FY2022 Q2 Financial Results

Company

HEALIOS K.K. (TSE 4593)

Date

August 9, 2022

Important Note on Future Events, etc

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Contents

Highlights

Inflammatory Conditions	**Ongoing discussions with regulatory authorities in relation to Multistem for both ARDS and ischemic stroke**
Immuno-Oncology	**Advancing eNK program R&D towards the clinic and driving forward pharmaceutical company partnering activity**
Replacement Therapies	**Promoting iPSC platform through UDC and iPS cell line joint research and licensing activity**
Finance	**Ongoing implementation of cost management measures**

Vision

To become a global biopharma company committed to transforming the lives of patients by creating, developing and commercializing cutting edge cell therapy technologies.

Program Overview

Update

Healios

Somatic Stem Cell

iPSC Platform

Inflammatory Conditions	Immuno-Oncology	Replacement Therapies
Multistem® • Ischemic stroke • ARDS	**iPSC eNK** iPSC-derived, gene-engineered NK cells for: • Lung cancer • Liver cancer • Other non-disclosed	**Universal Donor Cell (UDC)** • UDC-pancreatic islets for diabetes • UDC-photoreceptors and RPE[1] for retinal disease • Liver buds[1] for liver disease

Near term revenue & Commercial capabilities

Innovative best in class programs

Partnering

[1]Future migration to UDC platform

Pipeline

Update

Healios

	Development Code	Therapeutic Area	Therapy	Region	Discovery	Pre-Clinical	Clinical	Comments
Inflammatory Conditions	HLCM051	Ischemic stroke	MultiStem®	Japan			Phase 2/3	Ongoing consultations with the regulatory authorities SAKIGAKE designation
	HLCM051	ARDS	MultiStem®	Japan			Phase 2	Ongoing consultations with the regulatory authorities Orphan designation
Immuno-Oncology	HLCN061	Solid tumors	eNK	Global				Pre-IND: 2022, IND: 2024 Joint research with National Cancer Center Japan, Hiroshima University and Hyogo Medical University
	–		CAR-eNK	Global				
Replacement Therapies	HLCR011	AMD	RPE	Japan				Co-development with Sumitomo Pharma Co., Ltd. Pending trial initiation Sumitomo Pharma: plan to initiate clinical trial by March, 2023.
	–	Retinal disease	UDC-photoreceptors & RPE*	Global				Joint research with STEMAXON
	HLCL041	Liver disease	Liver buds	Global				Joint research with the Institute of Medical Science at the University of Tokyo
	–	Diabetes	UDC-pancreatic islets	Global				Joint research with National Center for Global Health and Medicine

* Future migration to UDC platform

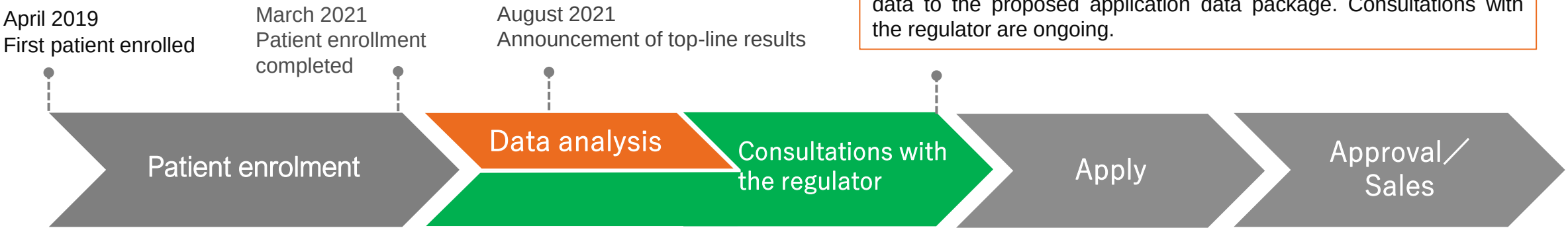
MultiStem®
Inflammatory Conditions

Somatic Stem Cell	iPSC Platform	
Inflammatory Conditions	**Immuno-Oncology**	**Replacement Therapies**
Multistem® • Ischemic stroke • ARDS	**iPSC eNK** iPSC-derived, gene-engineered NK cells for: • Lung cancer • Liver cancer • Other non-disclosed	**Universal Donor Cell (UDC)** • UDC-pancreatic islets for diabetes • UDC-photoreceptors and RPE[1] for retinal disease • Liver buds[1] for liver disease

Development plan

Regenerative medicine product pre-application consultation with the PMDA was conducted in March 2022.

Healios was advised that when making a future application for approval for the ARDS indication, it needs to add certain supporting data to the proposed application data package. Consultations with the regulator are ongoing.



HLCM051 has been designated as an **orphan regenerative medicine product** for use in the treatment of ARDS by the Ministry of Health, Labor and Welfare. (It has received SAKIGAKE status for ischemic stroke.)

HLCM051 ARDS: Target Disease

There is demand for new treatments for ARDS that will lead to improvements in patients' symptoms and prognosis

The number of ARDS patients in Japan is estimated at approximately 7,000 to 12,000 per year*1

About ARDS*2

Acute Respiratory Distress Syndrome (ARDS) is a general term for the symptoms of acute respiratory failure suddenly occurring in all seriously ill patients.

The mortality rate is approximately 30 to 58%*2.

Approximately 1/3 of ARDS cases are caused by pneumonia.

ARDS is a common cause of morbidity and mortality in severe COVID-19.

（Source）Athersys

Current Treatment

At present, there are no therapeutic drugs that can make a direct improvement to a patient's vital prognosis when ARDS develops.

The only symptomatic treatment for respiratory failure includes artificial respiration.

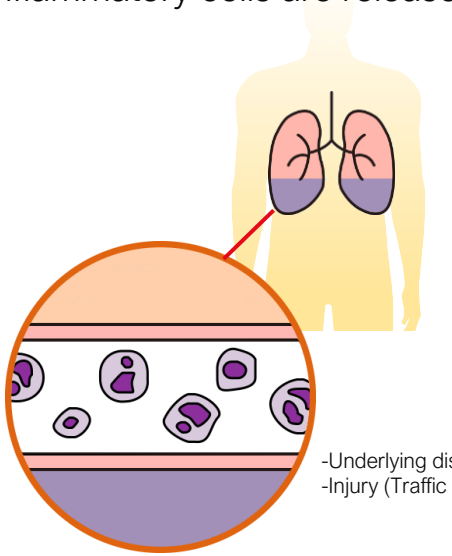
(source)
＊1 The number of ARDS patients in Japan is estimated by Healios based on the incidence rate of epidemiological data and the total demographical population in Japan.
＊2 ARDS treatment guideline 2016

HLCM051 ARDS: Mechanism of Action

Expected effects of HLCM051(MultiStem®), bone marrow-derived somatic stem cells

- Relief of inflammation, regulation of immune function
- Promotion of angiogenesis
- Promote protection and repair of injured cells and tissues
- Improvement of lung tissue and respiratory function

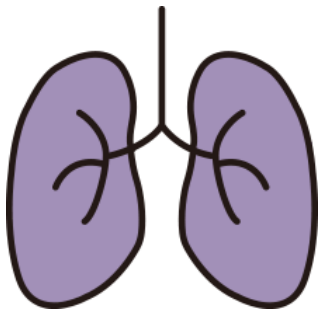
Inflammatory cells are released



-Underlying disease (pneumonia, etc.)
-Injury (Traffic accident, etc.)

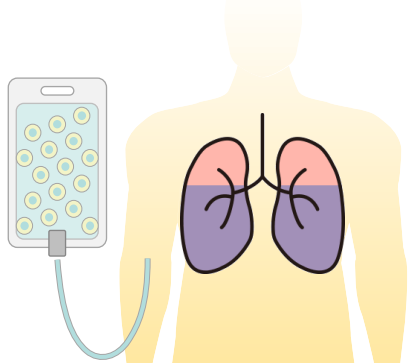
When the tissue is damaged, inflammatory cells are released in large quantities.

Inflammatory cells attack the lungs



The inflammatory cells attack the lungs. As a result, hypoxia develops and the patient falls into severe respiratory failure.

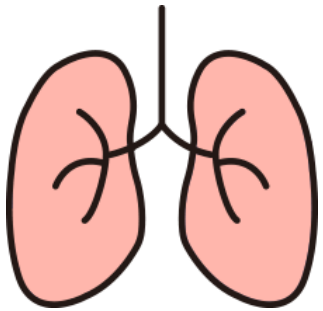
HLCM051 administered



- Suppresses excessive inflammation in the lungs.
- Protects damaged tissue and facilitates healing.

HLCM051 accumulates in the lungs as a result of intravenous administration.

Lung function improves

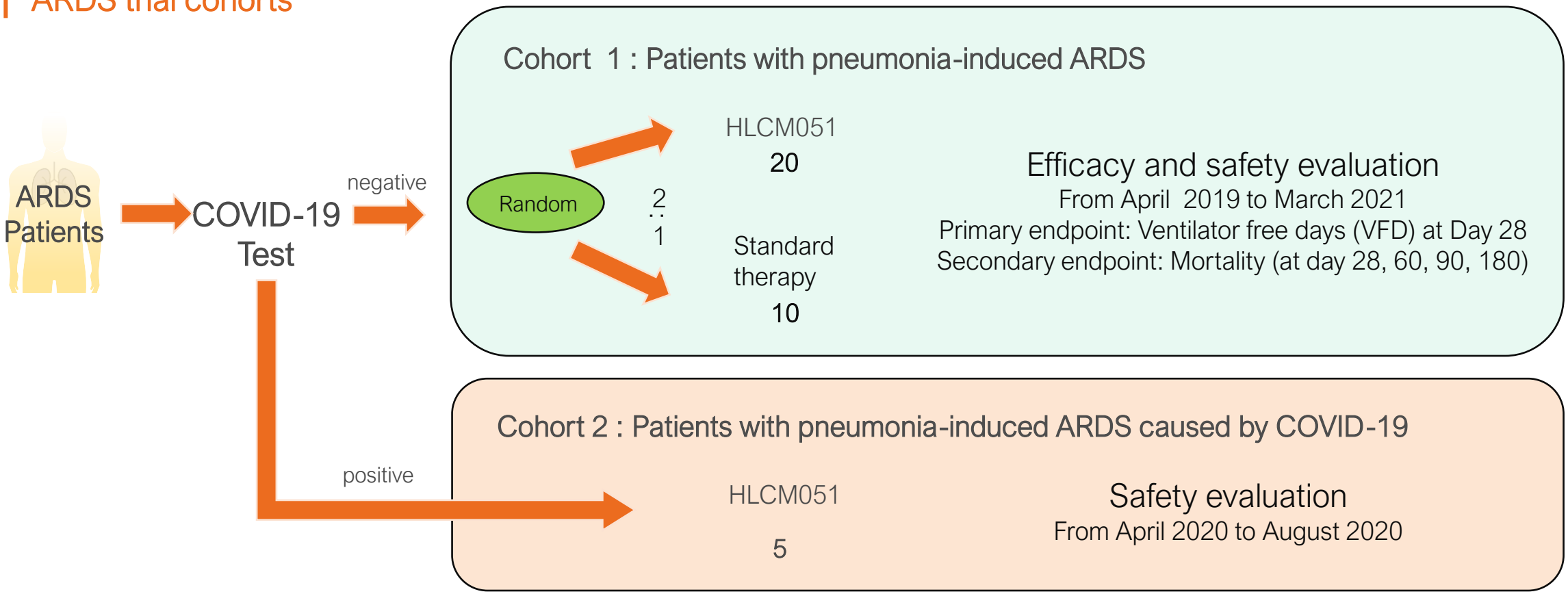


We can anticipate earlier ventilator removal and a lower mortality rate.

HLCM051 ARDS: ONE-BRIDGE Study

Phase II study investigating the efficacy and safety of HLCM051 in pneumonia induced ARDS patients

ARDS trial cohorts



Patient enrollment of COVID-19 pneumonia-derived cases (Cohort 2) was performed separately from the conventional clinical trial administration group (Cohort 1).

HLCM051 ARDS: ONE-BRIDGE Study Results at 180 Days Post Administration

Cohort 1

No safety concerns.

The HLCM051 treated group demonstrated a 9-day higher median VFD than the standard therapy group.

The treated group saw a 39% reduction in mortality as compared to patients treated with standard therapy.

Cohort 2

No deaths, no safety concerns.

The ventilator was withdrawn within 28 days for all five patients and in three days or less for three of these patients.

