

Kidswell.Bio

Biotech Striving for Value Creation

- For a Comprehensive Healthcare System for Children, Families, and Society -



**Security Code:
4584**

Financial Results for FY 2023 (Fiscal Year Ending March 31, 2024)

May 14, 2024

Kidswell Bio Corporation

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Agenda

- ◆ **Financial Highlights**
- ◆ **Biosimilars (BS) Business Highlights**
- ◆ **Overview and Progress of S-Quatre**
- ◆ **Growth Strategy**

Financial Highlights

Income statement

(Unit: thousand yen)

Subject	FY2022 4Q Results (non-consolidated)	FY2023		FY2024	
		4Q Results (non-consolidated)	Year-on-year ratio	Full Year Forecast	Progress rate
Gross sales	2,776,241	2,431,236	88%	2,650,000	92%
Cost of goods sold	1,250,553	1,391,852	111%	--	--
Gross profit	1,525,688	1,039,383	68%	--	--
Selling, general and administrative expenses	2,076,617	2,374,980	114%	--	--
R&D expenses	1,216,349	1,453,349	119%	1,350,000	108%
Other expenses	860,268	921,631	107%	--	--
Operating income (- means operating loss)	-550,929	-1,335,597	--	-1,200,000	--
Ordinary income (- means ordinary loss)	-624,769	-1,389,601	--	-1,250,000	--
Net income (- means net loss)	-657,434	-1,422,078	--	-1,300,000	--

- Revenues decreased in FY2023 compared to FY2022 due to the impact of delayed deliveries of some products and temporary changes in payment terms in the BS business, as well as the absence of the impact of revenues related to the completion of the establishment of the master cell bank in the Cell Therapy business, which were recorded in FY2022.
- FY2023 results were below the revised guidance due to frequent changes in the manufacturing schedule and the impact of changes in payment terms for some products that were not fully accounted for.
- Margins are declining due to the rapid depreciation of the yen and rising prices overseas where BS APIs are manufactured.
- Coordinating with contract manufacturers to meet increased demand and improving profitability by reducing manufacturing costs

Balance sheet

(Unit: thousand yen)

Subject	4Q FY2022 (non-consolidated)	4Q FY2023 (non-consolidated)
Current assets	3,697,155	4,924,221
(Cash and cash equivalents)	1,067,162	2,231,411
(Accounts receivable)	1,088,766	881,407
(Products)	213,007	--
(In-process inventory)	422,308	875,654
(Advance payments)	821,536	739,567
(Other current assets)	84,373	196,181
Non-current assets	197,609	161,329
Total assets	3,894,765	5,085,550
Current liabilities	1,055,839	2,375,227
Non-current liabilities	1,605,420	1,878,850
Total liabilities	2,661,259	4,254,077
Total shareholders' equity	1,233,505	831,473
Total liabilities and shareholders' equity	3,894,765	5,085,550

- Cash and cash equivalents improved significantly due to steady progress in the exercise of share acquisition rights and new borrowings from Mizuho Bank and Japan Finance Corporation.
- Manufacturing working capital for the stable supply of BS remains high due to the expected increase in demand for GBS-007 and preparations for the launch and expected increase in demand for GBS-010, which was launched in Nov 2023.
- Aim to improve capital efficiency through cost reduction measures, discussions with partners, etc.

Business forecast for FY2024

(Unit: thousand yen)

Subject	FY2023	FY2024	
	4Q (non-consolidated)	Full-year forecast (consolidated)	Progress rate
Net sales	2,431,236	3,500,000–4,500,000	+43.9%–85.0%
R&D expenses	1,453,349	--	--
Operating income (- means operating loss)	-1,335,597	--	--
Ordinary income (- means ordinary loss)	-1,389,601	--	--
Net income (- means net loss)	-1,422,078	--	--

We will disclose the forecast for net sales only in the form of a range because it is difficult to calculate a reliable forecast for FY2024 at this time for the following reasons:

1. Ongoing following discussions with our partner companies and contract manufacturers in the BS business:
 - ✓ Adjustment of supply prices to partners due to price revision of BS products
 - ✓ Manufacturing prices of BS products (e.g., impact of yen depreciation, labor and material price increases, etc.)
 - ✓ Manufacturing and delivery schedule for BS APIs and formulations
 - ✓ New BS co-development plans
2. Ongoing discussions with cell therapy development partners

We will disclose forecasts for operating income, ordinary income and net income as soon as they are determined.

