Bridge Report

Bridge Report CellSeed Inc. (7776)

President
Yukio Hasegawa

Company	CellSeed Inc.
Code No.	7776
Exchange	JASDAQ
Industry	Precision Instrument (Manufacturing)
President	Yukio Hasegawa
HQ Address	Haramachi 3-61, Shinjuku-ku, Tokyo
Business Description	A leading company in regenerative medicine, which employs the cutting edge technology of "cell sheet engineering" as its technological base for developing new medical treatments that can lead to fundamental changes in the therapy of severe medical conditions worldwide.
Year-end	December
URL	http://www.cellseed.com/index-e.html

– Stock Information –

Share Price	Shares Outstanding		Market Cap.	ROE (actual)	Trading Unit
¥1,395	8,169,292 shares		¥11.396 billion	-	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (actual)	PBR (actual)
-	-	-	-	¥309.70	4.5x

* Stock price as of closing on 2014/2/28. Number of shares at the end of the most recent quarter excluding treasury shares.

– Consolidated Earnings Trends – (Unit: Million Yen)

Fiscal Year	Sales	Operating income	Recurring Income	Net Income	EPS (¥)	Dividend (¥)
December 2009	87	-785	-788	-790	-	-
December 2010	66	-1,204	-1,002	-1,009	-	-
December 2011	86	-1,418	-1,358	-1,442	-	-
December 2012	75	-846	-842	-913	-	-
December 2013	105	-534	-581	-584	-	-

We present this Bridge Report along with an analysis of the fiscal year December 2013 earnings results for CellSeed Inc.

Key Points

・CellSeed believes that regenerative medicine within Japan is entering a period of full scale development and rapid growth. The administration of the new Prime Minister Abe has expressed its intent to support the industry as a matter of national policy and promoted the implementation of the Regenerative Medicine Promotion Law and the Regenerative Medicine Safety Law. Given this changing environment, CellSeed Inc. has restructured its European development and business plans, and shifted the focus of its development activities to Japan.

・During fiscal year December 2013, sales rose by 40.0% year-over-year to ¥105 million, and the recurring loss declined to ¥581 from ¥842 million in the previous term. Delays in alliances for new businesses and reviews of already existing contracts prevented CellSeed from achieving its sales estimates, but restraint in research and development expenses and reductions in other various expenses as called for by management rationalization plans contributed to the contraction in its loss. Moreover, the task of developing an "efficacy evaluation method for corneal regeneration epithelial cell sheet as a global standard" and the validation of "evaluation method to optimize quality through introduction of automation into cell sheet fabrication" have been consigned by the Ministry of Economy, Trade and Industry's (METI) to CellSeed. Consigned projects and their successful results are expected to contribute to the commercialization and industrialization of regenerative medical products in the future.

・During fiscal year December 2014, CellSeed will continue to pursue progress in and fortify the three cornerstones of its business based upon its midterm term vision of "creation of a sustainable business model that leverages changes in the external environment." The first cornerstone is to realize the first regenerative cell sheet product through business alliances at an early stage. The second cornerstone is to make anticipatory investments in strategic realms for mid to long term growth in corporate value. And the third cornerstone is to improve profitability and establish a financial foundation that can support continued growth.

1. Company Overview

CellSeed seeks to develop and promote worldwide "cell sheet regenerative medicine" for treatment of patients with diseases that previously could not be treated sufficiently using conventional therapies, through the use of fundamental technologies of "cell sheet engineering" developed in Japan by Professor Teruo Okano of Tokyo Women's Medical University.

<Business Description>

CellSeed's business can be divided into two main divisions including "cell sheet regenerative medicine business," where various types of cell sheet tissues are developed, fabricated and sold, and "regenerative medicine support business," where temperature -responsive cell cultureware used in the fabrication of "cell sheets" are produced and sold.

In the "cell sheet regenerative medicine business division", research and development for several new regenerative medicine products is being conducted jointly with research partners.