	Cohort 1	
	HLCM051	Standard therapy
Primary Endpoint		
VFD (the number of days out of 28 during which a ventilator was not used for the patient)	**20 days**	**11 days**
Secondary Endpoint		
Mortality (180 days after administration)	**26.3%**	**42.9%**

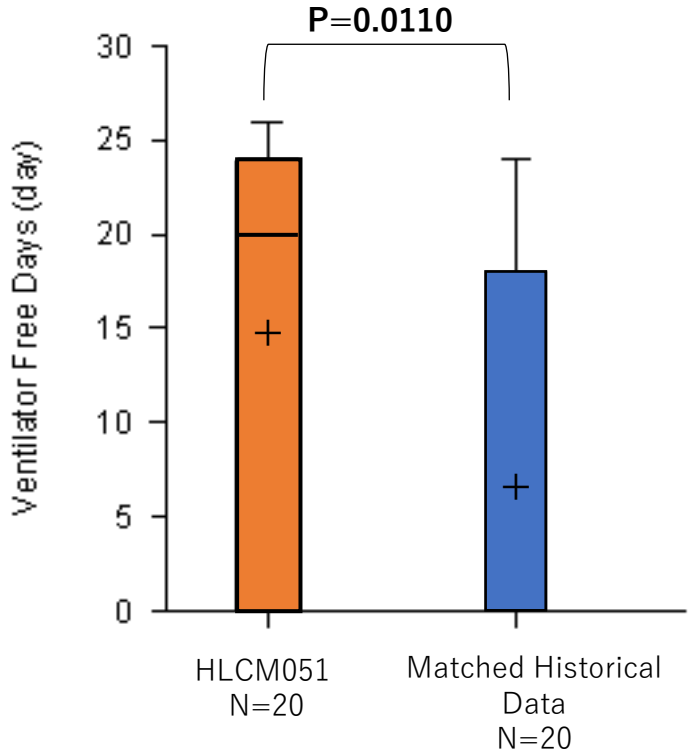
	Cohort 2
	HLCM051
Primary Endpoint	
Safety	**No safety issues**
Secondary Endpoint	
VFD	**25 days**
Mortality (180 days after administration)	**0%**

HLCM051 ARDS: Comparison with Historical Data

Consistent with the ONE-BRIDGE study, VFD was prolonged and mortality improved.

In the matched historical data comparison, the VFD was prolonged by 8.1 days (mean), and the mortality rate was 33.7% lower (reflecting a 56% decline in mortality as compared to the historical data group).

	Compared with historical data	
	HLCM051	Matched historical data
Primary Endpoint	P=0.0110	
VFD (the number of days out of 28 during which a ventilator was not used for the patient)	**14.8days**	**6.7 days**
Secondary Endpoint	P=0.0536	
Mortality (180 days after administration)	**26.3%**	**60.0%**



(Source) in-house data

Results of Double-blind Study Conducted by Athersys <ARDS>

Based on one-year follow-up summary results, an evaluation of quality-of-life suggests further potential benefits from MultiStem treatment including faster rehabilitation.

No serious adverse events were observed.

Analysis of the Double-blind study conducted by Athersys

	MultiStem	Placebo
Mortality	25%	40%
Ventilator- free (VF) days	12.9 days	9.2 days
Intensive Care Unit (ICU) free days	10.3 days	8.1 days

Post-hoc Analysis of patients in severe condition and pneumonia-induced ARDS

	MultiStem	Placebo
Mortality	20%	50%
Ventilator- free (VF) days	14.8 days	7.5 days
Intensive Care Unit (ICU) free days	12.0 days	5.0 days

In the above analysis based on data obtained 90 days after administration, the mortality rate and the number of ventilator-free days (VFD) within a 28-day post-administration period et al. tended to improve in the MultiStem group compared with the placebo group. The results of the 1-year follow-up after administration showed a similar trend.

Overview of the Analysis

Clinical trial	Exploratory clinical trial (Phase 1/2) conducted by Athersys in US and UK （MUST-ARDS study)
Subjects	ARDS patients administered MultiStem or Placebo intravenously (In Phase 2 trial, MultiStem 20, Placebo 10)
Endpoints	- Mortality - Ventilator Free days (The number of the days out of 28 in which a ventilator was not used for the patient) - ICU Free Days The number of the days out of 28 in which the patient was out of Intensive Care Unit

【Reference】

Research contents on MultiStem's mechanism of modulating the inflammatory response in critical care indications Published in Scientific Reports （Link to Athersys' Website June 30, 2021）

Report of Placebo-Controlled Clinical Trial Evaluating MultiStem Cell Therapy for ARDS Published in Intensive Care Medicine（Link to Athersys' Website November 30, 2021）

（Source）Athersys

HLCM051 can be the first available therapeutic medicine for ARDS

- Currently only artificial respiration and ECMO (Extracorporeal Membrane Oxygenation) are available as coping therapies.
- ECMO has a limited number of installations at medical institutions, requires multiple medical staff with special skills, and has a high cost of management.

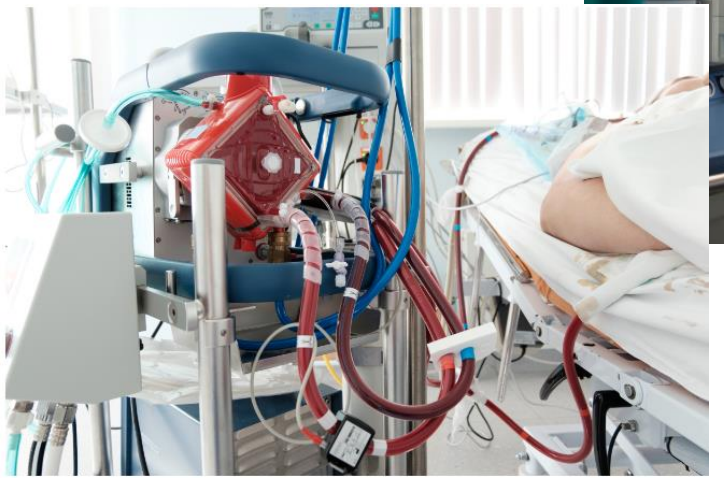
Contribution to patients ⇒ Providing new treatment
Improvement of mortality and QOL

- Improving patient lifesaving rate and QOL
- Shortening the treatment period (ICU use, length of hospital stay, etc.)

Contribution to medical ⇒ Reducing the burden on medical staff and hospitals

- Improving effective use of artificial respiration including ECMO
- Curbing medical resources per patient

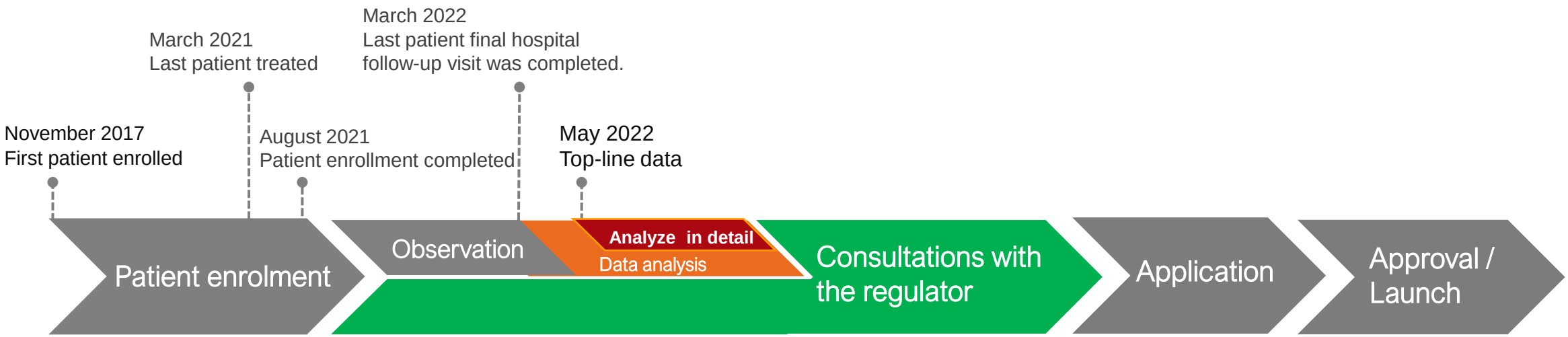
ECMO



Artificial Respiration

TREASURE Study: Development Status

TREASURE study



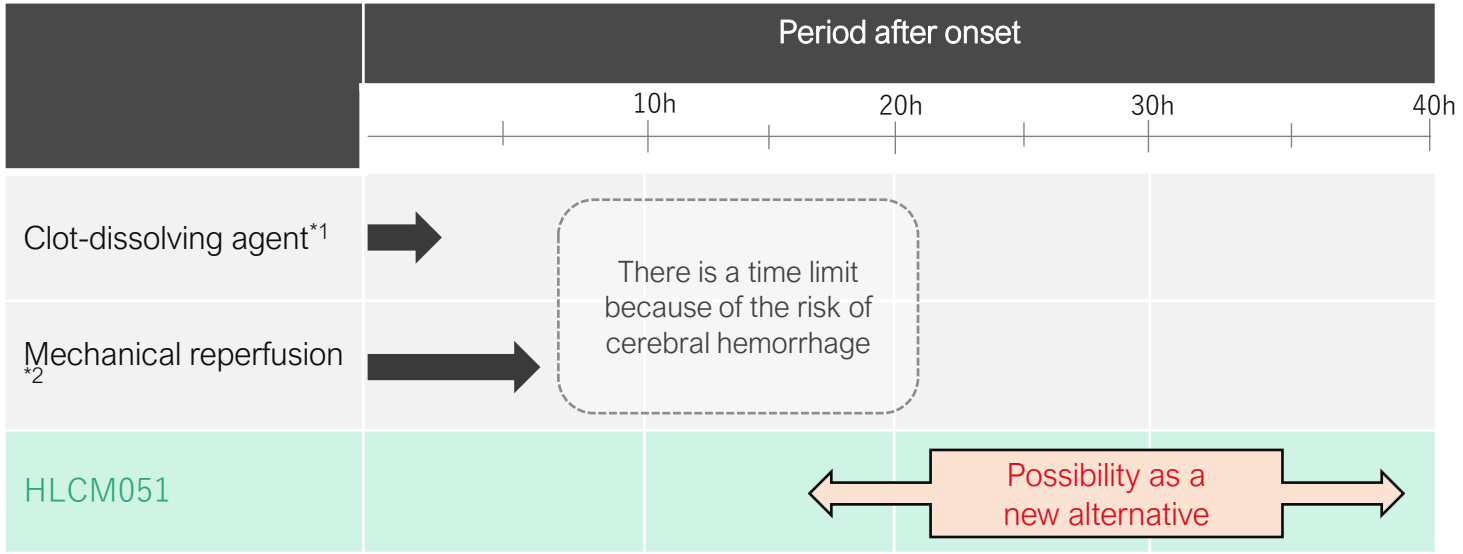
・HLCM051 is designated for SAKIGAKE Designation System

We are in discussions with the regulatory authorities in relation to the path forward for the product, including potential filing and approval, leveraging the framework of the SAKIGAKE designation system.

HLCM051 Stroke: Outline of Ischemic Stroke in Japan

Expected development of a new therapy that can be applied in a longer treatment window period following the onset of ischemic stroke (ability to help more patients)

Treatment in Accordance with the Period After Onset



※1 Dissolves blood clots in the brain vessels
※2 Insertion of the catheter into a blood vessel and recovery of the thrombus directly with a wire.

(Note) This material was prepared to explicitly describe the major therapeutic options for ischemic stroke and their treatment window periods after onset. Appropriate treatments are conducted according to patients' conditions and classification of their symptoms. Experimental or investigational treatments not included in the above are also performed.

Ischemic Stroke

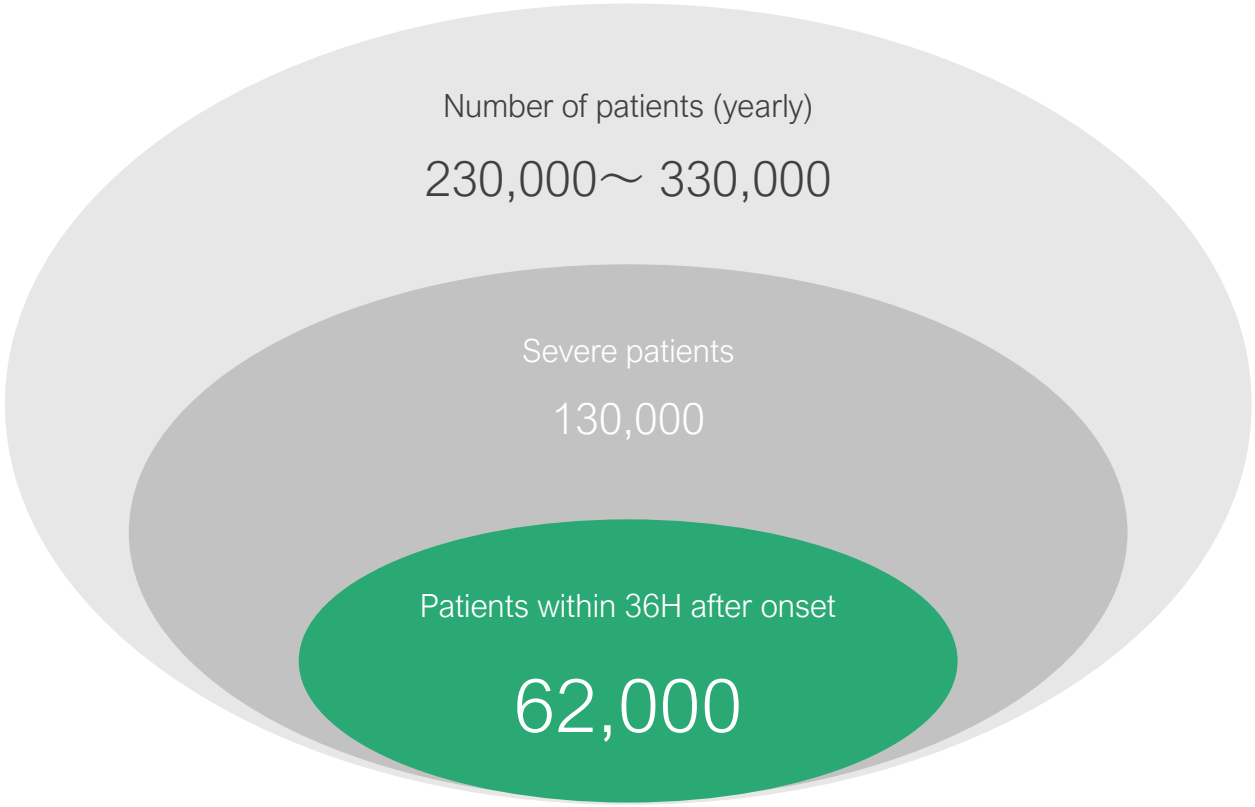
Ischemic stroke, which represents the most common form of stroke (70 - 75% of cases in Japan), is caused by a blockage of blood flow in the brain that cuts off the supply of oxygen and nutrients, resulting in tissue loss.