Biosimilars Business Highlights

Fundamental business generating stable revenues **Kidswell.Bio**

- KWB accumulated experience and know-how and promoted HR development in biopharmaceuticals, the mainstream of global pharmaceutical companies, while many Japanese pharmaceutical companies focused on small molecule drugs
- Launched all four biosimilars in co-development with partner pharmaceutical companies

GBS-001
Filgrastim BS
Approved Nov 2012



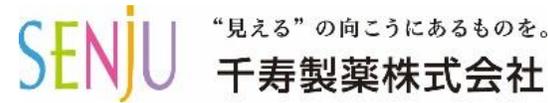
- Biosimilar of Filgrastim, a G-CSF injection for neutropenia, etc.

GBS-011
Darbepoetin alfa BS
Approved Sep 2019



- Biosimilar of Darbepoetin alfa, an erythropoiesis stimulating drug

GBS-007
Ranibizumab BS
Approved Sep 2021



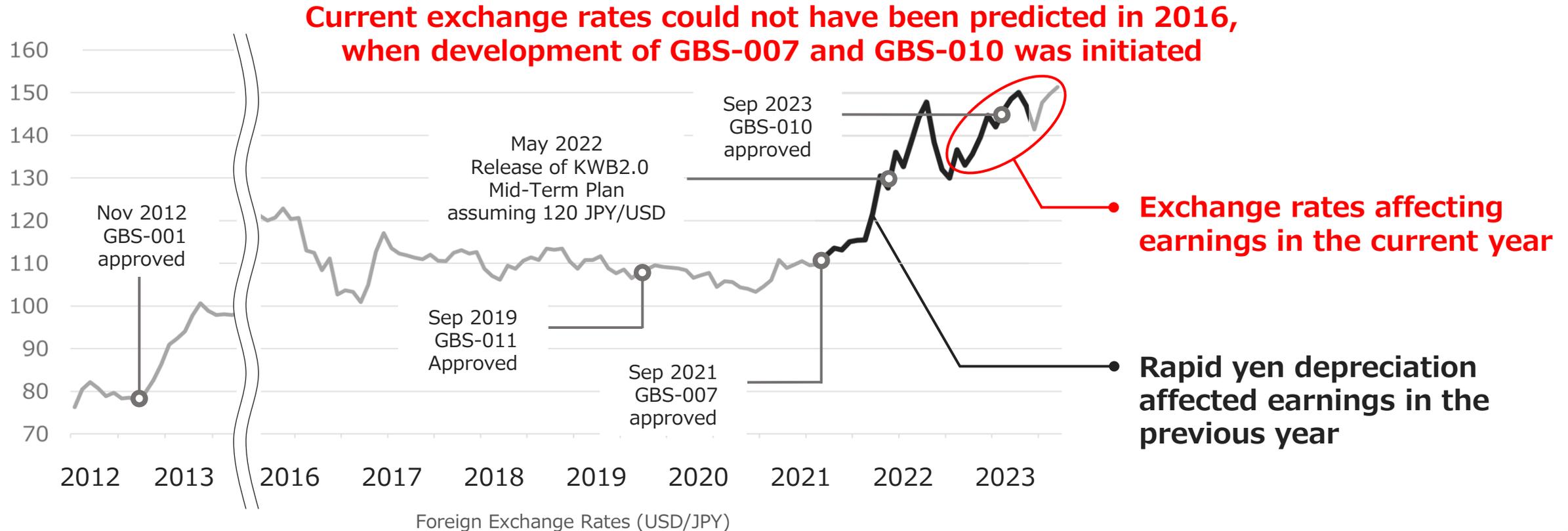
- Biosimilar of Ranibizumab, an anti-VEGF antibody drug
- Strong sales, orders exceeding expectations
- **Additionally approved for macular edema following retinal vein occlusions, covering all indications of the brand-name drug (Sep 2023)**

