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**Healios and Athersys Announce Binding Letter of Intent to  
Expand MultiStem<sup>®</sup> Collaboration**  
*Equity investment and binding letter of intent outlines expansion of Japan collaboration,  
including exclusive option for China development and commercialization*

HEALIOS K.K. (“Healios”) entered into a license agreement with Athersys, Inc. (“Athersys”) in January 2016 and currently is conducting a Phase 2/3 trial to develop a new treatment for acute ischemic stroke in Japan using the stem cell product MultiStem<sup>®</sup>.

At the same time, Healios obtained an exclusive option for the development of two additional MultiStem clinical indications in Japan, including the treatment of Acute Respiratory Distress Syndrome (“ARDS”) and another indication in the orthopaedic area.

Healios today announces that, at the board of directors’ meeting held on March 13, 2018, it has resolved to (1) Enter into a letter of intent (“LOI”) with Athersys to expand the exclusive license and option to develop MultiStem products.

(2) Invest in Athersys and acquire a warrant to enable the acquisition of up to 19.9% of the shares of Athersys.

(3) Deposit \$10 million into escrow.

1. Purpose of the decision

Healios has committed “To be the change in an ever-evolving world through enrichment of living” as its mission and has brought forward its vision of “By making use of the regenerative powers of iPSC therapies, we will heal and bring hope to those worldwide who are suffering. We will create a global infrastructure to develop, manufacture and promote our therapies from within the Healios family of businesses. We will build a biotechnology company founded on solid principles in which every individual can trust.”

In order to make that mission and vision a reality, we have pursued the following hybrid strategy for business expansion:

(a) Short-term strategy:

The development of products that contribute to strengthening the company's business position, through a development pipeline with prospects for approval in Japan within approximately 3 years.

(b) Long-term strategy:

The development of innovative foundational technologies that build a de facto standard worldwide.

Using the know-how and earnings we acquire through (a), we will invest strategically in (b) in order to achieve sustained, explosive growth.

We believe that this decision to expand our relationship with Athersys will contribute to the improvement of our corporate value from both of these perspectives.

Contribution to the short-term strategy:

In the face of an increase in the number of patients, acute ischemic stroke is still a disease with limited treatment options, so this is a field with a high level of unmet medical needs. In addition, with the application of Japan's new regulations on regenerative medical products, MultiStem appears to be a treatment with a high probability of obtaining early approval, and we believe that its development is likely to contribute greatly to improving our corporate value in the short term. We have received a designation under the SAKIGAKE Designation System and are currently carrying out our clinical trial. The construction of a production system for our anticipated post-approval requirements is progressing domestically at Nikon CeLL innovation Co. Ltd., and we have put in place a platform to further expand the range of target diseases.

Therefore, by means of this LOI, we will change one of the disease targets included in our current option rights and instead acquire development license rights for ARDS and trauma, which are areas with higher unmet medical needs.

ARDS, being one of the diseases with a high level of unmet medical needs, requires a new treatment here in Japan. The development of such treatment can contribute significantly to improving our corporate value in the short term, similar to the development we are pursuing in relation to acute ischemic stroke.

In addition, this LOI includes an exclusive option to develop and commercialize MultiStem products for ischemic stroke, ARDS and trauma in China.

These rights will help strengthen our earnings structure, consistent with our short-term strategy.

Contribution to the long-term strategy:

As a result of research we have performed for 2 years and 2 months post licensing, it has turned out not only that MultiStem itself may be a cell therapy against several diseases, but also that its mechanism of action against immunosuppression etc. could possibly be utilized in the development of iPSC regenerating medicine which Healios is developing.

For example, MultiStem can be a material for the manufacturing of “organ bud” products, an area on which we are now performing joint research with Yokohama City University. Though Healios currently holds option rights only for the development of liver buds, through this LOI it may be revised to be used for all organs globally.

Moreover, it was found that the possibilities of the immunosuppressive effects by using MultiStem in combination with iPSC regenerative medicine includes ophthalmological diseases, among others. We highly anticipate various synergistic effects with our long-term strategy.

In this way, MultiStem developed by Athersys will not only lead to strengthening our business by expanding our pipeline, which can contribute to high profitability in the short term, but it also may be utilized in the field of iPSC regenerative medicine, which is core platform business of Healios. It may become one of the

important elements in our development of regenerative medicine. We considered that strengthening our alliance with Athersys, who develops such important technologies, is therefore crucial, and we have reached this agreement as part of a comprehensive business decision.

## 2. Overview of the agreement

### (1) Overview of a LOI to expand exclusive license and option rights regarding MultiStem

#### (i) Exclusive license

- In Japan: Development and commercialization for ARDS and trauma
- Global: Development and commercialization of organ bud therapies using MultiStem
- Global: Development and commercialization of MultiStem products for ophthalmological indications
- Global: Development and commercialization of iPSC derived RPE cell products using MultiStem

And certain other rights.

