed from KWB-SHED with the establishment of S-Quatre, a wholly owned subsidiary of KWB on April 1, 2024) generated by our proprietary method shows a different gene expression pattern than MSCs derived from other tissues or other SHEDs generated by general methods. In particular, we found that high gene expression related to nerve growth, angiogenesis and cell migration, as is the production of related protein trophic factors. In addition, we confirmed that SQ-SHED indeed strongly promotes these biological activities in cell function assays and animal models, and filed a patent application in

October 2022.

We have been conducting research on cerebral palsy and bone diseases for which therapeutic effects can be expected by taking advantage of the above features of SQ-SHED. As a result, a clinical trial for cerebral palsy led by Nagoya University, our collaborative research partner, was initiated in FY2023, and the first patient was enrolled in October 2023. In addition, we are preparing to manufacture an investigational product using MCB and are consulting with the Pharmaceuticals and Medical Devices Agency (PMDA) with the aim of submitting a clinical trial plan by the end of FY2025. In addition, in March 2024, as a first step toward entering overseas markets, we completed production of MCB in accordance with US FDA standards. We will conduct preparatory activities mainly for conducting clinical trials in the US.

III. Outlook

As there remains a possibility that the main components of sales and their factors may change in FY2024, we are disclosing our sales forecast in the range of 3.5 to 4.5 billion yen for FY2024. KWB intends to announce operating income, ordinary income and net income once various discussions and adjustments with partner companies and contract manufacturers of biosimilar API have been completed and reliable information can be disclosed.

On January 12, 2024, we announced that our Cell Therapy (Regenerative Medicine) business will be transferred to a newly established company, S-Quatre Corporation, through an incorporation-type corporate separation effective April 1, 2024. Through this company split, KWB will focus on the biosimilars business as its core business, while the newly established company will be a single business company specializing in cell therapy, thereby further optimizing the management resources of both organizations and diversifying financing methods in accordance with the characteristics of each business to promote the growth of each business.

In addition, the newly established company, which will promote the cell therapy (regenerative medicine) business, will pursue a wider range of partnering and acquisition of various grants in order to visualize the increase in business value of both businesses.

From FY2024, we will focus our management resources on the biosimilars business and the cell therapy (regenerative medicine) business. We will promote R&D activities based on a medium- to long-term strategy to maximize stable and continuous earnings in the biosimilars business, which is our revenue base, while aiming for rapid commercialization of innovative regenerative medicine in the cell therapy (regenerative medicine) business, which is our growth base.

In the biosimilars business, major R&D expenses for FY2024 will include continued investment to strengthen the manufacturing system to maintain a stable supply of GBS-007 and GBS-010, for which market demand is expected to far exceed our initial expectations, as well as cost reduction measures to improve profitability in response to significant overseas price increases and the continued depreciation of the yen. We also plan to start the development of new biosimilars to further strengthen our revenue base.

In the cell therapy (regenerative medicine) business, in addition to ongoing clinical research at Nagoya University, we plan to invest in clinical trials for SHED, for which we aim to submit a clinical trial plan by the end of FY2025, and in the development of a mass culture process for late-stage clinical trials and stable supply after product launch. In addition, KWB plans to invest in the transition of 2nd generation SHED to the development stage, including the development of manufacturing methods.

In terms of financial resources for capital and liquidity of funds, our basic policy is to ensure stable liquidity of funds by conducting business activities other than research and development expenses within the scope of sales revenues, etc. generated by marketed products in the biosimilars business. However, in FY2023, based on the demand forecast of partner pharmaceutical companies, which has been revised upward in response to the growth of GBS-007 and GBS-010 at a pace far exceeding their respective initial demand assumptions, KWB is proceeding with additional API manufacturing. In response to rising prices overseas where the APIs are manufactured and the impact of the depreciation of the yen, we issued 1 billion yen of stock acquisition rights in July 2023 through a third-party allocation, excluding unexercised stock acquisition rights, and another 1 billion yen through borrowing from financial institutions, for a total of approximately 2 billion yen. In addition, we are working with our partner companies to review the terms and conditions of business transactions in order to minimize the increase in working capital. As working capital will stabilize once the market share growth has run its course and stabilized, together with the results of the cost reduction measures mentioned above, we expect to be able to fund all business activities, including R&D expenses, with sales from the biosimilars business and other sources.