GBS-010
Pegfilgrastim BS
Approved Sep 2023

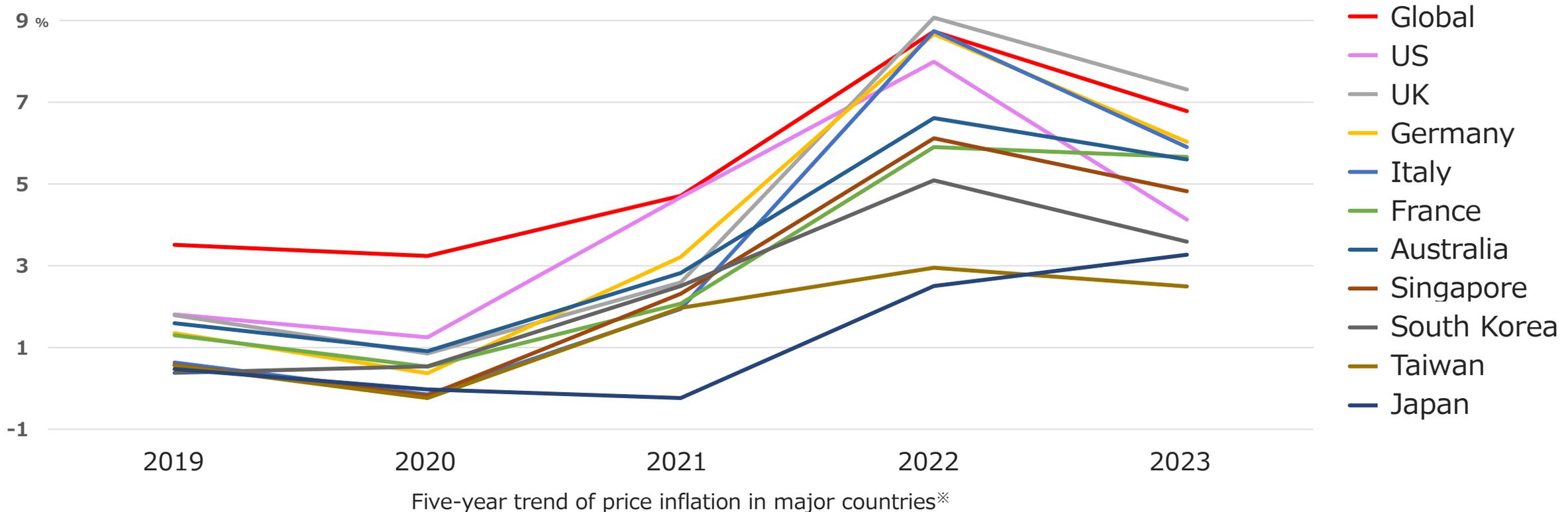


- **Biosimilar of Pegfilgrastim, a sustained G-CSF injection**
- **No other biosimilars approved as of Sep 2023**

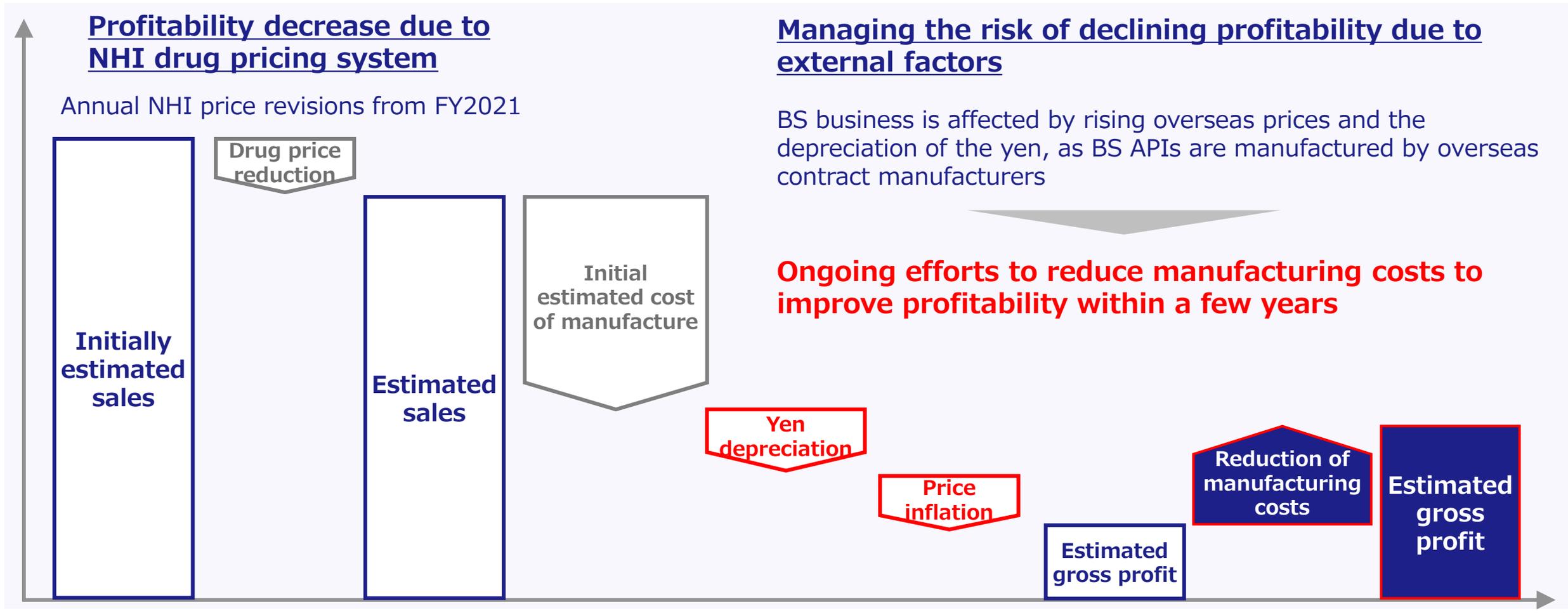
- The rapid depreciation of the yen following the approval of GBS-007 has significantly reduced its profitability
- With the newly launched GBS-010 added to the product mix, a 10 yen change in the exchange rate would affect our profit by approx. 0.5 billion yen per billion yen of annual sales



