Kidswell Bio

Biotech Striving for Value Creation

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

JPX GROWTH TOKYO

Security Code: 4584

Financial Results

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

November 12, 2024

Kidswell Bio Corporation

Agenda

- Financial Highlights and Forecasts
- Revised timeline for achieving operating profitability
- Initiatives in Maximizing Corporate Value

Financial Highlights and Forecasts

Income statement

(Unit: thousand yen)

Subject	FY2023	FY2024		
	2Q Results (non-consolidated)	2Q Results (consolidated)	Year-on-year ratio	2Q Results KWB Non-consolidated (non-consolidated)
Gross sales	**1,116,111**	**1,749,911**	**157%**	**1,748,698**
Cost of goods sold	**420,954**	**1,257,582**	299%	**1,257,582**
Gross profit	**695,156**	**492,329**	71%	**491,116**
Selling, general and administrative expenses	**684,018**	**754,850**	110%	**438,280**
R&D expenses	**251,787**	**340,907**	135%	**136,600**
Other SG&A expenses	**432,230**	**413,942**	96%	**301,680**
Operating income ("-" means operating loss)	**11,137**	**-262,520**	--	**52,835**
Ordinary income ("-" means ordinary loss)	**-42,082**	-267,993	--	70,907
Net income ("-" means net loss)	**-42,687**	**-241,794**	--	**97,196**

Gross sales/gross profit	• Deliveries of biosimilar active pharmaceutical ingredients (APIs) is progressing as planned • With the addition of a new indication for GBS-007 and the approval of GBS-010 in Sep 2023, revenue saw significant growth, reaching 157% y/y • Negotiations with partner pharmaceutical companies are advancing, and we expect margin improvements from 3Q onward although the gross margin in the biosimilars business declined substantially due to ongoing yen depreciation and rising prices
R&D & other SG&A expenses	• Continuing to control expenditures through prioritization R&D activities and efficiency improvements in other business operations
Net income	• KWB (biosimilars business) has maintained operating profitability despite the continued impact of yen depreciation and rising prices

Balance Sheet

(Unit: thousand yen)

Subject	4Q FY2024 (non-consolidated)	2Q FY2025 (consolidated)
Current assets	4,924,221	4,352,772
(Cash and cash equivalents)	2,231,411	1,695,373
(Accounts receivable)	881,407	507,843
(Products)	--	--
(In-process inventory)	875,654	752,698
(Advance payments)	739,567	1,294,971
(Other current assets)	196,181	101,886
Non-current assets	161,329	293,019
Total assets	**5,085,550**	**4,645,792**
current liabilities	2,375,227	2,193,200
Non-current liabilities	1,878,850	1,595,396
Total liabilities	4,254,077	3,788,597
Total shareholder's equity	831,473	857,195
Total liabilities and shareholder's equity	**5,085,550**	**4,645,792**

Cash and cash equivalents	• **Maintained a high level of cash and cash equivalents through deliveries of biosimilar active pharmaceutical ingredients (API).**
Working capital	• **While revenue from the biosimilars business continued to grow, adjustments with partner companies helped to reduce working capital and improve financial efficiency.**

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

- **Completed adjustments of manufacturing and delivery schedules and supply volumes of biosimilars with partner pharmaceutical companies**
- **Revenue expected to grow significantly due to strong demand for GBS-007 and GBS-010**
- **Revenue growth and a R&D expenses revision are expected to reduce operating losses, although gross margin is projected to decline due to yen depreciation and inflation**

(Unit: thousand yen), 1 USD = 150 JPY)

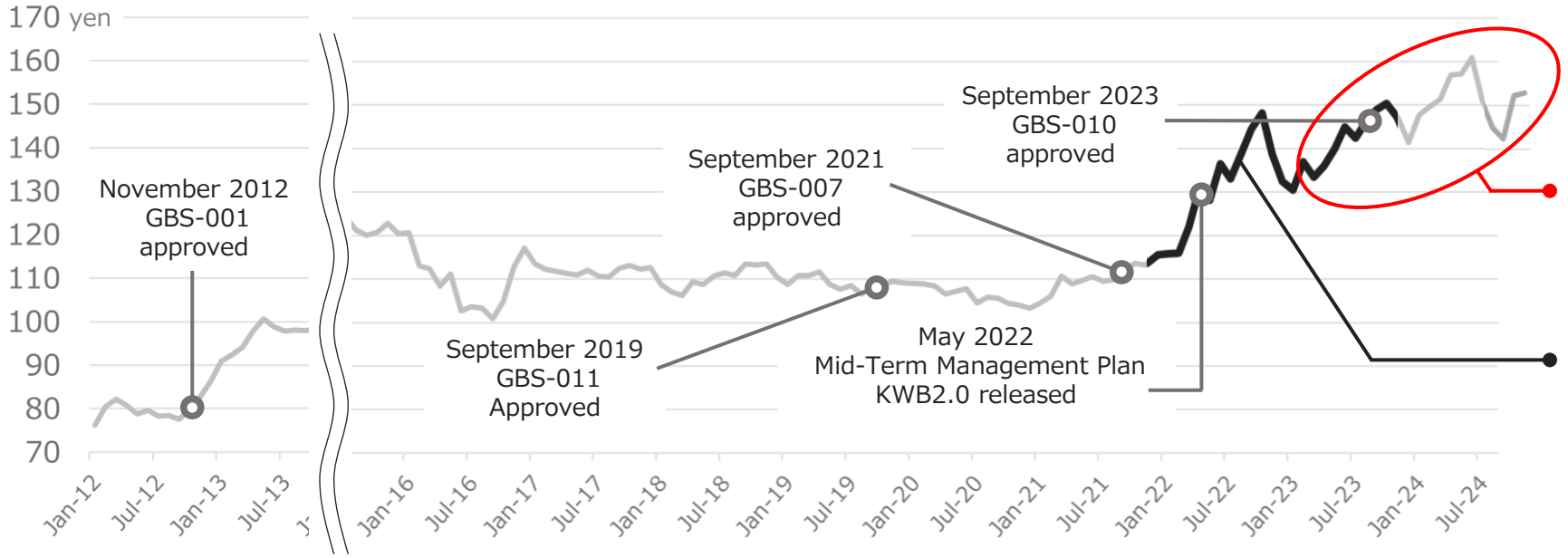
(school) subject	FY2023	FY2024	
	4Q Result (Non-consolidated)	Full-year Forecast (consolidated)	Progress rate
Net sales	2,431,236	**4,000,000**	**+64.5%**
Research and development expenses*.	1,453,349	1,000,000	-31.2%
Operating income (minus is operating loss)	-1,335,597	**-1,000,000**	**-25.1%**
Ordinary income (minus is ordinary loss)	-1,389,601	-1,000,000	-28.0%
Net income (minus is net loss)	-1,422,078	-950,000	-33.2%

