

Kidswell.Bio

Biotech Striving for Value Creation

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



Security Code:
4584

Financial Results

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

February 12, 2025

Kidswell Bio Corporation



Agenda

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

A decorative graphic on the left side of the slide, consisting of a dark blue diagonal band with glowing, colorful molecular or cellular structures in shades of purple, blue, and pink. Overlaid on this band are several white-outlined hexagons of varying sizes and orientations.

Financial Highlights and Forecasts

Income Statement

(Unit: thousand yen)

Subject	FY2023	FY2024		FY2024
	3Q Results (non-consolidated)	3Q Results (consolidated)	Year-on- year ratio	3Q Results KWB Non-consolidated (non-consolidated)
Gross sales	1,566,742	3,036,304	194%	3,034,828
Cost of goods sold	703,808	2,005,685	285%	2,005,686
Gross profit	862,934	1,030,619	119%	1,029,142
Selling, general and administrative expenses	1,529,959	1,168,523	76%	752,181
R&D expenses	807,465	541,604	67%	221,786
Other SG&A expenses	722,493	626,918	87%	530,395
Operating income ("-" means operating loss)	△667,025	△137,904	--	276,961
Ordinary income ("-" means ordinary loss)	△712,858	△161,196	--	362,431
Net income ("-" means net loss)	△747,400	△187,773	--	335,989

Gross sales/gross profit

- Deliveries of biosimilar active pharmaceutical ingredients (APIs) is progressing as planned
- Demand for GBS-007 and GBS-010 remained strong, and sales grew significantly by 194% year-on-year.
- Ongoing yen depreciation and rising prices strains the gross profit margin in the biosimilar business significantly, however, due to the substantial expansion of sales accompanying strong market demand, gross profit has increased year-on-year.

R&D & other SG&A expenses

- Continuing to control expenditures through prioritization R&D activities and efficiency improvements in other business operations

Quarterly Net Income

- Despite the continuing impact of the weak yen and rising prices, Kidswell Bio (biosimilar business) maintained its operating profit and increased its operating profit margin

Balance Sheet

(Unit: thousand yen)

Subject	4Q FY2024 (non-consolidated)	3Q FY2025 (consolidated)
Current assets	4,924,221	4,069,237
(Cash and cash equivalents)	2,231,411	1,318,255
(Accounts receivable)	881,407	131,937
(Products)	--	--
(In-process inventory)	875,654	990,617
(Advance payments)	739,567	1,496,658
(Other current assets)	196,181	131,768
Non-current assets	161,329	505,545
Total assets	5,085,550	4,574,783
current liabilities	2,375,227	1,887,531
Non-current liabilities	1,878,850	1,635,015
Total liabilities	4,254,077	3,522,547
Total shareholder's equity	831,473	1,052,235
Total liabilities and shareholder's equity	5,085,550	4,574,783

