Mid-term Business Plan
(Fiscal Years 2016 to 2018)

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1. Three Year Mid-term Business Plan (Fiscal year: January – December)
   (1) Review of Consolidated Results in the Fiscal Year Ended Prior to the Creation of this Mid-term Business Plan

During the current fiscal year, the Japanese economy underwent a gradual recovery on the back of improvements in corporate earnings, employment market and personal income conditions in an environment marked by the Government’s various economic stimulus measures. While the financial policy in the United States is head in the direction of normalization, uncertainties including deceleration of the Chinese economy, continued to cloud on the economic horizon in overseas markets.

With regards to the advanced medical and regenerative medicine areas surrounding CellSeed Group, industrialization of the regenerative medicine products is being moved on with the first regenerative medicine product acquiring approval in September 2015, based upon the “Pharmaceuticals and Medical Devices Act” enforced in November 2014.

Under this backdrop, the CellSeed Group has established a consolidated subsidiary in Sweden to promote the aggressive development of its cell sheet regenerative medicine business, including the application of epithelial cell sheet for esophageal regeneration in Europe. In addition, CellSeed decided to establish a Cell Processing Center (CPC) within the Telecom Center Building in Koto Ward, Tokyo, aiming for promoting stable and speedy cell sheet manufacturing and starting operations within fiscal year 2016. Along with the establishment of this facilities, the headquarter function has been moved to the same building as well.

As a result of these developments, CellSeed recorded sales, and operating, ordinary and net losses of JPY193.118, JPY568.066, JPY531.523 and JPY535.253 million respectively during fiscal year 2015 (An increase of JPY106.792 million in sales and decrease of JPY33.882, JPY45.513 and JPY47.445 million in operating, ordinary and net losses respectively compared with those of the previous fiscal year).

The segment earnings results are described as follows:
① Intelligent Cell Cultureware Business

In the Intelligent Cell Cultureware Business, various research and development activities relating to temperature
responsive cell cultureware have been made. With regards to sales, representative was increased to strengthen sales in anticipation of a medium- to long-term sales activities. At the same time, frequent client visits and participations in academic conferences were also conducted as a part of the Company’s sales promotion activities. Exploring new research and development products to introduce as the Company’s product line-ups was conducted as well.

As a result of making these efforts, CellSeed recorded sales and operating loss of JPY80.618 (A JPY5.707 million decline compared with that of the previous term) and JPY44.511 million (A JPY12.936 million increase compared with that of the previous term) respectively.

② Cell Sheet Regenerative Medicine Business
In CellSeed’s cell sheet regenerative medicine business, in-house research and development activities focused primarily upon epithelial cell sheet for esophageal regeneration and regenerated cartilage sheet. As one of our specific measures, development efforts were made to start clinical trials for epithelial cell sheet for esophageal regeneration in Japan and Europe during the second half of the current term. The application of Clinical Trial Notification (CTN) had been submitted to Japan’s Pharmaceuticals and Medical Devices Agency (PMDA) in December, but the CTN has been once withdrawn because we found in the process of reviewing questions from PMDA that a lesser number of cases may be required than initially anticipated and the necessity of revision including acquisition of results for ongoing non-clinical trials. Consequently, the Company plans to resubmit the CTN around April 2016. In Europe, consultations with Swedish authority responsible for regulation and surveillance of the development, manufacturing and sales of drugs and other medical products called Medical Products Agency (MPA) are being conducted for starting clinical trials. Judging from contents and progress of development for epithelial cell sheet for esophageal regeneration, MPA suggested that CellSeed should review plans for clinical trials, looking ahead to the acquisition of marketing authorization all through Europe. Considering this suggestion from MPA, the Company sees the possibility of accelerating the commercialization schedule of this product in Europe, and the CTN submission in Sweden during the current term has been postponed, and decided to request the consultations with the European Medicines Agency (EMA), which is responsible for the scientific evaluation, supervision and safety monitoring of medicines developed by pharmaceutical companies for use in the EU area.

In December 2015, CellSeed decided to terminate the contracts of “Agreement for Joint development and commercialization of epithelial cell sheet for corneal regeneration in the United States” and “Master agreement for joint research and development” originally formed with Emmaus Medical Inc. in April 2011. Consequently, the lump-sum payment received in March 2012 amounting to JPY112.500 million has been booked as sales. As a result of these developments, CellSeed recorded sales of JPY112.500 million, and thus operating loss became JPY236.544 million (An increase in sales of JPY112.500 million and a decline in operating loss of JPY78.735 million compared with those of the previous term).
(2) Mid-term Business Plan Overview and Background

Overview

- The epithelial cell sheet for esophageal regeneration and regenerated cartilage sheet have been identified as high prioritized in-house development products among the cell sheet regenerative medicine pipelines and CellSeed will make efforts to get marketing authorization of the CellSeed’s first cell sheet product in Japan promptly.
- CellSeed will leverage its overseas network globally and expand its cell sheet regenerative medicine pipelines developed in Japan.
- CellSeed will expand the development of the product portfolio and aim for acquiring new earnings opportunities from cell sheet regenerative medicine business.