Initiatives to improve and expand profitability		Status
Biosimilars Business	Negotiation of supply prices for biosimilar products to partner pharmaceutical companies in accordance with NHI price revisions	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)	Partially completed
	Coordination of manufacturing and delivery schedules and supply of biosimilar APIs and formulations	Completed
	Discussions regarding co-development agreements for new biosimilars	In progress
Cell Therapy Business	Discussions with potential development partners	In progress

Impact of foreign exchange fluctuations on business performance

- **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 cost of sales in USD, paid in JPY and a significant decline in gross profit margin
  - 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 JPY0.05Bn in gross profit per JPY1Bn 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**

Current exchange rates not foreseeable at the start of development of GBS-007 and GBS-010 (2016)



Foreign Exchange Rates (USD/JPY)

Exchange rates that will affect earnings in the current fiscal year:

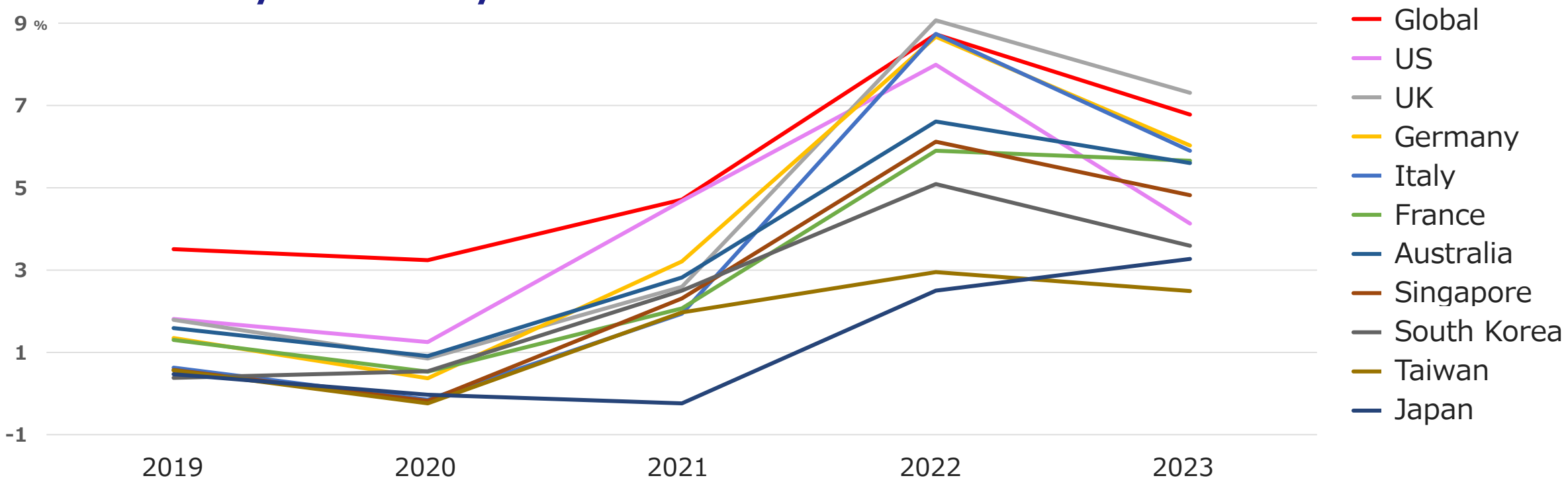
If the yen appreciates in the future, it will make a significant contribution to improving profitability

Rapid yen depreciation affected earnings in the previous year

*Source: Compiled by KWB based on data from the 'Bank of Japan Time-Series Data Search.'