While we are working to ensure stable cash flows, both the biosimilars business and the cell therapy (regenerative medicine) business must continue to maintain R&D investment based on a medium- to long-term strategy to ensure continued growth. However, as mentioned above, working capital will expand during the period when GBS-007 and GBS-010 are growing significantly, so it is important to obtain R&D funding from external sources in addition to sales revenue from the biosimilars business. From FY2024, KWB will focus on the biosimilars business and its subsidiary S-Quatre Corporation will specialize in the cell therapy (regenerative medicine) business, and both companies will work on their own R&D fundraising tailored to the characteristics of their respective businesses. Specifically, both companies expect to form capital and business alliances with partner companies, obtain upfront contractual payments,

and utilize various types of subsidies, etc. In both the biosimilars business and the cell therapy (regenerative medicine) business, we will also flexibly review pipeline priorities based on the progress and business potential of R&D activities, and through early partnering and other measures to share roles and costs, we will make R&D investments in a balanced manner and reduce R&D investment risks. We will also work to establish a stable financial base without compromising our future growth potential.

At the end of FY2023, KWB has a balance of 3,112,818 thousand yen in cash and deposits and accounts receivable. KWB expects to secure sufficient funds for the implementation of mid-term R&D investments through the exercise of unexercised stock acquisition rights and the conclusion of contracts for some of the discussions with potential partner companies that have been ongoing since FY2023.

IV. Fundamental policy on adoption of the accounting standards

The Group adopts the Japanese Accounting Standards by considering various burdens to prepare financial statements based on the International Financial Reporting Standard.

V. 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 year (March 31, 2024)
Assets		
Current assets		
Cash and cash equivalents	1,067,162	2,231,411
Accounts receivable	1,036,216	881,407
Contract assets	52,550	-
Products	213,007	-
In-process inventory	422,308	875,654
Advance payments	821,536	739,567
Prepaid expenses	11,957	7,930
Other current assets	72,416	188,251
Total current assets	3,697,155	4,924,22
Non-current assets		
Tangible fixed assets		
Building	2,396	2,396
Accumulated depreciation	-957	-1,087
Building (net)	1,438	1,308
Tools, equipment and fixtures	6,492	6,492
Accumulated depreciation	-6,454	-6,480
Tools, equipment and fixtures (net)	37	12
Total tangible fixed assets	1,476	1,320
Intangible fixed assets		
Trademark right	995	879
Software	1,301	650
Total Intangible fixed assets	2,297	1,530
Investments and other assets		
Investment securities	173,218	138,218
Other investments and assets	20,618	20,259
Total Investments and other assets	193,836	158,478
Total non-current assets	197,609	161,329
Total assets	3,894,765	5,085,550
Liabilities		
Current liabilities		
Trade payables	155,563	85,140
Long-term debts to be repaid within one year	375,000	737,040
Account payable	482,286	380,586
Accrued expense	1,262	1,326
Income taxes payable	32,680	39,439
Contract liabilities	-	1,117,774
Deposit	9,046	13,920
Total current liabilities	1,055,839	2,375,227
Non-current liabilities		
Convertible bonds	500,000	500,000
Long-term debts	1,075,000	1,337,960
Reserve for retirement allowance	30,420	40,890
Total non-current liabilities	1,605,420	1,878,850
Total liabilities	2,661,259	4,254,077

(in thousand yen)

	As of the end of the previous fiscal year (March 31, 2023)	As of the end of the current fiscal year (March 31, 2024)
Shareholders' equity		
Shareholders capital		
Common stock	1,509,497	2,036,724
Capital surplus		
Capital reserve	10,815,098	11,342,324
Total capital surplus	10,815,098	11,342,324
Retained earnings		
Other retained earnings		
Earned surplus carried forward to the following term	-11,287,004	-12,709,082
Total retained earnings	-11,287,004	-12,709,082
Treasury stock	-73	-73
Total shareholders capital	1,037,518	669,892
Equity warrants	195,987	161,581
Total shareholders' equity	1,233,505	831,473
Total liabilities and shareholders' equity	3,894,765	5,085,550

