May 14 2026

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2026 (Extracted 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
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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. Consolidated financial results for the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(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	%
March 31, 2026	6,589	29.7	(138)	-	(374)	-	(413)	-
March 31, 2025	5,082	-	27	-	5	-	(21)	-

(Note) Comprehensive income
For the fiscal year ended March 31, 2026: (452) million yen (-%), For the fiscal year ended March 31, 2025: 106 million yen (-%)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2026	(8.48)	-	(28.1)	(5.7)	(2.1)
March 31, 2025	(0.52)	-	(2.1)	0.1	0.5

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2026	6,088	1,653	26.4	32.37
March 31, 2025	7,008	1,410	19.1	30.50

(Reference) Shareholders' equity As of March 31, 2026: 1,606 million yen, As of March 31, 2025: 1,338 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and equivalents, end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2026	(1,096)	(12)	1,397	3,294
March 31, 2025	936	65	(240)	2,995

2. Cash Dividends

	Dividend per share					Total dividend paid	Payout ratio (consolidated)	Ratio of total amount of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2025	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended March 31, 2026	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending March 31, 2027 (Forecast)	-	0.00	-	0.00	0.00		-	

Note: Revisions to the forecast of cash dividends most recently announced : None

3. Consolidated financial forecast for the fiscal year ending March 31, 2026 (from April 1, 2025, to March 31, 2026)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
March 31, 2027	5,000～6,000	△24.1～△9.0	100～600	-	-	-	-	-	-

(Note) For the fiscal year ending March 31, 2026, the Company will disclose its consolidated earnings forecast only for net sales and operating profit in the form of a range. For details, please refer to the attached document, page 5. “Future Outlook.”

* Notes

(1) Significant changes in the scope of consolidation during the period：None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements：None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

a. Changes in accounting policies due to revisions to accounting standards and other regulations ：None

b. Changes in accounting policies due to other reasons ：None

c. Changes in accounting estimates ：None

d. Restatement ：None

(4) Number of issued shares (common shares)

a. Number of issued and outstanding shares at the period end (including treasury stock)
As of March 31, 2026: 49,623,419 shares
As of March 31, 2025: 43,881,013 shares

b. Number of treasury shares at the end of period
As of March 31, 2026: 94 shares
As of March 31, 2025: 94 shares

c. Average number of shares outstanding during the period
Fiscal year ended March 31, 2026: 48,795,841 shares
Fiscal year ended March 31, 2025: 40,502,700 shares

[Reference] Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2026	6,585	33.6	434	(5.8)	352	(39.7)	283	(48.4)
March 31, 2025	4,930	102.8	461	-	583	-	557	-

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2026	5.90	5.74
March 31, 2025	13.77	10.69

(2) Non-consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2026	7,323	2,934	39.4	58.18
March 31, 2025	7,518	1,989	25.5	43.69

(Reference) Owner's equity As of March 31, 2026 : 2,886 Millions of yen, As of March 31, 2025 : 1,917 Millions of yen

* Financial results reports are exempt from audit conducted by certified public accountants or an audit firm.

*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 “II. Future Outlook” on page 8 for the details.

(How to obtain supplemental financial information)

Materials for the supplemental financial information are available on the Company’s website (https://www.kidswellbio.com/en/).

○Table of Contents of the Attachment

I. Business updates and financial results for the current quarter in FY 2025

Kidswell Bio Corporation (the “Kidswell”) and its consolidated subsidiaries (collectively, the “Group”) are engaged in two businesses: the biosimilar business, which involves the development and the supply of biosimilar active pharmaceutical ingredients etc., (“Biosimilars”), and the cell therapy (regenerative medicine) business, in which our wholly owned subsidiary, S-Quatre Corporation (“S-Quatre”), aims to commercialize cell-based therapies utilizing SQ-SHED, proprietarily developed by S-Quatre.

Note: SHED stands for Stem cells from Human Exfoliated Deciduous teeth.

For the consolidated fiscal year, the Group achieved consolidated net sales of 6,589,923 thousand yen, up 29.7% year on year from 5,082,053 thousand yen in the previous fiscal year. This increase was primarily attributable to continued strong demand in the biosimilar business exceeding the level of the previous fiscal year, steady deliveries of Biosimilars, the full-year contribution from the revision of supply prices for certain Biosimilars implemented in the third quarter of the previous fiscal year, and the impact of additional supply price revisions for other Biosimilars implemented in the third quarter of the current fiscal year.
Gross profit increased to 1,747,396 thousand yen from 1,640,119 thousand yen in the previous fiscal year. This was mainly due to increased sales of Biosimilars, as well as progress made toward switching to lower-cost production items for certain Biosimilars at the end of the fourth quarter.