Impact of inflation on business performance

- **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**
- **The pace of price increases is gradually slowing and the increase in manufacturing costs is expected to slow as well, the impact is inevitable in the current fiscal year and beyond**

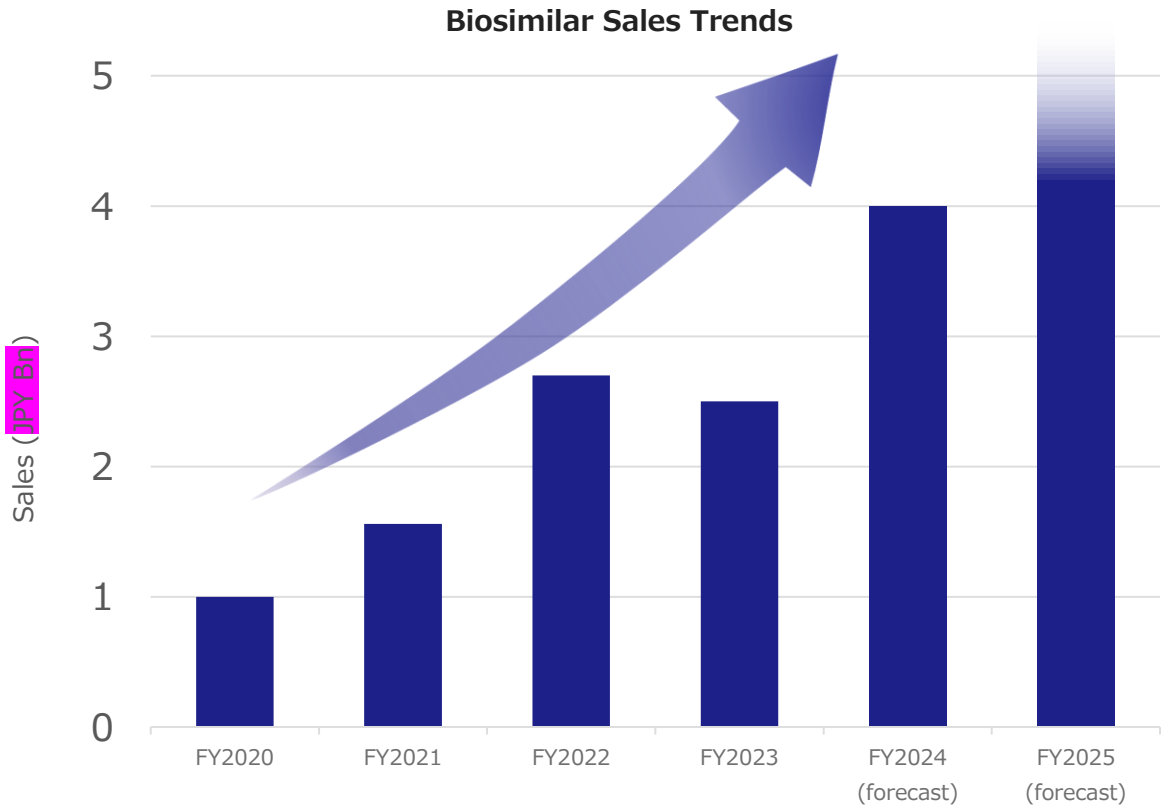


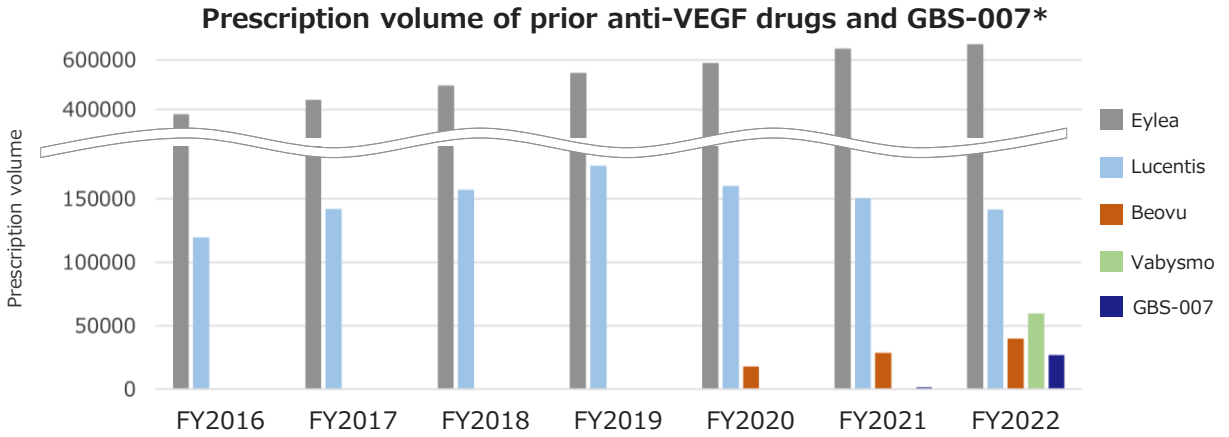
Five-year trend of price inflation in major countries

Modified based on information published by the International Monetary Fund (IMF).

