

Financial Results

for the First Quarter of Fiscal Year Ending March 31, 2025

August 14, 2024

Kidswell Bio Corporation



Agenda

- ◆ **Financial Highlights**
- ◆ **Initiatives in Maximizing Corporate Value**

Financial Highlights

Income Statement

(Unit: thousand yen)

Subject	FY2023	FY2024		1Q Results KWB Non-consolidated (non-consolidated)
	1Q Results (non-consolidated)	1Q Results (consolidated)	Year-on- year ratio	
Gross sales	45,979	482,957	--	482,066
Cost of goods sold	853	259,332	--	259,332
Gross profit	45,126	223,625	--	222,734
Selling, general and administrative expenses	500,175	382,568	76%	192,518
R&D expenses	312,535	176,648	57%	54,584
Other SG&A expenses	187,640	205,919	110%	137,934
Operating income ("-" means operating loss)	-455,049	-158,943	--	30,215
Ordinary income ("-" means ordinary loss)	-470,326	-176,289	--	12,389
Net income ("-" means net loss of the quarter)	-470,629	-176,694	--	11,984

Gross sales/gross profit

- Biosimilars, including GBS-007 and GBS-010, for which demand is very strong, are progressing smoothly as planned.
- A one-time change in payment terms for some biosimilars from the previous year (direct payment of manufacturing costs from a partner pharmaceutical company to a CDMO) has slightly reduced sales and cost of sales, but has no impact on gross profit or below.

R&D & other SG&A expenses

- R&D and other SG&A expenses were in line with the plan at the beginning of the fiscal year.

Net income

- Despite the impact of rising manufacturing costs and yen depreciation, Kidswell Bio (non-consolidated, biosimilar business alone) maintained profitability.

(Unit: thousand yen)

Subject	4Q FY2024 (non-consolidated)	1Q FY2025 (consolidated)
Current assets	4,924,221	4,448,427
(Cash and cash equivalents)	2,231,411	1,166,900
(Accounts receivable)	881,407	598,493
(Products)	--	--
(In-process inventory)	875,654	1,280,344
(Advance payments)	739,567	1,261,577
(Other current assets)	196,181	141,111
Non-current assets	161,329	161,010
Total assets	5,085,550	4,609,438
current liabilities	2,375,227	2,180,420
Non-current liabilities	1,878,850	1,714,968
Total liabilities	4,254,077	3,895,388
Total shareholder's equity	831,473	714,049
Total liabilities and shareholder's equity	5,085,550	4,609,438

Cash and cash equivalents

- Cash and cash equivalents decreased due to the payment of manufacturing costs for biosimilar API and formulation.

Manufacturing working capital

- Maintain high level for stable supply of biosimilars.

