February 12, 2025

Summary of Financial Results for the Third 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: 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 filing of Annual Securities Report:		
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 Third Quarter of the Fiscal Year Ending March 31, 2025 (April 1, 2024 – December 31, 2024)(consolidated)

(1) Consolidated management performance (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	%
Third quarter of the fiscal year ending Mar. 31, 2025	3.036	-	-137	-	-161	-	-187	-
Third quarter of the fiscal year ending Mar. 31, 2024	-	-	-	-	-	-	-	-

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of the fiscal year ending Mar. 31, 2025	-4.69	-
Third quarter of the fiscal year ending Mar. 31, 2024	-	-

(Note) Since we have been preparing quarterly consolidated financial statements from the first quarter of the fiscal year ending March 2025, the year-over-year change rates are not provided.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2024	4,574	1,052	21.2
As of Mar. 31, 2024	-	-	-

(Reference) Shareholders' equity

Third quarter of the fiscal year ending Mar. 31, 2025: 969 million yen Fiscal Year ended March 31, 2024: - million yen

(Note) Since we have been preparing quarterly consolidated financial statements from the first quarter of the fiscal year ending March 2025, the year-over-year change rates are not provided.

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	-	0.00	-		
Fiscal year ending March 31, 2025 (forecasts)				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)(consolidated)

(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	4,000	-	-1,000	-	-1.000	-	-950	-	-23.70

(Note) Changes to the most recent business forecast: None

Since we have been preparing quarterly consolidated financial statements from the first quarter of the fiscal year ending March 2025, the year-over-year change rates are not provided.

*** Annotations**

1. Significant changes in the scope of consolidation during this interim period: S-Quatre Corporation has been incorporated
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 third quarter of the fiscal year ending March, 2025: 40,671,113 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 third quarter 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 third quarter of the fiscal year ending March, 2025: 40,029,004 shares
      At the third quarter of the fiscal year ended March, 2024: 34,290,700 shares

*This summary report 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.

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I. Financial Results for the current fiscal quarter

Since the Group has been preparing consolidated financial statements since the current fiscal year, no comparative analysis with the previous fiscal year has been made. As for this quarterly cumulative period from April 1, 2024 to December 31, 2024 consolidated financial results, the sales was 3,036,304 thousand yen, R&D expenses was 541,604 thousand yen, operating loss was 137,904 thousand yen, ordinary loss was 161,196 thousand yen, and net loss attributable to owners of the parent of the Company was 187,773 thousand yen.

(1) Business updates

a) Biosimilars business

In our biosimilars business, we are committed to commercializing biosimilars that offer the same quality, safety, and efficacy as their reference biologics. This approach supports patients in continuing their treatments by reducing their financial burden and contributes to the sustainability of health insurance systems through healthcare cost reduction.

Looking forward, a wide range of biologics developed by major domestic and international pharmaceutical companies will continue to enter the market and eventually reach the end of their patent and re-examination periods, providing ample business opportunities in the biosimilars market. Additionally, in Japan, recent initiatives such as setting biosimilar penetration targets and introducing reimbursement incentives by the Ministry of Health, Labour, and Welfare are expected to drive a steady increase in demand and expand the market size. However, few companies in Japan possess the expertise, track record, and talent required for biosimilar development. Leveraging our accumulated experience, know-how, and insights, we aim to contribute to the commercialization of numerous biosimilars while achieving growth that surpasses the pace of market expansion.

To date, we have been involved in the development of four of the 19 biosimilar products currently approved in Japan, all of which were launched as first-to-market products. Consequently, the revenue from these launched products has grown to exceed our fixed costs, excluding R&D expenses. We anticipate that this business will continue to generate stable, recurring revenue in the long term. Therefore, we position it as a key business for maximizing corporate value under our unique 'balance of stability and growth' strategy as a biotech venture.

