

**CONSOLIDATED FINANCIAL REPORT**  
**For the Second Quarter of Fiscal Year Ending April 30, 2015**  
**(Under Japan GAAP)**

December 11, 2014

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 Stock exchange listings: Tokyo JASDAQ  
 Stock code number: 7777  
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 Quarterly statement filling date (as planned): December 12, 2014  
 Supplemental material of quarterly results: Yes  
 Convening briefing of quarterly results: Yes

(Figures are rounded down to the nearest million yen)

1. Consolidated results for the second quarter of FY 2014

(May 1, 2014 – October 31, 2014)

(1) Consolidated operating results (cumulative)

(%:Growth year on year)

	Business Revenues		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
2Q FY 2014	0	-100.0	-1,004	—	-984	—	-1,148	—
2Q FY 2013	49	—	-676	—	-701	—	-701	—

Note: Comprehensive income: 2Q Fiscal 2014 -1,167(—%) 2Q Fiscal 2013 -698(—%)

	Basic Net income per share	Diluted Net income per share
	(¥)	(¥)
2Q FY 2014	-55.46	—
2Q FY 2013	-36.19	—

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity per share
	(¥ million)	(¥ million)	%
As of October 31, 2014	7,356	7,123	92.6
As of April 30, 2014	4,120	3,133	70.5

2. Dividends

	Annual dividends per share				
	1Q end	2Q end	3Q end	Year end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2013	—	0.00	—	0.00	0.00
FY 2014	—	0.00			
FY 2014(Forecast)			—	0.00	0.00

Note: Revisions to the latest dividend forecast: None

3. Consolidated financial forecasts for Fiscal 2014  
(May 1, 2014 – April 30, 2015)

(%:Growth year on year)

	Business Revenues		Operating Income		Ordinary income		Net income		Net income per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	¥
Full fiscal year	10,418	—	4,483	—	4,466	—	3,564	—	168.04

Note: Revisions to the latest dividend forecast: None

※Note

- (1) Changes in number of significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): None
- (2) Application of special accounting treatment in preparation of consolidated quarterly financial statements: None
- (3) Changes in accounting policies, accounting estimates and restatements
  - 1) Changes in accounting policies in connection with revisions to accounting standards: None
  - 2) Changes in accounting policies other than 1): None
  - 3) Changes in accounting estimates: None
  - 4) Restatements: None
- (4) Number of shares issued (common stock) (shares)

1) Number of shares issued as of the end of the reporting period (including treasury stock)	2Q FY2014	21,212,800	FY2013	19,876,400
2) Number of treasury stock shares as of the end of the reporting period	2Q FY2014	112	FY2013	112
3) Average number of shares outstanding (cumulative)	2Q FY2014	20,706,768	2Q FY2013	19,394,373

※Indication regarding execution of quarterly review procedures.

This quarterly financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial report, the review procedures for quarterly financial statement in accordance with the Financial Instruments and Exchange Act have been completed.

※Disclaimer regarding forward-looking information including appropriate use of forecasted financial results

The forecasted statements shown in these materials are based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and other results may differ from these forecasted figures due to various factors. Please refer to page 2 for details with regard to the assumptions and other related matters concerning consolidated financial results forecasts.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Results of Operations

During the six months ended October 31, 2014, the company's group has been focused on the development of medical devices with self-assembling peptide, which is the group's main technology.

With respect to the hemostat (TDM-621), the CE marking certification has been issued (CE marking approved product: "PuraStat®") in January, 2014. Therefore, we are now able to apply for the sale and product registration in countries that adopt the CE Marking system without conducting clinical trials. Consequently, the group has promoted clinical use of PuraStat® in the leading medical institutions in Europe and will continue with its effort to expand clinical use with the expectation that more leading medical institutions introduce it. Moreover, in parallel to the effort, the group continues to negotiate with its distribution partners about collaboration in marketing activities in Europe.

For countries other than Europe, we are conducting businesses to promote PuraStat® by leveraging the CE Marking. We applied for product registration through our Singapore-based subsidiary 3-D Matrix Asia Pte. Ltd. in June 2014 in Singapore and in July in Indonesia. We also acquired a medical device registration approval in Singapore in September 2014. Since September 2014, PuraStat® has been used in the clinical setting in Hong Kong. The group continues to promote marketing of PuraStat® in the Asian and Oceania regions.

In addition, we have established a subsidiary in Brazil in June 2014 in order to prepare for product registration and marketing alliance for PuraStat® in Latin America. Since October 2014, PuraStat® has been used in the clinical setting in Chile.

In Japan, the product is currently under review by the Pharmaceuticals and Medical Devices Agency, Japan (PMDA) for manufacturing and marketing approval. In the U.S., the group has been consulting with the Food and Drug Administration (FDA) to commence clinical studies in the country. We are preparing for commencement of clinical studies in China as well.