On the other hand, the gross profit margin decreased compared with the previous consolidated fiscal year. This was mainly attributable to a reactionary effect from the previous consolidated fiscal year, in which a temporary increase in the gross profit margin resulted from a change in payment terms for certain Biosimilars implemented for the purpose of improving manufacturing working capital efficiency, whereby only the gross profit-equivalent amount excluding manufacturing costs was recorded as net sales. In addition, although the aforementioned revisions to supply prices and the transition to lower-cost production items contributed to an improvement in profitability during the current consolidated fiscal year, manufacturing costs increased as the foreign exchange rates applied to Biosimilars for which sales were recorded during the current consolidated fiscal year moved significantly toward yen depreciation compared with the previous consolidated fiscal year. As a result, the increase in gross profit on a full-year basis was limited. It should also be noted that, due to timing differences between payments to overseas contract development and manufacturing organizations (CDMOs) for Biosimilars and the timing of the Group’s revenue recognition, the foreign exchange rates reflected in the Group’s results for the current consolidated fiscal year do not necessarily correspond to fluctuations in foreign exchange rates during the same period.

Research and development expenses increased to 1,119,977 thousand yen from 767,877 thousand yen in the previous consolidated fiscal year, primarily reflecting continued investment in manufacturing cost reduction initiatives in the biosimilar business, development of new biosimilars, and investments in the cell therapy business, including non-clinical studies and the development of mass-production methods for regenerative medicine products targeting cerebral palsy in preparation for conducting clinical trials in Japan and overseas. As a result, the Group recorded an operating loss of 138,510 thousand yen, compared with operating profit of 27,882 thousand yen in the previous consolidated fiscal year.

Moreover, the Group recorded non-operating expenses including arrangement fees associated with the syndicated loan financing and losses on disposal of inventories arising from the manufacturing process of Biosimilars incurred during the interim period. Also, the Group recorded extraordinary losses associated with the closure of its Tokyo laboratory as part of an organizational restructuring aimed at improving the efficiency of the research and development structure and optimizing the allocation of management resources to priority areas. As a result, ordinary loss amounted to 374,914 thousand yen, compared with ordinary profit of 5,187 thousand yen in the previous consolidated fiscal year, and net loss attributable to owners of parent amounted to 418,575 thousand yen, compared with net loss attributable to owners of parent of 21,140 thousand yen in the previous consolidated fiscal year.

With respect to differences from the Group’s financial forecast announced on February 12, 2026, net sales slightly exceeded the forecast range due to the partial acceleration of deliveries of Biosimilars that had originally been scheduled for the next consolidated fiscal year. On the other hand, as such drug substances and related products were not subject to the aforementioned supply price revisions or the transition to lower-cost production items, the impact on gross profit was limited. Furthermore, as the final supply volume of such Biosimilars for the current consolidated fiscal year fell slightly below the Group’s expectations due to the occurrence of the aforementioned inventory disposal losses, gross profit and operating profit fell below the lower end of the forecast range. None of these factors are expected to affect the next consolidated fiscal year. In the next consolidated fiscal year, the Group expects to achieve consolidated operating profitability as initially planned, supported by the full-year contribution from the supply price revisions and the transition to lower-cost production items.

The progress of each business segment during the cumulative third quarter is as follows.

1) Biosimilar Business

- Subsidy Program for the Development of Domestic Manufacturing Facilities for Biosimilars

  With the aim of establishing a stable domestic supply system for biosimilars in Japan, Kidswell is pursuing the development of Japan's first integrated supply chain covering development through manufacturing and supply. Under the Ministry of Health, Labour and Welfare's Subsidy Program for Medical Facility Development ("Subsidy Program for the Development of Domestic Manufacturing Facilities for Biosimilars", the "Program"), which was adopted in May 2025, four companies —Alfresa Holdings Corporation ("Alfresa"), Kidswell, and Chiome Bioscience Inc. ("Chiome"), together with Mycenax Biotech Inc. ("MBI"), an important strategic parter in the project — are jointly proceeding with the establishment of manufacturing facilities for biosimilar drug substances and drug products in Japan.

  Furthermore, in October 2025, as part of the business development under the Program, the four companies reached a basic agreement regarding the establishment of a joint venture company to engage in contract development and manufacturing (CDMO) services for biologics including biosimilars, as well as the framework for constructing manufacturing facilities on the premises of Alfresa Fine Chemical Corporation, a subsidiary of Alfresa. In November, the four parties executed an agreement concerning the establishment of the joint venture company named Alfenax Biologics, and commenced construction of the manufacturing facilities.