In pursuit of further growth through the creation of new revenue streams in the biosimilars business, we entered into a business alliance agreement in June 2024 with Chiome Bioscience Inc. (hereinafter “Chiome”), a company with strong capabilities in the development of antibody therapeutics. Based on this agreement, the two companies will jointly develop selected new biosimilar candidates by pooling their bioscience talent, expertise, and experience in biopharmaceutical development. Development costs will be shared, and efforts will primarily focus on co-developing cell lines and manufacturing processes. Revenue from any cell lines or manufacturing processes developed through this collaboration, whether through licensing or transfer to pharmaceutical companies, along with revenue from providing development support to these companies, will be profit-shared between the two parties. This partnership aims to establish an effective, synergy-driven collaboration model.

Alongside the formalization of development plans for our fifth biosimilar product and beyond under this alliance, we are actively engaged in discussions under confidentiality agreements with several domestic and international pharmaceutical companies. We aim to conclude joint commercialization agreements during the first half of the fiscal year ending March 31, 2026, with an eye toward expansion into overseas markets.

Regarding efforts to optimize capital efficiency and profit margins during this consolidated cumulative period, we have achieved a reduction in manufacturing and working capital of over 1 billion yen, as a result of discussions and negotiations with our pharmaceutical partners to adjust payment terms and supply prices to reflect the rising manufacturing costs caused by overseas inflation and the depreciation of yen, and to accommodate increased working capital needs driven by strong demand growth for GBS-007 and GBS-010. We continue to work on improving manufacturing operation funds and supply prices in response to variations in the external environment.

To ensure stable supply and reduce manufacturing costs, we have also focused on technology transfer and process development for a new contract manufacturer for some biosimilar APIs. While we have mostly completed the development process for Pharmaceuticals and Medical Devices Agency (PMDA) approval as planned, unforeseen additional requirements have led to a delay in the approval timeline by approximately six months. Consequently, our anticipated cost reductions and improved profitability are expected to be realized from FY2026.

b) Cell therapy business (regenerative medicine)

As a growth business supporting our significant value enhancement, our cell therapy business (regenerative medicine) is focused on developing innovative regenerative medicine products based on stem cells from human exfoliated deciduous teeth (SHED) derived from healthy donors’ baby teeth, utilizing technology acquired through the 2019 acquisition of Cell Technology, Inc. Cell therapy, or regenerative medicine, has the potential to treat difficult diseases and rare conditions that previously lacked effective treatments. The discovery of iPS cells, a foundational technology in this field, led to Professor Shinya Yamanaka of Kyoto

University receiving the Nobel Prize in Physiology or Medicine in 2012, spurring accelerated research and commercialization efforts worldwide.

Our SHED offers advantages over other mesenchymal stem cells (MSCs), such as those derived from bone marrow or adipose tissue, in terms of manufacturing costs, because it is derived from the tissue of children and is therefore young, and because it is derived from the ectoderm, it has a high proliferative capacity, making it possible to produce large quantities of regenerative medicine products from just one baby tooth. Furthermore, by applying our unique manufacturing method (SQ method), it is possible to supply the entire product through the lifecycle from clinical trials to post-commercialization with SHED that can be harvested from a single baby tooth, and it is expected that the quality certification required when changing the source cells, which has been a bottleneck for other MSCs, will become unnecessary. In addition, unlike most regenerative medicine products that are currently approved in Japan, which use materials from overseas donors, our SHED product uses materials from baby teeth that can be obtained stably and continuously in Japan, so it can be manufactured and provided stably in Japan without being affected by overseas conflicts or pandemics. Since 2019, we have pursued SHED science through collaboration and joint research with our partners and academia, focusing on developing manufacturing methods for regenerative medicine products based on SHED. In March 2020, the Ministry of Economy, Trade, and Industry published guidance on legal, ethical, and social issues related to human (allogeneic) cell sourcing, further strengthening the regulatory environment. In August 2022, we completed the construction of a clinical-grade SHED Master Cell Bank (MCB) for Japan, and in March 2024, we achieved compliance with FDA standards, laying the groundwork for clinical development domestically and internationally. Additionally, we have established 'S-Quatre®,' a system encompassing donor recruitment, extraction by affiliated medical institutions, and MCB production in GMP-compliant facilities. This platform supports not only our pipeline but also serves other companies developing regenerative medicine products and cell-related pharmaceuticals, such as exosomes, by providing MCBs.

