

January 12, 2024

Kidswell Bio Corporation

Code: 4584 (TSE Growth)

Shinya Kurebayashi, President & CEO

Announcement of establishment of a subsidiary in the cell therapy business (regenerative medicine) through a company split (simplified incorporation-type company split)
(Excerpt from Japanese version)

Tokyo, January 12, 2024 – Kidswell Bio Corporation (KWB) resolved the establishment of a new company, S-Quatre Corporation, (hereinafter referred to the new company) through an incorporation-type company split in the cell therapy business that KWB has been promoting R&D activities on the scheduled effective date of April 1, 2024 at the Board of Directors meeting today.

Since this company split is a simplified incorporation-type company split by KWB alone, some of the disclosure matters and contents have been omitted.

1. Purpose of the incorporation-type company split

To realize the Mid-Term Strategic Plan - KWB2.0 -, KWB is optimizing management resources through selection and concentration, and is restructuring the organization for the speedy and reliable execution of business strategies under the leadership of Shinya Kurebayashi, CEO. As a part of the restructuring the organization, KWB has decided to separate the cell therapy business and establish an independent new company for the purpose of flexible financing and promoting each business and further visualizing the improvement of business value. With the incorporation-type company split, KWB will focus on its biosimilars business as its core business, and the new company will be a single entity of the cell therapy business. Therefore, in addition to further optimizing management resources in both companies, it will be possible to accelerate the growth of each business by diversifying financing methods according to the projects. Furthermore, KWB will pursue the visualization of improving business value in both companies by showing growth in KWB's biosimilars business, and by promoting a wider range of partnering and the acquisition of various subsidies in the new company.

The new company aims to create the world's first SHED (Stem cells from Human Exfoliated Deciduous teeth) cell and gene therapy products based on S-Quatre[®] (SHED Source Supply Service), a platform for the stable supply of SHED.

S-Quatre[®] is a stable SHED raw material supply system from registration of donors, who provide their deciduous teeth, to the production of SHED master cell banks. Through S-Quatre[®], KWB has already completed manufacturing a SHED master cell bank in compliance with GCTP and GMP, which are the safety and quality standards for medicines in Japan. In the current situation where many domestic

pharmaceutical companies, not just cell therapy, depend on raw materials from overseas, S-Quatre[®], which enables a stable supply of domestic raw materials, will be a great advantage for partnering together with the progress of clinical development of SHED. The new company will continue to promote R&D activities and clinical development for the practical application of SHED with S-Quatre[®].

2. Summary of the incorporation-type company split

(1) Schedule

Date of resolution	January 12, 2024
Scheduled date of company split (effective date)	April 1, 2024

*Since this is a simplified incorporation-type company split as stipulated in Article 805 of the Companies Act, it will be carried out without the approval of the General Shareholders Meeting.

(2) Method

This is a simplified incorporation-type company split in which KWB is a split company and the new company is a successor company. The new company will be a 100% subsidiary of KWB.

(3) Details of the allotment of shares

The new company will issue 10,000 shares of common stock, all of which will be allotted to KWB.

(4) Treatment of stock acquisition rights and convertible bond with stock acquisition rights

There will be no change in the treatment of stock acquisition rights and convertible bond with stock acquisition rights issued from KWB with the incorporation-type company split.

(5) Increase or decrease in KWB's capital

There will be no increase or decrease in KWB's capital with the incorporation-type company split.

(6) Rights and obligations succeeded from KWB

With the scope of the incorporation-type company split plan, the new company will assume the assets, the liabilities of KWB's business and rights and obligations on the effective date. In addition, the debt succession shall be by the method of superimposed debt assumption.

(7) Outlook for the performance of obligations

After the effective date of the incorporation-type company split, KWB has determined that there is no problem with the performance of the obligations to be borne by the new company.

3. Outline of the parties

(1) Split company (as of March 31, 2023)

(1) Company name	Kidswell Bio Corporation
(2) Head office	1-2-12, Shinkawa, Chuo-ku, Tokyo, 104-0033, Japan
(3) CEO	Shinya Kurebayashi

(4)	Business activities	Biosimilars and new biologics business
(5)	Amount of capital	1,509,497 thousand yen
(6)	Established	March 1, 2001
(7)	Number of issued shares	32,059,713 shares
(8)	Fiscal period	March 31
(9)	Major shareholders and their shareholding ratios Note: The shareholding ratio is calculated after deducting treasury stock.	Noritsu Koki Co., Ltd. 29.54%
		NANO MRNA Co., Ltd. 3.11%
		Koichi Otomo 2.61%
		Nomura Trust and Banking Co., Ltd. (Trust 2052241) 2.24%
		JSR Corporation 2.14%
		NINE Co. 1.93%
		Senju Pharmaceutical Co., Ltd. 1.73%
		Taro Koike 1.43%
		Kinsei Tsuda 1.36%
MSIP CLIENT SECURITIES (Standing proxy Mitsubishi UFJ Bank) 1.10%		
(10)	Financial position and operating results for the most recent fiscal year (FY2023 ended in March 2023.)	
	Net assets	1,233,505 thousand yen
	Total assets	3,894,765 thousand yen
	Net asset per share	32.36 yen
	Net sales	2,776,241 thousand yen
	Operating loss	-550,929 thousand yen
	Ordinary loss	-624,769 thousand yen
	Net loss	-657,434 thousand yen
	Net loss per share	-20.77yen

(2) New company (Planned)

(1)	Company name	S-Quatre Corporation
(2)	Location	1-2-12, Shinkawa, Chuo-ku, Tokyo, 104-0033, Japan
(3)	CEO	Yasuyuki Mitani (Corporate Officer, Chief Scientific Officer of KWB)
(4)	Business Activities	Cell therapy (regenerative medicine) business
(5)	Amount of capital	5,000 thousand yen
(6)	Scheduled establishment	April 1, 2024

(7)	Number of issued shares	10,000 shares
(8)	Fiscal period	March 31
(9)	Major shareholders and their shareholding ratios	Kidswell Bio Corporation 100%

4. Outline of the new company

(1) Details of the new company

Cell therapy business (regenerative medicine) that conducts research and development of regenerative medicine products utilizing SHED and development of manufacturing methods.

(2) Business results of the cell therapy business to be split

Sales of 203 million yen (Results for the FY2022 ended March 31, 2023)

(3) Assets to be split, subjects and amounts of liabilities (estimated as of March 31, 2024)

Assets		Liabilities	
Subject	Book value (in million yen)	Subject	Book value (in million yen)
Current assets	—	Current liabilities	—
Non-current assets	10	Non-current liabilities	—
Total assets	10	Total liabilities	—

Note: The amount of assets and liabilities to be split will be fixed by adding or subtracting the above amount until the effective date.

5. Outline of KWB after the incorporation-type company split

There will be no change in the company name, its location, name of CEO, details of business, amount of capital and fiscal period.

6. Outlook

As a result of the incorporation-type company split, the new company, S-Quatre Corporation, will become a 100% subsidiary of KWB, and will transition to consolidated statement from the fiscal year ending March 2025. The impact on KWB's consolidated financial results is expected to be minimal and KWB believes that it will contribute to the improvement of corporate value in both companies. KWB will promptly disclose if it occurs matters to be announced.

There will be no change in the use of the unraised funds so far, and they will be used to promote research and development of SHED, which the new company conducts.

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 KWB 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, stem cell from exfoliated deciduous teeth, we envision creating new pharmaceuticals and therapeutics for all people under "Kids Well, All Well."

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