With respect to the dental bone filler (TDM-711), we are currently engaged in a discussion with the FDA in order to further expand clinical studies of the product in the U.S.

With respect to the endoscopic mucosal resection aid (TDM-641), the group submitted the clinical trial application to the Pharmaceuticals and Medical Devices Agency (PMDA) in September 2014 and has been preparing for commencement of clinical trials.

With respect to the wound healing material (TDM-511), the group submitted the application for a premarket notification 510 (k) to the Food and Drug Administration (FDA) in October 2014.

As a result, consolidated operating revenue for the six months ended October 31, 2014, totaled ¥— thousand (down ¥49,375 thousand from the same period of the previous year), with an ordinary loss of ¥984,509 thousand (compared to an ordinary loss of ¥701,346 thousand in the same period of the previous year), and a net loss of ¥1,148,475 thousand (compared to a net loss of ¥701,912 thousand in the same period of the previous year). These results are fairly in line with the projections in our business plan.

(2) Explanation of Financial Position

AS of October 31, 2014, total assets stood at ¥7,356,535 thousand (up ¥3,235,565 thousand from the end of the previous year).

Current assets totaled ¥6,833,876 thousand (up ¥3,241,251 thousand), due mainly to an increase of ¥3,210,983 thousand in cash and deposits.

Noncurrent assets totaled ¥ 522,658 thousand (down ¥ 5,685 thousand), due mainly to a decrease of ¥35,000 thousand in amortization of goodwill included in intangible assets, despite an increase of ¥9,489 thousand in right of using patent included in 'other' of intangible assets, as well as an increase of ¥17,119 thousand in long-term prepaid expenses included in investments and other assets.

Meanwhile, liabilities totaled ¥232,808 thousand (down ¥754,808 thousand), due mainly to a decrease of ¥800,000 thousand in short-term loans payable, despite an increase of ¥45,000 thousand in advances received included in 'other' of current liabilities.

Net assets totaled ¥7,123,726 thousand (up ¥3,990,374 thousand), due mainly to an increase of ¥2,537,735 thousand in capital stock and an increase of ¥2,537,722 thousand in capital surplus as a result of capital increase through a public offering.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There is no change in our forecast of financial results for the fiscal year ending April 30, 2015, announced on June 12, 2014.

2. Quarterly Consolidated Financial Statements  
(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous Fiscal year (as of April 30, 2014)	Second Quarter of FY2014 (as of October 31, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	2,640,535	5,851,518
Inventories	789,397	796,769
Other, net	162,692	185,589
Total current assets	3,592,625	6,833,876
Noncurrent assets		
Property, plant and equipment	103,471	99,373
Intangible assets		
Goodwill	256,668	221,667
Other, net	82,259	96,292
Total intangible assets	338,927	317,960
Investments and other assets	85,945	105,324
Total noncurrent assets	528,343	522,658
Total assets	4,120,969	7,356,535
<b>Liabilities</b>		
Current liabilities		
Short-term loans payable	800,000	-
Income taxes payable	10,469	12,674
Other, net	147,883	194,960
Total current liabilities	958,353	207,635
Noncurrent liabilities		
Other, net	29,263	25,173
Total noncurrent liabilities	29,263	25,173
Total liabilities	987,617	232,808
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,338,757	5,876,493
Capital surplus	3,328,660	5,866,382
Retained earnings	(3,791,587)	(4,940,062)
Treasury stock	(59)	(59)
Total shareholders' equity	2,875,772	6,802,754
Accumulated other comprehensive income		
Foreign currency translation adjustment	29,451	10,363
Total accumulated other comprehensive income	29,451	10,363
Subscription rights to shares	228,128	310,608
Total net assets	3,133,352	7,123,726
Total liabilities and net assets	4,120,969	7,356,535

(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly consolidated statements of income  
for the six months ended October 31, 2014

(Thousands of yen)