Our proprietary manufacturing process produces SQ-SHED (previously KWB-SHED, renamed following the establishment of S-Quatre Corp.), which differs in gene expression profiles from MSCs derived from other tissues and even from SHED produced by conventional methods. It exhibits higher gene expression linked to neurogenesis, angiogenesis, and cell migration, as well as increased production of related protein growth factors. These enhanced biological activities have been validated through cell function assays and animal model testing, leading to a patent application in October 2022.

Leveraging these distinctive features of SQ-SHED, we have focused on cerebral palsy (chronic phase) and bone diseases as potential therapeutic targets. Last fiscal year, clinical research on autologous (patient-derived) SHED for chronic-phase cerebral palsy began under the leadership of Nagoya University. Since enrolling the first patient in October 2023, all patients have been registered. Currently, first two patients have completed with SHED administration and follow-up is underway. After the administration and observation of the third patient, which is scheduled to be carried out in near future, we expect that the interim analysis results of the clinical research will be announced by Nagoya University around September 2025. For our clinical trial on allogeneic (donor-derived) SHED targeting cerebral palsy, using an MCB already established in Japan, we are currently preparing trial materials and consulting with the PMDA. This trial is expected to be led by a development partner, with plans to finalize an agreement within the current fiscal year (ending March 2025) and submit a clinical trial notification in FY2025. We are also working on the development framework for clinical studies overseas, including site selection, in collaboration with global CROs.

We have also been conducting our own research into manufacturing technology, and have succeeded in developing a new mass cultivation method. In order to conduct full-scale process development for future late-stage clinical trials and commercial manufacturing, we have concluded a joint development agreement with a contract manufacturing organisation and are in the process of transferring technology from S-Quatre.

For bone disease, in September 2024, we entered a joint research agreement with Dokkyo Medical University and HOYA Technosurgical Corporation to develop a novel therapy for ischemic bone disease.

In parallel to ongoing clinical development of our first-generation SHED, we are advancing basic research and process development for a second generation of enhanced SQ-SHED, aiming to meet higher therapeutic goals and expand applications to new disease areas through genetic modifications and optimized culturing techniques. We will continue to accelerate efforts to transition this enhanced generation to clinical stages.

c) Other initiatives to enhance business value

Under the new management structure established last fiscal year, we have been working toward maximizing corporate value and achieving early recovery and growth in our stock price. This involves the efficient use of management resources, optimizing financing methods, and enhancing the visibility of business value.

To improve the efficiency of resource allocation, we have strategically decided to concentrate our resources on the biosimilars and cell therapy (regenerative medicine) businesses, as noted above. Through structural reforms and strengthening inter-business collaboration, we are leveraging our accumulated R&D knowledge and expertise in each business area to enhance and streamline research and development activities. Additionally, we are prioritizing our various R&D pipelines based on factors such as progress

and business potential, with a focus on continuous growth and the rationalization of R&D investments.

In optimizing financing, the establishment of S-Quatre Corp. allows us to dedicate resources solely to the biosimilars business, while S-Quatre focuses on the cell therapy business. This structure enables us to pursue financing strategies tailored to each business's unique characteristics and stage. We have already engaged in discussions under confidentiality agreements with multiple potential business partners, not only with financial institutions like banks and investment funds but also considering capital partnerships with business candidates in each field. To improve capital efficiency, particularly in the biosimilars business, we have initiated adjustments in payment terms with partner pharmaceutical companies. These efforts are already yielding improvements in accounts receivable turnover, thereby compressing the working capital that had increased significantly due to rising demand for biosimilars. We will continue to optimize R&D investments and working capital, manage our capital needs, expand the use of indirect financing, and seek funding from business partners to reduce our dependency on the equity market.

For enhancing business value visibility, the creation of S-Quatre Corp. enables us to clearly report profitability in the biosimilars business as a standalone entity, improving the quality of our communications with the stock market. Leveraging the disclosure system for international institutional investors established last year, we actively participate in partnering events, such as the BIO International Convention, to strengthen dialogue with foreign institutional investors. Additionally, we are fostering active communication with analysts and media to deepen understanding of our strengths, broaden our outreach through reports and articles, and plan investor presentations for individual investors across wider regions and demographics. Through these efforts, we are enhancing our IR and PR activities.