- Joint Development of New Biosimilars

  In May 2025, Kidswell and Chiome entered into a Master Service Agreement for the joint development of new biosimilars and began cell line development with Mycenax for multiple biosimilar candidates that had previously being prioritized for selection. Additionally, in October 2025, Alfresa, Kidswell, and Chiome executed a basic agreement for future joint development of new biosimilars, as well as a basic contract to advance joint development for products already undergoing cell line development. Through these initiatives, each participating company, including Alfresa, will leverage its respective strengths to pursue the creation of new biosimilars assuming commercial production at the aforementioned domestic manufacturing facilities, while also aiming to accumulate manufacturing track records and achieve stable operations at such facilities. At present, the establishment of cell lines for multiple development candidates is progressing steadily. In addition, pursuant to the agreement among the three parties, Kidswell and Chiome are expected to recognize as revenue consideration to be received from Alfresa in connection with this development, in accordance with the progress of cell line development going forward.

2) Cell Therapy Business

- Clinical Research on the Treatment of Cerebral Palsy

  With respect to cerebral palsy, based on the results of joint research conducted with Nagoya University, a clinical research study using autologous SQ-SHED (stem cells derived from the patient's own deciduous teeth) has been underway since June 2023. As part of the study progress, administration to the third and final pediatric patient was completed in June 2025, and in October 2025, the Data Safety Monitoring Board (DSMB)—an independent body distinct from the research institution reviewed all three cases and concluded that there were "no safety concerns observed up to four weeks after administration." Furthermore, in November 2025, an interim analysis based on data collected through 12 weeks after administration for all three cases was released as a preprint, including efficacy evaluations. The preprint reported that, in addition to confirming safety and tolerability following administration, marked improvements were observed in motor function, particularly in gross motor activities of daily living and muscle tone abnormalities such as stiffness and difficulty in flexion and extension of the limbs.

  Final safety and efficacy evaluations (52 weeks) for the first and second pediatric patients have already been completed, while the final evaluation for the third patient is scheduled for June 2026. Upon completion, the final analysis results of this clinical study are expected to be published by Nagoya University within 2026.

  Furthermore, in January 2026, a joint research paper with Nagoya University was published in a leading international academic journal. This study represents the world's first demonstration of therapeutic effects from intervention during the chronic phase in an animal model of cerebral palsy and elucidates part of the underlying mechanism. These findings provide fundamental evidence supporting the interim analysis results of the aforementioned clinical study targeting cerebral palsy and serve as scientific rationale underpinning the validity of future clinical development of SQ-SHED.

- Progress Toward Clinical Trial Application for the Treatment of Cerebral Palsy

  Regarding allogeneic SQ-SHED for the treatment of cerebral palsy (development code: GCT-103), preparations for initiating clinical trials in Japan are currently underway following the joint business development agreement executed with Mochida Pharmaceutical Co., Ltd. ("Mochida") in March 2025. Under this agreement, Mochida will primarily be responsible for clinical development, while S-Quatre will focus on manufacturing and related activities. At present,

following pilot manufacturing of the investigational product, preparations are steadily progressing toward the commencement of clinical trials in Japan, including preparations for commercial-scale manufacturing in compliance with Good Manufacturing Practice (GMP), the international standard for ensuring the quality and safety of pharmaceutical products.

- Development of the SQ-SHED Manufacturing Technology
  Regarding next-generation large-scale manufacturing technology for future commercial production, S-Quatre has developed a proprietary manufacturing technology optimized for the characteristics of SQ-SHED, in collaboration with Corning Life Sciences (U.S.), a global leader in cell culture equipment. This technology enables large-area cell culture in a low-stress and uniform environment through a multilayer structure that circulates culture medium, thereby allowing mass production and cost reduction while maintaining equivalence to cells cultured using conventional multilayer flasks. This manufacturing method was presented at the 25th Annual Meeting of the Japanese Society for Regenerative Medicine in March 2026. Furthermore, for the purpose of establishing the manufacturing process for late-stage clinical trials and subsequent commercial production, S-Quatre is currently promoting with Nipro Corporation under a joint development agreement for CDMO-related activities.