CellSeed is developing various cell sheet regenerative medicine products based on cell sheet engineering, that is, the Japan-oriented innovative cell sheet technology and we seeks for global promotion of its products.

Professor Teruo Okano (An external director of the Company) of the Tokyo Women’s Medical University was the first advocate in the world to propose cell sheet engineering, which is CellSeed’s fundamental technology. This fundamental regenerative medicine technology allows “cell sheets”, which are the basic unit for living tissue and organs that are made from individual cell units, to be cultured artificially outside of the human body.

The clinical researches of cell sheet regenerative medicine to regenerate various tissues have already been conducted and the efficacy and safety of this technology in the treatment of human patients have been proven with the scientific evidences.

The “Pharmaceuticals and Medical Devices Act ” and “Act of Ensuring Safety in Regenerative Medicine” were enforced in November 2014. Consequently, the environment surrounding regenerative medicine in Japan has been dramatically changed and industrialization of regenerative medicine products is advancing. We will leverage these big changes in the surrounding environment in Japan to promote the various activities outlined in our Midterm Business Plan above.

(3) Progress in Business Strategies, Future Outlook and its Preconditions

< Status by Pipeline>

< Pipelines Developed by CellSeed>

- Epithelial cell sheet for esophageal regeneration
  Characteristics:  Cell sheets cultivated from autologous mucosal cells of the oral cavity
  Indications:  Applied to the operated area immediately after endoscopic surgery for the prevention of esophageal narrowing

With regards to epithelial cell sheet for esophageal regeneration, 3 clinical researches for 30 cases have been conducted at three clinical research facilities, including Tokyo Women’s Medical University in Japan and Karolinska University Hospital in Sweden and efficacy and safety of thirty case studies have been introduced in articles and academic reports etc., CTN was submitted to PMDA in December 2015 and CellSeed has been responding to questions from the PMDA. However, the CTN has been withdrawn because we found that a lesser number of cases may be required than initially anticipated in the process of responding to the questions
from the PMDA and sees the necessity of revision including acquisition of results for ongoing non-clinical trials. Consequently, the Company plans to resubmit the CTN around April 2016. In Europe, consultations with MPA have been conducted for starting clinical trials there. Judging from contents and progress of development for epithelial cell sheet for esophageal regeneration, the MPA suggested that CellSeed should review the plans for clinical trials, looking ahead to the acquisition of marketing authorization all through Europe. Considering this suggestion from MPA, the company see the possibility of accelerating the commercialization schedule of this product in Europe, the CTN submission in Sweden during the current term have been postponed and the company decided to request EMA the consultations to plan clinical trials all over Europe. Moreover, the company will develop the devices necessary to implant cell sheets to the patients’ affected areas in parallel.

- Regenerated Cartilage Sheet
  Characteristic: Autologous cartilage cells and cell sheets cultured from allogenic cartilage cells
  Indications: Cartilage defect, knee osteoarthritis

Clinical research for joint cartilage using regenerated cartilage sheets created from autologous cells have been completed in December 2014 through joint research conducted at the Department of Orthopedic Surgery of Tokai University School of Medicine (Professor Masato Sato). In addition to the autologous cells used in the clinical research, Professor Sato has received an approval from the Ministry of Health, Labor and Welfare in August 2014 to conduct clinical research using allogenic cells. As described above, regenerated cartilage sheets have proven successful cases in the clinical research with autologous cells and entered into the clinical research using allogenic cell in advance of other regenerative medicine products and is also expected to become a superior pipeline in the clinical realm in the future.

In addition, this treatment has been found in pre-clinical research to be effective and is the only treatment in the world for partial or full knee cartilage defect that is normally found in patients with knee osteoarthritis. Therefore this product may become a treatment for the large number of patients with knee osteoarthritis itself.

CellSeed has started the preparation of conducting company-sponsored clinical trial and had a strategic pre-consultation meeting with the PMDA in January 2016 to clarify the requirements for clinical trial. As a result of the strategic consultation, the Company will continue to prepare for earlier start of company-sponsored clinical trial from now.

< Other Pipelines in review of licensing out, etc>

- Epithelial Cell Sheet for Corneal Regeneration
  Characteristics: Cell sheets cultivated from autologous oral mucosa epithelial cells
  Indications: Corneal epithelial stem cell deficiency accompanying severe vision disorder

In December 2015, CellSeed decided to terminate the contracts for “Agreement for Joint development and commercialization of epithelial cell sheet for corneal regeneration in the United States” and “Master agreement for joint research and development” originally formed with Emmaus Medical Inc. in April 2011. Consequently, the lump-sum payment received in March 2012 amounting to JPY 112.500 million has been booked as sales. In the future, discussions with the various parties related to the development of epithelial cell sheet for corneal regeneration in Japan and overseas markets will be promoted.