(Source) Athersys

It is estimated that 37.9% of bedridden patients and 21.7% of persons who were in need of care were affected by ischemic stroke.

HLCM051 Stroke: Annual Number of New Patients with Ischemic Stroke in Japan

The number of patients in Japan targeted for HLCM051 is estimated to be 62,000 a year



Number of patients with ischemic stroke in Japan (yearly)

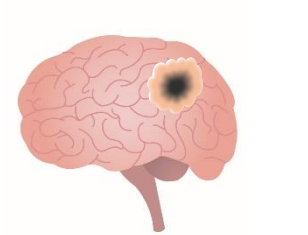
Severe patients （atherothrombotic and cardiogenic cerebral infarction)

Patients within 36 hour after onset

(Source) Healios estimated the annual number of new patients with ischemic stroke in Japan according to materials issued by the Fire and Disaster Management Agency, the Ministry of Internal Affairs and Communication, and the Ministry of Health, Labour and Welfare – DATAMONITOR epidemiological estimates also shown as upper end of range.
(Source) Healios estimated the percentage of patients who reach the hospital within 36 hours after onset at 47% according to the results of its market research.

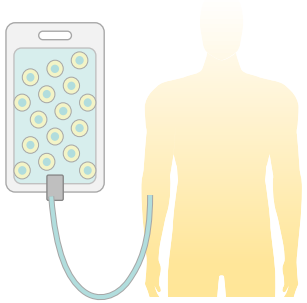
HLCM051 Stroke: Mechanism of Action

Stroke-induced neuronal damage

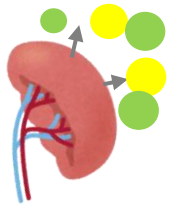


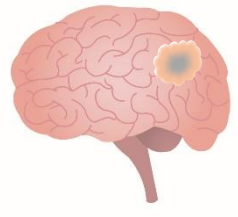
Primary Damage

With HLCM051



HLCM051
-suppress the mobilization/ release of inflammatory cells (lymphocytes, cytokines)
-activate the mobilization/ release of anti-inflammatory cells



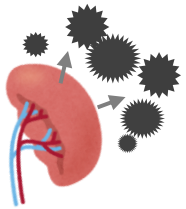


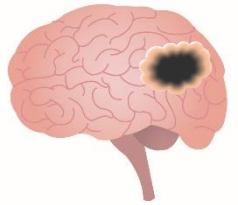
Attenuate neuronal damage in the acute phase of stroke caused by inflammatory cells

Secondary Damage mitigation

Without HLCM051

Activate mobilization / release of inflammatory cells (lymphocytes, cytokines) in the spleen





Neuronal damage exacerbated by inflammatory chemokines/cytokines
Inflammatory cells are released from the spleen and exacerbate the neuronal damage of the ischemic site.

Secondary Damage

（Source） This figure was based on Stroke. 2018 May;49(5):1058-1065.Fig.2

TREASURE Study: Overview

Trial	Placebo-Controlled, Double-Blind, Phase 2/3 Efficacy and Safety Trial of HLCM051 in Patients With Ischemic Stroke（TREASURE study）
Subjects	Ischemic stroke within 18 to 36 hours
Conditions	Placebo-Controlled, Double-Blind
Enrollment	220 (HLCM051 [n=110], placebo [n=110], randomized)
Outcome Measures (examples)	・Proportion of subjects achieving Excellent Outcome defined by functional assessments (primary endpoint at day 90) ・Global recovery (i.e., GEE) and dichotomous assessment ・Proportion of subjects with a BI score of ≥95

Evidence of improvement in functional independence and good outcomes after one year

- Excellent Outcome (mRS<=1, NIHSS<=1 and Barthel Index>=95) was not significant at 90 or 365 days.
- Global Recovery (mRS<=2, NIHSS improvement>=75% and Barthel Index>=95) and Barthel Index>=95 showed statistically significant differences between the HLCM051 group and the placebo group at 365 days.
- There was evidence of improvement in measures of functional “independence” and good outcomes, such as mRS<=2, associated with HLCM051 treatment.
- Overall, there was consistent improvement in essentially all measured functional outcomes over time through one year, suggesting long-term impact on and continued improvement in the quality of life of treated patients.
- There were no significant differences in safety outcomes, including mortality and adverse events between the treatment and placebo groups.

Preliminary data analysis

TREASURE Study: Top-line Results

Update

Healios

Comparison of results between the HLCM051 group and the placebo group at 365 days

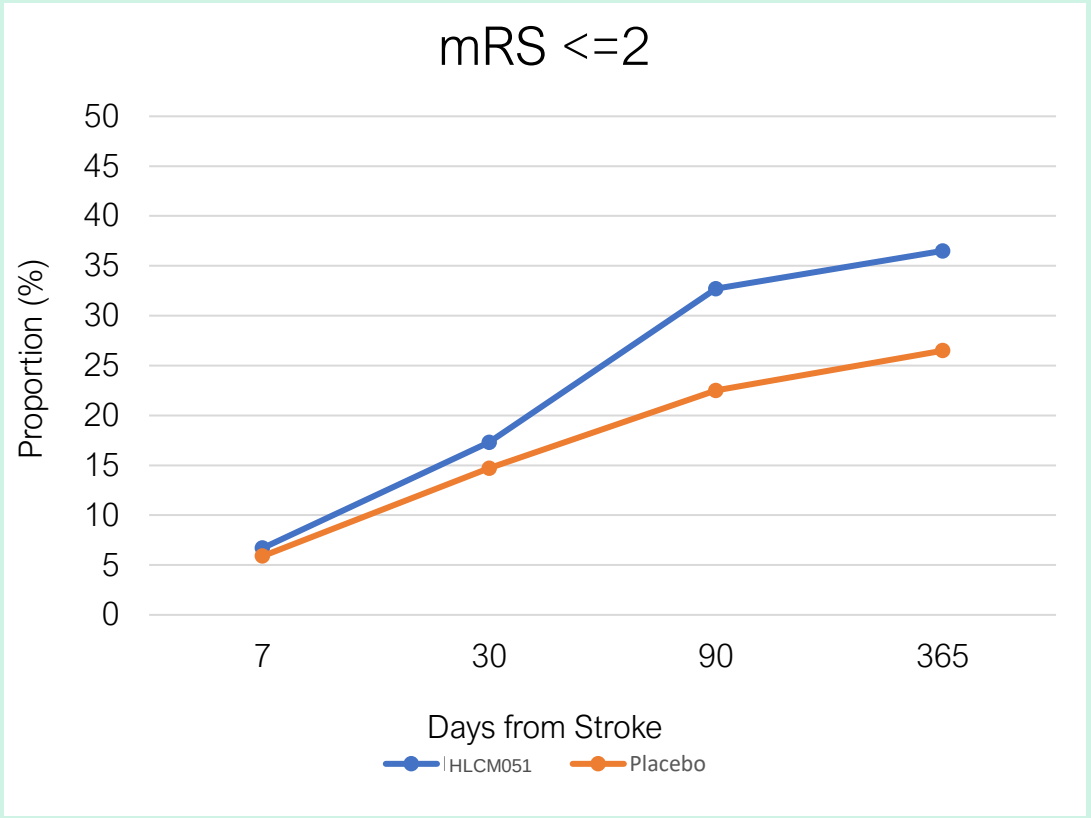
	HLCM051	Placebo	p-value
Excellent Outcome*1	15.4%	10.8%	n.s.
Global Recovery*2	27.9%	15.7%	p<0.05
BI >=95	35.6%	22.5%	p<0.05*3

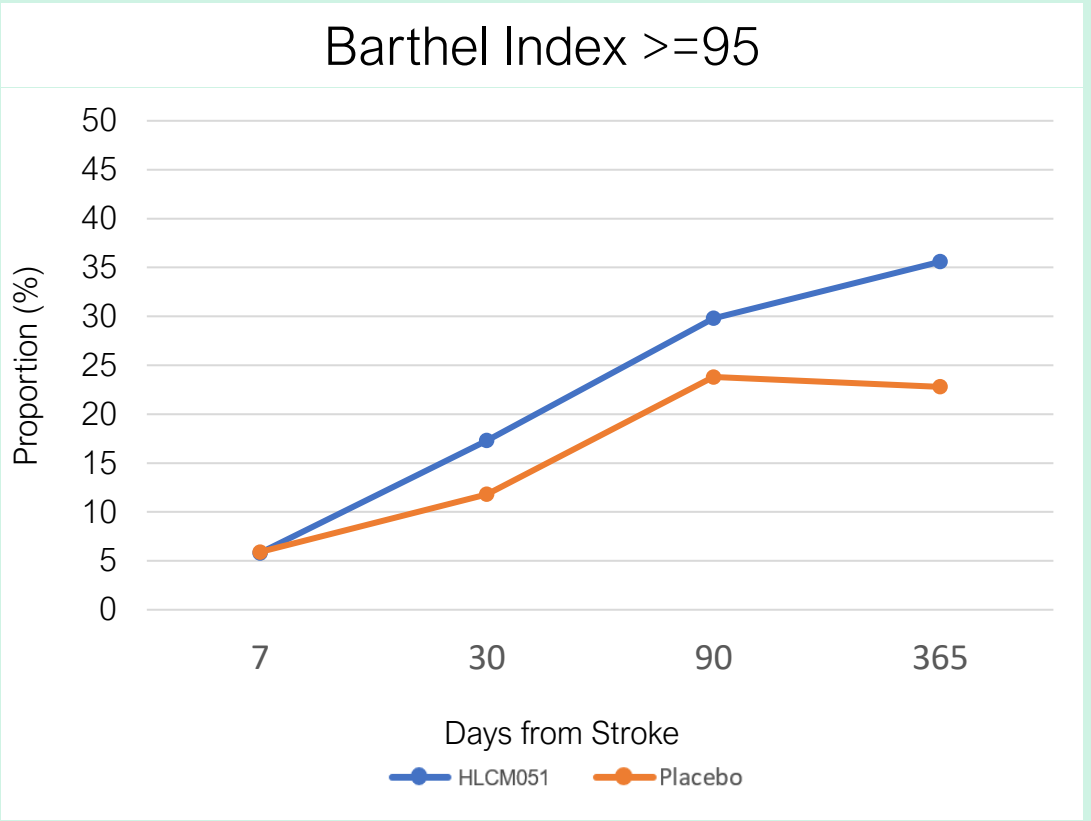
*1 Global Recovery (mRS<=2, NIHSS change >=75% and Barthel Index>=95).
*2 Excellent Outcome (mRS<=1, NIHSS<=1 and Barthel Index>=95)
*3 Updated from preliminary data in May.

Preliminary data analysis

TREASURE Study: Top-line Results

Long-term impact and continued improvement through one year





Preliminary data analysis

Summary: HLCM051

Update

Healios

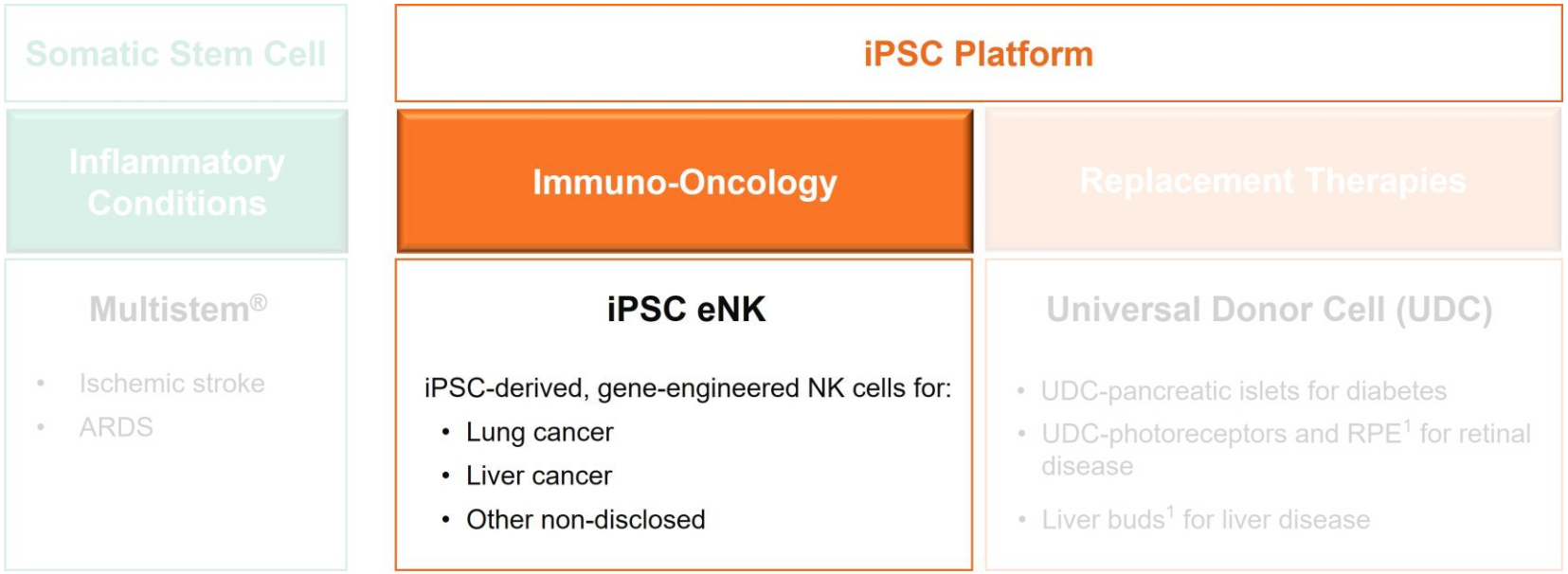
- TREASURE Study (Ischemic Stroke)

We conducted key open of the trial data in May 2022 and disclosed preliminary top-line results. We are discussing with the regulatory authorities in parallel to performing further detailed analysis.