- Progress in Overseas Clinical Development for Cerebral Palsy
  The Group announced in February 2026 that it had reached a basic agreement with Treehill Partners, LLC (“Treehill”), a global provider of strategic and financial advisory services specializing in the healthcare sector, to jointly establish a new company in the United States for the primary purpose of accelerating the clinical development of allogeneic SQ-SHED mainly in the U.S. Through this new company, the Group and Treehill will leverage their respective strengths to advance the clinical development of SQ-SHED in the United States. Preparations for overseas clinical trials had already been underway independently by S-Quatre, and in October 2025, S-Quatre conducted a Pre-IND Meeting with the U.S. Food and Drug Administration (FDA). As a result, agreement and advice were obtained from the FDA regarding the clinical trial plan for company-sponsored trials of allogeneic SQ-SHED targeting cerebral palsy, and preparations toward the future submission of an investigational new drug application (IND) are being advanced based on such agreement and advice.

- Clinical Research on Isolated Hypoganglionosis
  With respect to research and development for isolated hypoganglionosis, S-Quatre jointly applied with Kyushu University for the “FY2026 Comprehensive Research Program for Pediatric and Developmental Disorders” administered by the Japan Agency for Medical Research and Development (AMED), and the project was selected in March 2026. This research project will evaluate the safety and efficacy of autologous (patient-derived) SQ-SHED in patients with isolated hypoganglionosis. In this project, S-Quatre will be responsible for the manufacturing and quality control of SHED and will also provide expertise accumulated through its experience in cell manufacturing and clinical development.

- Other Research and Development Activities
  As a result of our collaborative research with Nagoya University on the treatment of peripheral nerve injury, a research paper describing the therapeutic effects and underlying mechanisms of SQ-SHED in a peripheral nerve injury model was published in August 2025. This achievement has been internationally recognized for its scientific significance, including the selection of Nagoya University for an oral presentation at the 75th Congress of Neurological Surgeons (CNS 2025), one of the world’s largest neurosurgical congresses, held in October 2025.

  In addition, in October 2025, S-Quatre initiated joint research with LYMPHOGENiX (UK) with the aim of developing a new treatment for infertility using SQ-SHED. By combining the respective technologies of both parties, S-Quatre seeks to explore a novel cell therapy approach for cases in which conventional treatments yield limited efficacy. This technology is also being explored for potential application in various fibrotic diseases in addition to infertility, and related research is progressing in parallel. Furthermore, S-Quatre commenced joint research with Tokyo Institute of Science on a novel immune cell therapy that combines SQ-SHED with regulatory T cells (Tregs). Tregs are immune cells that have attracted global attention in recent years, particularly following research recognized by the 2025 Nobel Prize in Physiology or Medicine, and this research aims to establish a curative treatment approach for autoimmune diseases and rejection reactions following organ transplantation.

  Moreover, in November, S-Quatre initiated a co-creation project to explore new indications for next-generation (functionally enhanced) SHED currently under development, utilizing the AI-driven drug discovery support service, “Drug Discovery AI Factory,” owned by FRONTEO, Inc.

- Future Research and Development Strategy
  In March 2026, the Group resolved to reorganize its research and development structure for the cell therapy business in order to ensure the steady advancement of R&D activities and the generation of meaningful outcomes. This reorganization

is intended to improve operational efficiency and optimize the allocation of management resources toward priority areas. As described above, in light of the significant progress achieved in the various initiatives toward the commercialization of SQ-SHED for cerebral palsy, the Group has redefined cerebral palsy as the highest-priority indication within its cell therapy business and has adopted a policy of strategically concentrating management resources on this indication. Accordingly, the Group consolidated S-Quatre's research and development functions and management resources at the Sapporo Research Institute, which has primarily led research activities for this indication, in order to further strengthen R&D activities. In connection with this initiative, the research functions of the Tokyo Laboratory will be integrated into the Sapporo Research Institute by the end of June 2026. The technological expertise and research outcomes accumulated through the research and development of next-generation SHED and related technologies previously conducted at the Tokyo Laboratory constitute important assets of the Group and will continue to be effectively utilized in future research and development activities and business operations.

Furthermore, in conjunction with this reorganization of the R&D structure, the Group implemented organizational changes and personnel reassignments effective today, with the objectives of strengthening the alignment between management strategy and R&D strategy, as well as establishing an integrated operational framework for research and development functions in preparation for future clinical development phases. Through these measures, the Group will further optimize the clinical development structure for therapeutics targeting cerebral palsy, the highest-priority indication in its cell therapy business.

II. Future Outlook

1. Management Policies

The Group pursues its business activities under the corporate philosophy of "Biotech Engineering Company, Striving for Value Creation – For Comprehensive Healthcare System for Children as well as Families and Society –," and upholds the management vision of "Empowering children and enabling children to empower others." Leveraging expertise and know-how in biopharmaceutical research and development accumulated through past business activities, the Group promotes R&D initiatives in two business areas.