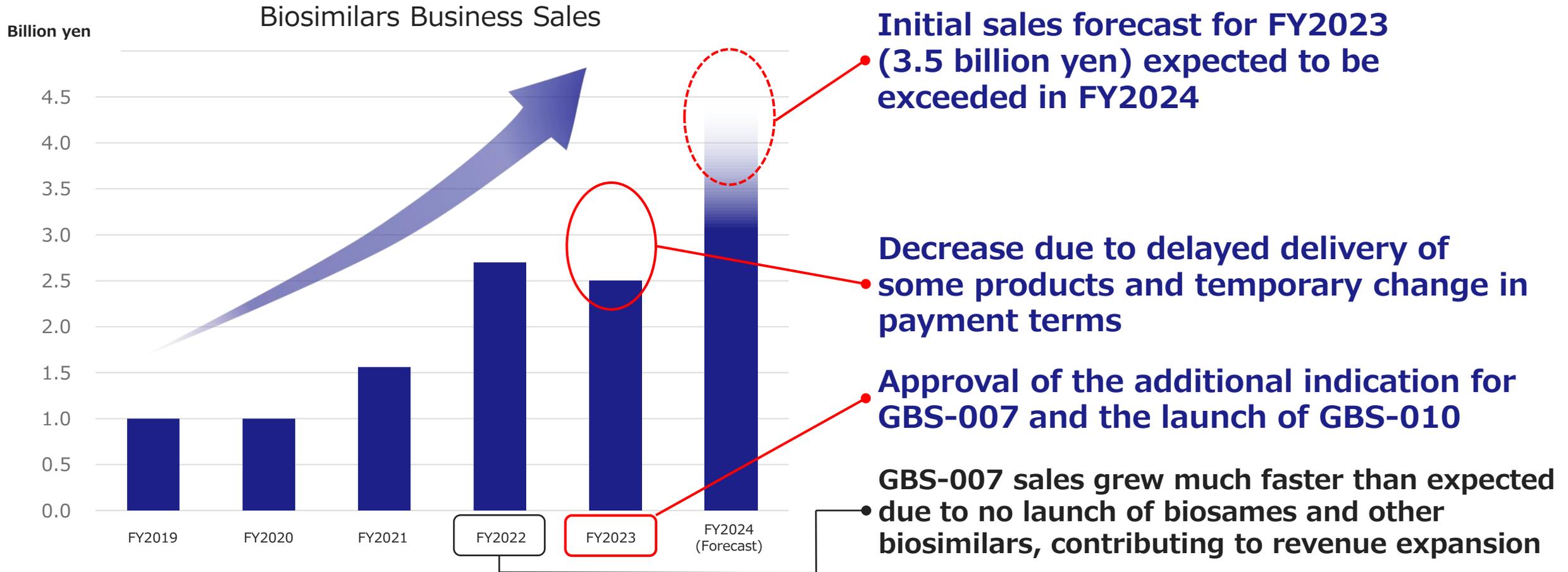
- Global price increases have driven up the cost of labor, supplies and raw materials required to manufacture biosimilars, resulting in lower profitability for the biosimilar business
- Although the pace of price increases is expected to slow, the impact on manufacturing costs is unavoidable in the current fiscal year and beyond