- ONE-BRIDGE Study（ARDS）

In a face-to-face meeting with the regulatory authorities in March, we were advised that it is necessary to add certain supporting data to the proposed application data package. We are continuing to discuss with the regulatory authorities.

iPSC eNK
Immuno-Oncology



The Promise of NK Cells as a Treatment for Solid Tumors

Key Facts about Cancer and the Unmet Need

- Solid tumors are the number one cause of death in Japan (~90% of cancer deaths)
- Cancer is the leading cause of death worldwide, accounting for nearly 10 million deaths in 2020[1]
- The economic impact of cancer is significant and increasing: The total annual economic cost of cancer in 2010 was estimated at US$ 1.16 trillion[1]

The Potential for Natural Killer (NK) Cells

- Offer tremendous promise as a new therapeutic approach to treating solid tumors.
- Innate, central role in a cell mediated defense system in humans, and attack cancer cells and virus-infected cells.
- Reported advantages over T cell-based therapies:
  - Broad mechanism to recognize tumor cells
  - Fewer adverse effects (e.g. CRS & GVHD)
  - Less exhaustion

[1]https://www.who.int/news-room/fact-sheets/detail/cancer

eNK Program Vision

Contribute to the eradication of solid tumors and other cancers by leveraging Healios' iPS cell expertise and augmenting the innate cancer killing ability of NK cells

Research & Development

- **Advanced technology at Healios' Kobe Research Institute**
  - In-house implementation from gene editing through to process development
- **Establishment of data for conducting clinical trials**
  - Generation and accumulation of efficacy and safety data

Manufacturing

- **Manufacturing Capabilities**
  - In-house production of clinical product in proprietary 3D system

Alliances & Collaborations

- **Joint Development / Partnering**
  - Maximize the potential of the eNK cell program and platform

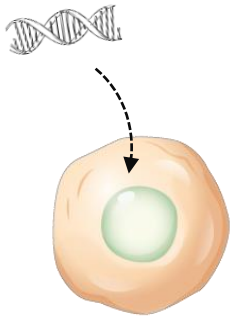
Accelerate activities in the above three areas

eNK Program Vision: eNK Platform

Update

Healios

Gene-edited iPSC Line



Healios' proprietary iPS cells

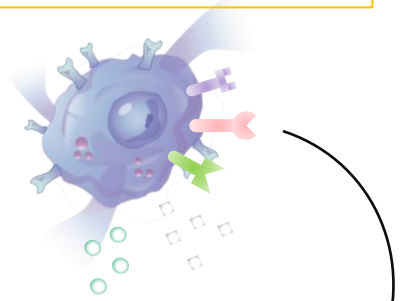
Master cell banks established for eNK cell production

eNK cells differentiation

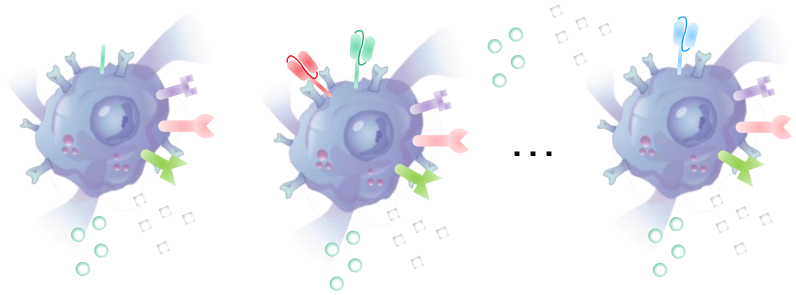
Technology Platform

Differentiation of eNK Cells with Enhanced Functionality

eNK Cells



Next Generation eNK Cells



CAR-eNK Cells *Dual CAR-eNK Cells*

Product Platform

eNK cells/CAR-eNK cells as monotherapies

+

eNK combination therapies with antibodies for ADCC*

+

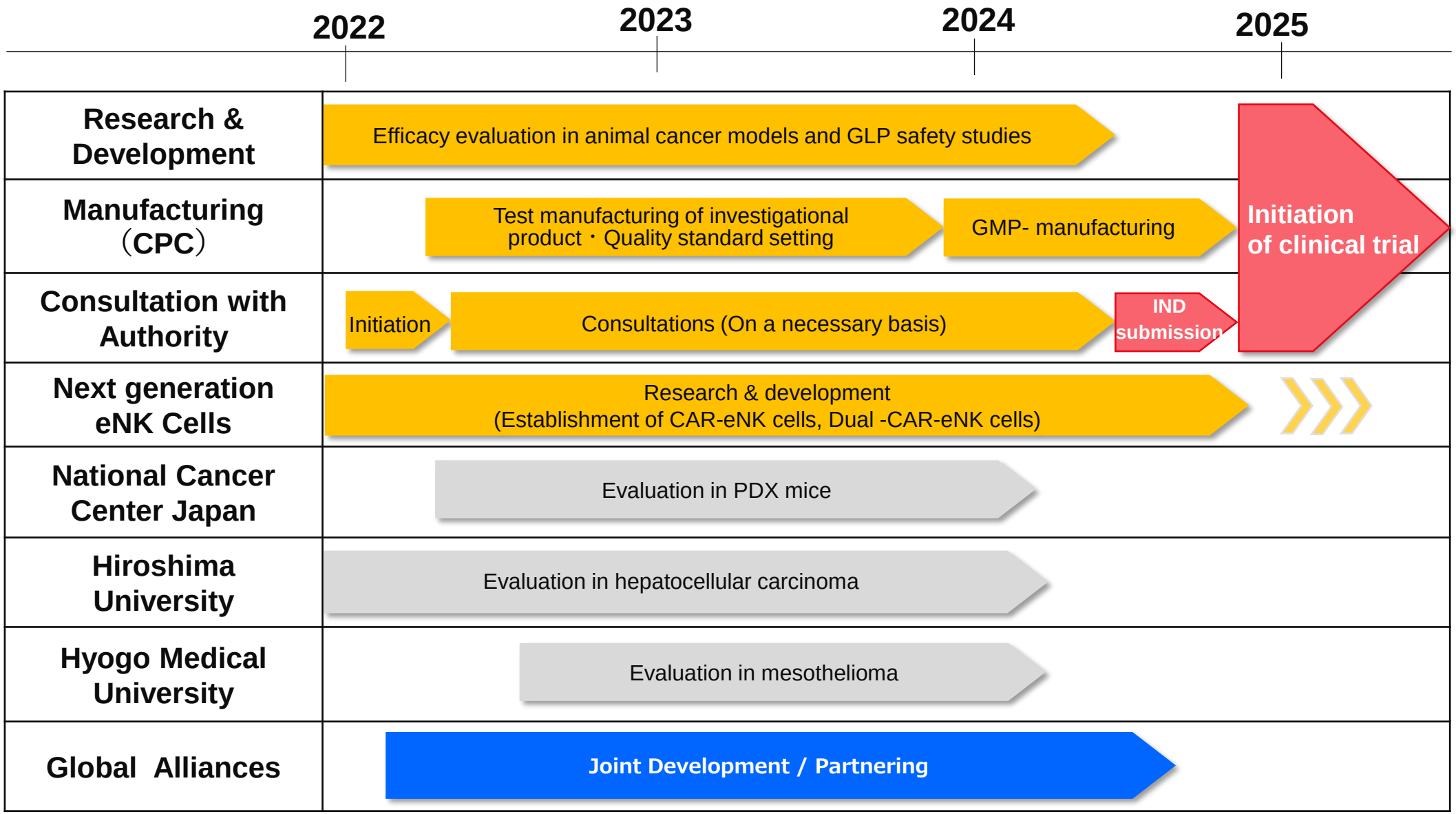
eNK combination therapies with immune checkpoint inhibitors

=

Platform leading to numerous pipeline products and treatment approaches for various types of cancers

*ADCC: antibody-dependent cellular cytotoxicity
Attack activity to pathogens by an immune cell though an antibody

R&D Roadmap of eNK Cells (HLCN061)



eNK Cells Enhanced Not Only with Improved Cytotoxicity and Persistence, but with Greater Migration to Tumors and Recruitment of Host Immune Cells

Update

Healios

Healios' eNK Cells key features

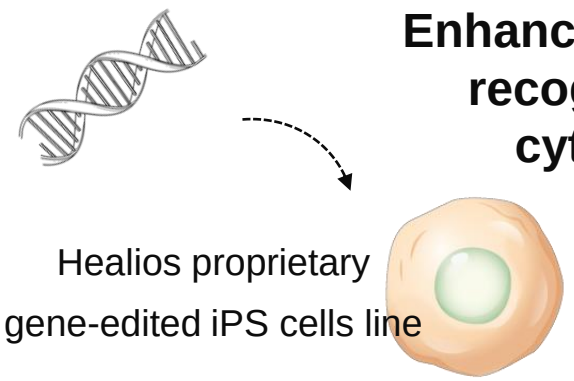
① ***Activator A***[*1] **Enhanced cancer cell recognition and cytotoxicity**

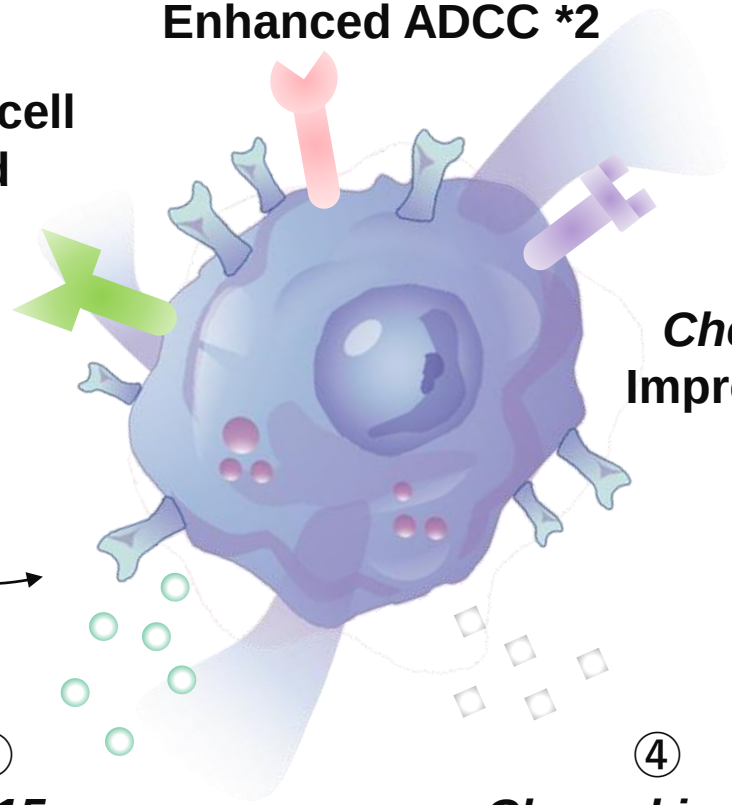
② ***CD16*** **Enhanced ADCC** [*2]

③ ***Chemokine B Receptor***[*1] **Improved migration to solid tumors**

④ ***Chemokine C***[*1] **Recruitment of host' immune cells**

⑤ ***IL-15*** **Prolonged survival**

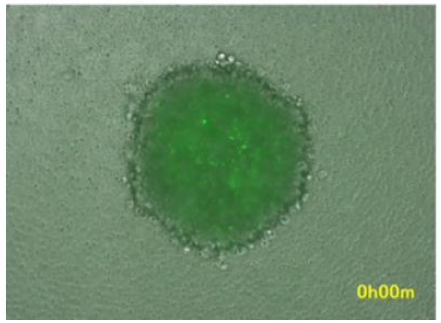
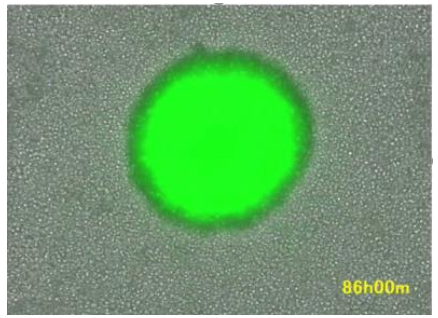
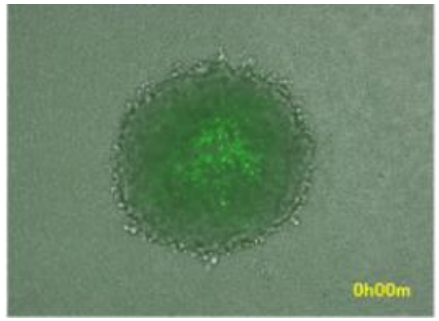
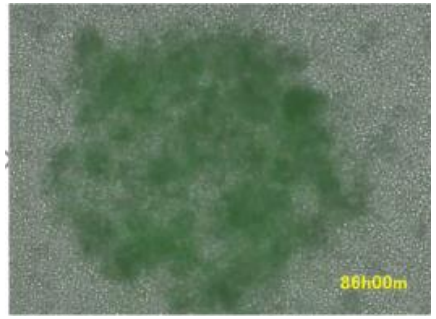
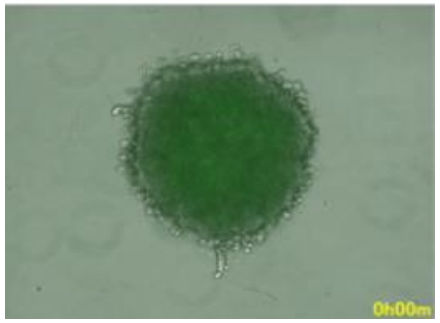
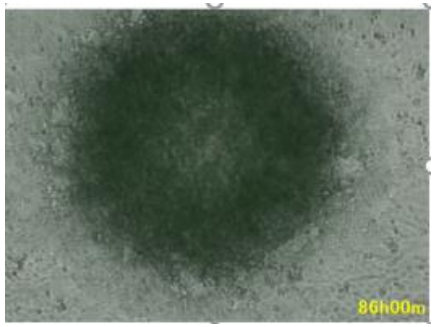




