

Aug 14, 2024

**Summary of Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2025**  
**(Consolidated)**  
**(Excerpt from Japanese version)**

**[Japanese GAAP]**

Company name:	Kidswell Bio Corporation	Listing:	Tokyo Stock Exchange
Stock code:	4584	URL:	<a href="https://www.kidswellbio.com/en/">https://www.kidswellbio.com/en/</a>
Representative:	Shinya Kurebayashi, President & CEO		
Contact:	Takahiro Kurihara, Director, Corporate Planning Dept., Corporate Strategy Div.		
	Tel: +81-3-6222-9547		
Scheduled date of payment of dividend:	-		
Preparation of supplementary materials for financial results:	Yes		
Holding of financial result meeting:	No		

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

**1. Financial Results for the Fiscal Year Ended March 31, 2025 (April 1, 2024 – June 30, 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 attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ending March 31, 2025	482	-	-158	-	-176	-	-176	-
Fiscal year ended March 31, 2024	-	-	-	-	-	-	-	-

(Reference) Comprehensive income

First quarter of the fiscal year ending March 31, 2025: -176 million yen (-%)

First quarter of the fiscal year ending March 31, 2024: - million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter of the fiscal year ending March 31, 2025	-4.49	-
First quarter of the fiscal year ended March 31, 2024	-	-

(Note)

Since the consolidated financial statements was not prepared in previous fiscal year, there is no reporting on the first quarter of the fiscal year ended March 31, 2024 and the year-on-year changes.

**(2) Financial Position**

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2024	4,609	714	12.3
As of March 31, 2024	-	-	-

(Reference) Shareholders equity

Fiscal year ending March 31, 2025: 565 million yen

Fiscal Year ended March 31, 2024: - million yen

(Note)

Since the consolidated financial statements was not prepared in previous fiscal year, there is no reporting on the fiscal year ended March 31, 2024.

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending 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, 2025 (April 1, 2024 – March 31, 2025)**

(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	3,500–4,500	-	-	-	-	-	-	-	-

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

The range of net sales is shown as forecast for full-year performance for this fiscal year ended March 31, 2025. Since the Company primarily manages its business on an annual basis, only the full-year forecast is presented.

**\* Annotations**

(1) Significant change in the scope of consolidation during the period: Yes

Newly-established subsidiary : S-Quatre Corporation

(2) Special accounting treatments used in preparation of financial statements of the quarter: None

(3) 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

(4) 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 ending March 2025: 39,415,813 shares

At the end of the fiscal year ended March 2024: 38,939,913 shares

b. Number of treasury shares at the end of period

At the end of the fiscal year ending March 2025: 94 shares

At the end of the fiscal year ended March 2024: 94 shares

c. Average number of shares outstanding during the period

At the end of the fiscal year ending March 2025: 39,316,605 shares

At the third quarter of the fiscal year ended March 2024: 32,060,935 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 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 the current quarter

During the previous fiscal year, Kidswell Bio Corporation (KWB) revisited its corporate strategy and have decided to focus its management resources into Biosimilar Business as a consistent revenue base and Cell Therapy (regenerative medicine) Business as a platform for growth. The structural changes were made concomitantly with the decision, and the Cell Therapy Business unit became independent as 100% subsidiary, S-Quatre Corporation (SQ), in April 1,2024.

Due to such structural change, the Company has adopted consolidated accounting from this fiscal year.

As for the first quarter of FY2024 consolidated financial results, the sales were 482,957 thousand yen, the R&D expenses was 176,648 thousand yen, the operational loss was 158,943 thousand yen, ordinary loss was 176,289 thousand yen, and the net loss attributed to the owners of the parent was 176,694 thousand yen.

## II. Business updates

### 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, KWB has 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.