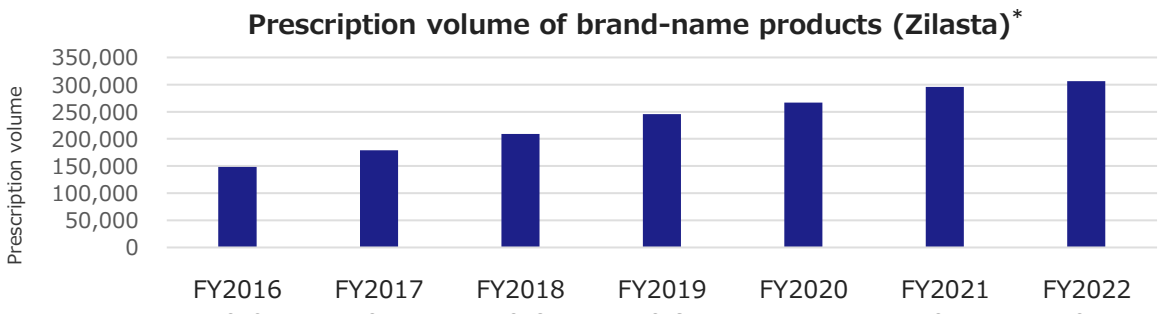
Future revenue outlook for biosimilars business

- **Further revenue growth is anticipated, following approval of GBS-010 and indication addition for GBS-007 last year**
- **Based on past market trends, earnings grow is expected since demand for drugs including biosimilars are less susceptible to external factors, despite concerns about the uncertain outlook for corporate earnings and the economy due to domestic and international political situations**





GBS-007 is expected to further replace brand-name products



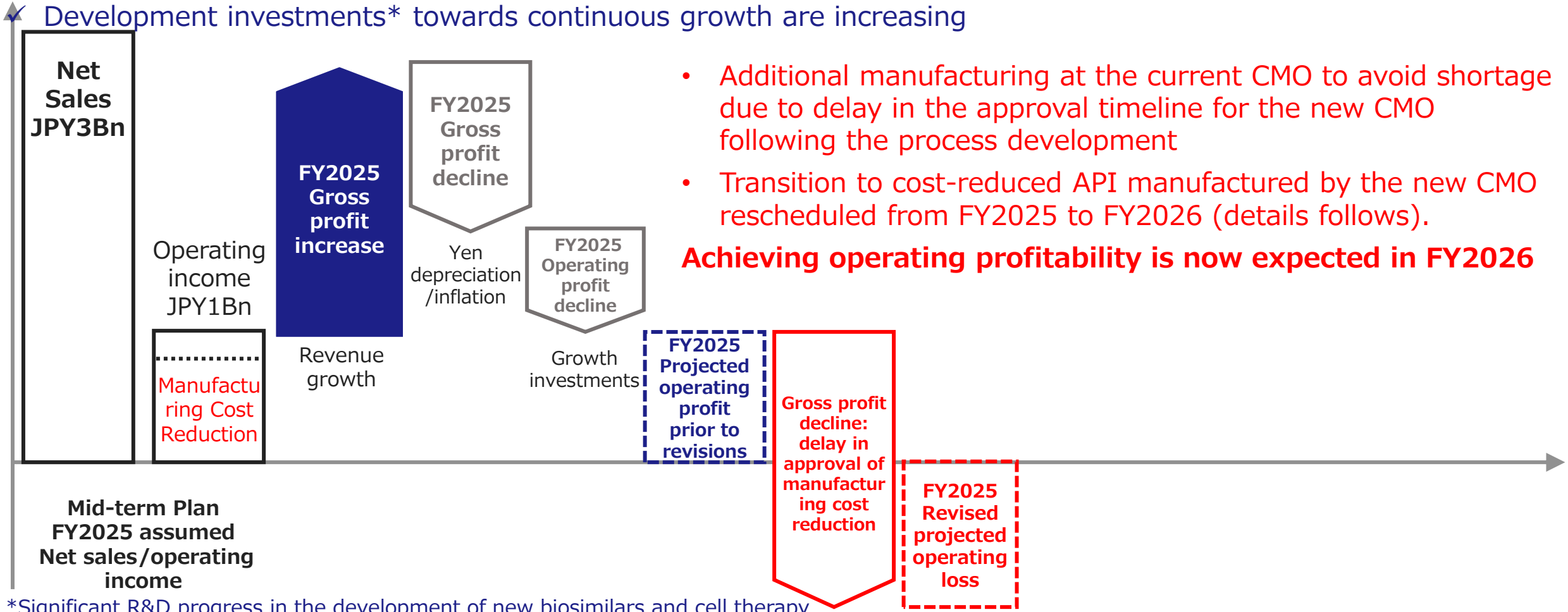
Pefilgrastim market (incl. brand-name and BS) is further expected to grow

*Source: Compiled by KWB based on the Ministry of Health, Labour and Welfare's NDB Open Data Analysis website

Revised timeline for achieving operating profitability

Deviation from the mid-term management plan KWB 2.0

- ✓ Achieved the mid-term management plan's revenue target of JPY3Bn for this fiscal year, with further expansion expected from 2025 onwards.
- ✓ Gross margin expected to improve significantly due to approval of manufacturing cost reduction at the current CMO following the process development improve, though it deteriorated due to yen depreciation and rising prices
- ✓ Development investments* towards continuous growth are increasing



- Additional manufacturing at the current CMO to avoid shortage due to delay in the approval timeline for the new CMO following the process development
- Transition to cost-reduced API manufactured by the new CMO rescheduled from FY2025 to FY2026 (details follows).