*1 Not disclosed
*2 ADCC: antibody-dependent cellular cytotoxicity
Attack activity to pathogens by an immune cell though an antibody

HLCN061 *In Vitro* Evidence of Anti-tumor Effect as Mono- and Combination Therapy (Lung, A549)

Bright green: apoptotic cells

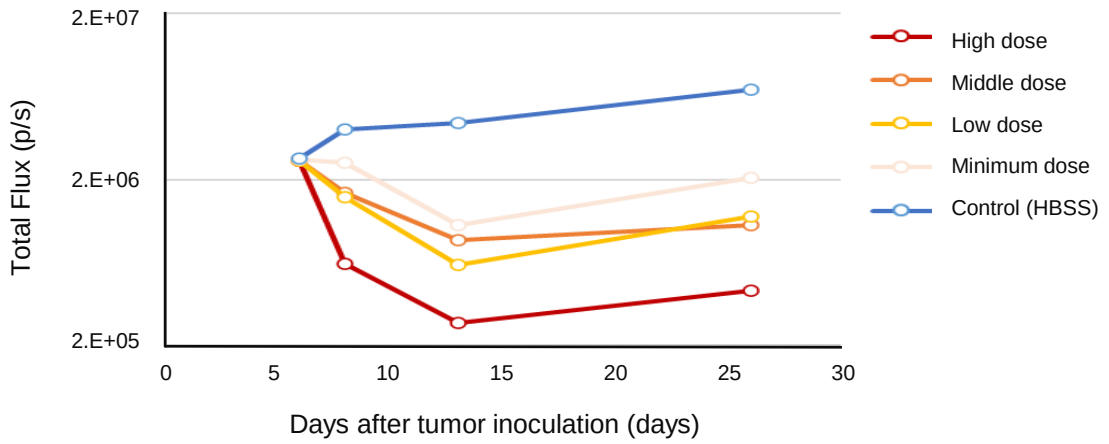
	0h	86h (3.5 days)	
eNK only			eNK cells have killed the cancer cells
eNK with anti-EGFR antibody			The lung cancer cells were efficiently killed and the lung cancer cell spheroid was destroyed.
Anti-EGFR antibody only			The cancer cells survived and the cancer cell spheroid expanded for 86 hours.

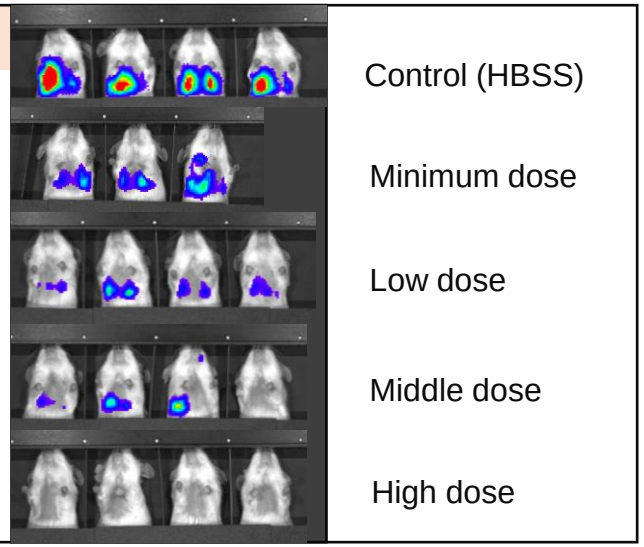
（Source）in-house data

HLCN061 *In Vivo:* Healios' eNK Cells Show Robust Anti-Tumor Activity Against Lung Cancers

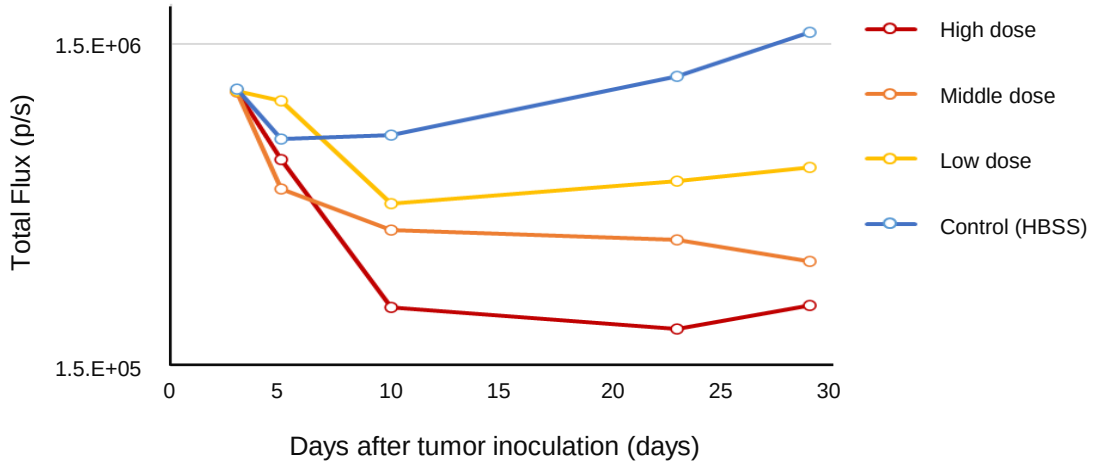
New Healios

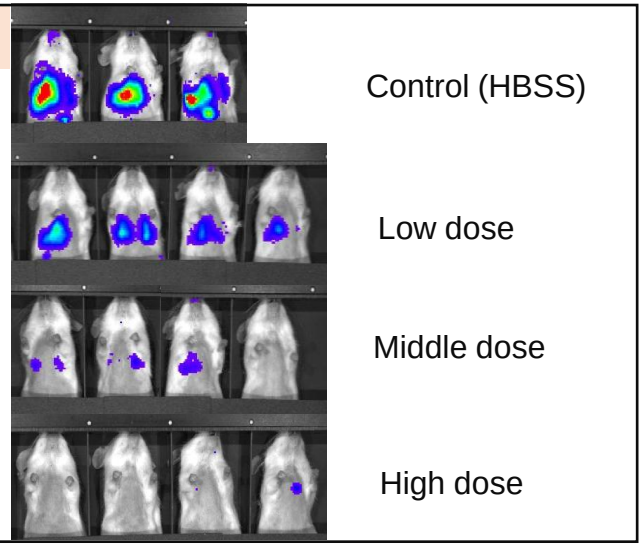
HCC827-Luc





H1975-Luc





（Source）in-house data

HLCN061 Advanced In-House GMP Grade, 3D Manufacturing Process & Facility

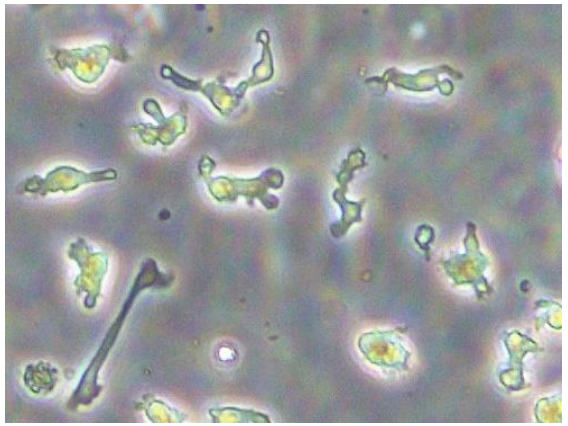
-GMP facility fully operational and being advanced in preparation for clinical trials
-In-house manufacturing enables control of the schedule and quality of clinical production

iPSC Sphere Formation → HPC Differentiation Induction → eNK Cells Differentiation Induction → eNK Cells Expansion

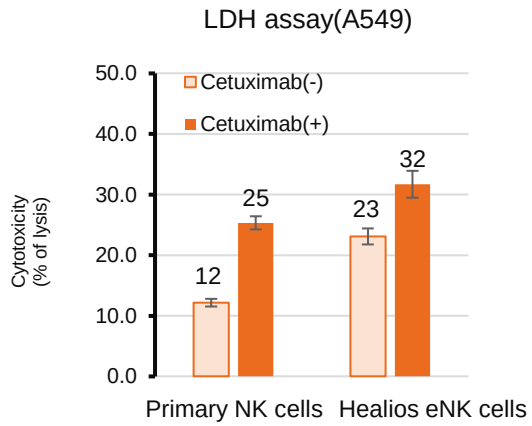
Fully-closed, feeder free, 3D perfusion bioreactor system

Cell Harvest: Concentration & Washing → Aseptic Filling and Finish → Cryopreservation → Storage

KCMI; Kobe Center for Medical Innovation
Photo by; OM Kobe (KCMI management company)



100 billion eNK cells per batch



Cryopreserved samples show high cytotoxicity post thaw

（Source）in-house data

HLCN061: Joint Research in 2022

New Healios

Joint Research with the National Cancer Center Japan

Investigation using PDX (Patient-Derived Xenograft) mice

≪In 2020-2021: Investigated the characteristics of solid tumors in which Healios eNK cells exhibit anti-tumor effects. ≫

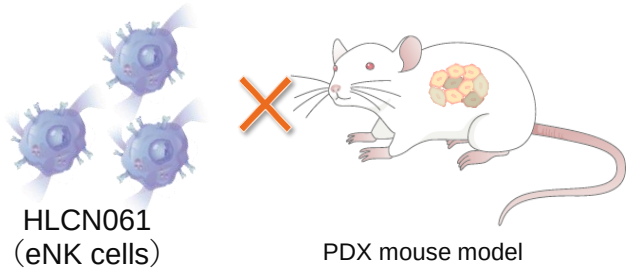
Expression of target protein recognized by Healios eNK cells using NCCJ-PDX from multiple types of human solid cancers (lung cancer, pancreatic cancer, breast cancer, mesothelioma) was confirmed.

Next stage

≪May 2022: Joint research agreement ≫

In vivo evaluation of anti-tumor effect is planned

Anti-tumor effect of eNK cells will be evaluated using the NCCJ's PDX mouse model * 1



＊1 PDX mouse model
Transplant human patient cancer tissue into immunodeficient mice, with enhanced clinical predictability.

Joint Research with Hyogo Medical University

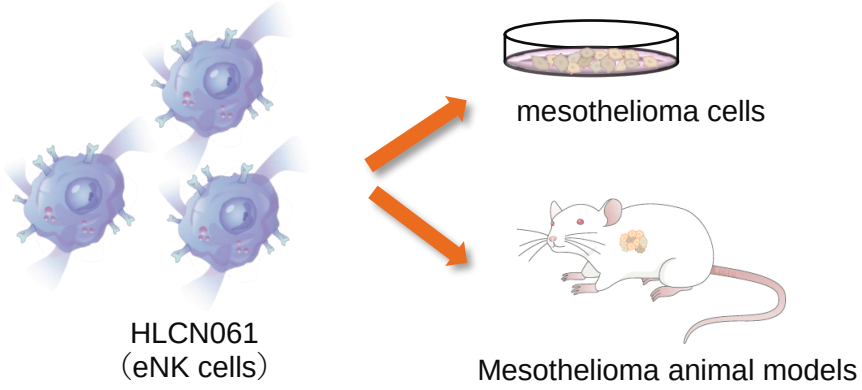
Evaluate the anti tumor effect of HLCN061(eNK cells) in mesothelioma

Healios has entered into a joint research agreement with Hyogo Medical University to advance HLCN061 for mesothelioma ．

≪June 2022: Joint research agreement ≫

Anti-tumor effect of eNK cells on mesothelioma is being evaluated.

Evaluation of the anti-tumor effects of eNK cells *in vitro and in vivo* using human mesothelioma cells



New Healios

Maximize the potential of the eNK cell program and platform

We are pursuing partnerships with pharmaceutical companies, to access financial and other resources as well as to leverage technological synergies.

We aim to accelerate our research and development to deliver new immuno-oncology therapies using eNK cells to patients as soon as possible.