(B) Income statement

(in thousand yen)

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Gross sales		
Product sales	2,331,444	2,140,405
Income from intellectual property rights, etc.	248,433	290,830
Income from services	196,363	-
Total gross sales	2,776,241	2,431,236
Cost of goods sold		
Cost of finished goods sold		
Beginning product inventory	200,118	213,007
Procut manufacturing cost of current term	1,263,443	1,178,845
Total cost of finished goods sold	1,463,561	1,391,852
Closing product inventory	213,007	-
Cost of finished goods sold	1,250,553	1,391,852
Total cost of goods sold	1,250,553	1,391,852
Gross profit	1,525,688	1,039,383
Selling, general and administrative expenses		
Depreciation	928	917
R&D expenses	1,216,349	1,453,349
Royalty to be paid	182,930	163,963
Salaries and allowances	255,703	258,302
Other expenses	420,706	498,447
Total selling, general and administrative expenses	2,076,617	2,374,980
Operating loss (-)	-550,929	-1,335,597
Non-operating income		
Interest income	12	8
Material Sale income	2,250	4,339
Miscellaneous income	1,718	2,437
Total non-operating income	3,980	6,785
Non-operating expenses		
Interest expense	32,760	35,651
Interest on corporate bonds	2,076	3,133
Stock issuance expenses	1,790	2,063
Loan arrangement fee paid	31,200	12,000
Foreign exchange loss	9,441	7,421
Miscellaneous loss	551	520
Total non-operating expenses	77,820	60,789
Ordinary loss (-)	-624,769	-1,389,601
Extraordinary gain		
Reversal of equity warrant	-	4,074
Total extraordinary gain	-	4,074
Extraordinary loss		
Loss on valuation of investment securities	31,454	35,000
Total extraordinary loss	31,454	35,000
Net loss for the year before tax adjustment (-)	-656,224	-1,420,527
Corporate, residential and enterprise taxes	1,210	1,551
Total corporate and other taxes	1,210	1,551
Net loss for the year (-)	-657,434	-1,422,078

(C) Statement of cash flows

(in thousand yen)

	Previous fiscal year (April 1, 2022 to March 31, 2023)	Current fiscal year (April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Net loss for the year before taxes adjustments (-)	-656,224	-1,420,527
Depreciation expenses	932	921
Loss on valuation of investment securities (- means increase)	31,454	35,000
Increase/decrease in reserve for loss on orders (- means decrease)	-475,243	-
Interest or dividends received	-12	-8
Interest expense	32,760	35,651
Interest on corporate bonds	2,076	3,133
Commission paid	31,200	12,000
Changes in trade receivables (- means increase)	-626,912	207,359
Changes in inventory (- means increase)	353,498	-240,337
Changes in advance payments (- means increase)	-325,992	81,969
Changes in trade payables (- means decrease)	110,084	-70,423
Changes in accrued expenses (- means decrease)	229,373	-102,485
Changes in contract liability (- means decrease)	-216,000	1,117,774
Other changes	127,006	-82,501
Sub-total	-1,381,999	-422,474
Interest and dividends received	12	8
Interest payment	-38,062	-29,958
Payment of corporate and other taxes	-1,210	-1,210
Cash flows from operating activities	-1,421,259	-453,634
Cash flows from investing activities		
Purchase of Investment securities	-50,000	-
Proceeds from the collection of loans from affiliates	26,254	-
Guarantee deposits	-5,080	-
Cash flows from investing activities	-28,825	-
Cash flows from financing activities		
Proceeds from long-term borrowings (- means decrease)	970,000	1,000,000
Repayment of long-term debt	-150,000	-375,000
Proceeds from issuance of convertible bonds	499,720	-
Proceeds from issuance of stocks through exercising equity warrants	34,694	970,083
Proceeds from issuance of equity warrants	1,898	22,800
Expenses due to acquisition of treasury stock	-0	-0
Cash flows from financing activities	1,356,312	1,617,883
Increase/decrease in cash and cash equivalents (- means decrease)	-93,772	1,164,249
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 year	1,067,162	2,231,411