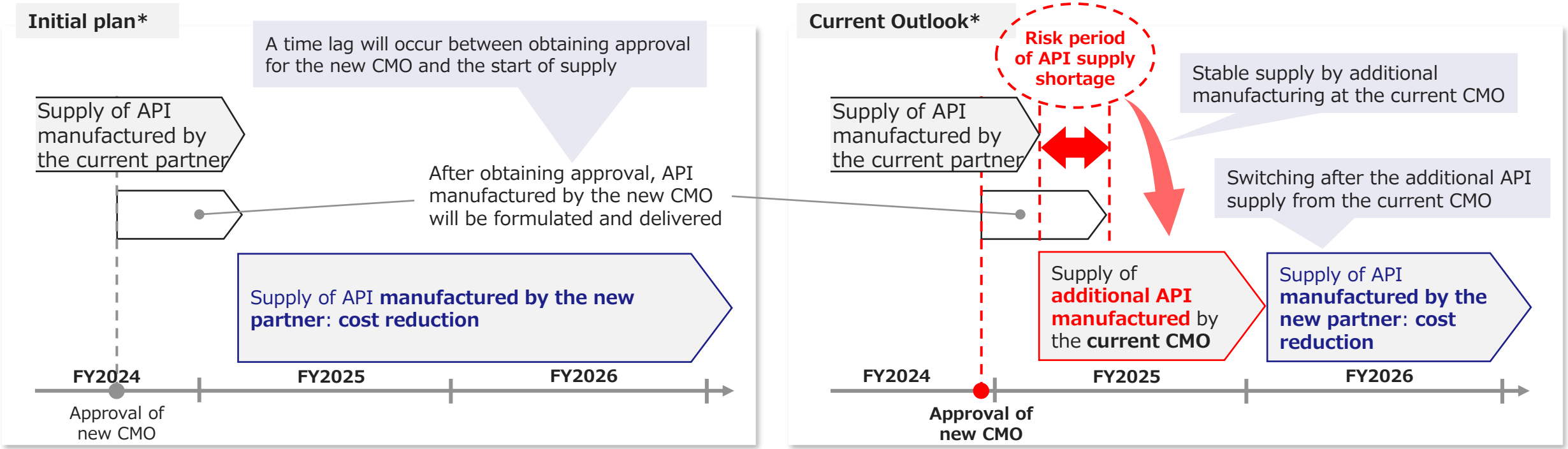
Achieving operating profitability is now expected in FY2026

*Significant R&D progress in the development of new biosimilars and cell therapy

*This chart shows an image of changes in earnings and does not guarantee actual results.

Change in timing of effect of manufacturing cost reduction measures

- **We completed process development with a new CMO to reduce manufacturing costs for API production. However, since the approval timeline is delayed from the initial plan, there is a risk of API supply shortages considering the formulation period using API produced by the new CMO.**
- **We have decided to increase production with the current API manufacturing CMO to prioritize uninterrupted supply to patients**
- **Even after obtaining approval for the new CMO, delivery of the API manufactured by the current CMO will take precedence. Consequently, the transition to API manufactured by the new CMO is scheduled to begin in FY2026, even with minimum additional manufacturing levels**