Outlook for the current fiscal year (ending March 31, 2025) **Kidswell.Bio**

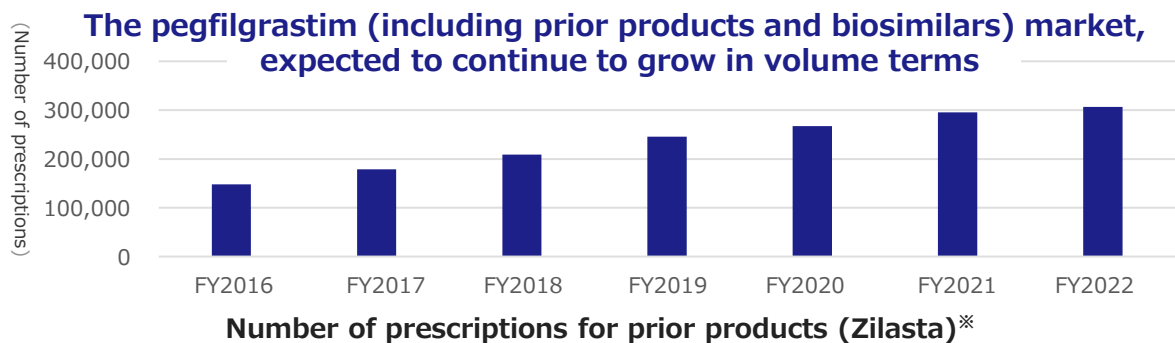
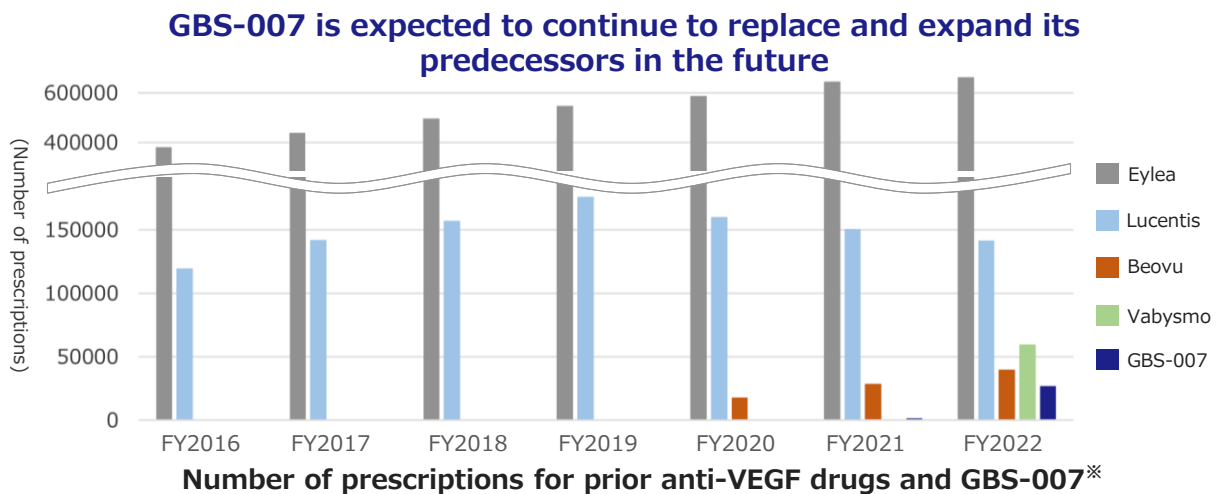
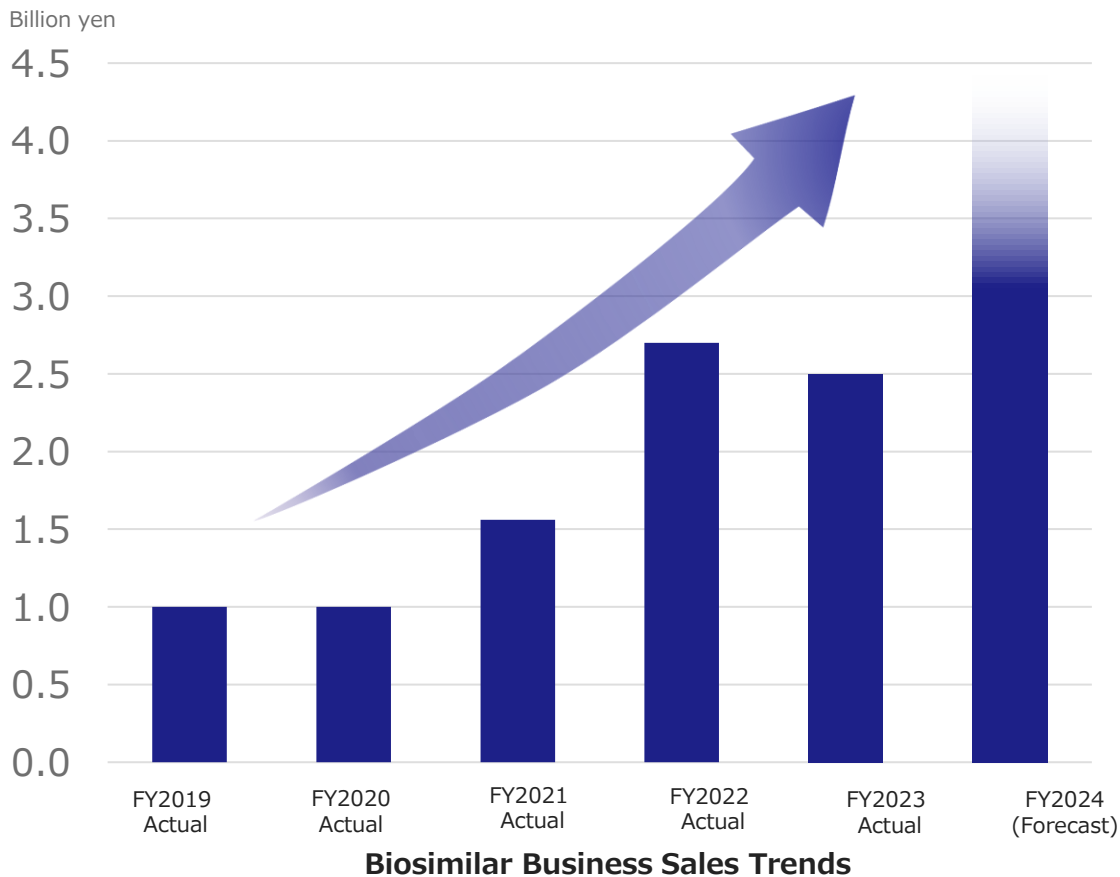
- Due to the difficulty in generating reliable earnings forecast figures for the current fiscal year (ending March 31, 2025) at this time, only sales forecast is provided as a range.
- The forecast of operating income, ordinary income and net income will be provided as soon as the discussions and coordination with partner pharmaceutical companies and CDMOs are completed.