Summary: iPSC eNK Immuno-Oncology

Update

Healios

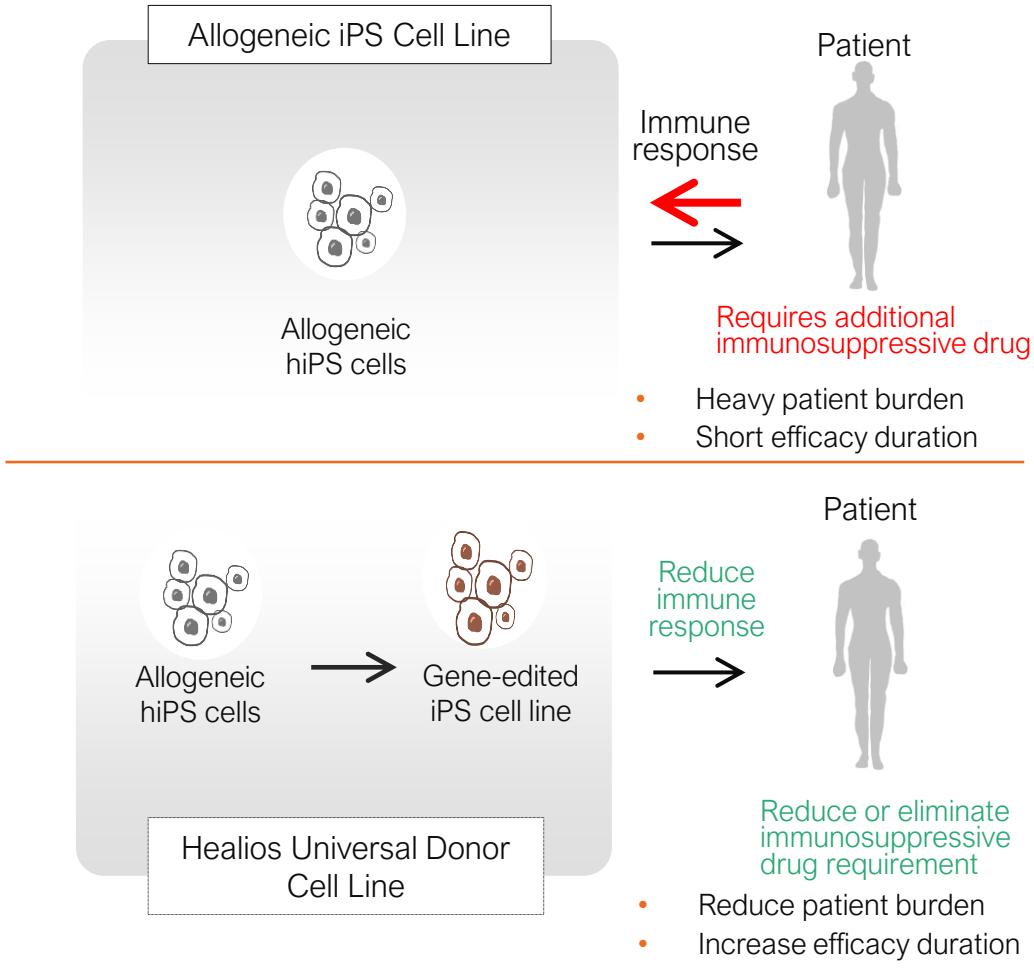
- **Years of Experience have Yielded a Best-In-Class Platform:** Healios' iPSC therapy leadership has led to the development of a functionally enhanced natural killer cell platform which provides for multiple pipeline product opportunities
- **Unique Approach**: The gene engineered iPSC-NK cell platform has enhanced cytotoxicity and differentiated recruitment and trafficking properties, designed to infiltrate solid tumors and mount a whole system immune cell attack
- **Promising *In Vitro* and *In Vivo* Evidence** demonstrating robust cancer elimination
- **Initial Target Indications**: Lung cancer, liver cancer, mesothelioma, other non-disclosed
- **Robust and Advanced Manufacturing** processes and infrastructure in place
- **Strong team** with near-term regulatory milestones: Pre-IND: 2022, IND: 2024
- **Pursuing partnerships** to bring new treatments to cancer patients as soon as possible

Universal Donor Cell (UDC) Replacement Therapies

Somatic Stem Cell	iPSC Platform	
Inflammatory Conditions	**Immuno-Oncology**	**Replacement Therapies**
Multistem® • Ischemic stroke • ARDS	**iPSC eNK** iPSC-derived, gene-engineered NK cells for: • Lung cancer • Liver cancer • Other non-disclosed	**Universal Donor Cell (UDC)** • UDC-pancreatic islets for diabetes • UDC-photoreceptors and RPE[1] for retinal disease • Liver buds[1] for liver disease

Hypo-immune Universal Donor Cell (UDC) Platform

World-leading engineered “universal” iPSC platform: “UDC”

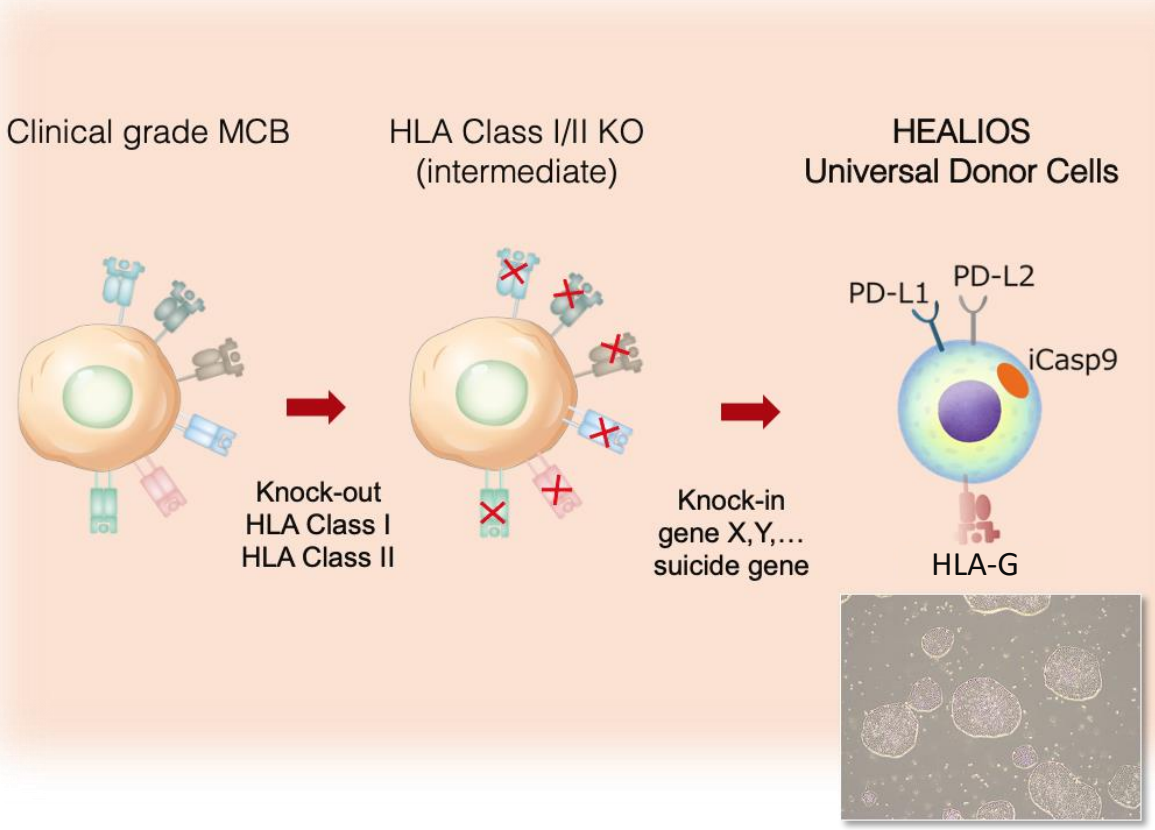


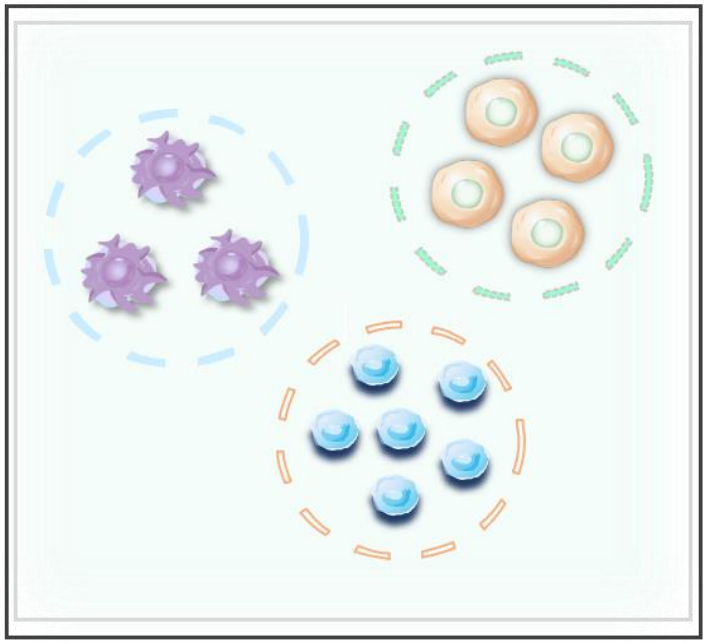
Targeted cell programming through gene-editing

- In October 2020, Healios established a clinical grade universal donor IPS cell line that can be clinically applied to humans in each of Japan, the United States and Europe.
- Master Cell Bank established in 2021
- Healios has led the development of high-quality, universal donor iPS cells in accordance with global standards.
- Consultations with the FDA and PMDA led to no concerns in relation to clinical use of UDC derived therapeutics.
- The UDC line differentiates readily into various in-house made cells (e.g. NK cells, liver progenitor cells, vascular endothelial cells, etc.).

Hypo-immune UDC: Engineered Genetic Profile

Gene Editing Procedure for Healios UDC





- Off-the-shelf, scalable and cost-efficient
- Address broadest population with single product
- Enhanced level and duration of efficacy

Clinical grade line and Master Cell Bank established in 2020/2021

（Source）in-house data

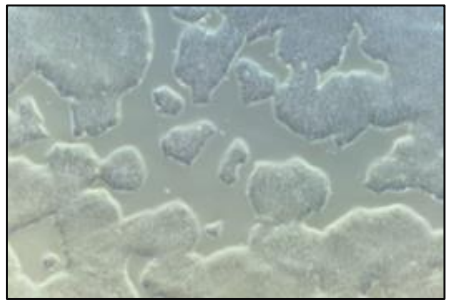
iPSC Platform: UDC and iPS Cell Line Collaborations

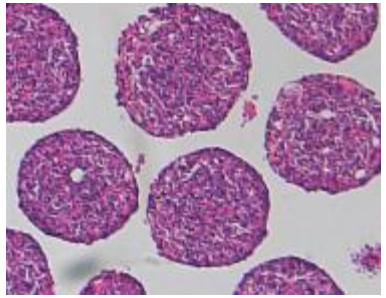
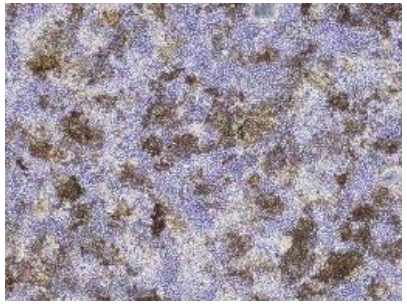
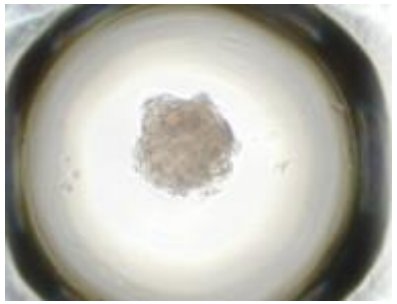
July 2022: Binding Term Sheet for License Agreement with RxCell
Exercise of Exclusive Option for a License Agreement with STEMAXON

Supplying UDC and iPS cells to several companies and academic institutions (more than 10 facilities) and evaluating their potential for various diseases

Hypo-immune UDC: Examples Of Cell Therapies

Universal Donor Cells (UDC)



Photoreceptor cells	Pancreatic β cells	RPE cells	Liver buds
			

Successfully differentiated from UDCs

Future migration to UDC platform

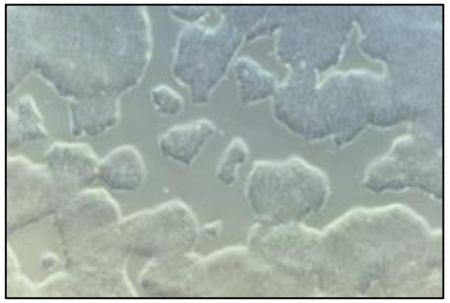
（Source）in-house data and Joint research data

Hypo-immune UDC: Differentiation and Induction of Photoreceptor Cells

Update

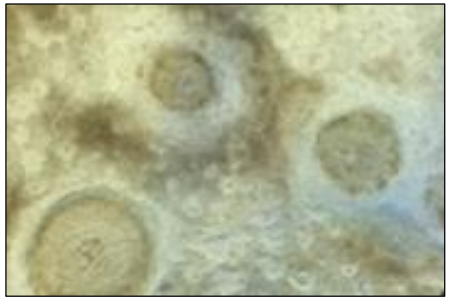
Healios

Photoreceptor cells

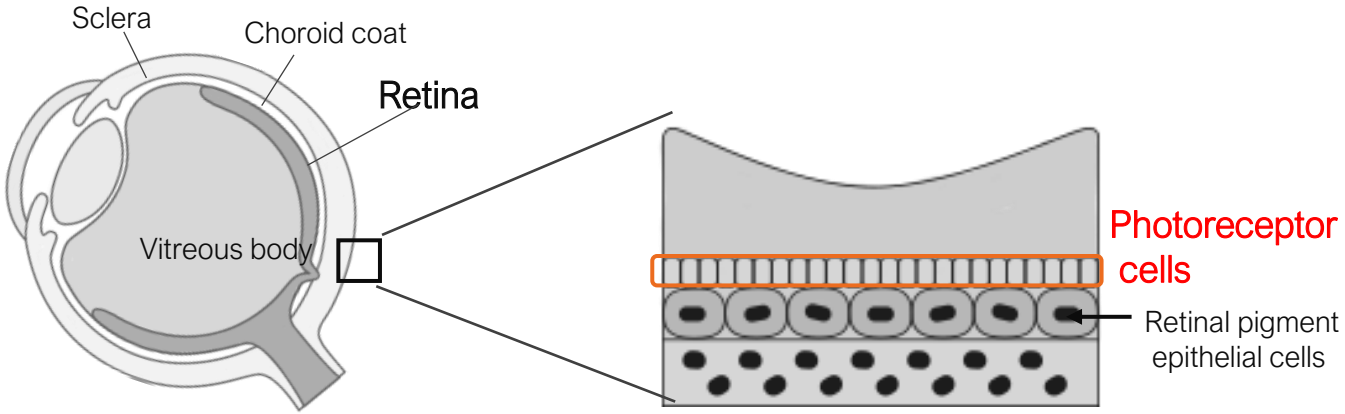


UDC

Differentiation and induction



Photoreceptor cells From UDC



Joint Research with STEMAXON

Confirmation of differentiation and culture from UDCs to photoreceptor cells* for retinal disease

-Cone cell dominant photoreceptor cell sheets with color-sensing

-Minimal contamination of unnecessary cells such as bipolar cells, which can be an obstacle to improving visual acuity

-Recovery of visual function confirmed in transplantation experiments using animal disease models

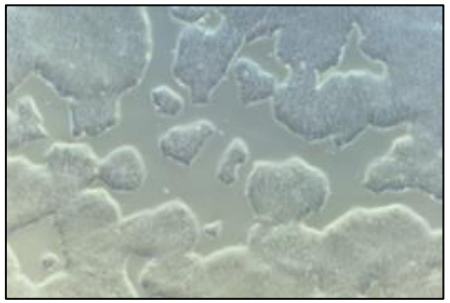
* Photoreceptor cells are one of the cells that compose the retina and are particularly responsive to light.