- Improve profitability by reducing manufacturing costs
- Build a revenue base that can withstand changes in the external environment



- Further revenue growth is expected due to approval of the additional indication for GBS-007 and the launch of GBS-010 in September 2023

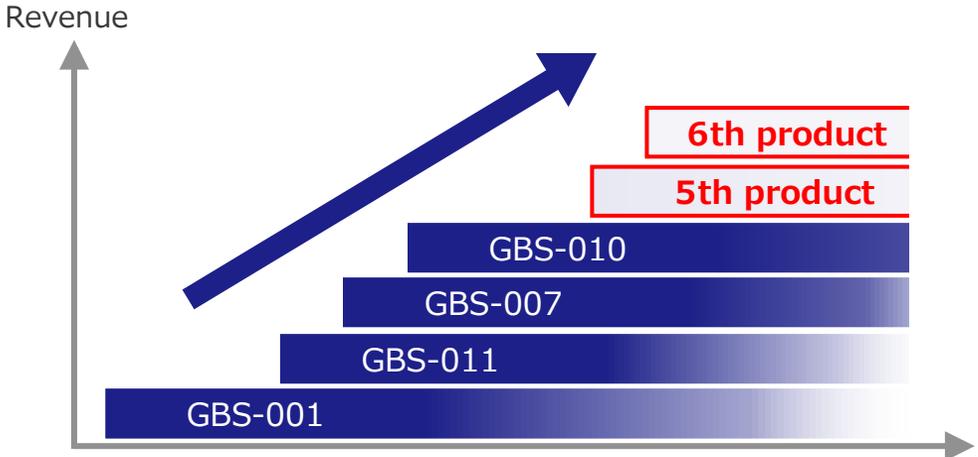


New BS development and future business strategy **Kidswell.Bio**

- Competitive and viable BS candidates selected. Ongoing discussions with several potential co-development partners.
- Ongoing business model transformation to achieve efficient and sustainable growth with limited resources by maximizing our expertise and experience in BS development.

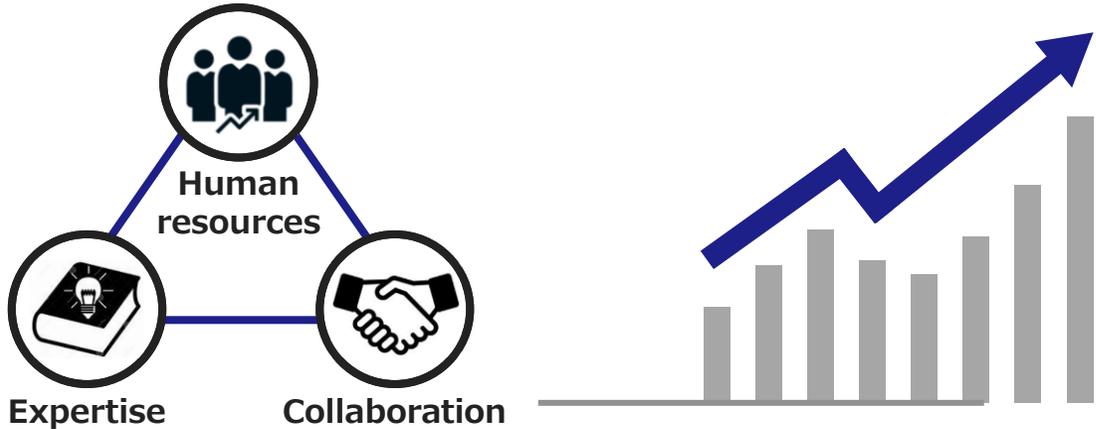
R&D of 5th & 6th products

Aggressive development of new BS to strengthen future revenue base



Future Business Strategy

Improve capital efficiency and drive continued growth by maximizing our resources and expertise