- Regenerated Cardiac Patch
  Characteristics: Cell sheets cultivated from autologous myoblast cells
  Indications: Dilated myocardiopathy, and ischemic cardiac diseases including cardiac infarction

A master agreement for the commercialization of human skeletal myoblast cell sheets was concluded with Terumo Corporation in December 2012. The patent applications filed by CellSeed related to this treatment is currently under review. Taking the current review status into consideration, a decision on the future direction of the patent will be made by April 2016, when “Heart Sheet”, whose marketing authorization was obtained by Terumo, is launched.
● Cell Sheet for Periodontal Tissue Regeneration
Characteristics: Cell sheets cultivated from autologous periodontal ligament cells
Indications: Moderate to severe periodontal disease

Based upon the results of jointly conducted clinical research, the feasibility will be reviewed and the preparation for development will be promoted along with seeking candidate partner for joint development.

2. Current Term Earnings Estimates and Future Earnings Targets

(1) Earnings Indicators (Fiscal Years 2016 to 2018)

<table>
<thead>
<tr>
<th></th>
<th>Sales ¥mn</th>
<th>Operating Income ¥mn</th>
<th>Ordinary Income ¥mn</th>
<th>Net income attributable to parent company shareholders ¥mn</th>
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<tr>
<td>FY2016 (Estimates)</td>
<td>100</td>
<td>-1,200</td>
<td>-1,150</td>
<td>-1,150</td>
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<td>FY2017 (Targets)</td>
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<td>-1,100</td>
<td>-1,050</td>
<td>-1,050</td>
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<tr>
<td>FY2018 (Targets)</td>
<td>450</td>
<td>-850</td>
<td>-800</td>
<td>-800</td>
</tr>
</tbody>
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(2) Specific Measures, Prerequisites and Numerical Evidence to Achieve Earnings Estimates and Targets

The earnings estimates and targets included in this Mid-term Business Plan are based upon the prerequisites that development and commercialization will be primarily performed by CellSeed.

① Intelligent Cell Cultureware Business
Current levels of demand for the cell cultureware are expected to continue
New development of upgraded products of cell cultureware is promoted
Exploration of new research and development products in overseas markets is actively conducted

② Cell Sheet Regenerative Medicine Business
- Epithelial cell sheet for esophageal regeneration
  Development is promoted in Japan and Europe

  <Japan>
  Around April 2016: Resubmission of CTN is expected
  2017: Submission of marketing authorization application is expected
  2018: Acquisition of marketing authorization approval and launch of sales is expected

  <Europe>
  Consultations with the EMA (Multiple times) are expected within 2016 for the purpose of determining details of company-sponsored clinical trial (Clinical trial phase, etc)
  Company-sponsored clinical trial in Sweden based upon the consultations with the EMA to be started in 2017

- Regenerated Cartilage Sheet
  Development using autologous and allogeneic cells to be promoted in Japan

  <Autologous Cells>
  Trials for development including acquisition of non-clinical data in preparation for company-sponsored clinical trials to be implemented based upon consultations with PMDA in 2016
  Company-sponsored clinical trial to be started in 2017

  <Allogenic Cells>
Development using allogenic cells to be promoted based upon development data using autologous cells

※ With regards to the above mentioned two cell sheet regenerative medicine pipelines, CellSeed plans to aggressively pursue the possibility of collaborative work etc in cases when its corporate value over the medium to long term is expected to increase. (Currently, the contributions from any of these potential collaborations have not been included in the earnings targets of this Med-Term Business Plan)

- Cell Processing Center
Cultivation of cells in regenerative medicine requires bio clean room facilities called cell processing centers (CPC). In order for the operations of this facility, it is required to comply with the “Act of Ensuring Safety in Regenerative Medicine” enforced in November 2014. In August 2015, CellSeed decided to establish a CPC within the Telecom Center Building in Koto Ward, Tokyo for the purpose of manufacturing of cell sheets speedy and stably. Construction of the facility will be completed during the first half of fiscal year ending December 2016. Moreover, the company will prioritize to manufacture in-house developed cell sheet products at the newly established CPC, but may consider taking on contract manufacturing of regenerative cell sheets in light of manufacturing conditions of in-house products.

③ Company-wide Common Issues
- Human Resources Plan
Research and development of regenerative medicine products requires staff with highly specialized skills. In particular, recruitment and training of diverse specialists is essential as cell sheet regenerative medicine is an interdisciplinary area that involves engineering, cellular biology, chemistry, etc. CellSeed will focus on hiring activities including the search in overseas markets in the future.

- Funding
With regards to future funding, a flexible method using various financial measures including public subsidies, aid and equity financing will be implemented, along with appropriation of funds on hand.

- Group Reorganization including Overseas Functions
Other measures to reorganize our Group structure will be considered, taking the research and development activities in Europe into account.

This material has been prepared by CellSeed Inc. for information purposes and describes the Mid-term Management Plan for 2016 to 2018. This information contains forward-looking statements concerned with plans, strategies and forecasts on future business performance of CellSeed group. CellSeed wishes to alert readers that such statements involve risks and uncertainties, including, without limitation, risks inherent in the development and commercialization of potential products, reliance on collaborators, need for additional capital, uncertainty of clinical trial results or regulatory approvals or clearances, maintenance of our intellectual property rights, changes in the business and economic environment and other factors. Actual results may differ materially from the results anticipated in these forward-looking statements. CellSeed disclaims any duty to update information provided herein. No part of this material shall be reproduced or redistributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of CellSeed Inc.