In the biosimilars business, the objective is to create an environment in which more patients can receive continuous and reliable treatment. To date, Kidswell has contributed to the launch of four biosimilar products and currently generate revenue through the supply of Biosimilars to our partner pharmaceutical companies, as well as royalty income based on the sales performance of those products by our partners. Going forward, in addition to strengthening the stable supply structure and enhancing profitability of existing products, Kidswell intends to actively pursue the development of new biosimilars to support further revenue growth. In promoting this business, Kidswell maintains a management policy that emphasizes balancing development investments and earnings, with the goal of achieving sustainable profitability on a standalone basis.

In the cell therapy business (Regenerative Medicine), the focus is on developing innovative therapies that support patients, particularly those suffering from pediatric or rare diseases, their families, and the healthcare professionals involved in their care. As this business stays in an R&D-intensive stage, the Group formulates medium- to long-term R&D investment plans for each pipeline project and manages progress and milestones as key performance indicators. The Group is particularly focused on the research and clinical development of cell therapeutics for cerebral palsy, its highest-priority indication, as well as on the development of SQ-SHED manufacturing processes and currently remains in a business stage characterized by upfront research and development investments. Under these circumstances, the Group has established medium- to long-term development investment plans for each major research and development process related primarily to cerebral palsy, and monitors the progress and achievement status of these plans as key management indicators.

By reinvesting the stable earnings generated through the biosimilar business, as well as the biopharmaceutical R&D expertise accumulated over many years, into the development of the high-growth-potential cell therapy business, the Group seeks to maximize synergies between the two business domains and achieve both stability and growth. Through structural reforms, operational efficiency improvements, and optimized allocation of human resources, we aim to establish and maintain a stable consolidated operating profit.

2. Outlook for Future Performance

In the biosimilar business, the switching rate from reference biologics to biosimilars covering GBS-001, GBS-011, and competing products in the same category has exceeded 80%, and the market share of these products, based on sales volumes generated by the Group's pharmaceutical partners, has remained stable. In addition, GBS-007 and GBS-010, which continue to drive the Group's revenue growth, steadily contributed to earnings in fiscal 2025 supported by solid market demand. The Group will continue to ensure a stable supply of these products while closely monitoring changes in the market environment described

below.

In light of these circumstances, the Group has continued to work in collaboration with its partner pharmaceutical companies and CDMOs to optimize manufacturing and delivery plans for Biosimilars, while maintaining and strengthening its stable supply framework. Furthermore, to improve profitability, the Group is engaging in discussions with partner pharmaceutical companies to appropriately review supply prices, considering changes in external factors such as overseas cost inflation and yen depreciation. Beginning in the current fiscal year, supply price revisions for certain Biosimilars, as well as a transition to lower-cost manufacturing product, have progressed. As a result, the Group expects to benefit from the full-year margin improvement effects of these initiatives in the following fiscal year.

Furthermore, from a medium- to long-term perspective, the Group will continue to advance its biosimilar business by prioritizing key initiatives including the development or in-licensing of new biosimilars, and the expansion of its revenue base through the commercialization of such products, as well as the establishment of biopharmaceutical drug substance and drug products manufacturing facilities aimed primarily at securing a stable domestic supply framework for biosimilars, as described above.

In the anti-VEGF ophthalmology market, aflibercept biosimilars that may compete with GBS-007, as well as an authorized generic (“AG”) product using the same drug substance and formulation as the reference product, have recently been listed for reimbursement and launched in the market, resulting in changes to the competitive landscape. Based on the recent sales performance of GBS-007, the launch of these competing products may potentially affect the future sales trend of GBS-007. However, as the Group continues to work closely with its partner pharmaceutical companies to monitor market information, including prescription trends and distribution conditions for such competing products, the current outlook for GBS-007 has been estimated conservatively at this time.

In the cell therapy business, clinical development targeting cerebral palsy is progressing in Japan, while also preparations for clinical development in overseas are advancing in collaboration with external organizations. Furthermore, in line with the research and development strategy described above, the Group will execute focused and strategic R&D investments aimed at steadily advancing the clinical development of cell therapeutics for cerebral palsy, which has been designated as its highest-priority indication.