(Unit: thousand yen)

Subject	FY2023	FY2024	
	4Q Result (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	1,350,000	--
Operating income ("-" means operating loss)	-1,335,597	--	--
Ordinary income ("-" means ordinary loss)	-1,389,601	--	--
Net income ("-" means net loss)	-1,422,078	--	--

Factors related to the calculation and disclosure of forecast figures for the current fiscal year (ending March 31, 2025)		State of progress
Biosimilar Business (Consultation and coordination with partner pharmaceutical companies and contract manufacturing companies, etc.)	Negotiation of supply prices for biosimilar products to partner pharmaceutical companies in accordance with NHI price revisions, etc.	Partially completed
	Response to the rising production price of bulk biosimilars (e.g., impact of yen depreciation, labor and material price hikes, and how to respond to such price hikes)	In progress
	Coordination of manufacturing and delivery schedules and supply of biosimilar APIs and formulations	Partially completed
	Discussions regarding co-development agreements for new biosimilars	In progress
Cell Therapy Business	Discussions with potential development partners, etc.	In progress

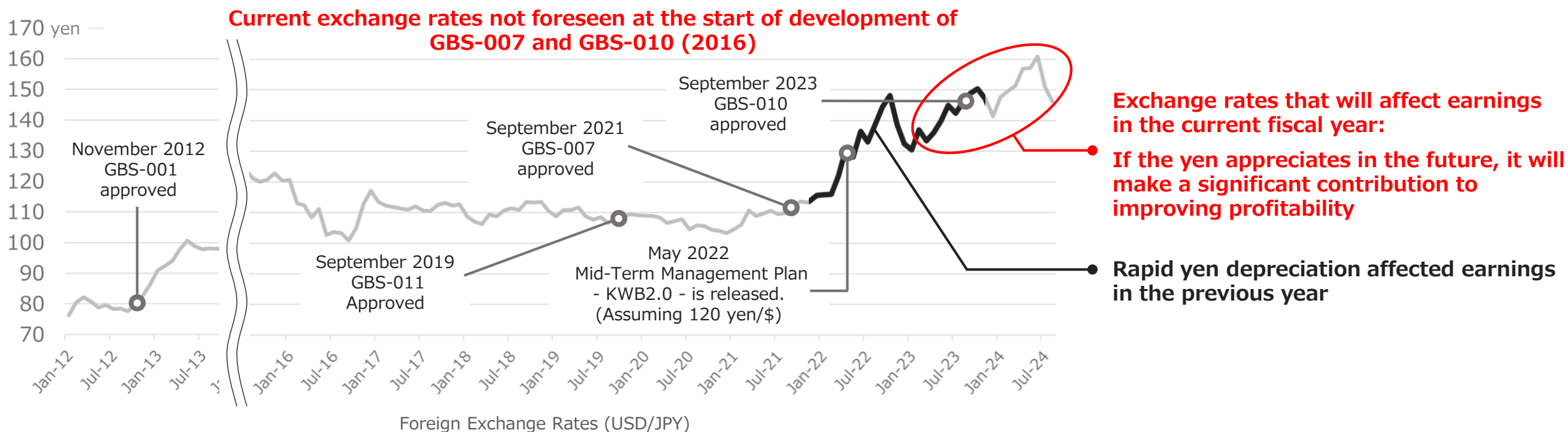
- With the approval of GBS-010 and the additional indications of GBS-007 indications in the last fiscal year, further earnings growth is expected in this fiscal year and beyond.
- While there are concerns about the impact of the recent sharp appreciation of the yen on corporate earnings and the economy, past market trends indicate that demand for pharmaceuticals, including biosimilars, is less susceptible to economic trends and will not lead to a slowdown in earnings growth.