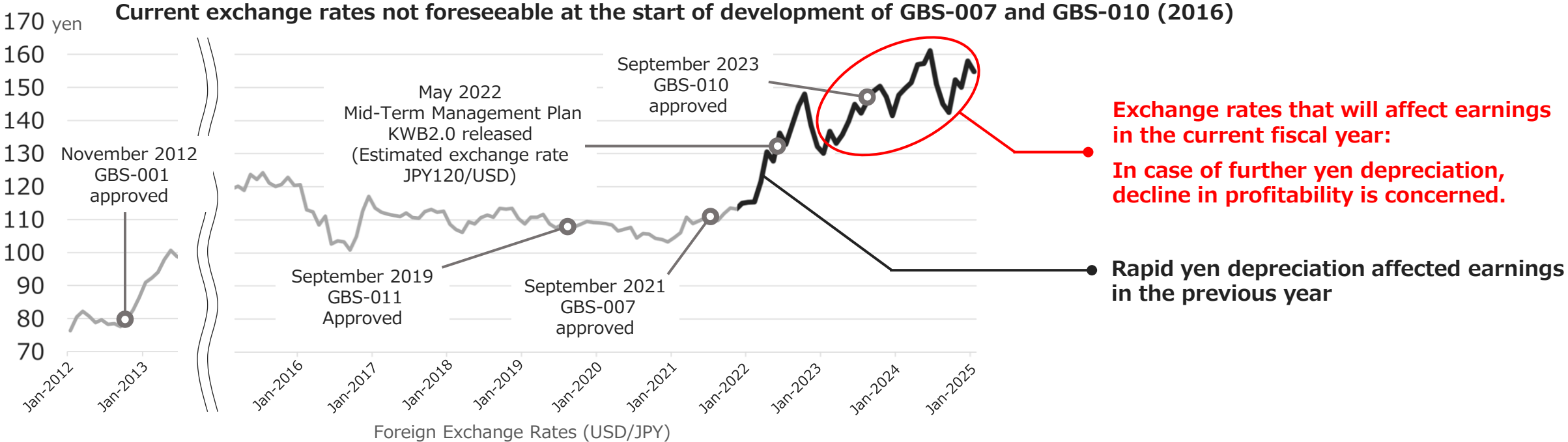
Cash and cash equivalents

- Maintained a high level of cash and cash equivalents through deliveries of biosimilar active pharmaceutical ingredients (API).

Working capital

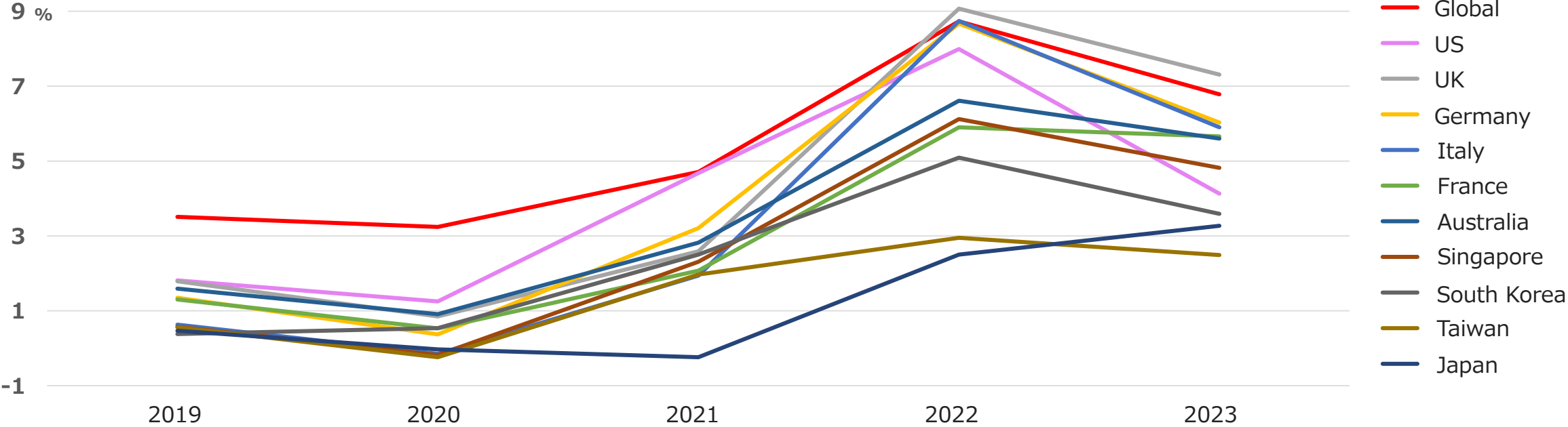
- Continuous high demand on GBS-007 and GBS-010 resulted in temporal increase of manufacturing operation including upfront payment to CDMOs. Adjustments with partner companies helped to reduce working capital and improve financial efficiency is underway.

- 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**



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

- 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

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

Keep manufacturing and delivery of biosimilar APIs and formulations according to the schedule agreed with partner pharmaceutical companies.