(Source) Joint research data

Hypo-immune UDC: Differentiation and Induction of Pancreatic β-cells

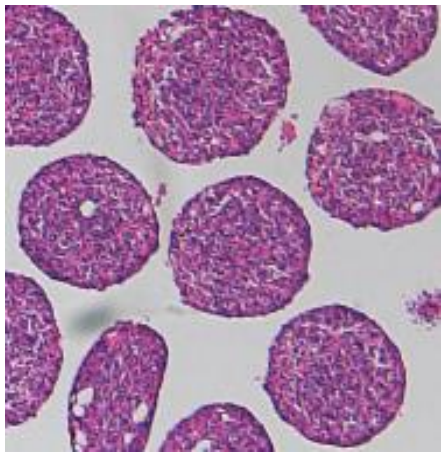
Joint research with the Department of Regenerative Medicine at the National Center for Global Health and Medicine in Tokyo

Pancreatic β-cells



UDC

Differentiation and induction



UDC-derived pancreatic β cells (HE staining)

(Photo provided by the National Center for Global Health and Medicine)

Pancreatic β-cells are a type of cell present in the islets of Langerhans within the pancreas. They produce and secrete insulin in response to blood glucose levels and serve to regulate the amount of glucose in the bloodstream.

In our joint research with the Department of Regenerative Medicine at the National Center for Global Health and Medicine in Tokyo, **we have successfully confirmed the differentiation of UDCs into pancreatic β-cells.**

Moving forward, our joint research will work on optimizing the process and verifying the efficacy and safety of these cells in animal models of diabetes. Through this achievement, we hope to develop a new more effective therapeutic approach for diabetes and further expand the value and impact of our company's iPSC platform

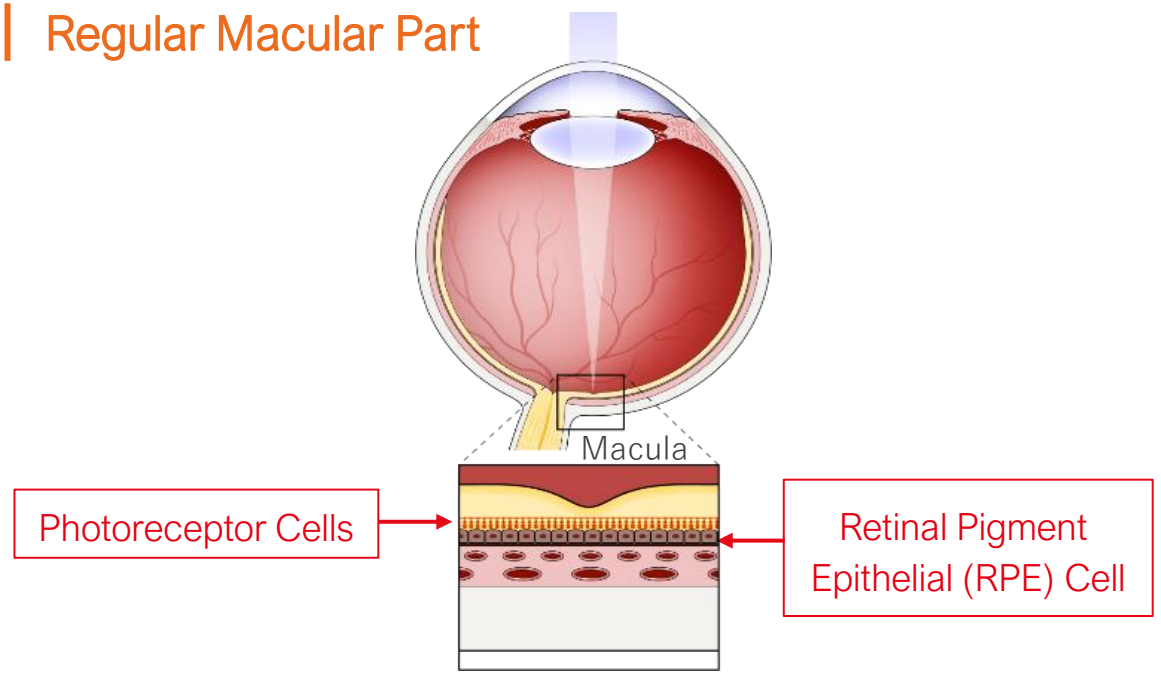
(Source) Joint research data

Update

Healios

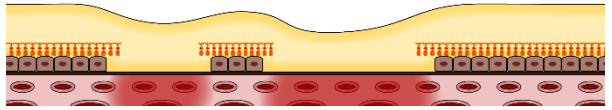
Age-related Macular Degeneration (AMD) causes Retinal Pigment Epithelial (RPE) cells to degenerate, which damages function

Regular Macular Part



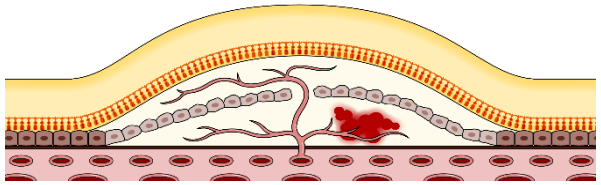
Developed Dry-AMD

Immunity barrier maintained
→ Degeneration of photoreceptor→ Dry AMD



Wet AMD

Destruction of immunity barrier → Invasion of immune cells
→ Inflammation → Wet AMD



Joint Development

In Japan, HEALIOS and Sumitomo Pharma Co., Ltd. are jointly developing a treatment using iPS cell-derived RPE cells.

Sumitomo Pharma: Plan to initiate clinical trial by March, 2023.

HLCL041: Liver Organ Bud Platform

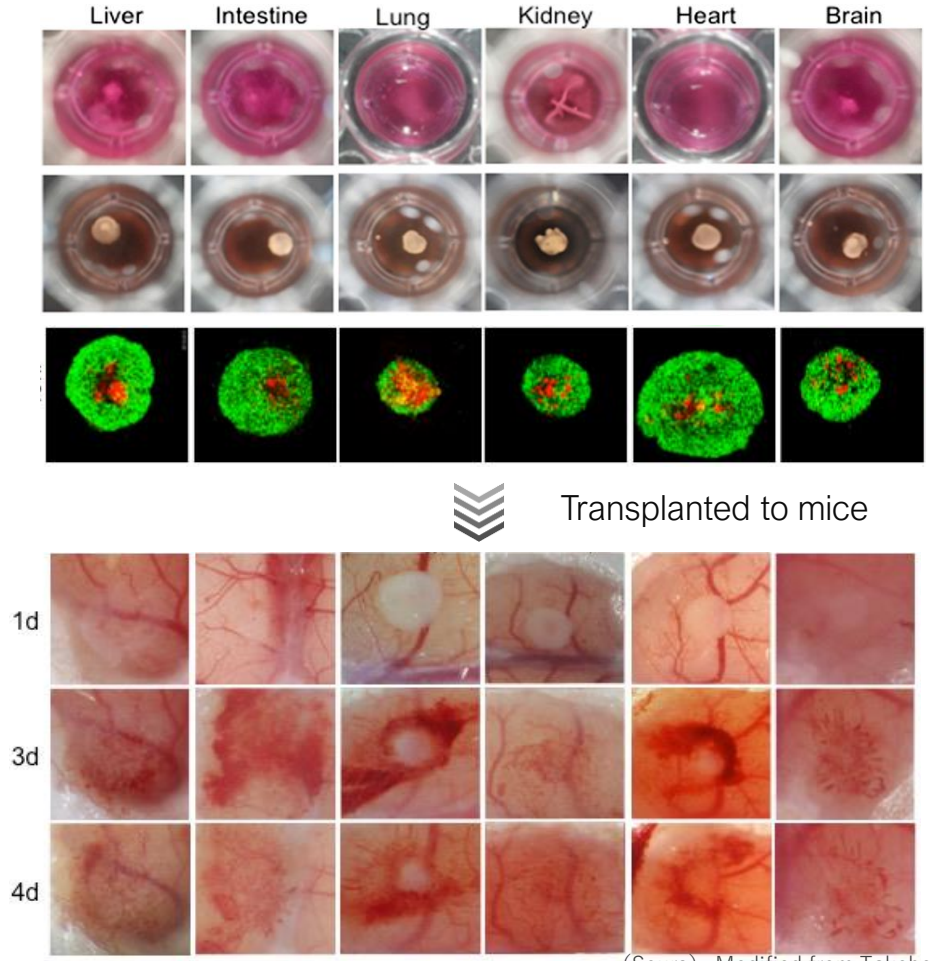
By creating an "Organ Bud" of each organ with iPS cells, we have laid the groundwork for paradigm shifting therapies to emerge for various severe diseases.

UDCs allow for the realization of organ replacement using organ buds.

*movie

The vascularization was confirmed in vivo by transplantation to mice.

（Sours） Japan Science and Technology Agency　Science News “Diverse Approaches in Regenerative Medicine from Cell to Tissue/Organ” (Distributed October 3, 2013)
https://sciencechannel.jst.go.jp/M130001/detail/M130001005.html



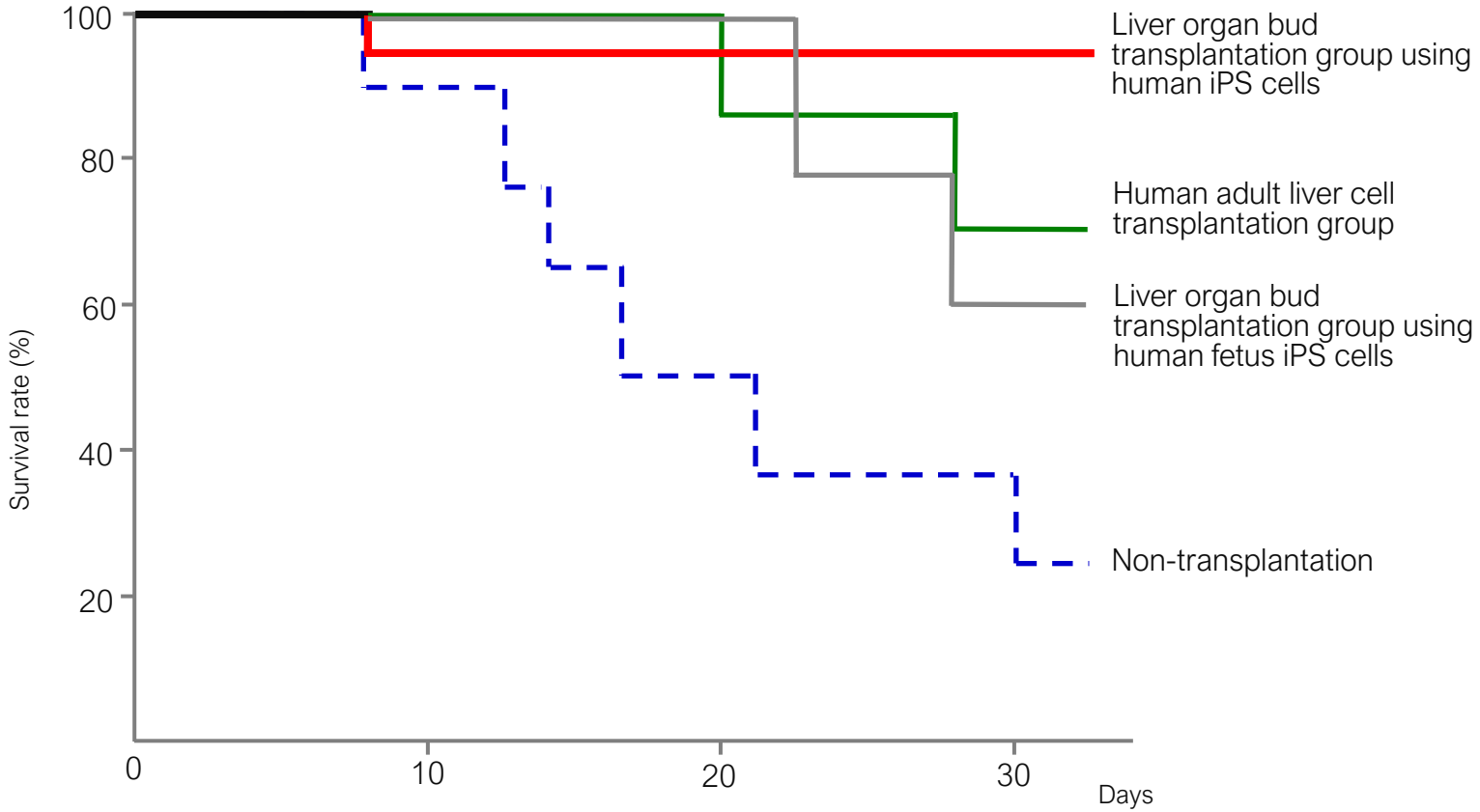
Green：Cells of each organ
Red：Vascular endothelial cell
Black：MSC