(2) Outlook

Our biosimilars business, which provides a stable revenue foundation, has seen replacement rates for GBS-001 and GBS-011 exceed 80% from the reference biologics, with our partners' market share remaining steady. For GBS-007, launched in December 2021, no competing biosimilars have entered the market, and with the additional indication approval in September 2023, replacement rates from the reference biologic and our partner's market share have further expanded. Similarly, GBS-010, our fourth product approved in September 2023, continues to benefit from high market demand in the absence of other biosimilar competition.

Given these favorable market conditions and the Japanese Ministry of Health, Labour, and Welfare's measures to promote biosimilar adoption, we anticipate strong mid-term revenue growth in this segment, primarily driven by GBS-007 and GBS-010. In response to anticipated mid-term demand growth from our partner pharmaceutical companies, we are enhancing our stable supply framework, and adjusting manufacturing plans. Supply volume for the current fiscal year has already been finalized in coordination with our partners and contract manufacturers, and product deliveries are progressing steady in this third quarter of the current consolidated fiscal year. today. Additionally, we are negotiating with partners to adjust supply prices in response to rising manufacturing costs influenced by overseas inflation and yen depreciation. We remain committed to analyzing external factors and optimizing both capital efficiency and profitability.

To strengthen our stable supply system and reduce manufacturing costs, we have continued to transfer technology and develop manufacturing methods for a new contract manufacturer for certain biosimilar APIs. Development for PMDA approval has mostly proceeded as planned, though additional requirements have led to an anticipated six-month delay in approval timing. Consequently, the cost-saving effects of these initiatives are expected to contribute to profitability starting in FY2026.

Our cell therapy business, positioned as a future growth driver, continues to advance clinical development for chronic-phase cerebral palsy. For the Nagoya University-led clinical research on autologous SHED that began last fiscal year, we are providing ongoing support, including observation of patients who have already received SHED treatment and production of SHED for upcoming patients. Concurrently, we are preparing clinical trial materials and advancing discussions with our development partner for allogeneic SHED in Japan, with a target to submit a clinical trial application by FY2025. For the overseas market, we are progressing on clinical development for chronic-phase cerebral palsy with allogeneic SHED, including establishing a development framework with overseas CROs. Additionally, as mentioned, research on first-generation SHED for bone diseases is making progress.

To achieve higher therapeutic goals and expand into new disease areas, we are enhancing the functionality of SQ-SHED through genetic modifications and optimized culturing techniques, aiming to accelerate the clinical development of this second-generation SHED. We are also working on research and development activities aimed at the early development of the second-generation SHED, which has enhanced SHED functions, to the clinical development stage, and we have seen steady progress in this area, including the conclusion of a joint research and development agreement with a contract manufacturing organization for the development of a gene-modified SHED manufacturing process. We will continue to exchange information and hold discussions with potential development partners to drive this initiative forward.

(3) Earnings forecast

As mentioned above, in the biosimilars business, discussions and adjustments with partner pharmaceutical companies and contract manufacturing organizations (CMO) have been finalized, solidifying the production and delivery plans for this fiscal year.

Accordingly, the earnings forecast for the current fiscal year is detailed in the notice, "Consolidated Earnings Forecast" dated November 12, 2024, as well as on page 1 of the third-quarter financial report, section "3. Consolidated Earnings Forecast for the Fiscal Year Ending March 2025 (April 1, 2024 – March 31, 2025)."

During this third quarter consolidated accounting period, there are still concerns over uncertainties surrounding corporate performance and economic outlook due to rapid foreign exchange fluctuations and domestic and international political developments. However, the demand for pharmaceuticals, including biosimilars, is relatively unaffected by economic trends. Therefore, sales in the biosimilars business are expected to grow. Additionally, since our group manufactures all biosimilar active pharmaceutical ingredients (APIs) through overseas CMOs and outsources a portion of research and development activities for both the biosimilars and cell therapy businesses to foreign companies, further yen appreciation in the foreign exchange market could lower the cost of goods sold and R&D expenses in the latter half of this fiscal year, potentially boosting profits. On the other hand, significant inflation or a steep depreciation of the yen could negatively impact this fiscal year's earnings and those of subsequent years. Should such circumstances arise, we will carefully examine the situation and disclose relevant information promptly.