※Source: Compiled by MHI based on the Ministry of Health, Labour and Welfare's NDB open data analysis website.

Impact of Foreign Exchange Fluctuations on Business Performance (Profit) **Kidswell.Bio**

- **Gross profit margin: All biosimilar APIs are manufactured overseas, so exchange rate fluctuations have a direct impact.**
 - The sharp depreciation of the yen since 2022 has led to an increase in yen-denominated cost of sales and a significant decline in gross profit margin. However, if the current strong yen trend continues, yen-denominated cost of sales will decrease from the third quarter of this fiscal year and gross profit margin will improve.
 - In a product mix that includes the newly launched GBS-010, a 10 yen change in the exchange rate would result in an annual increase or decrease of approximately 500 million yen in gross profit per 1 billion yen in annual sales.
- **R&D expenses: Both biosimilars and cell therapy business are somewhat affected by exchange rate fluctuations as a part of R&D activities are outsourced to overseas companies.**



Initiatives in Maximizing Corporate Value

Plans for Major Initiatives: Biosimilar Business (Kidswell Bio) **Kidswell.Bio**




		FY2024 (current fiscal year)	FY2025 (next fiscal year)
Biosimilar Business	Launched	Maintenance of stable supply by adjusting manufacturing schedules and responding to deviations	
		Promote measures to reduce manufacturing costs, etc. to improve profitability	
		Improve cash conversion cycles and facilitate discussions with partner pharmaceutical companies regarding changes in payment terms, including reflecting increased manufacturing costs in supply prices	Discussions with partner pharmaceutical companies have been completed for some products.
	New	Promote discussions with potential partner pharmaceutical companies, etc.	
		Collaboration with Chiome, Inc.	New biosimilar candidates have been narrowed down, and started discussions to construct cell lines.
		Transformation into a business model capable of sustainable growth through more efficient use of capital and human resources	

Plans for Major Initiatives: Cell Therapy Business (S-Quatre)



		FY2024 (current fiscal year)	FY2025 (next fiscal year)
Cell Therapy Business	First generation	Support for promotion of clinical research on cerebral palsy at Nagoya University	SHED administration and observation in progress.
		Discussions with potential development partners for regenerative medicine products (cerebral palsy)	Contract signing is assumed by the end of FY2024.
			Assuming IND by the end of FY2025.
		Preparation for IND for cerebral palsy (investigational drug manufacturing, non-clinical studies, PMDA consultation, etc.)	
	Next generation	Promote research on bone disease indications and develop manufacturing processes for clinical entry	
		Promote research on gene-modified SHED and other products and develop manufacturing processes toward clinical study	
		New next generation SHED research and research on the use of master cell banks to maximize the value of S-Quatre®	
	Business Structure	*In parallel, prioritize development products according to research data and external environment, and suspend R&D activities for some development products if necessary.	
		Promote external partnerships and funding as S-Quatre® (KWB supports the activity)	Effective April 1, 2024 Cell Therapy Business has been spun-off.
		Search for partners for overseas clinical development, discussion with venture capitalists and contract research organizations, etc.	