Improve the gross profit margin of the biosimilar business as a result of efforts to address issues such as rising manufacturing costs.

Continue to monitor the manufacturing and delivery status of biosimilar APIs and formulations, as well as the progress of R&D activities, while revising our business performance forecasts.

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

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 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

Initiatives in Maximizing Corporate Value

Planned key initiatives: Biosimilars (KWB)

		Initiative	FY2024 (current FY)	FY2025 (next FY)	Progress
Biosimilars Business	Marketed BS	Maintaining stable supply through adjustments to the manufacturing schedule and addressing deviations			Manufacturing and delivery are progressing according to the schedule agreed with partner pharmaceutical companies
		Manufacturing cost reduction measures aimed at improving profitability			Margin improvements from FY2026 due to revised timeline for PMDA approval of manufacturing cost reduction initiative (Projected to reach profitability in FY2026)
		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 (including overseas companies), aiming to conclude agreements by the end of Sep 2025
		Discussions with Chiome, Inc.			Advancing collaboration with CDMOs to develop cell lines for new biosimilars
		Transformation toward a business model capable of sustainable growth			Facilitating discussions with multiple companies (including overseas companies) based on a new business model

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

Planned key initiatives: Cell therapy (S-Quatre)

		Initiative	FY2024 (current FY)	FY2025 (next FY)	Progress
Cell Therapy Business	1 st generation	Supporting clinical research at Nagoya University for cerebral palsy			<p>1st & 2nd case: 24 weeks after administration, the patient is doing well</p> <p>3rd case: waiting for the baby tooth to fall out</p> <p>The results of the interim analysis are scheduled to be announced in September of this year</p>
		Preparing clinical trial application for cerebral palsy			<p>Negotiations with potential development partners are underway in the aim of value maximization.</p> <p>A gap analysis (data sufficiency assessment) was conducted by a major overseas CRO. It was confirmed that the acquisition of the necessary data for overseas clinical trials was progressing smoothly.</p>
		R&D and manufacturing process development for other diseases			<p>Investigational Drug for early clinical trial: Test production</p> <p>Process development for manufacturing of drug products for late clinical stage and commercial stage: We will present our achievement in mass-production at the ISCT**meeting in May 2025. Initiated joint development with Nipro Corporation with the aim of establishing a formulation process.</p> <p>Research collaboration on bone diseases with DMU*** and HOTS**** is progressing</p>
	*2 nd generation	Research on genetically modified SHED and development for manufacturing process for clinical application			<p>Successfully optimized a non-viral gene transfer method.</p> <p>Signed a joint research and development agreement with a CDMO to establish a formulation process</p>
		Research on utilizing master cell bank to maximize the value of 2 nd generation SHED research and S-Quatre®			<p>Research progressing well on multiple projects</p>
	Business Structure	External alliances and fund raising as S-Quatre			<p>In discussions with companies and VCs including overseas under CDA</p>

*Prioritize development products based on research data and external conditions. Terminate R&D activities for certain products as needed.