・ US Corneal Regeneration Epithelial Sheets:	Animal testing has been completed and certification as biologics has been granted
・ Cardiac Regenerative Patch:	Basic agreement has been reached with Terumo Corporation for human skeletal myoblast sheets (Announced March 2012)
・ Esophageal Regeneration Epithelial Cell Sheet:	Favorable results from the completion of joint clinical research (Announced August 2012) were achieved, and preparations for joint clinical research in overseas markets are being conducted

In the "regenerative medicine support business," various applications of the fundamental tool of temperature-responsive cultureware (CellSeed is the only company in the world capable of manufacturing this equipment) used in cell sheet regenerative medicine are developed and manufactured (Some portions of the manufacturing process, for which large amounts of capital investment are required, are outsourced), and provided to various universities and research institutions around the world. The "regenerative medicine support business" also plays a strategic role in the cultivation of alliances with partners in the realm of cell sheet regenerative medicine.

<Superiority of CellSeed's Technological Foundation>

Currently, the key issue for "cell sheet regenerative medical technologies" of artificially fabricating coherent tissue from human cells has been fundamentally resolved. Furthermore, proof of concept for corneal regeneration epithelial cell sheet, cardiac muscle regenerative patch, periodontal tissue regenerative sheet, and regenerated cartilage sheet in the cell sheet regenerative medicine business division has been shown in human clinical trials for a wide variety of tissues and conditions. In addition, the various applications of the above mentioned cell sheet regenerative medicine products are unprecedented, because most of the regenerative medical products launched in the market thus far are either skin or cartilage.

<Business Environment>

The industrialization of regenerative medicine is benefitting from favorable environmental conditions, as the Prime Minister Abe has taken steps to facilitate the legal structure invigorate Japan's regenerative medicine industry. For example, the Regenerative Medicine Promotion Law was established in April 2013 to realize the commercialization of regenerative medicine, and in November 2013 the Revised Pharmaceutical Law (Medical Products and Equipment Law) and the Regenerative Medicine Safety Law were established. The Pharmaceutical and Medical Equipment Law newly defined "regenerative medicine and medical products" in addition to medical products and equipment, and introduced systems that take these definitions into consideration (Example: Special approval system with special conditions and time limits, known as an early approval system). Furthermore, the Regenerative Medicine Safety Law is designed to secure safety in the three categories of regenerative medicine, by introducing safety regulations according to risks and newly establish cell processing technologies (The outsourcing of the fabrication process for specially processed cells).

2. Progress in FY12/13 Business Strategies (Midterm Business Plan: FY12/13 to FY12/15)

(1) Creation and Promotion of Midterm Business Plan (FY12/13 to FY12/15)

The midterm business plan announced in February 2013 is comprised of three cornerstones and designed to promote new growth business models. Moreover, the midterm business plan is based upon a rolling system that calls for review of the plan every term.

Midterm Vision:	**Creation of sustainable growth models by leveraging changes in the operating environment**
Cornerstone 1:	Achieve commercialization of the first cell sheet regenerative product through "business alliances" at an early stage
Cornerstone 2:	Achieve growth in corporate value over the mid to long term by "making anticipatory investments in strategic realms"
Cornerstone 3:	Improve profitability and establish a "financial foundation" to support sustained growth

Progress in Implementing Business Strategies

Cornerstone 1: Achieve commercialization of the first cell sheet regenerative product through "business alliances" at an early stage

・ Modification of corneal regeneration epithelial cell sheet development strategy

Along with the fast paced facilitation of the environment for the industrialization of regenerative medicine, CellSeed has chosen to shift the focus of its development activities to Japan. Specifically, CellSeed expects to leverage business alliances and public subsidies and assistance for its development activities within Japan. At the same time, in March the Company has temporarily withdrawn its sales approval application submitted to the European Medicines Agency (EMA) in Europe, in light of the results of its deliberations with the EMA and the facilitation of the environment to bring about industrialization of regenerative medicine within Japan. However, the possibility of securing approval in the future remains in place, and currently CellSeed is considering business alliances to bring about commercialization. At the same time, efforts to promote joint development and commercialization with Emmaus Medical are being promoted in the United States (Two contracts have been consolidated to become one in order to be able to focus upon the cornea realm).

