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Chugai Pharmaceutical Co., Ltd.

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## **Chugai and TWOCELLS Announce the Decision of the Termination of License Agreement on Investigational Regenerative Cellular Medicine for Knee Chondrogenesis (gMSC<sup>®</sup>1)**

TOKYO and HIROSHIMA, April 13, 2023 -- [Chugai Pharmaceutical Co., Ltd.](#) (TOKYO: 4519) and TWOCELLS Co., Ltd. (Head Office: Hiroshima City, Hiroshima; President and CEO: Toshiki Hiura; hereafter, TWOCELLS) announced to terminate the entire agreements including the license agreement concluded between the two companies on April 25, 2016, and memorandum and amendment agreement based on the license agreement (hereafter, "Agreement") for the investigational regenerative cellular medicine for knee chondrogenesis gMSC<sup>®</sup>1.

Both companies will decide the effective termination date upon consultation. Upon termination of the Agreement, all domestic and foreign rights with respect to gMSC<sup>®</sup>1 granted to Chugai from TWOCELLS will be returned to TWOCELLS. There will be no payment or receipt of milestone fees between the two companies.

Chugai and TWOCELLS entered into a license agreement on April 25, 2016, and have been developing gMSC<sup>®</sup>1 in Japan. On March 9, 2023, TWOCELLS announced the Phase III comparative study results of gMSC<sup>®</sup>1 in traumatic cartilage defects or osteochondritis dissecans in the knee. Since the study did not meet its primary endpoint, both companies have discussed the development plan. As a result, both companies concluded that pursuing the development through collaboration would not maximize the value of this drug.

This decision does not negate the potential of gMSC<sup>®</sup>1 for traumatic cartilage defects or osteochondritis dissecans in the knee, nor does it result from any efficacy or safety issues with gMSC<sup>®</sup>1 for other indications.

TWOCELLS will publish the data from the Phase III comparative study of gMSC<sup>®</sup>1 at upcoming medical conferences and in peer-reviewed medical journals and will continue the development of gMSC<sup>®</sup>1.

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