Based on these business forecasts, the Group projects the financial results for the next fiscal year as below.
In addition to ongoing adjustments and discussions regarding manufacturing and delivery plans for Biosimilars in the next fiscal year, the Group is currently reviewing and discussing with relevant parties the potential impact of changes in the competitive environment of the biosimilar business, as described above, as well as clinical development expenses associated with the initiation of clinical trials in Japan and overseas for the cell therapy business. Accordingly, only revenue and operating profit forecasts are disclosed on a range basis.

FY2026 Net sales: 5,000,000 - 6,000,000 thousand yen | Operating profit: 100,000 - 600,000 thousand yen

Furthermore, regarding the R&D investments for FY2026, the Group will continue to review and evaluate investment plans based on the progress of each initiative and through ongoing discussions and coordination with relevant stakeholders and will make investment decisions accordingly.

1) Biosimilar business
   Kidswell plans to make continued investments to strengthen our manufacturing system and reduce production costs in order to maintain a stable supply of GBS-007 and GBS-010, for which market demand is expected to significantly exceed initial assumptions, and to improve margins by addressing overseas inflation and the impact of yen depreciation. In addition, Kidswell will invest in the development of new biosimilars to further enhance our revenue base.

2) Cell therapy business
   In addition to the ongoing clinical study at Nagoya University targeting cerebral palsy, investments are planned for initiating early-stage clinical trials of GCT-103 in Japan and overseas for the corporate-sponsored clinical development of SQ-SHED, as well as additional investments in large-scale manufacturing process development in preparation for late-stage clinical trials and stable commercial supply following product launch. Furthermore, as described in the research and development strategy outlined above, the Group will continue to execute R&D investments to steadily advance the clinical development of cell therapeutics targeting cerebral palsy, which has been designated as its highest-priority indication. Also, the clinical study targeting isolated hypoganglionosis, which has been selected under AMED research program, will continue to be promoted in collaboration with Kyushu University.

   As the Group outsources all manufacturing of biosimilars to overseas CDMOs and conducts part of its R&D activities in

both the biosimilar business and the cell therapy business in collaboration with overseas companies, fluctuations in prices in overseas markets or in foreign exchange rates may result in increases or decreases in cost of sales and R&D expenses, thereby potentially affecting business performance. Should such circumstances arise, the Group will promptly make disclosures after due examination.

3) Initiatives to Enhance Corporate Value

- Optimization of Financing and Strengthening of the Financial Base

The Group continues to work toward optimizing financing and strengthening its financial base to maximize corporate value and achieve an early recovery and growth of the share price. In the biosimilar business, in order to maintain a stable earnings structure for marketed products, the Group has implemented revisions to the payment terms with partner companies and supply price adjustments for certain Biosimilars in response to increased working capital requirements and higher manufacturing costs associated with expanding demand for GBS-007 and GBS-010, as well as rising overseas manufacturing costs. The Group also continues to engage in additional negotiations regarding other products and transactions.

In addition, with respect to equity financing, the Group conducted a refinancing in December 2024 by repurchasing and canceling existing stock acquisition rights, the exercise of which had been prolonged due to a significant gap between the exercise price and market price, and by issuing the 23rd and 24th series of stock acquisition rights at levels aligned with prevailing market prices. As a result, all the 24th series of stock acquisition rights had been exercised by April 2025. Furthermore, the conversion of the 4th series of unsecured convertible bonds with stock acquisition rights issued in July 2022 advanced significantly from April 2025 onward, resulting in a reduction in overhang concerns regarding the Group's shares and an improvement in supply-demand conditions, thereby contributing to an environment in which business results can be appropriately reflected in the share price.

Furthermore, in November 2025, the Group entered into a syndicated loan agreement totaling 2.5 billion yen, arranged by Mizuho Bank. The agreement includes the refinancing of existing borrowings, and by consolidating multiple existing loans into a single facility, the Group aims to improve the efficiency of its financing structure and strengthen its financial management framework. Through this initiative, the Group expects to achieve greater short-term financial stability and reduce refinancing risk, while also establishing a stable and diversified banking relationship framework that does not rely excessively on any single financial institution. This framework is intended to provide greater flexibility in securing additional financing to support medium- to long-term business expansion.

While the Group is working to stabilize its financial position, it remains necessary to continue investments in R&D to support growth in both the biosimilar and cell therapy businesses. To secure the required funding, the Group is pursuing diversification and optimization of financing methods, including capital and business alliances with development partners, utilization of various subsidy programs, and borrowing through indirect financing during FY2026. In both business areas, the Group will flexibly reassess priorities based on development progress and commercial potential and will work to execute disciplined R&D investments and reduce risk through early partnering and cost-sharing arrangements. Through these efforts, the Group aims to establish a balanced financial foundation that enables us to achieve both stability and growth without impairing future growth potential.