During this first cumulative quarterly consolidated accounting period, KWB and Chiome Biosciences Inc.(Chiome) entered into a business alliance agreement to promote the co-development of new biosimilars. Through this alliance, the two companies will efficiently utilize their respective experience, expertise and human resources and share the development costs of biosimilars in order to expand the business through the co-development of new biosimilars. The companies will share profits from the licensing or transfer to pharmaceutical companies of cell lines and manufacturing processes developed through the collaboration, as well as from the provision of development support and other services to such pharmaceutical companies, with the aim of establishing these as new revenue streams.

In addition, we are, in cooperation with partner pharmaceutical companies, working on improving the profitability of the business and the efficiency in use of resources. Such efforts include modification of the payment terms accommodating increased manufacturing costs in line with the strong market demands for GBS-007 and GBS-010 as well as the price adjustment reflecting significant overseas price increases and the depreciation of the yen.

### 2. Cell therapy 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, KWB has 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 for investigational product manufacturing and progressing consultations with the Pharmaceuticals and Medical Devices Agency (PMDA) to initiate a company-sponsored clinical trial for cerebral palsy (later phase, allogenic) using SQ-SHED derived from the MCB. The company-sponsored clinical trial will be led by our development partner, and we are negotiating with the partner company to execute an agreement by the end of this fiscal year with the aim of submitting a clinical trial plan for PMDA by the end of FY2025. Further, we initiate communication with overseas KOLs and CROs for clinical development of allogenic SQ-SHED.

Besides the progress of the 1<sup>st</sup> generation SHED as aforementioned, research to create the 2<sup>nd</sup> generation SHED is on-going. The 2<sup>nd</sup> generation SHED which is equipped with enhanced functionality by gene transfer or by controlling culture conditions will enable us to target more aggressive treatment goal and to explore the application of SHED in new disease area. We constantly move our research forward to bring the 2<sup>nd</sup> generation SHED into clinical phase as early as possible.

### 3. Initiatives in maximizing corporate value

Continued from the previous fiscal year, the new management has led the scheme to maximize the corporate value and recover the stock price. Specifically, we are focusing on i) efficient utilization of management resources, ii) optimization and diversification of financing instruments, and iii) increasing visibility of our corporate value.

i) As mentioned, we re-allocated our management resources which had been diversified into three business area. We will reinforce research and development activities in biosimilar business and cell therapy business in more efficient manner by leveraging know-how, experiences, and expertise accumulated in each business unit.

ii) The establishment of S-Quatre corporation enable KWB and SQ to focus on its respective business area, and to pursue the most appropriate ways to procure funds considering its business property and business progress. Each company is negotiating with financial institutions for loan or investments funds and potential business partners for capital alliance. In biosimilar business, improvement of the efficiency in use of management resources and the optimization of the financing instruments will minimize our dependence on stock market.

iii) To improve the visualization of the corporate value, we have been improving the quality of information into the stock market. This includes clear demonstration of the positive results of biosimilar business of KWB. We also step up IR/PR activities targeting oversea investors by pursuing opportunities of direct communication with institutional investors as well as increasing media exposure.

## II. Outlook

As there remains a possibility that the main components of sales and their factors may change mainly depending on negotiation with our partners in both biosimilar business and cell therapy business, we are disclosing our annual 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.

Currently, we observed yen's sharp appreciation. Despite of the concerns about the negative impact of strong yen to Japanese corporation, it is notable that the demand for pharmaceuticals including biosimilars fluctuate little with the economic environment. Therefore, we believe our biosimilar business will grow as currently estimated. Since the APIs of biosimilars we supply to our partner pharmaceutical companies are manufactured by oversea CDMOs and we delegate some parts of research activities in biosimilar business and cell therapy business, continuing yen appreciation will contribute the reduction of COGS and R&D expenses in the later half of this business year.