** ISCT: International Society of Cell Therapy

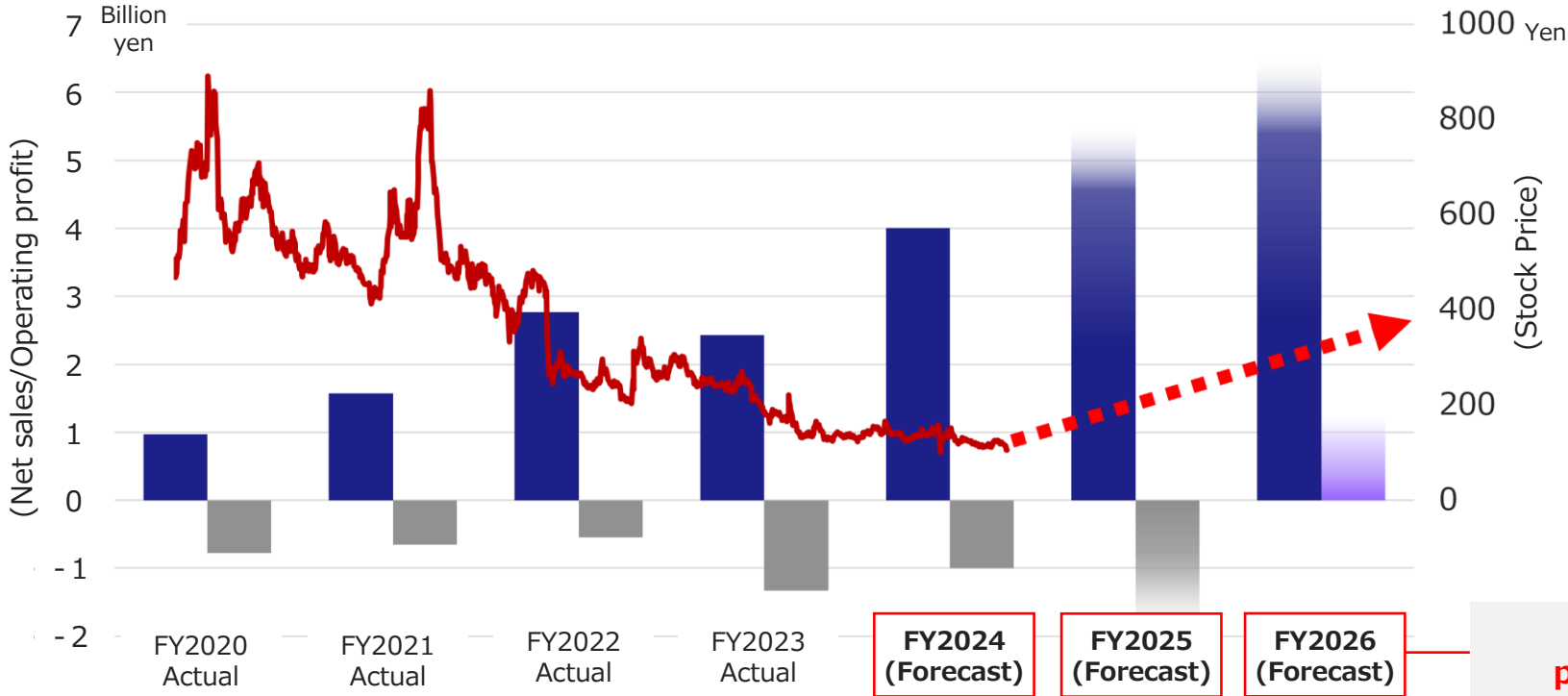
DMU: Dokkyo Medical University, *HOTS: HOYA Technosurgical Corporation

Planned key initiatives: Group-wide

Management strategy

	Initiative	FY2024 (current FY)	FY2025 (next FY)	Progress
Management strategy	1. Efficient utilization of resources 			<ul style="list-style-type: none"> Reviewing evaluation system in alignment with FY2023 organizational restructuring Promote the recruitment of human resources and optimized resource allocation
	Restruction of corporate culture and systems			
	Maximizing the use of management resources through operational efficiency improvements			<ul style="list-style-type: none"> Strengthen collaboration among businesses and divisions and develop IT infrastructure
	2. Optimize financing options 			<p>Aiming at ending fundraising from the stock market</p> <ul style="list-style-type: none"> Significantly reduced working capital, reducing the funds required by approx. 1.6 billion yen Conducted refinance to reduce dilution and complete fundraising as soon as possible
	Fundraising aligned with the nature and stage of the business			
	Securing funds through partnerships with partner companies			<ul style="list-style-type: none"> Engaging in confidential discussions with financial institutions, corporate entities, and VCs
	3. Visualize business value 			<ul style="list-style-type: none"> Established consulting agreements with professionals experienced in IR activities within biotech ventures
	Improving the quality of information provided to stakeholders			
	Active engagement with international institutional investors			<ul style="list-style-type: none"> Enhancing engagement by participating in domestic and international events
Increasing media exposure through proactive outreach to news outlets			<ul style="list-style-type: none"> Strengthening communication with the media, resulting in increased feature articles and press release publications 	