・ Endeavors for Corneal Epithelial Regenerative Cell Sheet within Japan (A Project Consigned from METI)

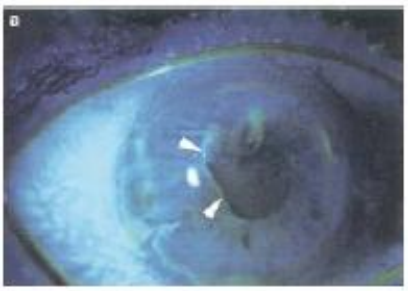
Within Japan, two projects including 1) "global standard for corneal regeneration epithelial cell sheet medical products effectiveness evaluation method" and 2) "cell sheet regenerative medical product manufacturing cost and quality evaluation methods" have been consigned by the Ministry of Economy, Trade and Industry's (METI) to CellSeed in fiscal year 2013 as part of the "Regenerative Medicine Industry Promotion Projects." The first project has been consigned to CellSeed based upon its track record in the area of regenerative medical product screening in overseas markets, and the second project has been consigned for the Company's experiences in the regenerative medicine support business. In the pipeline for autologous mucosal cell epithelial cell sheets, the experience and knowhow gained with corneal regeneration epithelial cell sheets can be leveraged. In addition, the results of the first project can be used in common applications of

cell raw material for autologous mucosal cell epithelial cell sheets, while the results of the second project may be applied to automated fabrication (allowing for fabrication cost reductions and securing quality) in various pipeline products. The implementation period of the contract is from its signing until March 31, 2014.

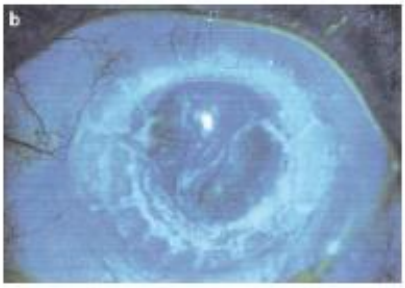
Reference: Develop an "Efficacy Evaluation Method for Corneal Regeneration Epithelial Cell Sheet as a Global Standard"

The efficacy evaluation method for corneal regeneration epithelial cell sheet is currently limited to qualitative evaluation, and the establishment of a rational quantitative evaluation method is critical. Therefore, the ability to objectively evaluate the stability of reduction in conjunctiva in the axis of sight due to recovery of the epithelial layer and the overcoming of inhibition of cornea angiogenesis will be validated in this project.

Fluorescein stain test is implemented at 12 months after surgery to validate the stability of reduction in conjunctiva in the axis of sight due to recovery of the epithelial layer, and quantitative analysis using image analysis of the existence of conjunctiva on the surface of the cornea is employed (Baseline: Immediately after transplant). Also, the standard of efficacy can be determined by quantifying the level of conjunctiva in the axis of sight, by the restraint of conjunctiva through recovery of the corneal epithelial layer.



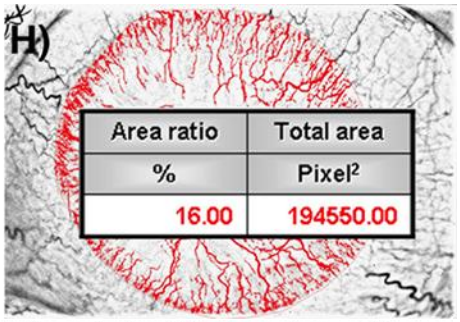
A Partial LSCD Patient's Conjunctiva Caused by Mild Chemical Burns



A LSCD Patient's Abnormal Conjunctiva after Corneal Allotransplantation

(Source: CellSeed)

Inspections using slit lamp are performed at 12 months after surgery for the validation of inhibition of cornea angiogenesis, with surveillance and visual image data collection and visual image analysis to provide quantitative evaluations (Baseline: Immediately after surgery). Furthermore, efficacy for the restraint of neo-angiogenesis (Intrusion) through recovery of corneal epithelial layer can be determined by quantitatively measuring the vascularized surface area of the cornea epithelial layer.