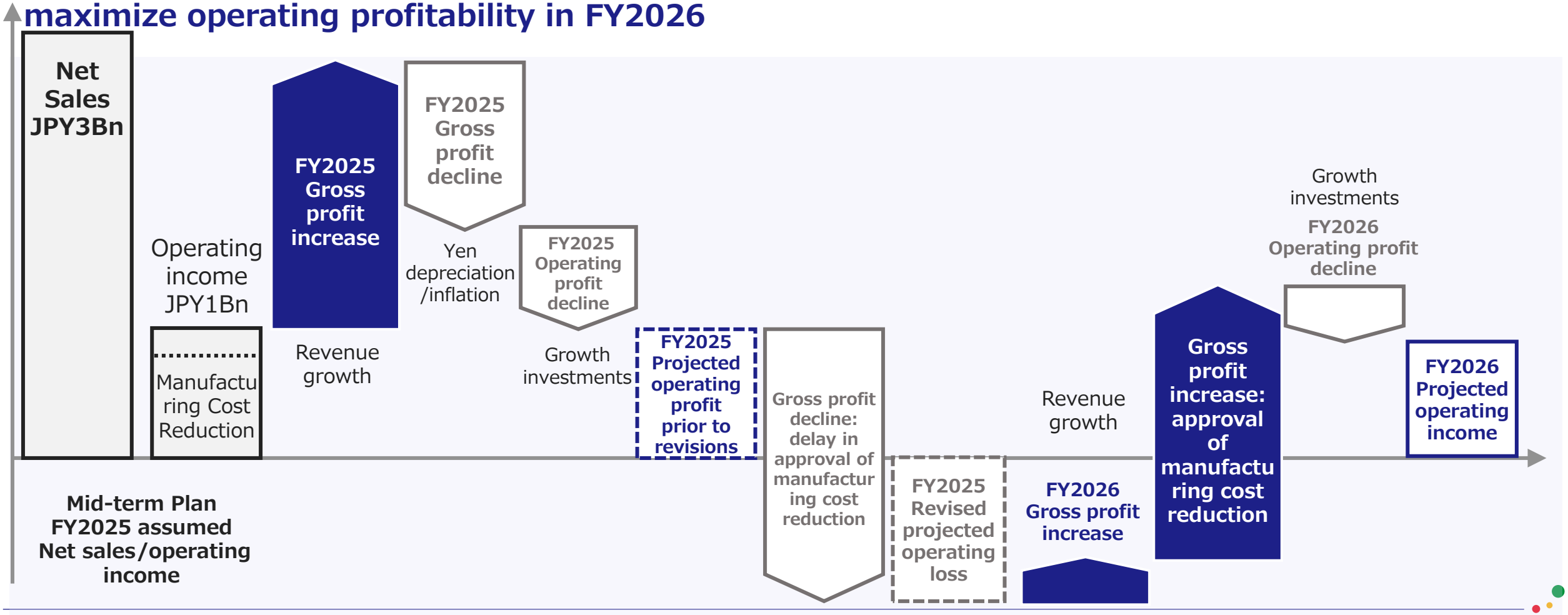


*Additional project to secure an API manufacturing partner aimed at reducing manufacturing costs

Future initiatives to achieve operating profitability and maximize profit margins

We will maintain a stable supply system, secure additional approvals for new API manufacturing partners, advance the formulation of APIs produced by these partners, and ensure effective management of R&D and fixed costs

To balance continued ongoing development investments and achieve sustainable growth and maximize operating profitability in FY2026



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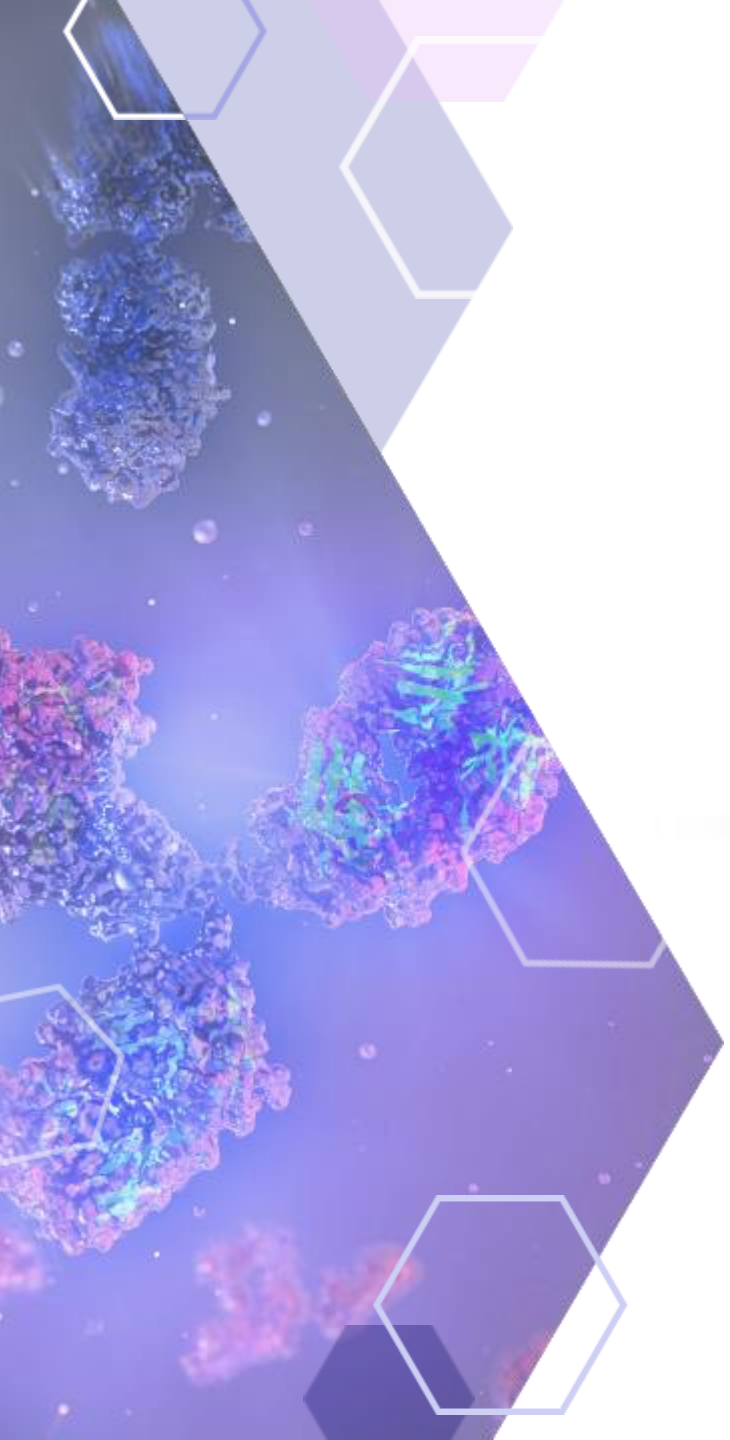

Initiatives in Maximizing Corporate Value

Planned key initiatives: Biosimilars (KWB)