(4) Mid-term management plan

Our group announced the mid-term management plan, KWB2.0, on May 12, 2022, aiming to achieve sales of 3 billion yen and operating profit of 1 billion yen in FY2025. Since then, we have been steadily pursuing business activities to achieve these goals. In the biosimilars business, we successfully launched our fourth product as planned, and in the cell therapy business, we entered the clinical development stage within FY2022, also according to the plan. Meanwhile, we have actively adapted to changing external conditions by undertaking unplanned transformations, such as initiating new biosimilar development and transforming our business model to ensure sustainable growth in the biosimilars business, establishing the Tokyo Lab to accelerate research and development of second-generation SHED, incorporating spin-offs for appropriate fundraising, and suspending research activities in the biopharmaceutical business.

In the biosimilars business, competition anticipated at the time of planning did not materialize, and the social significance of biosimilars, which contribute to reducing healthcare costs, has increased. Consequently, the business has grown steadily, with sales for this fiscal year expected to reach 4 billion yen. Moreover, supported by improving market conditions and promotion of biosimilars by the Ministry of Health, Labour and Welfare, we have begun initiatives for new biosimilars in collaboration with Chiome Bioscience to ensure sustainable growth in the biosimilars business. However, external factors such as inflation and yen depreciation, exceeding 160 JPY/USD at one point, despite the plan assuming 120 JPY/USD, have significantly impacted profit margins.

To ensure the stable supply and cost reduction of certain biosimilar APIs, we have been developing manufacturing processes and transferring technology to new CMOs. While development toward PMDA approval has progressed mostly on schedule, additional tasks have delayed approval by approximately six months. To address this delay, after thorough discussions with partner companies, we decided to place additional orders with existing CMOs to maintain a stable supply of the biosimilar. Once these additional APIs are utilized, we plan to transition to lower-cost APIs produced by the new CMOs, with the switch expected to occur in the FY2026.

In the cell therapy business, first-generation SHED has entered clinical development domestically, and preparations for clinical development overseas are progressing in collaboration with external organizations. Additionally, multiple second-generation SHED projects are advancing toward early clinical development. As a result, research and development activities have progressed beyond initial expectations, leading to an anticipated increase in R&D investments compared to those planned during the original strategy formulation.

The foundation for achieving operating profitability in FY2025, namely cost reduction strategies in the biosimilars business through a new manufacturing framework, has come into clearer view with progress toward PMDA approval. Despite a six-month delay in obtaining approval, we expect to see cost reduction benefits in FY2026, paving the way for operating profitability. As for the FY2026 outlook, we will finalize manufacturing plans to meet growing demand for biosimilars, negotiate supply prices with partner pharmaceutical companies based on future exchange rate trends, and explore measures to improve the efficiency of R&D expenditures through partnership activities. Once details have been thoroughly examined, we will disclose them promptly together with update on the outlook.

II. Financial statements and notes to financial statements

(A) Balance sheet

	(in thousand yen)
	As of the end of the current fiscal quarter (December 31, 2024)
Assets	
Current assets	
Cash and cash equivalents	1,318,255
Accounts receivable	131,937
In-process inventory	990,617
Advance payments	1,496,658
Other current assets	131,768
Total current assets	4,069,237
Non-current assets	
Tangible fixed assets	1,254
Intangible fixed assets	1,147
Investments and other assets	
Investment securities	480,160
Other investments and assets	22,983
Total Investments and other assets	503,144
Total non-current assets	505,545
Total assets	4,574,783
Liabilities	
Current liabilities	
Trade payables	31,893
Long-term debts to be repaid within one year	547,040
Account payable	252,256
Income taxes payable	79,936
Contract liabilities	965,340
Others	11,064
Total current liabilities	1,887,531
Non-current liabilities	
Corporate bonds	500,000
Long-term debts	986,600
Reserve for retirement allowance	43,620
Deferred tax liabilities	104,795
Total non-current liabilities	1,635,015
Total liabilities	3,522,547
Shareholders' equity	
Shareholders capital	
Common stock	2,161,563
Capital Surplus	11,467,163
Retained Earnings	-12,896,856
Treasury stock	-73
Total shareholders capital	731,796
Valuation difference on securities	237,674
Equity warrants	82,764
Total shareholders' equity	1,052,235
Total liabilities and shareholders' equity	4,574,783