- Strengthening Information Disclosure and Enhancing Visibility of Business Value

With the aim of enhancing the visibility of business value, initiatives are being undertaken to improve the quality of information disclosure through strengthened IR and PR activities. These include the enhancement of timely disclosures and explanatory content, expansion of dialogue opportunities with institutional investors, analysts, and the media, and the holding of briefing sessions for individual investors.

In January 2026, an "R&D Meeting" for analysts and institutional investors was held in the cell therapy business. By focusing specifically on research and development activities, information has been provided from perspectives different from conventional timely disclosures, with efforts directed toward further promoting understanding of business value.

Through these initiatives, efforts are being made to build trust with the market and to deepen understanding of the Company's business.

III. Financial statements and notes to financial statements

(A) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	2,995,435	3,294,916
Accounts receivable - trade	1,267,189	731,132
Work in process	1,475,092	363,560
Advance payments to suppliers	819,857	1,114,493
Prepaid expenses	16,564	6,725
Consumption taxes refund receivable	50,045	68,108
Income taxes refund receivable	-	73,170
Other	76,385	188,226
Total current assets	6,700,570	5,840,335
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,396	-
Accumulated depreciation	(1,217)	-
Buildings and structures, net	1,179	-
Tools, furniture and fixtures	6,492	24,107
Accumulated depreciation	(6,484)	(6,488)
Tools, furniture and fixtures, net	8	17,619
Total property, plant and equipment	1,187	17,619
Intangible assets		
Trademark right	763	647
Total intangible assets	763	647
Investments and other assets		
Investment securities	283,137	212,333
Other	22,837	17,461
Total investments and other assets	305,974	229,794
Total non-current assets	307,925	248,061
Total assets	7,008,496	6,088,396
Liabilities		
Current liabilities		
Accounts payable - trade	226,977	-
Accounts payable - other	295,332	509,315
Current portion of long-term borrowings	657,040	362,500
Income taxes payable	144,245	3,783
Accrued consumption taxes	13,608	141,923
Contract liabilities	2,970,000	1,113,831
Other	11,658	18,354
Total current liabilities	4,318,862	2,149,707
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	500,000	125,000
Long-term borrowings	680,920	2,062,500
Deferred tax liabilities	56,362	39,527
Retirement benefit liability	41,373	57,744
Total non-current liabilities	1,278,655	2,284,771
Total liabilities	5,597,518	4,434,479

(Thousands of yen)

	As of March 31, 2025	As of March 31, 2026
Net assets		
Shareholders' equity		
Share capital	2,317,578	191,516
Capital surplus	11,623,179	2,566,539
Retained earnings	(12,730,223)	(1,241,227)

Treasury shares	(73)	(73)
Total shareholders' equity	1,210,460	1,516,753
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	127,829	89,648
Total accumulated other comprehensive income	127,829	89,648
Share acquisition rights	72,687	47,514
Total net assets	1,410,977	1,653,916
Total liabilities and net assets	7,008,496	6,088,396

(B) Consolidated statement of income and comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Net sales		
Net sales of finished goods	4,718,876	6,282,946
Intellectual property revenue	363,177	302,422
Other sales	-	4,555
Total net sales	5,082,053	6,589,923
Cost of sales		
Cost of finished goods sold		
Beginning finished goods inventory	-	-
Cost of products manufactured	3,441,934	4,842,527
Total	3,441,934	4,842,527
Ending finished goods inventory	-	-
Cost of finished goods sold	3,441,934	4,842,527
Total cost of sales	3,441,934	4,842,527
Gross profit	1,640,119	1,747,396
Selling, general and administrative expenses		
Depreciation	896	245
Research and development expenses	767,877	1,119,977
Royalty fee	207,145	223,743
Salaries and allowances	226,163	212,624
Other	410,152	329,315
Total selling, general and administrative expenses	1,612,236	1,885,907
Operating profit (loss)	27,882	(138,510)
Non-operating income		
Interest income	767	5,080
Gain on sales of materials	4,080	1,900
Compensation income	21,816	35,000
Miscellaneous income	221	4,279
Total non-operating income	26,885	46,260
Non-operating expenses		
Interest expenses	39,379	47,638
Interest expenses on bonds	3,116	1,419
Share issuance costs	1,495	234
Foreign exchange losses	2,259	2,819
Commission expenses	-	75,000
Compensation expenses	-	30,000
Loss on abandonment of inventories	-	125,268
Miscellaneous losses	3,329	284
Total non-operating expenses	49,580	282,664
Ordinary profit (loss)	5,187	(374,914)
Extraordinary income		
Gain on sale of investment securities	66,330	-
Gain on reversal of share acquisition rights	42,099	10,608
Total extraordinary income	108,429	10,608
Extraordinary losses		
Loss on retirement of non-current assets	-	1,049
Loss on valuation of investment securities	31,128	15,797
Impairment losses	6,444	-
Office relocation expenses	3,177	-
Loss on cancellation of rental contracts	-	21,774
Total extraordinary losses	40,749	38,622
Profit (loss) before income taxes	72,867	(402,928)
Income taxes - current	94,008	11,066
Total income taxes	94,008	11,066
Loss	(21,140)	(413,994)
Profit attributable to		
Loss attributable to owners of parent	(21,140)	(413,994)
Other comprehensive income		