S-Quatre

Power of child's stem cells to fight incurable diseases

Company Profile and Business Progress

S-Quatre Corporation

A Group Company of Kidswell Bio Corporation

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"Create New Cell Therapies for Intractable Diseases with the Power of Child's Stem Cells"

Cerebral palsy (chronic)



(DOI:10.1302/0301-620X.85B2.14066)



(FOUNDATION PARALYSIE CEREBRALE "White Paper on cerebral palsy")

Congenital Isolated Hypoganglionosis



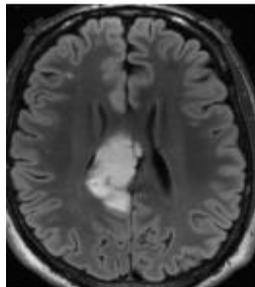
(DOI: 10.7759/cureus.33680)

Spinal cord injury



(DOI:https://doi.org/10.1016/S1474-4422(09)70162-0)

Brain tumor



(DOI: 10.3390/cancers11010111)

Name		S-Quatre Corporation	
Location	Head office	1-2-12 Shinkawa, Chuo-ku, Tokyo	
	Lab	Sapporo Lab (in Hokkaido University) Tokyo Lab (in Mitsui Link-Lab Shinkiba 2)	
Established	April 1, 2024		
Capital	5,000 thousand yen		
CEO Board Members Auditor	Yasuyuki Mitani Masayuki Kawakami, Shinya Kurebayashi Osamu Sugawara		
Group Companies	Kidswell Bio Inc.		
Core business	R&D of novel cell therapy (regenerative medicine) Provision of raw material cells for therapeutic use		

An integrated system from the recruitment of deciduous tooth donors to master cell bank manufacturing

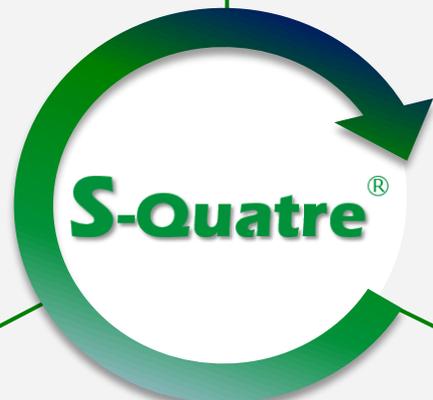
General health check and tooth extraction from donors

The University of Tokyo Hospital
SHOWA University Dental Hospital

- Informed consent
- Donor information collection
- Donor screening
- Tooth extraction



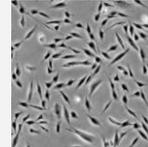
Baby tooth



Master cell bank manufacturing under GMP standards

Nikon CeLL innovation Co., Ltd
(CDMO)

- Isolation and culture of SHED from dental pulp of extracted teeth
- Master cell bank manufacturing



Master cell bank



Stable recruitment of potential deciduous tooth donors

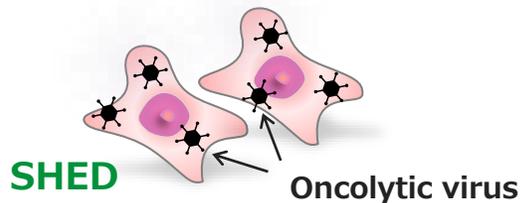
- Master cell bank of allogeneic SHED for clinical/commercial use
- In compliance with "Guidance for the Supply of Human (Allogeneic) Cell Raw Materials" by METI
- Approved by the University of Tokyo Ethics Committee
- GMP/GCTP compliant
- **Meets FDA standards**

SQ-SHED development pipeline

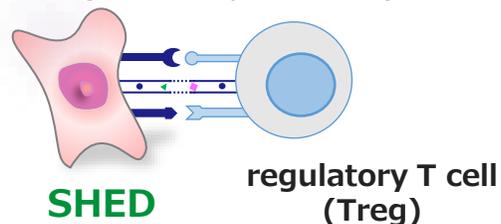
	Indication	Stage			Partner
		Discovery	Pre-Clinical	Clinical	
SQ-SHED	Cerebral palsy (chronic) Development code: GCT-103				Nagoya University Tokyo Medical and Dental University
	Congenital Isolated Hypoganglionosis				Mochida Pharmaceutical Co., Ltd.
	Bone diseases				Hokkaido University
Genetically engineered SQ-SHED	Spinal cord injury				Nagoya University
	Brain tumor				Hamamatsu University School of Medicine