(B) Consolidated Statements of Income (Third quarter of the consolidated cumulative period)

	(in thousand yen)
	This quarterly cumulative period (April 1, 2024 to December 31, 2024)
Gross sales	3,036,304
Cost of goods sold	2,005,685
Gross profit	1,030,619
Selling, general and administrative expenses	
R&D expenses	541,604
Other expenses	626,918
Total selling, general and administrative expenses	1,168,523
Operating loss (-)	-137,904
Non-operating income	
Interest income	122
Material Sale income	4,080
Compensation received	21,816
Miscellaneous income	221
Total non-operating income	26,240
Non-operating expenses	
Interest expense	30,026
Interest on corporate bonds	2,358
Foreign exchange loss	13,456
Miscellaneous loss	3,691
Total non-operating expenses	49,532
Ordinary loss (-)	-161,196
Extraordinary gain	
Reversal of equity warrant	42,099
Total extraordinary gain	42,099
Extraordinary loss	
Loss on valuation of investment securities	14,999
Total extraordinary loss	14,999
Net loss for the year before tax adjustment (-)	-134,097
Corporate, residential and enterprise taxes	53,676
Total corporate and other taxes	53,676
Net loss for the period (-)	-187,773
(breakdown)	
Net loss for the period attributable to parent company shareholders	-187,773
Other comprehensive income	
Valuation difference on available-for-sale securities	237,674
Total other comprehensive income	237,674
Comprehensive income for the period	49,900
(breakdown)	
Comprehensive income for the period attributable to parent company shareholders	49,900

(C) Notes to financial statements

(Notes on material changes of shareholders' equity)

In the first quarter of the consolidated accounting period, S-Quatre Co., Ltd., which was established through a company split, was included in the scope of consolidation.

(Notes on segment information)

The third quarter of the consolidated cumulative period (From April 1, 2024 to December 31, 2024): As our group has a single segment of the pharmaceutical development business, the description is omitted.

(Notes on material changes of shareholders' equity)

During the cumulative period of the third quarter, the 8th, 12th, 14th, 17th and 18th series of stock acquisition rights were exercised. As a result, capital and capital reserve increased by 124,839 thousand yen respectively, and as of the end of the second quarter of the fiscal year, capital was 2,161,563 thousand yen and capital reserve was 11,467,163 thousand yen.

(Notes on going concern assumption)

There is no reporting item applicable to this matter.

(Notes on consolidated statements of cash flows)

A cash flow statement for this third quarter of the current fiscal year has not been prepared. Depreciation and amortization (including amortization of intangible fixed assets) for the third quarter of the current fiscal year is as follows.

Depreciation for this third quarter of the consolidated cumulative period (From April 1, 2024 to December 31, 2024) :450 thousand yen

(D) Material Post-Balance Sheet Events

Issuance of the 23rd and 24th series of stock acquisition rights through third-party allotment

Based on the decisions made at the board of directors meeting held on December 26, 2024 regarding the issuance of the 23rd and 24th series of stock acquisition rights (with revised exercise price) through a third-party allotment, the payment for the issuance was completed on January 14, 2025. An outline of the issuance is as follows.