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		Initiative	FY2024 (current FY)	FY2025 (next FY)	Progress
Biosimilars Business	Marketed BS	**Maintaining stable supply through adjustments to the manufacturing schedule and addressing deviations**			• Deliveries completed as scheduled in the first half of the year
		Manufacturing cost reduction measures aimed at improving profitability			• **Margin improvements from FY2026 due to revised timeline for PMDA approval of manufacturing cost reduction initiative**
		Discussions with partner pharmaceutical companies regarding changes in payment terms, including CCC* improvements and supply price adjustments.			• **Finalized discussions and adjustments for most products** • Will continue to negotiate terms based on external conditions
	New BS	**Negotiations with potential partner pharmaceutical companies**			• **Ongoing discussions with multiple pharmaceutical companies, aiming to conclude agreements by the end of Sep 2025**
		Discussions with Chiome, Inc.			• Advancing efforts to develop cell lines for new biosimilars
		Transformation toward a business model capable of sustainable growth			• Facilitating discussions with multiple companies based on a new business model

*Cash Conversion Cycle (CCC): Period from expenditure to revenue collection

Planned key initiatives: Cell therapy (S-Quatre)

S-Quatre

		Initiative	FY2024 (current FY)	FY2025 (next FY)	Progress
Cell Therapy Business	1st generation	**Supporting clinical research at Nagoya University for cerebral palsy**			• SHED administration and observation in progress • **To be updated at the Dec 3rd R&D briefing**
		Preparing clinical trial application for cerebral palsy			• **Negotiations with potential development partners are intensifying** • **Full-scale preparation for international clinical trials with contract signed with an overseas CRO**
		R&D and manufacturing process development for other diseases			• **Initiated research collaboration on bone diseases with DMU** and HOTS*** ** • **Successfully established a prototype for large-scale production, now moving into the development phase**
	※2nd generation	**Promoting research on genetically modified SHED and manufacturing process development for clinical application**			• **In discussions with potential co-development partners regarding manufacturing process development**
		Research on utilizing master cell bank to maximize the value of 2nd generation SHED research and S-Quatre®			• **Research progressing well on multiple projects**
	Business Structure	**External alliances and fund raising as S-Quatre**			• **In discussions with companies and VCs including overseas under CDA**

*Prioritize development products based on research data and external conditions. Terminate R&D activities for certain products as needed.
**DMU: Dokkyo Medical University, ***HOTS: HOYA Technosurgical Corporation

Planned key initiatives: Group-wide

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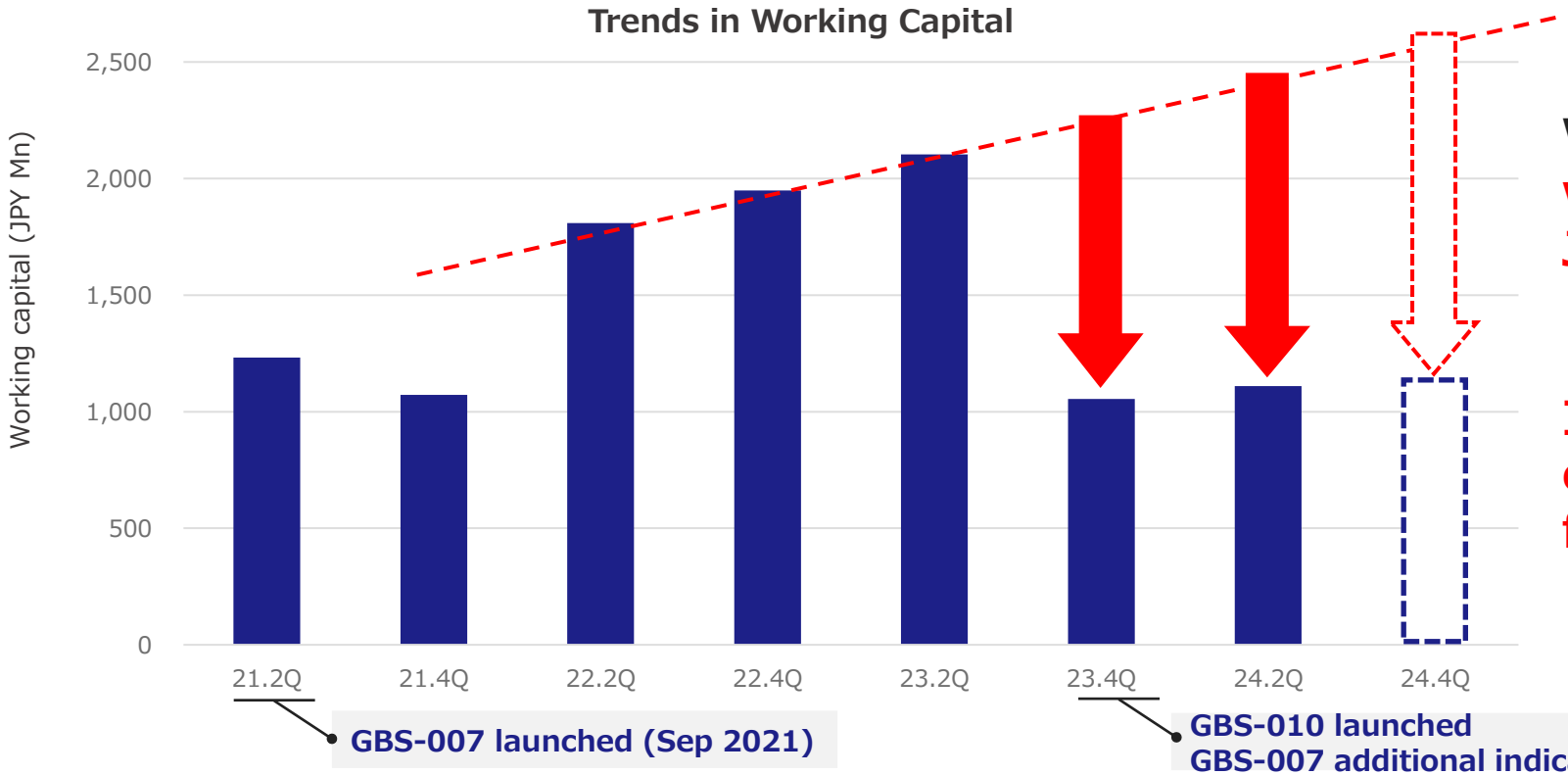
Management strategy