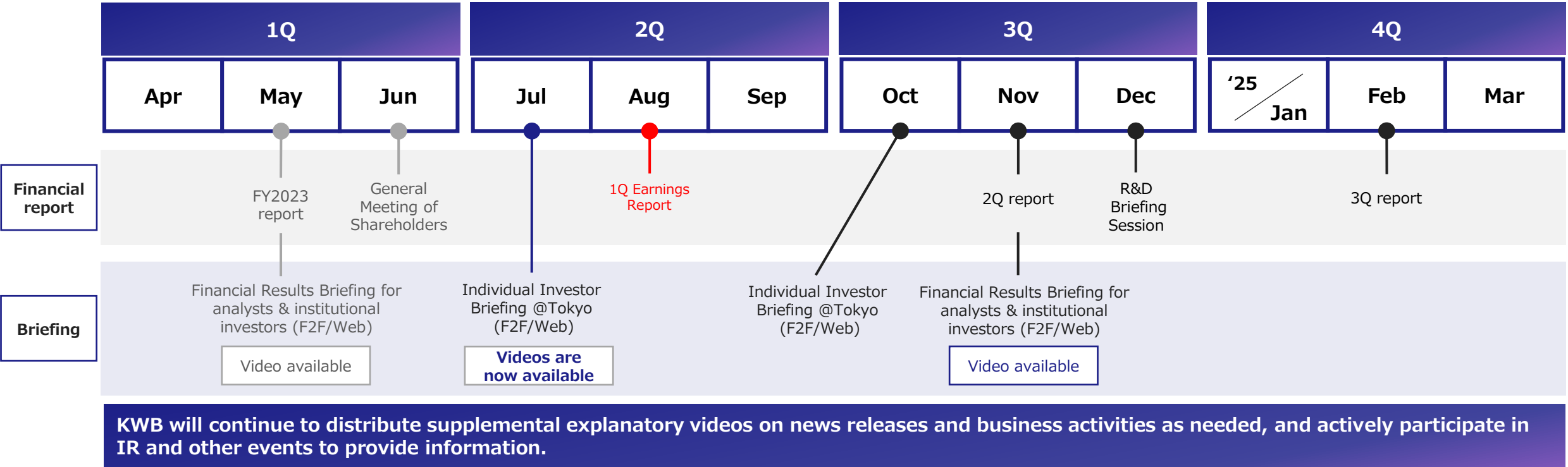
Maximize corporate value, drive stock price recovery and business growth

		FY2024 (current fiscal year)	FY2025 (next fiscal year)
Management strategy	<div><div>(1) Efficient use of management resources</div><div></div></div>	<div>Restructuring of corporate culture and systems</div> <div>Maximize utilization of management resources by improving operational efficiency</div>	<div>Maximize utilization of management resources through further improvements in operational efficiency, etc.</div>
	<div><div>(2) Optimization of financing methods</div><div></div></div>	<div>Financing according to the nature and stage of each business</div> <div>Financing through alliances with development partners, etc.</div>	<div>By optimizing funding methods and reducing capital requirements by improving capital efficiency, we aim to break away from dependence on the stock market at an early stage.</div> <div>➤ Although the exercise period of the 10th series of stock acquisition rights has expired, KWB has determined that it is not necessary to raise new funds from the stock market due to the ongoing reduction in the required funds.</div>
	<div><div>(3) Visualization of business value</div><div></div></div>	<div>Improving the quality of information dissemination to stakeholders</div> <div>Active dialogue with foreign institutional investors</div> <div>Increased frequency of exposure in the media through more aggressive approaches to the media</div>	<div>Continuous efforts to "further improve the quality" of information dissemination</div>

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

Tentative Annual IR Schedule



As a biosimilar development partner backed by an overwhelming track record,
and as a global top runner in SHED drug discovery,
work together with partner companies to improve corporate value.

Kidswell.Bio

Biosimilar 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
(apply to new modalities)

KIDS WELL, ALL WELL

All for Kids, Kids for All

This information material is provided for understanding Kidswell Bio Corporation (“KWB”), not for soliciting investment in KWB shares.

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.