Other Potential Applications

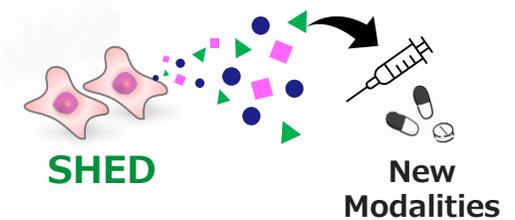
Delivery system for oncolytic viruses
(Indication: cancer)



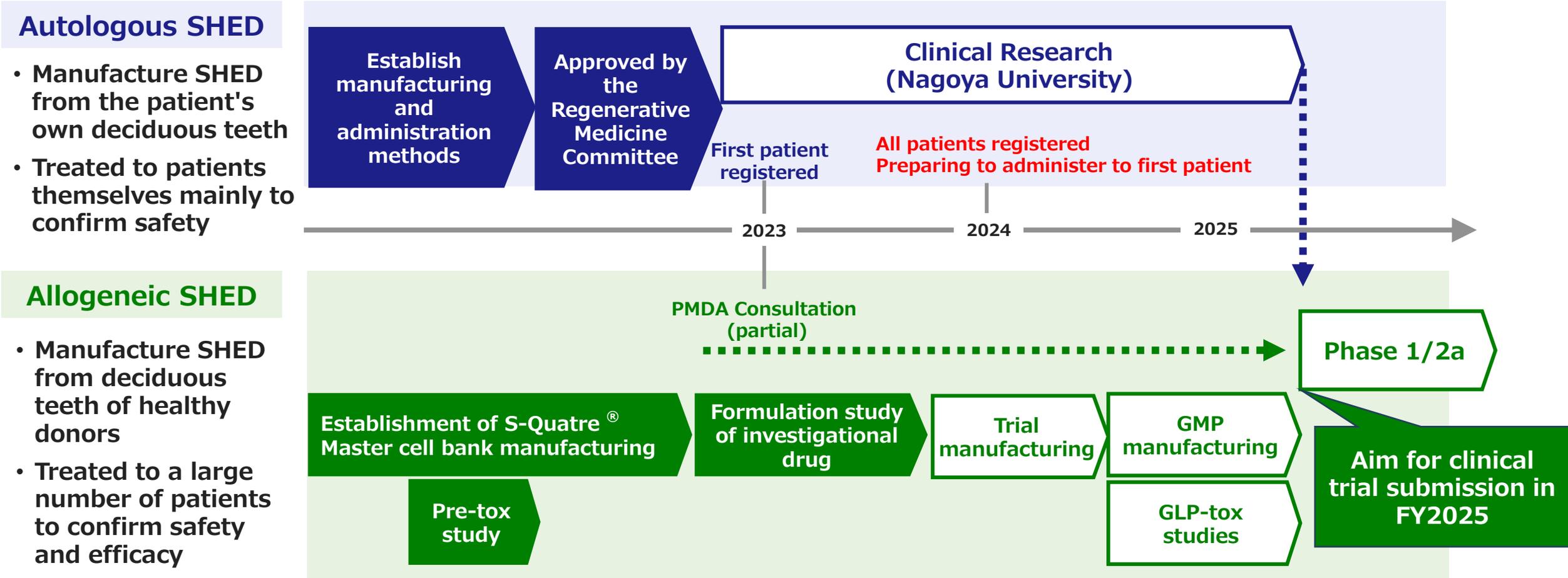
Tool to enhance production of Treg-related drugs
(Indications: autoimmune diseases, organ transplantation)



Raw materials of exosomes, mitochondria, and other new modality products
(Indication: wide range of applications)



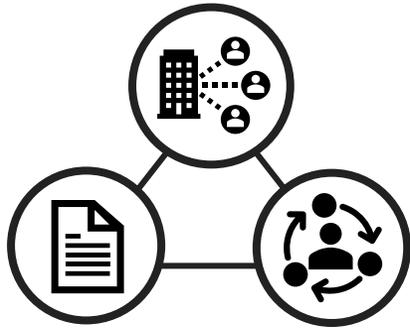
Ongoing discussions with potential partners to finalize an agreement in FY2024