Overview of the issuance of share warrants

1, the 23rd Stock Acquisition Rights

(1)	Payment date (issue date)	January 14, 2025
(2)	Method of allocation	Allocation to CVI Investments, Inc. by way of third-party allocation.
(3)	Total number of rights	13,746
(4)	Class of shares	Common stock
(5)	Number of shares to be issued upon exercise of stock acquisition rights	1,374,600
(6)	Total issue price of stock acquisition rights	481,110 yen
(7)	Issue price of stock acquisition rights	35 yen per one stock acquisition right
(8)	Total amount of property to be contributed upon exercise of stock acquisition rights	143,439,510 yen (*)
(9)	Exercise price and provisions for revising the exercise price	The exercise price is 104 yen. The exercise price of these stock acquisition rights will not be revised, and therefore there is no maximum or minimum exercise price.
(10)	Exercise period	From January 15, 2025 to January 15, 2028
(11)	Amount to be paid into capital when shares are issued as a result of the exercise of stock acquisition rights	The amount obtained by multiplying the maximum amount of increase in stated capital of a stock company which is calculated in accordance with the provisions of Article 17 of the Corporate Calculation Regulations, by 0.5, and if the calculation results in a fraction of less than one yen, the amount shall be rounded up to the nearest yen. The amount of the increased capital reserve shall be the amount obtained by subtracting the amount of the increased capital from the maximum amount of the increase in stated capital of a stock.
(12)	Use of fund	Operating capital for maintaining a stable supply launched biosimilar products

(Note) The total amount of assets to be contributed upon the exercise of the 23rd Series Stock Acquisition Rights is the amount

that would be raised if all of the 23rd Series Stock Acquisition Rights were exercised at the initial exercise price. If the exercise price is adjusted, the amount of funds raised will increase or decrease. In addition, if the 23rd Series Stock Acquisition Rights are not exercised within the exercise period, the amount of funds raised will decrease.

2. The 24th Stock Acquisition Rights (with share options subject to exercise value change)

(1)	Payment date (issue date)	January 14, 2025
(2)	Method of allocation	Allocation to CVI Investments, Inc. by way of third-party allocation.
(3)	Total number of rights	60,000
(4)	Class of shares	Common Stock
(5)	Number of shares to be issued upon exercise of stock acquisition rights	6,000,000
(6)	Total issue price of stock acquisition rights	3,120,000 yen
(7)	Issue price of stock acquisition rights	52 yen per one stock acquisition right
(8)	Total amount of property to be contributed upon exercise of stock acquisition rights	567,120,000 yen(*)
(9)	Exercise price and provisions for revising the exercise price	The initial exercise price is 94 yen. The exercise price of the outstanding allotted stock acquisition rights will be revised every Monday (“Revision Date”), starting from January 20, 2025, to the amount equal to the lowest 90% of the volume weighted average price of the Company's common stock on the Tokyo Stock Exchange on each of the 15 consecutive trading days prior to the relevant Revision Date, rounded up to the nearest yen (the “Revision Date Price”). If the exercise price immediately before the relevant revision date is more than one yen higher or lower than the revised price, it will be revised to the revised price on and after the relevant revision date. However, if the exercise price after the revision on the revision date is less than 52 yen (hereinafter referred to as the “minimum exercise price”), the exercise price shall be the minimum exercise price. The minimum exercise price is equivalent to 50% of the closing price of the Company's common stock in ordinary transactions on the Tokyo Stock Exchange on December 25, 2024, which is the trading day immediately preceding the date of resolution to issue the Stock Acquisition Rights (rounded up to the nearest yen).
(10)	Exercise period	From January 15, 2025 to September 15, 2025
(11)	Amount to be paid into capital when shares are issued as a result of the exercise of stock acquisition rights	The amount obtained by multiplying the maximum amount of increase in stated capital of a stock company which is calculated in accordance with the provisions of Article 17 of the Corporate Calculation Regulations, by 0.5, and if the calculation results in a fraction of less than one yen, the amount shall be rounded up to the nearest yen. The amount of the increased capital reserve shall be the amount obtained by subtracting the amount of the increased capital from the maximum amount of the increase in stated capital of a stock.
(12)	Use of fund	Operating capital for maintaining a stable supply launched biosimilar products

(Note) The total amount of property to be contributed upon the exercise of the 24th Series Stock Acquisition Rights is the amount that would be raised if all of the 24th Series Stock Acquisition Rights were exercised at the initial exercise price. If the exercise price is revised or adjusted, the amount of funds raised will increase or decrease. In addition, if the 24th Series Stock Acquisition Rights are not exercised within the exercise period, the amount of funds raised will decrease.