July 10, 2019

Company Name: HEALIOS K.K.
Representative: Hardy TS Kagimoto,
Chairman & CEO
(TSE Mothers Code: 4593)
Contact: Masanori Sawada,
Executive Officer, CMO in charge of administrative field
(TEL: 03-5777-8308)

# Expansion of Business and Capital Alliance with Nikon and Issuance of Series 2 Unsecured Convertible Bonds

HEALIOS K.K. ("Healios") announces that at the executive officers meeting held on July 10, 2019, it has decided to issue series 2 unsecured convertible bonds, being bonds with stock acquisition rights (*tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (the "Bonds"), through a third-party allotment to NIKON CORPORATION ("Nikon") in connection with the expansion of the business and capital alliance the two companies originally concluded on February 22, 2017 in order to mutually promote each company's business.

## I. Outline of business and capital alliance

### 1. Overview of the capital alliance

Healios concluded a memorandum with Nikon in August 2013, to allot 500,000 shares of common stock of Healios with the objective of building a stronger partnership, and additionally concluded a business and capital alliance contract in February 2017, to allot 1,037,400 shares of common stock of Healios. Since then, both companies have been in a mutually beneficial partnership leveraging their respective strengths.

In connection with the expansion of the business and capital alliance, Healios shall allot 40 units of series 2 unsecured convertible bonds through a third-party allotment to Nikon on July 10, 2019.

### 2. Overview of the changes to the business alliance

Healios and Nikon have been in a business and capital alliance with the objective of pursuing growth opportunities in the field of regenerative medicine. Healios pursues the research and development of new seeds in the field of regenerative medicine and Nikon supports the development of these new seeds from the perspective of cell contract manufacturing and image evaluation for cells.

The changes to the business alliance at this time include further collaboration between Healios and Nikon, such as the beginning of discussions to consider the cell contract manufacturing for various products that Healios is developing in-house, as well as cooperation in relation to manufacturing currently being undertaken by Nikon.

## II. Issuance of unsecured convertible bonds through third-party allotment

### 1. Outline of the offering

Outline of the issuance of the convertible bonds

| | | |
|---|---|---|
| (1) | Payment date | July 29, 2019 |
| (2) | Total number of stock acquisition rights to be issued | 40 |
| (3) | Issue price of bonds and stock acquisition rights | Bond：¥100,000,000-<br>(¥100 per ¥100 in face value)<br>Stock acquisition rights: Free of charge |
| (4) | Number of potential shares by the issuance | 1,963,672 shares of common stock |
| (5) | Amount of fund raising | ¥4,000,000,000- |
| (6) | Conversion price | ¥2,037 |
| (7) | Means of offering or allocation | By means of third-party allocation |

| | | |
|---|---|---|
| (8) | To whom the Bonds will be allocated | NIKON CORPORATION |
| (9) | Interest rate on the Bonds and maturity date | Interest rate: 1.0% per annum<br>Maturity date: July 29, 2024 |
| (10) | Redemption price | ¥100 per ¥100 in face value |
| (11) | Others | Each preceding item shall apply on condition that the securities registration statement under the Financial Instruments and Exchange Act of Japan becomes effective. |

**2. Objective and reason of the offering**

Healios has determined that by utilizing the know-how and technologies of both companies to the fullest extent through this business and capital alliance, it is possible to enable the practical application of technologies to treat patients with unmet medical needs and the expansion of the industry, and on this basis, Healios has decided to carry out this third-party allotment.

**3. Reason for the funding method**

Healios elected this funding method in order to receive a certain amount of cash proceeds at the time of issuance in order to fulfill its capital needs, while at the same time promoting the business and capital alliance with Nikon by increasing the number of potential shares of Healios which Nikon may own.

**4. Amount and use of proceeds**

(1) Amount of proceeds (estimated amount of net proceeds)

| Amount to be paid (Yen) | Estimated amount of issuance costs (Yen) | Estimated amount of net proceeds (Yen) |
|---|---|---|
| 4,000,000,000 | 13,000,000 | 3,987,000,000 |

(Note) 1. The estimated amount of issuance costs do not include consumption tax and local consumption tax.
2. The breakdown of the estimated amount of issuance costs are; attorneys' fees relating to the issuance of the Bonds, registration costs, costs incurred by a third-party valuation agency, trust bank expenses, etc.

(2) Use of proceeds

Estimated amount of net proceeds 3,987 million yen will be allocated as the table below;

| Use of Proceeds | Amount (million yen) | Expected expenditure period |
|---|---|---|
| 1. License and development fees in relation to the introduction of new seeds | 1,000 | From July 2019 to December 2020 |
| 2. Development costs in relation to the treatments for ischemic stroke and acute respiratory distress syndrome (ARDS) in Japan | 2,987 | From July 2019 to December 2020 |
| Total amount | 3,987 | |

(Note) 1. The funds raised will be appropriately managed with bank deposits, etc. during the period up to the expenditure.
2. Seeds means technologies and patents that are the basis for the development of new treatments.

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