Vascularized Surface Area of the Cornea Surface Calculation

(Source: CellSeed)

Cornerstone 2: "Anticipatory Investments in Strategic Realms" to Maintain Mid to Long Term Growth in Corporate Value

CellSeed successfully submitted six patent applications during fiscal year December 2013. Specifically, the patents include the temperature -responsive cell cultureware technology "common cultureware material surface" (Announced in Europe in May), new cultivation method for epithelial layer cells using encapsulated cell cultureware (Announced in Japan in May), transplant use of corneal endothelium regenerative sheet (Announced in Korea in January), corneal endothelium regenerative sheet (Announced in Korea in June), transplant use of corneal membrane regenerative sheet (Announced in the United States in October), and cancer tissue model fabrication use of cell sheet (Announced in Japan in June) applications.

Cornerstone 3: Improve Profitability and Establish "Financial Foundation" to Support Sustained Growth

The sourcing of approximately ¥2.9 billion in capital has allowed CellSeed to improve its financial condition and remove the status of "going concern" from its financial statements.

9th Stock Option	Capital sourced: ¥640 million (Paid in through full exercise in FY12/13) Shares newly issued: 958,000 (Issued in FY12/13) Exercise period: 13.1.9～13.2.1 (Fully exercised)
10th Stock Option	Capital sourced: ¥523 million (Stock option issuance + paid in through exercise) Shares newly issued: 274,000 Exercise period: 13.9.2～13.12.16 (Fully exercised)
11th Stock Option	Capital sourced: ¥1,730 million (Stock option issuance + paid in through exercise) Shares newly issued: 895,000 Exercise period: 13.9.2～13.11.15 ※ Fully exercised as of 14.1.31 (¥859 million sourced, 505,000 new shares issued)
Total	Capital sourced: ¥2,893 million Shares newly issued: 2,127,500

(2) Consolidated Earnings (Units: Million Yen)

	FY12/12	Share	FY12/13	Share	YY Change	Initial Est.	Divergence
Sales	75	100.0%	105	100.0%	+40.0%	530	-80.0%
Gross Income	34	45.4%	52	49.5%	+53.5%	-	-
SG&A	880	-	586	-	-33.3%	-	-
Operating Income	-846	-	-534	-	-	-245	-
Recurring Income	-842	-	-581	-	-	-215	-
Net Income	-913	-	-584	-	-	-230	-

※Figures include reference figures calculated by Investment Bridge Co., Ltd. Actual results may differ (applies to all tables in this report).

¥105 Million in Sales, ¥581 Million in Recurring Loss

Sales rose by 40.0% year-over-year to ¥105 million. By business segment, the regenerative medicine support business recorded ¥88 million in sales, a ¥13 million rise from the previous term, and ¥16 million (No sales recorded during the previous term) were booked in the cell sheet regenerative medicine business. With regards to the cell sheet regenerative medicine business, the dissolution of the contract with GENESIS Pharma SA accompanying the review of development plans for corneal regeneration epithelial cell sheet in Europe contributed to the booking of lump sum payments received at the time of the formation of the contract of ¥16 million.

An operating loss of ¥534 million was recorded (A loss of ¥846 million was recorded in the previous term). Rationalization efforts to reduce costs and restrain research and development expenses contributed to a ¥293 million or 33.3% reduction in selling, general and administrative expenses to ¥586 million from the previous term.

Factors behind Divergence from Initial Estimates

With regards to sales, the inability to acquire ¥350 million in business alliance lump sum payments (alliance negotiations still being conducted), and the inability to book ¥110 million of the lump sum fee received from Emmaus due to the review of the contract, were the main reasons for the divergence in sales from initial estimates.

The lower sales contributed to a ¥425 million expansion in operating loss. However, better than expected results in restraining selling, general and administrative expenses contributed to a ¥149 million improvement in operating loss.