	Initiative	FY2024 (current FY)	FY2025 (next FY)	Progress
1. Efficient utilization of resources 	**Restruction of corporate culture and systems**			• Reviewing evaluation system in alignment with FY2023 organizational restructuring
	Maximizing the use of management resources through operational efficiency improvements			• Strengthen collaboration among businesses and divisions and develop IT infrastructure
2. Optimize financing options 	**Fundraising aligned with the nature and stage of the business**			• **Significantly reduced working capital to minimize the funding requirements and reduce reliance on capital raised from the stock market (see next page)**
	Securing funds through partnerships with partner companies			• Engaging in confidential discussions with financial institutions, corporate entities, and VCs
3. Visualize business value 	**Improving the quality of information provided to stakeholders**			• Established consulting agreements with professionals experienced in IR activities within biotech ventures
	Active engagement with international institutional investors			• Enhancing engagement by participating in domestic and international events
	Increasing media exposure through proactive outreach to news outlets			• Strengthening communication with the media, resulting in increased feature articles and press release publications

Improving cash flow and fundraising in the biosimilars business

- Significantly reduced working capital* through shortened periods from payment issuance to cash collection and adjusted payment conditions, thereby stabilizing cash flow by negotiating with partner pharmaceutical companies
- We will continue negotiations with partner pharmaceutical companies to pursue further improvements, aiming to optimize working capital and expand the use of indirect financing, with the goal of phasing out reliance on capital raised from the stock market.



While sales significantly expand, working capital reduced by over JPY1Bn

Increased financial efficiency contributes to stabilized cash flow

*Working Capital = Current assets (Total current assets - Cash and deposits) - Current liabilities (Total current liabilities - Current portion of long-term debt due within one year)

IR Schedule for FY2024 (tentative)

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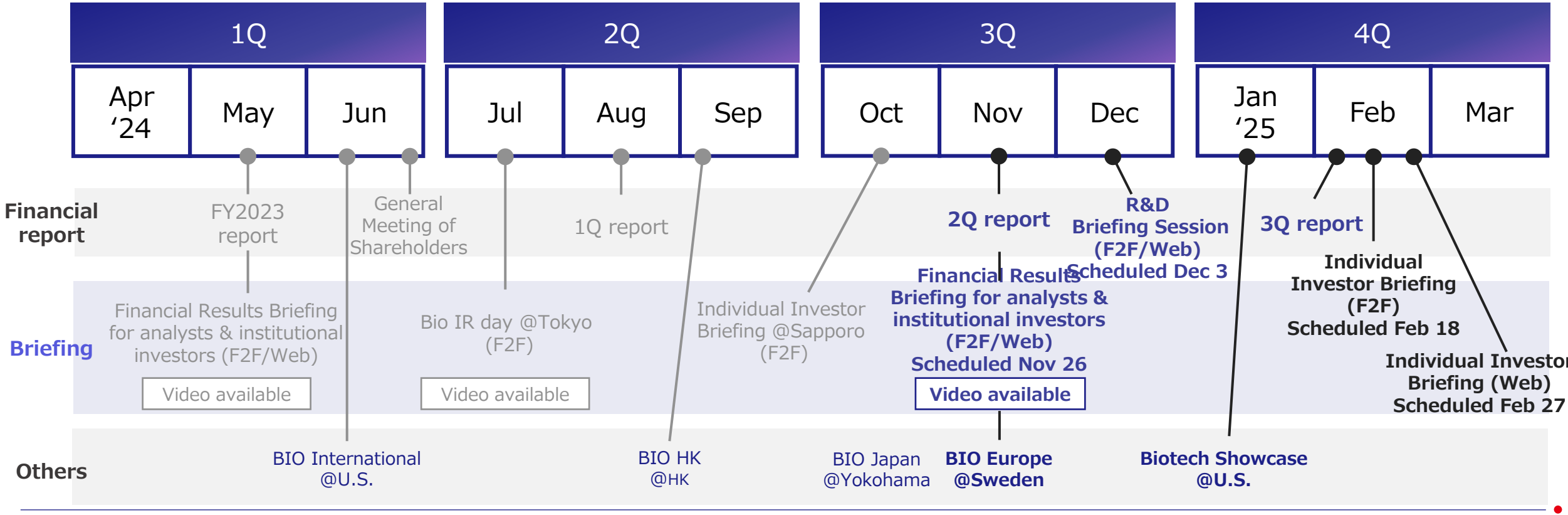
IR Basic Policy

- **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**



*The above schedule is the current schedule and is subject to change based on research and development progress, etc.

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