## II. Consolidated financial statements and notes to the statements

## (A) Balance sheet

(in thousand yen)

The First Quarter of the period (as of June 30, 2024)	
<b>Assets</b>	
Current assets	
Cash and cash equivalents	1,166,900
Trade receivable	598,493
In-process inventory	1,280,344
Advance payments	1,261,577
Other current assets	141,111
<b>Total current assets</b>	<b>4,448,427</b>
Non-current assets	
Tangible fixed assets	1,287
Intangible fixed assets	1,338
Investments and other assets	158,384
<b>Total non-current assets</b>	<b>161,010</b>
<b>Total Assets</b>	<b>4,609,438</b>
<b>Liabilities</b>	
Current liabilities	
Trade payables	29,524
Long-term debts to be repaid within one year	728,460
Account payable	272,388
Income tax payable	18,072
Contract liabilities	1,117,774
Other current liabilities	14,201
<b>Total current liabilities</b>	<b>2,180,420</b>
Non-current liabilities	
Convertible bonds	500,000
Long-term debt	1,173,700
Net defined benefit liabilities	41,268
<b>Total non-current liabilities</b>	<b>1,714,968</b>
<b>Total liabilities</b>	<b>3,895,388</b>
<b>Net assets</b>	
Shareholders capital	
Common stock	2,072,865
Capital surplus	11,378,466
Retained earnings	△12,885,777
Treasury stock	△73
<b>Total shareholders capital</b>	<b>565,481</b>
Equity warrants	148,567
<b>Total net assets</b>	<b>714,049</b>
<b>Total liabilities and net assets</b>	<b>4,609,438</b>

(B) Quarterly Consolidated Profit and Loss and Comprehensive Income Statement  
(The First quarter cumulative consolidated accounting period )

	(in thousand yen)
	The 1 <sup>st</sup> cumulative quarterly consolidated accounting period (from April 1, 2024 to June 30, 2024)
Gross sales	482,957
Cost of goods sold	259,332
Gross profit	223,625
Selling, general and administrative expenses	
Research and development expenses	176,648
Other expenses	205,919
Total selling, general and administrative expenses	382,568
Operating loss(-)	-158,943
Non-operating income	
Material Sale income	630
Miscellaneous income	38
Total non-operating income	668
Non-operating expenses	
Interest expense	10,487
Interest on corporate bonds	779
Foreign exchange loss	6,642
Casualty loss	104
Total non-operating expenses	18,014
Ordinary loss(-)	-176,289
Quarterly Net Income or Quarterly Net Loss before Taxes(-)	-176,289
Corporate, residential and enterprise taxes	405
Total corporate and other taxes	405
Net loss for the quarter(-)	-176,694
(Breakdown)	
Quarterly net loss attributable to owners of the parent company(-)	-176,694
Quarterly Comprehensive Income	-176,694
(Breakdown)	
Quarterly Comprehensive Income pertaining to owners of the parent company	-176,694

(C) Notes on quarterly consolidated financial statement

(Notes Concerning Changes in Scope of Consolidation or Scope of Application of the Equity Method)

Material changes in scope of consolidation: S-Quatre Corporation, established during the first cumulative quarterly consolidated accounting period, is included into the scope of consolidation.

(Notes Concerning Segment Information)

[Segment information]

This first cumulative quarterly consolidated accounting period is from April 1, 2024 to June 30, 2024.

As the company has only one business segment (pharmaceutical development), the description is omitted.

(Notes on material changes of shareholders' equity)

There is no reporting item applicable to this matter.

(Notes Concerning Going Concern Assumption)

There is no reporting item applicable to this matter.

(Notes on quarterly consolidated cash flow statement)

No quarterly consolidated cash flow statement for this first cumulative quarterly consolidated accounting period is created.

The depreciation expenses (including amortization expenses pertaining to intangible fixed assets) pertaining to the current cumulative quarterly consolidated accounting period is as follows.

	The 1 <sup>st</sup> cumulative quarterly consolidated accounting period (from April 1, 2024 to June 30, 2024)
Depreciation expenses	225 thousand yen