

February 6, 2023

Company Name: HEALIOS K.K.
Representative: Hardy TS Kagimoto, Chairman & CEO
(TSE Growth Code: 4593)
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**The decision by Japan Investment Corporation
to invest in Saisei Bioventures, L.P.
Change in the use of funds**

Japan Investment Corporation (Head Office: Minato-ku, Tokyo, President and CEO: Keisuke Yokoo, hereinafter “JIC”) has made a \$30 million commitment as a limited partner in Saisei Bioventures, L.P. (hereafter referred to as “the Saisei Fund”), our company's consolidated subsidiary (refer to Saisei Ventures LLC’s announcement), and in connection with this we have decided to change our previously disclosed use of funds by resolution of our executive officers’ meeting held on February 6, 2023

1. Background

Our company established the Saisei Fund in January 2021 to invest in innovative biotechnology companies in Japan and the United States that are developing superior therapeutics and basic technologies that could become the next generation de facto standard in the regenerative medicine field. The Saisei Fund is managed by Saisei Ventures LLC, an investment advisor based in Boston, Massachusetts and also a consolidated subsidiary of Healios. Currently, our company is one of the investors in the Saisei Fund, which includes several major Japanese financial institutions, including SMBC Nikko Securities Inc. and Mizuho Capital Co., Ltd. JIC has now decided to make a commitment to invest in the Saisei Fund. With the new capital, the Saisei Fund will accelerate investments in next generation biotechnologies that advance human health. The Saisei Fund pursues the important mission of building strong connections between the two critical biotechnology markets of Japan and the United States and in the process seeks to foster the global success of Japanese biotech venture companies.

2. Change in use of funds

As described in the "Announcement of Issuance of New Shares through an Overseas Offering and Issuance of Convertible Bonds with Stock Acquisition Rights Due in 2022" released on July 10, 2019 and the “Notice Regarding Determination of Terms and Conditions of Issuance of New Shares and Convertible Bonds Due in 2022" released on July 11, 2019, our company raised a total of approximately 7.6 billion yen (hereafter referred to as the "Financing") by issuing 1,948,100 new shares through an overseas offering and 5 billion yen of convertible bonds with call provisions due in 2022 (of these, the bonds are referred to as "Bonds" below) to secure funds for: (1) expenses related to

the introduction of new seeds and pipeline development, (2) expenses related to the establishment of a new fund specializing in investments in the bio-domain (the current Saisei Fund) and investment commitments, and (3) funds for working capital.

In addition, as described in the "Notice Concerning Issuance of Series 18 of Stock Acquisition Rights with Exercise Price Amendment (with Call for Exercise or Suspension) Through Third-Party Allotment" released on July 12, 2022, we have changed the use of funds for the financing, and will use the funds after the change as: (1) expenses related to the introduction of new seeds and pipeline development, (2) expenses related to the establishment of the Saisei Fund and investment commitments, (3) working capital and (4) funds to redeem the Bonds.

In relation to JIC's commitment, we transferred US\$5 million of our company's commitment to JIC, thereby changing the use of funds from the financing for expenses related to the establishment of the Saisei Fund and investment commitments from US \$10 million (approximately 1.3 billion yen) to US \$5 million (approximately 650 million yen). In addition, we changed the scheduled timing of expenditures to the end of the Saisei Fund investment period in fiscal 2026. The difference of approximately 650 million yen is scheduled to be used to redeem the second series of unsecured convertible bonds with stock acquisition rights due in July 2024.

Accordingly, the use of funds for the financing will be changed as follows:

(Before change)

Specific use	Amount	Expected date of expenditure
① Expenses for introduction of new seeds and pipeline development	Approximately 3.5 billion yen	By December 2021
② New establishment costs and commitments of Saisei Fund	<u>Approx. 1.3 billion yen</u>	<u>By December 2022</u>
③ Working capital	Approx. 1.6 billion yen	By December 2020
④ Funds for redemption of the Bonds	Approximately 1.2 billion yen	By July 2022
Total	Approx. 7.6 billion yen	

(After change)

Specific use	Amount	Expected date of expenditure
① Expenses for introduction of new seeds and pipeline development	Approximately 3.5 billion yen	By December 2021
② New expenses and committed capital of Saisei Fund	<u>Approx. 650 million yen</u>	<u>By December 2026</u>
③ Working capital	Approx. 1.6 billion yen	By December 2020
④ Funds for redemption of the Bonds	About 1.2 billion yen	By July 2022
⑤ <u>Redemption of 2nd Series Unsecured Convertible Bonds with Stock Acquisition Rights</u>	<u>Approximately 650 million yen</u>	<u>By July 2024</u>
Total	Approx. 7.6 billion yen	

(Note) Changes are underlined.

3. Future outlook

Although the change in the use of the funds will have no impact on our company's financial results for the current period, approximately 650 million yen that had been set aside as a commitment to invest in the Saisei Fund can be used to redeem the bonds, thereby reducing the company's future financial burden. We will promptly inform you of any other matters to be disclosed in the future.

■About Japan Investment Corporation (JIC)

Japan Investment Corporation (“JIC”) was established on September 25, 2018 under the Industrial Competitiveness Enhancement Act. JIC’s investment focus areas are driving the creation of new businesses for Society 5.0, creating "unicorn startups", leveraging promising untapped regional technologies and promoting business consolidation across industries and organizations. JIC provides risk capital to these areas through funds independently established by JIC and LP investment in private funds to promote open innovation and contribute to strengthening the competitiveness of Japanese industries and expanding the investment ecosystem.

■About Saisei Ventures

Saisei Ventures is a leading venture capital firm dedicated to building next-generation companies in the healthcare sector. It aims to partner with passionate bio-entrepreneurs to develop and implement business strategies that will generate strong proof of concept, clinical validation, and market value. With operations in Japan and the United States, Saisei aims to enhance the value of its portfolio companies by leveraging its unique networks in and the institutional advantages of both countries. Saisei’s first fund, Saisei Bioventures L.P., is focused on building revolutionary cell and gene therapy and regenerative medicine companies from foundational technologies originating from Japan. The Fund is managed by Saisei Ventures, a Boston, United States based investment advisor, and is led by Jonathan Yeh, PhD MBA. For more information, visit <https://www.saiseiventures.com/>

■About Healios K.K.

Healios is Japan’s leading clinical stage biotechnology company harnessing the potential of stem cells for regenerative medicine. It aims to offer new therapies for patients suffering from diseases without effective treatment options. Healios is a pioneer in the development of regenerative medicines in Japan, where it has established a proprietary, gene-edited “universal donor” induced pluripotent stem cell (iPSC) line to develop next generation regenerative treatments in immuno-oncology, ophthalmology, liver diseases, and other areas of severe unmet medical need. Healios’ lead iPSC-derived cell therapy candidate, HLCN061, is a best-in-class, next generation NK cell treatment that has been functionally enhanced for superior efficacy in solid tumors. Its late-stage pipeline includes the somatic stem cell product HLCM051, which has been evaluated in Japan in Phase 2/3 and Phase 2 trials in ischemic stroke and acute respiratory distress syndrome (ARDS), respectively. Healios was established in 2011 and has been listed on the Tokyo Stock Exchange since 2015 (TSE Growth: 4593).

<https://www.healios.co.jp/en>