- Improve the profitability of marketed biosimilar products aiming to show positive operating profit in FY2026 as a group and maximize the amount of the profitability
- Increase the values of both Biosimilar business and Cell Therapy business by achieving the business milestones



(Unit : Thousand yen)

	FY2025 (End in Mar 2026)	FY2026 (End in Mar 2027)
Net Sales	4,500,000 ~5,000,000	5,500,000 ~6,000,000
Operation Profit	-1,000,000 ~ -2,000,000	100,000 ~1,000,000

※Exchange rate assumption : JPY160/USD~JPY150/USD

Execution of agreement with a partner for SHED development (linked to FY2024)

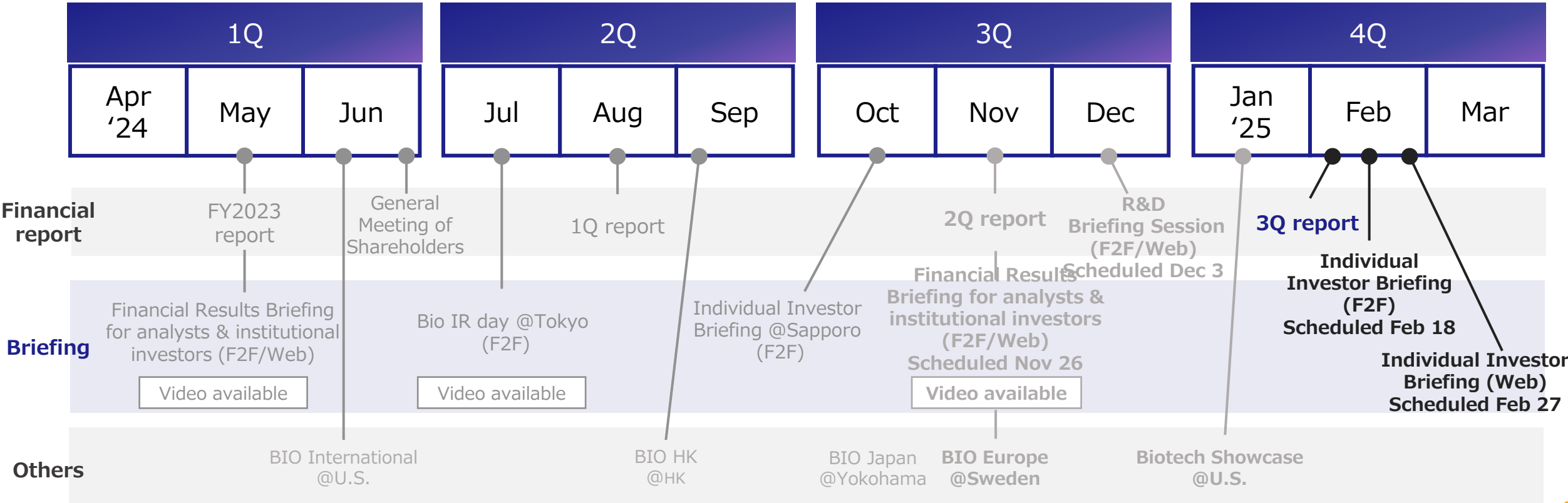
**Release of interim analysis report on SHED clinical study (Around September 2025)
Execution of agreements on new BS developments (~ end of September 2025)** (linked to FY2025)

Achieve operational profitability (FY 2026) (linked to FY2026)

IR Schedule for FY2024 (tentative)

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.

A close-up photograph of two hands shaking, one appearing to be an adult's hand and the other a child's, set against a blurred green background. The image is overlaid with a semi-transparent hexagonal molecular structure pattern.

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.