Valuation difference on available-for-sale securities	127,829	(38,181)
Total other comprehensive income	127,829	(38,181)
Comprehensive income	106,688	(452,175)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	106,688	(452,175)

(Thousands of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Other comprehensive income		
Valuation difference on available-for-sale securities	127,829	(38,181)
Total other comprehensive income	127,829	(38,181)
Comprehensive income	106,688	(456,756)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	106,688	(456,756)

(C) Consolidated Statement of Changes in Equity

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,317,578	11,623,179	(12,730,223)	(73)	1,210,460
Changes during period					
Issuance of new shares	360,144	360,144	-	-	720,288
Capital reduction	(2,486,206)	2,486,206	-	-	-
Deficit disposition	-	(11,902,990)	11,902,990	-	-
Loss attributable to owners of parent	-	-	(413,994)	-	(413,994)
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	(2,126,062)	(9,056,639)	11,488,995	-	306,293
Balance at end of period	191,516	2,566,539	(1,241,227)	(73)	1,516,753

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	127,829	127,829	72,687	1,410,977
Changes during period				
Issuance of new shares	-	-	-	720,288
Capital reduction	-	-	-	-
Deficit disposition	-	-	-	-
Loss attributable to owners of parent	-	-	-	(413,994)
Net changes in items other than shareholders' equity	(38,181)	(38,181)	(25,173)	(63,354)
Total changes during period	(38,181)	(38,181)	(25,173)	242,938
Balance at end of period	89,648	89,648	47,514	1,653,916

(D) Statement of consolidated cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2025	Fiscal year ended March 31, 2026
Cash flows from operating activities		
Profit (loss) before income taxes	72,867	(402,928)
Depreciation	900	249
Impairment losses	6,444	-
Loss (gain) on valuation of investment securities	31,128	15,797
Loss (gain) on sale of investment securities	(66,330)	-
Interest and dividend income	(767)	(5,080)
Interest expenses	39,379	47,638
Loss on abandonment of inventories	-	125,268
Loss on cancellation of rental contracts	-	21,774
Interest expenses on bonds	3,116	1,419
Decrease (increase) in trade receivables	(385,782)	536,056
Decrease (increase) in inventories	(599,438)	986,263
Decrease (increase) in advance payments to suppliers	(80,290)	(294,636)
Increase (decrease) in trade payables	141,837	(237,101)
Increase (decrease) in accounts payable - other	(85,254)	162,208
Increase (decrease) in contract liabilities	1,852,225	(1,856,168)
Other, net	54,207	(7,261)
Subtotal	984,244	(906,499)
Interest and dividends received	767	5,080
Interest paid	(46,752)	(41,752)
Income taxes paid	(1,551)	(149,968)
Net cash provided by (used in) operating activities	936,707	(1,093,139)
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,444)	(17,614)
Purchase of investment securities	(14,472)	(10)
Proceeds from sale of investment securities	88,948	-
Payments of leasehold and guarantee deposits	(2,954)	-
Proceeds from refund of leasehold and guarantee deposits	-	5,000
Net cash provided by (used in) investing activities	65,077	(12,624)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	2,500,000
Repayments of long-term borrowings	(737,040)	(1,412,960)
Payments for purchase and cancellation of subscription rights to shares	(11,909)	-
Proceeds from issuance of share acquisition rights	3,601	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	505,286	310,901
Net cash provided by (used in) financing activities	(240,061)	1,397,941
Effect of exchange rate change on cash and cash equivalents	2,299	7,303
Net increase (decrease) in cash and cash equivalents	764,024	299,480
Cash and cash equivalents at beginning of period	2,231,411	2,995,435
Cash and cash equivalents at end of period	2,995,435	3,294,916