Growth Strategy

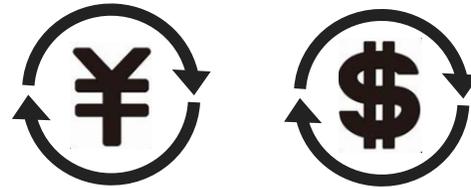
Maximize corporate value, drive stock price recovery and business growth

1. Focus resources



- ✓ Concentrate resources on biosimilars and cell therapy business
- ✓ Structural reforms to strengthen collaboration among BS/Cell therapy businesses and improve the R&D/business environment
- Streamline operations and maximize resources across the organization

2. Optimize financing options



- ✓ Execution of loans from financial institutions
- Fundraising according to the nature and stage of the business
- Fundraising through alliances with partners

3. Visualize business value



- ✓ Improve disclosure system for overseas investors
- Improve the quality of information dissemination to stakeholders
- Increase frequency of media exposure through more aggressive media outreach

Increase corporate value with our partners as a BS development partner with a proven track record and a global leader in SHED drug discovery

Kidswell Bio

Biosimilars Business

- Maximize revenues from the launched four products
- Actively develop the next products
- Transform the business model to maximize our strengths and achieve continuous growth

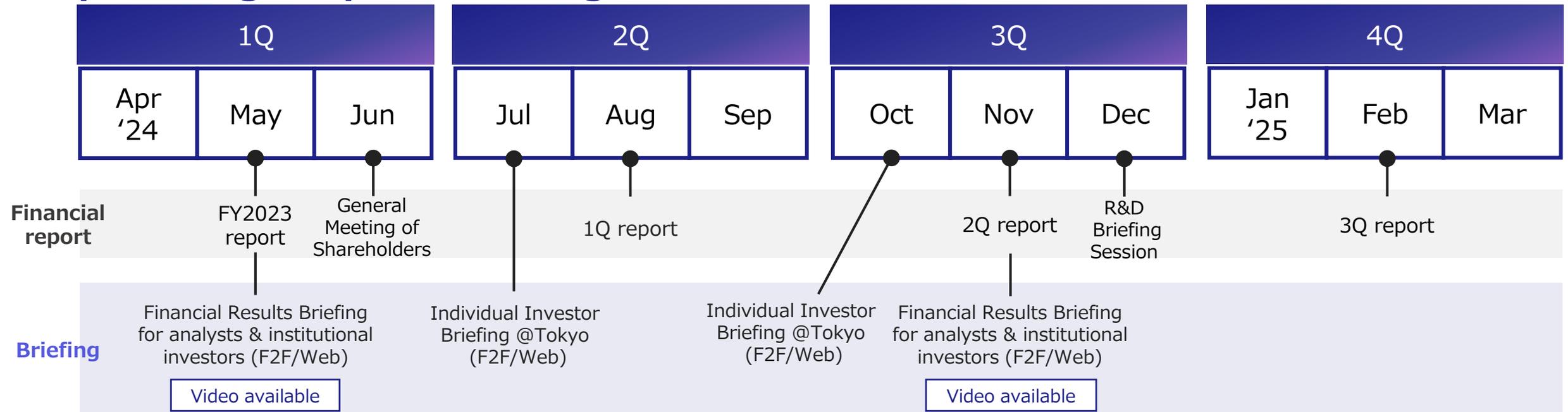
S-Quatre

Cell Therapy Business

- Out-license SHED to partners
- Promote R&D of genetically engineered SHED
- Maximize the value of S-Quatre®, a stable supply platform for cellular raw materials

IR Basic Policy

- Improve communication with shareholders and investors to enhance their understanding of KWB and enable them to evaluate KWB appropriately
- Improve the quality of the information provided instead of simply providing frequent briefings



KWB will continue to distribute supplemental explanatory videos on news releases and business activities as needed, and actively participate in IR and other events to provide information

KIDS WELL, ALL WELL

All for Kids, Kids for All

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Information provided in this material may contain so-called “forward-looking statements.” These statements are based on current expectations, forecasts, and assumptions that are subject to risks and uncertainties, which could cause actual outcomes and results to differ materially from these statements. Risks and uncertainties include success rate of R&D projects, new regulations and rules, relations with partners in the future, etc.

This material includes information on pharmaceutical products and regenerative medicine (or related products), etc., which is being developed or launched. However, this is not intended to promote our products or provide medical advice.