（Sours） Modified from Takebe T. et al., Cell Stem Cell, 2015

HLCL041: Liver Organ Bud Platform: Survival Rate of Liver Failure in Mouse Model

Survival rate improves significantly in transplantation experiments

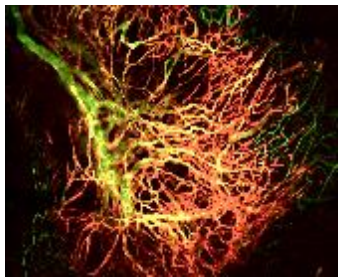
Treatment effects of liver bud transplantation to mouse using hiPSC

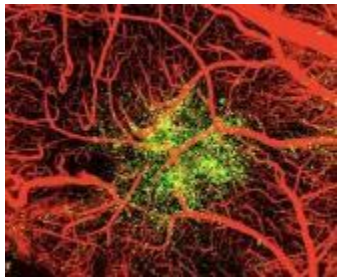


（Source） Adapted by Healios from Takebe. T, et al. Nature, 499 (7459),（2013）

Process

Process by which organ forms from organ bud links mouse‘s vascular network autonomously





（Source）Takebe,T., et al.
Nature Protocols, 9, 396–409 (2014)

Financial Highlights

Consolidated Statement of Income

Update

Healios

(Units: one million US dollars)

	FY2021 Q2(YTD)	FY2022 Q2(YTD)		
			YoY variance	Main reasons for increase/decrease
Revenue	0.18	0.18	-0.01	
Operating profit	-22.66	-24.89	-2.22	Decrease in SG&A expenses ＋$2.54mn Increase in R&D expenses -$4.68mn (One time milestone recognition $3.12mn)
Profit	-17.55	-26.48	-8.92	Decrease in finance income -$6.52mn Increase in finance costs -$0.64mn (Primarily non-cash activity; please refer to the next page for details)
R&D expenses	14.29	18.97	4.68	
Number of employees	113	**110**	3	As of June 30,2022

(Note)
* Due to the voluntary retirement program announced on June 13, 2022 (number of applicants: 20) and other factors, the number of employees as of August 1, 2022 was 85. Approximately 35 million yen in expenses such as job search assistance related to the voluntary retirement program were recorded in the second quarter of the current fiscal year.
* For details of the financial figures, please refer to the summary of the financial results announced today.
* Adopt average exchange rate (JPY/USD) over respective 6-month periods for P&L; FY2021 107.81 yen per dollar and FY2022 123.14 yen per dollar.

Supplemental Explanation of Finance Income and Finance Costs

Update

Healios

Details of finance income and finance costs

In the second quarter, we recorded finance income of ¥251 million and finance costs of ¥404 million. Finance income was mainly due to the recording of ¥183 million in gain on remeasurement of derivatives*1 and ¥ 66 million in profit or loss transferred to equity interests held by external investors in the Saisei Fund *2. Finance costs were mainly due to the recording of ¥285 million in interest expenses on bonds*3, ¥ 53 million in loss on remeasurement of warrants, ¥ 42 million in loss on remeasurement of investment securities and ¥23 million in interest expenses.

*1. Gain on remeasurement of derivatives

Gain on remeasurement of derivatives is the net unrealized gain on the convertible bond-type bonds with subscription rights to shares, which our company issued to overseas investors in July 2019, at fair value as of the end of the second quarter. These are non-cash items booked in accordance with the International Financial Reporting Standards (IFRS), which was introduced by in the first quarter of the fiscal year ended December 2020.

*2. Profit or loss transferred to equity interests held by external investors in the Saisei Fund

Profit or loss transferred to equity interests held by external investors in the Saisei Fund is the transfer amount of profits and losses of Saisei Bioventures, L.P., the consolidated subsidiary of our company, to limited partners other than our company. Saisei Bioventures, L.P. is a limited partnership established by Saisei Capital Ltd., the general partner and consolidated subsidiary of our company.

Supplemental Explanation of Finance Income and Finance Costs

Update

Healios

*3. Interest expenses on bonds

Of the total interest expenses on bonds of ¥285 million, ¥266 million was charged to interest expenses using the amortized cost method. As in *1 above, this is a non-cash expense recorded in accordance with the International Financial Reporting Standards (IFRS), which was introduced in the first quarter of the fiscal year ended December 2020.

Under JGAAP, convertible bond issuances were accounted for as liabilities and issue fees were accounted for as expenses. Under IFRS, however, proceeds, after deducting issue fees from convertible bond issuances, are accounted for as liabilities and equity, based on a certain standard. As a result, the difference between the face value of convertible bonds and the amount recorded as liabilities is amortized (expensed) over the period.

Consolidated Statement of Financial Position

Update

Healios

（Units: one million US dollar）

	December 31, 2021	June 30, 2022		
			Variance	Main reasons for increase/decrease
Current assets	142.83 (68.5%)	98.69 (65.0%)	-44.14	Decrease in cash and cash equivalents, including due to fx translation (see note below) -$42.47mn (Cash and cash equivalent balance at 6/30/22 was $89.03mn)
Non-current assets	65.58 (31.5%)	53.21 (35.0%)	-12.37	Increase in right-of-use assets ＋$0.46mn Decrease in other financial assets -$7.13mn
Total assets	208.41 (100.0%)	151.90 (100.0%)	-56.51	
Current liabilities	52.53 (25.2%)	45.35 (29.9%)	-7.18	Increase in trade and other liabilities ＋$2.35mn Decrease in bonds and borrowings -$4.83mn Decrease in other financial liabilities -$1.59mn
Non-current liabilities	80.72 (38.7%)	73.87 (48.6%)	-6.85	Increase in external investor's equity in Saisei Fund ＋$2.48mn Increase in other non-current liabilities +$2.70mn Decrease in bonds and borrowings -$9.14mn
Total liabilities	133.25 (63.9%)	119.22 (78.5%)	-14.03	
Total equity	75.16 (36.1%)	32.68 (21.5%)	-42.48	Recording of loss -$26.48mn Decrease in other components of equity -$5.61mn.
Total liabilities and equity	208.41 (100.0%)	151.90 (100.0%)	-56.51	

(Note) * For details of the financial figures, please refer to the summary of the financial results announced today.
* Adopt spot rate (JPY/USD) at end of fiscal period for B/S ; FY2021 Q4 115.02 yen per dollar and FY2022 Q2 136.68 yen per dollar.

Conclusion

- Continuing to progress the regulatory process for Multistem ARDS and ischemic stroke
- Driving forward eNK program R&D towards the clinic while pursuing partnerships with global pharmaceutical companies
- Expanding UDC and IPS cell line collaboration activities
- Ongoing implementation of cost management measures

Committed to transforming the lives of patients by

creating, developing and commercializing cutting edge cell therapy technologies

Overview of Healios

Update

About us

Company Overview

Company Name	HEALIOS K.K.
Representative	Hardy TS Kagimoto, MD, Chairman and CEO
Establishment	February 24, 2011
Paid in Capital	3.442 million yen(As of June 30, 2022)
Head office	Yurakucho Denki Bldg. North Tower 19F, 1-7-1 Yurakucho, Chiyoda-ku ,Tokyo 100-0006, Japan
Number of Employees	85 (As of August 31, 2022)
Business	Research, development and manufacturing of cell therapy/ regenerative medicine products
Affiliated Company	Sighregen Co., Ltd. (Joint Venture with Sumitomo Dainippon Pharma Co., Ltd.)
Subsidiary	・Healios NA Inc. (Established in February 2018) ・Organoid Neogenesis Laboratory Inc. (Established in June 2018 to promote the practical use of organ bud technology) ・Saisei Ventures LLC (Established in January 2021 as a venture fund investment advisor) ・Saisei Capital Ltd. (Established in January 2021 as a venture fund general partner) ・Saisei Bioventures, L.P. (Established in January 2021 as a venture fund limited partnership)

HEALIOS K.K. Leadership

Junichi Kotera	Michihisa Nishiyama	Richard Kincaid	Yoshinari Matsuda	Masanori Sawada	Kouichi Tamura	Koji Abe
Executive officer **Manufacturing field** Over 30 years experience in manufacturing	**Executive Officer** **Development field** Constructed network for Tacrolimus approval and sales at Astellas in the US and Europe	**Executive Officer** **CFO** **Director** Extensive finance experience at Goldman Sachs and Nezu Asia Capital Management	**Director** Attorney-at-Law, Senior Management Partner of Uruma Law Offices Legal Professional Corporation	**Executive Vice President, CMO (Chief Medical Officer)** MD, PhD, MBA	**Executive officer** **Research field** Ex-Astellas US Director of Laboratories Expertise in Immunology & Inflammatory Research PhD	**Executive Officer** **HR & GA field** Over 30 years experience in HR

Paul Bresge	Cam Gallagher	Ms. Yuko Yogo	Hardy TS Kagimoto	Dr. Toichi Takenaka	Seigo Kashii	Dr. Glenn Gormley	James Paradise
Outside Director Currently founder and CEO of Ray Therapeutics	**Outside Director** Co-founder and executive director of Zentalis.	**Outside Director** Previously a senior HR professional at JP Morgan and Fidelity.	**Chairman and CEO** **Director** MD, Founder	**Outside Director** Previously Chairman & CEO of Astellas. PhD	**Outside Director** Ex-corporate auditor of Astellas Pharma	**Outside Director** Previously Global Head of R&D at Daichi Sankyo, and CMO of Astra Zeneca. MD, PhD,	**Outside Director** Previously president of Goldman Sachs in Asia and member of Goldman Sachs' global management committee.

Advanced Technology at Healios' Kobe Research Institute

New Healios

Large number of researchers (more than 30 Ph.D.'s) on staff and efficient, in-house implementation of everything from gene editing to process development

1. Exploratory Research
- I. Development of iPSC differentiation induction methods
- II. Functional evaluation of iPSC derived cells
- III. Functional evaluation of iPSC derived cells
- IV. Evaluation of gene-edited cells

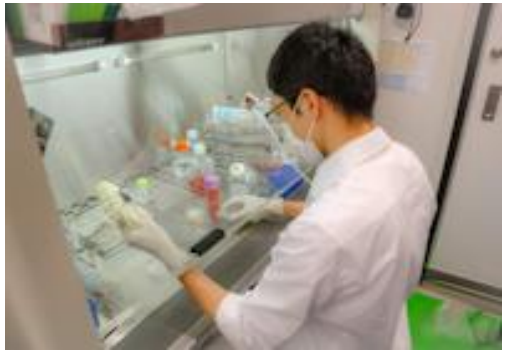
2. QC
- I. Functional evaluation of various cells
- II. Development of evaluation protocols

3. Genetic Recombination Experiments
- I. Construction of plasmids
- II. Construction of viral vectors
- III. Creation of transgenic cells

Healios' Kobe Institute Area(Photo by Kobe Urban Promotion Service Co.,Ltd.)

4. Experiments on animals
- I. Generation of disease mice models
- II. Evaluation of antitumor effects *in vivo*
- III. Evaluation of immune response *in vivo*
- IV. Evaluation: tissue section and immunostaining

5. Process Development Research
- I. Optimization of differentiation
- II. Development of mass production methods
- III. Development of freezing processes
- IV. Analysis of culture media



Healios Is Uniquely Positioned To Leverage Strong Japanese Proficiencies

Favorable External Environment In Japan

iPSCs Discovered in Japan

The Nobel Prize in Physiology or Medicine (2012) Shinya Yamanaka, M.D, Ph.D (Professor at Kyoto University)

Expedited Regulatory Framework

- Conditional and time limited authorization system
- SAKIGAKE (fast-track designation)

Precision Manufacturing in Cell Therapy

- Clinical and scale-up infrastructure for commercial purposes

Intrinsic Healios Strengths

Established Innovative R&D Expertise

- First in human iPSC technology in the world
- Proprietary hypo-immune universal donor iPSC platform technology
- Kobe Research Institute: > 30 Ph.D. holders
- Numerous high-profile R&D partnerships & JVs

Robust CMC Expertise & Foundational Alliances with Global Players

- GCTP/GMP manufacturing facility
- Automated 3D bioreactor system for eNK
- Advanced 3D organ manufacturing
- Long-standing alliances with Nikon & Sumitomo Pharma Co., Ltd.

Clinical Development Capabilities

- Completed enrolment in two major trials in 2021 including the largest Japanese cell therapy trial in history

Healios

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