#### (ii) Exclusive option

Development and commercialization of MultiStem products for ischemic stroke, ARDS and trauma in China.

A binding LOI has been executed today and the transaction is expected to be completed by April 30, 2018.

Healios will pay a total of \$ 35 million in case of the execution of the expansion agreement described above.

The content of payment is as follows:

#### \$ 10 million (Deposit into escrow along with the LOI today)

This deposit will be applied as either (1) the initial portion of the \$ 35 million payment associated with the execution of the expansion agreements, or (2) if such agreements are not executed on or before April 30, 2018, payment for expanding the scope of the current Japan license for ARDS, organ bud and ophthalmological indications.

#### \$ 25 million (Payment commences after concluding the expansion agreement)

Upon entering into this expansion agreement, a remaining amount of \$ 25 million will be paid to Athersys. On the other hand, all \$ 25 million will be deducted from milestone payment that we are obligated to pay to Athersys in the future when development succeeds for ischemic stroke, ARDS or trauma. Payment will be made for 2 years and 6 months (10 times) from the conclusion of the expansion agreement, by 2.5 million dollars each.

### (2) Overview of the strategic investment

To strengthen our partnership with Athersys, Healios will make an approximate \$21 million equity investment at \$1.76 per share (The closing bid price of Athersys stock on March 12, 2018, plus a premium of 13.5%). With this strategic investment of approximately \$ 21 million, Healios will acquire 8.7% of the issued shares of Athersys and become its largest shareholder.

As part of Healios' equity investment, Dr. Hardy Kagimoto, CEO of Healios, would be nominated for election to the Athersys Board of Directors at the next scheduled annual stockholders' meeting in June 2018.

In addition to its purchase of 12 million shares of common stock as part of its equity investment, Healios will receive a warrant that will give it the right, but not the obligation, to purchase additional shares of Athersys common stock up until September 1, 2020, subject to certain conditions and limitations, as well as a cap on the total number of shares Healios may own during the term of the warrant of 19.9% of Athersys’ outstanding common stock.

“Through this meaningful expansion of our relationship with Athersys, we aim to leverage MultiStem to accelerate the practical application of regenerative medicine across a variety of unmet patient needs. We are delighted to be working even more closely with them in this regard,” commented Dr. Hardy Kagimoto, President and CEO of Healios.

“This is a significant opportunity for both Healios and Athersys,” commented Dr. Gil Van Bokkelen, CEO of Athersys. “It provides for a meaningful expansion of the existing partnership, providing a much broader scope of rights for Healios, while providing Athersys with substantial additional capital and a committed development partner in key areas.”

### 3. Overview of the alliance partner

(1) Name	Athersys, Inc.	
(2) Location	3201 Carnegie Avenue Cleveland, Ohio 44115-2634	
(3) Post and name of representative	Chairman and CEO Gil Van Bokkelen PhD	
(4) Outline of Business	Research and development of regenerative medicine	
(5) Capital	US\$329,400,000 paid-in capital at December 31, 2016	
(6) Year of Establishment	1995	
(7) Major shareholder and shareholding ratio (As of December 31, 2017,)	None over 5%	
(8) Relationship between Healios and the partner	Capital	There is no corresponding matter.
	Personal	There is no corresponding matter.
	Business	In January 2016, Healios and Athersys executed an exclusive licensing agreement for domestic development and distribution of products for ischemic stroke making use of MultiStem and an option agreement for other indications. Since then, we are in a friendly collaborative relationship.
	Status of relationship with related parties	There is no corresponding matter.

(9) Consolidated operating results and consolidated financial condition over the last three years			
Accounting period	FY2014/3	FY 2015/3	FY 2016/3
Total stockholders' equity	\$20,900,000	\$19,700,000	\$11,200,000
Total assets	US\$28,700,000	US\$25,100,000	US\$19,100,000
Net assets per share of common stock	\$0.37	\$0.30	\$0.22
Net sales	\$1,600,000	\$11,900,000	\$17,300,000
Operating loss	\$29,000,000	\$17,200,000	\$15,000,000
Ordinary loss	\$22,100,000	\$16,400,000	\$15,300,000
Net income per share of common stock	\$(0.29)	\$(0.20)	\$(0.18)
Dividend per share	-	-	-

#### 4. Schedules

(1) Board of Directors' resolution date	March 13, 2018
(2) LOI and investment execution date	March 13, 2018
(3) Deadline for negotiating LOI	April 30, 2018

#### 5. Outlook

As mentioned above, based on the agreement, we will pay approximately \$ 21 million to acquire 12 million shares of common stock of Athersys and deposit \$ 10 million into escrow. In the future, if we conclude an expanding license / option agreement on or by April 30, 2018, based on the LOI concluded today, the above \$10 million deducted in escrow will be used for option payment and further \$ 25 million should be paid to Athersys.

All these payments will be covered by cash on hand.

If matters to be disclosed arise in the future, Healios will make an announcement without delay.