

April 4, 2022

Kidswell Bio Corporation

Code: 4584 (TSE Mothers)

Masaharu Tani, President & CEO

Announcement of execution of share transfer agreement of the consolidated subsidiary and share purchase agreement with Metcela Inc., and change in the purpose of the 10th share acquisition rights due to this transaction

(Extracted from Japanese version)

Tokyo, April 4, 2022 – Kidswell Bio Corporation (KWB) executed a share transfer agreement of the Company's consolidated subsidiary, Japan Regenerative Medicine Co., Ltd. (JRM), and share purchase agreement with Metcela Inc. (Metcela) based on the business alliance started on January 19, 2022, for accelerating the regenerative medicine business of KWB and Metcela and improving future corporate value. Under this agreement, all share of JRM will be transferred to Metcela. Therefore, KWB will change the purpose of the 10th share acquisition rights (with exercise price adjustment clause) through third-party allotment issued on April 8, 2020.

Consequently, we will shift to non-consolidated financial statements from the first quarter of the fiscal year ending March 2023 because KWB's consolidated subsidiary no longer exists from April 4, 2022.

I. Execution of share transfer agreement

1. Purpose of share transfer

To further accelerate the R&D activities of regenerative medicine products, KWB executed a business alliance agreement with Metcela on January 19, 2022, and has been exchanging management resources, knowledge, and technology in the regenerative field. As a result, the two parties have reached an agreement that the best path forward for JRM's future business growth is for Metcela to take the lead in the development of JRM's regenerative medicine products utilizing cardiac stem cells (CSC, project name: JRM-001), as Metcela has accumulated experience and know-how in the development of autologous cell products and has established a well-developed research and development system.

Both CSCs and Metcela's VCAM-1-positive Cardiac Fibroblast (VCF) have many commonalities as they are both autologous cells and delivered via catheter. This is consistent with Metcela's belief that for highly immunoresponsive organ, like the heart, minimally invasive autologous therapy not requiring immunosuppression is the most ideal. By developing these pipelines in an integrated manner, it is possible to bring seamless pipeline development for a wide range of cardiac diseases and, in the future, relish a wide range of synergistic effects in terms of sharing

manufacturing know-how and sales systems.

As part of the transfer of shares of JRM, Metcela has agreed to pay KWB a certain royalty based on the sales of JRM-001, and KWB's support of JRM will continue.

To further deepen the business alliance between KWB and Metcela, KWB will purchase the shares of Metcela. KWB expects starting clinical trials of SHED (Stem cell from Human Exfoliated Deciduous teeth) and expansion of SHED indications with Metcela's research and development knowledge. KWB will provide SHEDs for launching new pipelines with Metcela and continue further discussions on supporting the expansion of Metcela's VCF business with KWB's know-how of establishment of SHED master cell bank.

The impact on the business results for the fiscal year ending March 2023 is expected to be minimal.

2. Details of share transfer

All shares of JRM owned by KWB have been transferred to Metcela on April 4, 2022. KWB will receive royalties based on sales of JRM-001, if Metcela launches JRM-001 product in Japan and overseas

3. Schedule

(1) Date of resolution	April 4, 2022
(2) Date of signing share transfer agreement	April 4, 2022
(3) Date of share transfer	April 4, 2022

4. Outlook

As a result of the transfer of the shares, KWB no longer has a consolidated subsidiary, it will shift to non-consolidated financial statements from the first quarter of the fiscal year ending March 2023. The earnings forecast for the fiscal year ending March 2023 is scheduled to be announced in May 2022. Matters to be announced will be notified in a timely manner.

II. Execution of share purchase agreement

1. Reasons for share purchase

As mentioned in 1. Purpose of share transfer, KWB will purchase the shares of Metcela to build a stronger partnership with Metcela and accelerate the regenerative medicine business of KWB and Metcela.

The impact on the business results for the fiscal year ending March 2023 is expected to be minimal.

2. Details of share purchase

- (1) Purchase price Not open to the public
 (2) Shareholding ratio of KWB Less than the standard for becoming an equity method affiliated companies
 (3) Purchase date April 4, 2022

Note: Some disclosures are omitted because it falls under the minor standards of timely disclosure.

III. Change in the purpose of the 10th share acquisition rights

1. Change in the purpose of the funds to be raised

The purpose of the 10th share acquisition rights issued by KWB on April 8, 2020, will change due to the share transfer to Metcela.

2. Contents of the changes

The changes in the use of funds are as follows (changes are underlined).

(Before transfer of JRM shares)

Unit : million yen

Name financing	Purpose of use	Amount	Payment schedule
3rd series of convertible bond with stock acquisition rights	Conducting domestic phase III clinical trials of JRM-001	590	From April 2020 to March 2022
10 th share acquisition rights	Research and development for allogenic cell and overseas clinical trials of JRM-001	772	From January 2021 to March 2025

(After transfer of JRM shares)

Unit : million yen

Name financing	Purpose of use	Amount (allotted amount)	Payment schedule
3rd series of convertible bond with stock acquisition rights	Conducting domestic phase III clinical trials of JRM-001	590 (590)	From April 2020 to March 2022
10 th share acquisition rights	<u>Manufacturing, clinical development, expansion of indications, and introduction of new technologies for regenerative medicine using SHED</u>	<u>475</u> (0)	From April 2022 to March 2025

Note: The amount of funds to be raised through the execution of the 10th share acquisition rights has been changed based on the current planned funding of 475 million yen due to

the revised exercise price based on the execution price adjustment scheme.

About Kidswell Bio Corporation (KWB)

Kidswell Bio Corporation will challenge pediatric disease as a new field, in addition to intractable and rare diseases on which GTS has also been focusing for R&D. We would like to contribute to children who have hopes and dreams for their bright future. Furthermore, with our biotech expertise and children's potential vital force such as SHED and CSC, we envision creating new pharmaceuticals and therapeutics for all people under "Kids Well, All Well."

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