	Six Months Ended October 31, 2013 (From May 1 to October 31, 2013)	Six Months Ended October 31, 2014 (From May 1 to October 31, 2014)
<b>Business revenues</b>		
Research and development revenues	49,375	-
<b>Total business revenues</b>	<b>49,375</b>	<b>-</b>
<b>Business expenses</b>		
Research and development expenses	282,655	421,807
Selling, general and administrative expenses	443,434	583,014
<b>Total business expenses</b>	<b>726,090</b>	<b>1,004,821</b>
<b>Operating loss</b>	<b>(676,714)</b>	<b>(1,004,821)</b>
<b>Non-operating income</b>		
Interest income	235	1,361
Foreign exchange gains	-	58,383
Subsidy income	1,046	87
Other, net	719	315
<b>Total non-operating income</b>	<b>2,001</b>	<b>60,147</b>
<b>Non-operating expenses</b>		
Interest expenses	6,176	6,124
Commission fee	3,024	2,016
Stock issuance cost	15,585	31,601
Other, net	1,846	92
<b>Total non-operating expenses</b>	<b>26,633</b>	<b>39,834</b>
<b>Ordinary loss</b>	<b>(701,346)</b>	<b>(984,509)</b>
<b>Extraordinary loss</b>		
Settlement money	-	160,375
<b>Total extraordinary loss</b>	<b>-</b>	<b>160,375</b>
<b>Loss before income taxes and minority interests</b>	<b>(701,346)</b>	<b>(1,144,884)</b>
Income taxes-current	475	605
Income taxes-deferred	90	2,986
<b>Total income taxes</b>	<b>565</b>	<b>3,591</b>
<b>Loss before minority interests</b>	<b>(701,912)</b>	<b>(1,148,475)</b>
<b>Net loss</b>	<b>(701,912)</b>	<b>(1,148,475)</b>

Quarterly consolidated statements of comprehensive income  
for the six months ended October 31, 2014

(Thousands of yen)

	Six Months Ended October 31, 2013 (From May 1 to October 31, 2013)	Six Months Ended October 31, 2014 (From May 1 to October 31, 2014)
Loss before minority interests	(701,912)	(1,148,475)
Other comprehensive income		
Foreign currency translation adjustment	3,627	(19,088)
Total other comprehensive income	3,627	(19,088)
Comprehensive income	(698,284)	(1,167,563)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(698,284)	(1,167,563)
Comprehensive income attributable to minority interests	-	-



(3) Quarterly Consolidated Statements of Cash Flows

	Six Months Ended October 31, 2013 (From May 1 to October 31, 2013)	Six Months Ended October 31, 2014 (From May 1 to October 31, 2014)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	(701,346)	(1,144,884)
Depreciation and amortization	14,575	18,511
Amortization of goodwill	35,000	35,000
Interest income	(235)	(1,361)
Interest expenses	6,176	6,124
Commission fee	3,024	2,016
Foreign exchange losses (gains)	(763)	(32,050)
Stock issuance cost	15,585	31,601
Share-based compensation expenses	56,508	82,980
Decrease (increase) in notes and accounts receivable-trade	(50,000)	-
Decrease (increase) in inventories	(337,184)	(7,371)
Decrease (increase) in advance payments	(18,830)	(28,773)
Decrease (increase) in prepaid expenses	(5,846)	(10,202)
Increase (decrease) in accounts payable-other	18,236	2,024
Increase (decrease) in accrued expenses	9,176	9,514
Increase (decrease) in advances received	50,600	45,000
Other, net	(18,828)	21,438
Subtotal	(924,149)	(970,432)
Interest income received	235	1,361
Interest expenses paid	(6,176)	(5,841)
Income taxes paid	(450)	(1,210)
Net cash provided by (used in) operating activities	(930,540)	(976,122)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(7,518)	(4,805)
Purchase of intangible assets	(15,693)	(18,262)
Purchase of long-term prepaid expenses	(9,391)	(30,927)
Other, net	(4,744)	(182)
Net cash provided by (used in) investing activities	(37,347)	(54,178)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(300,000)	(800,000)
Proceeds from issuance of common stock	2,359,331	5,043,356
Repayments of lease obligations	(6,206)	(6,619)
Other, net	(3,008)	(2,168)
Net cash provided by (used in) financing activities	2,050,116	4,234,567
Effect of exchange rate change on cash and cash equivalents	4,018	6,716
Net increase (decrease) in cash and cash equivalents	1,086,246	3,210,983
Cash and cash equivalents at beginning of period	2,033,363	2,640,535
Cash and cash equivalents at end of period	3,119,610	5,851,518

(4) Notes to Going Concern Assumptions

For the six months ended October 31, 2014 (From May 1 to October 31, 2014)

Not applicable.

(5) Segment Information

For the six months ended October 31, 2014 (From May 1 to October 31, 2014)

Since the Group has only a single segment (medical products), segment information is omitted.

(6) Notes in Case of Significant Changes in Shareholders' Equity

For the six months ended October 31, 2014 (From May 1 to October 31, 2014)

The company has issued new shares through an offering from abroad with the payment due date of July 9, 2014. As a result, capital stock increased by ¥2,525,712 thousand and capital surplus by ¥2,525,712 thousand over the six months ended October 31, 2014. As of the end of the consolidated second quarter of FY2014, capital stock totaled ¥5,876,493 thousand, and capital surplus ¥5,866,382 thousand.