Segment Sales, Income

(Units: Million Yen)

	FY12/12	Share	FY12/13	Share	YY Change
Regenerative Medicine Support	75	100.0%	88	83.9%	+18.1%
Cell Sheet Regenerative Medicine	-	-	16	16.1%	-
Sales	75	100.0%	105	100.0%	+40.7%
Regenerative Medicine Support	-15	-	-11	-	-
Cell Sheet Regenerative Medicine	-517	-	-300	-	-
Adjustments	-312	-	-222	-	-
Operating Income	-846	-	-534	-	-

Financial Conditions

(Units: Million Yen)

	FY12/12 End	FY12/13 End		FY12/12 End	FY12/13 End
Cash, Equivalents	239	2,688	Outstanding Payments	57	50
Receivables	6	9	Unpaid Taxes	2	19
Inventories	16	15	Prepayments	174	160
Prepayments	56	22	Long Term Prepayments	16	-
Current Assets	332	2,747	Liabilities	279	248
Tangible, Intangible Fixed Assets	-	-	Net Assets	94	2,536
Investments, Others	41	36	Total Liabilities, Net Assets	374	2,784
Fixed Assets	41	36	Interest Bearing Liabilities	-	-

Cash Flow

(Units: Million Yen)

	FY12/12	FY12/13	YY Change	
Operating Cash Flow (A)	-769	-499	+270	-
Investing Cash Flow (B)	-30	7	+37	-
Free Cash Flow (A + B)	-800	-492	+307	-
Financing Cash Flow	429	2,886	+2,457	+572.7%
Cash and Equivalents	239	2,688	+2,449	+1022.5%

3. Strategy in FY12/14 (Midterm Business Plan: FY12/14 ~ FY12/16)

(1) Awareness of the Operating Environment

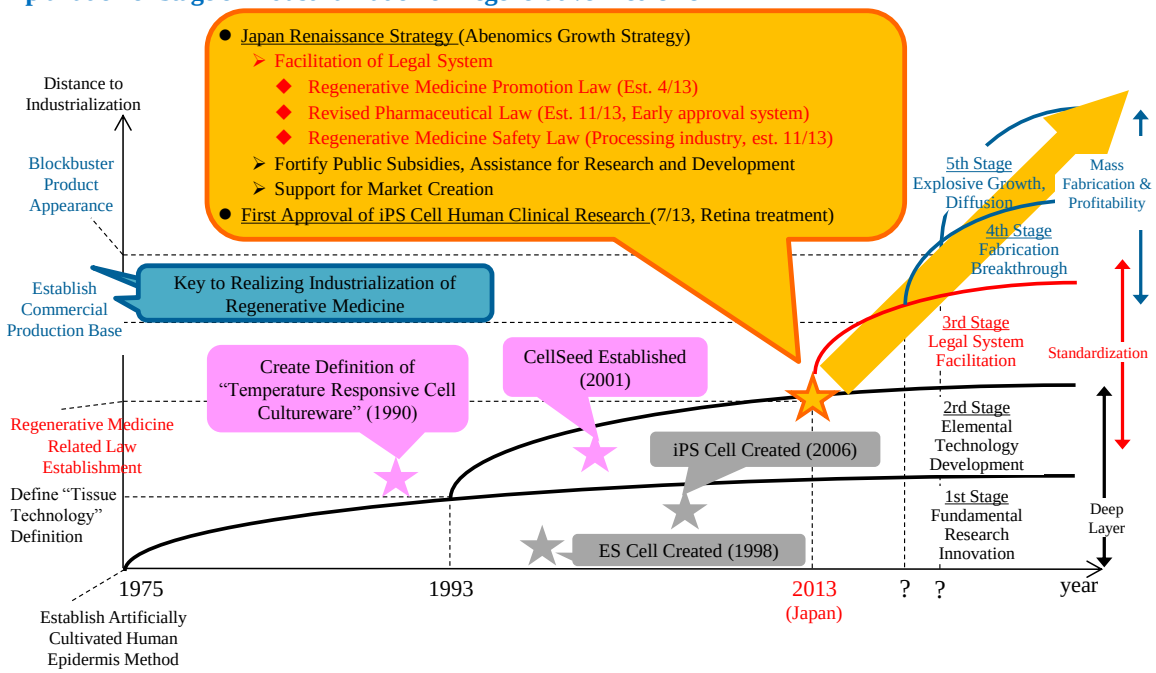
2013 Became an Epoch Making Year as Japan Led the World in Efforts to Industrialize Regenerative Medicine

CellSeed believes that the regenerative medicine industry within Japan is entering a period of full scale development and rapid growth. As a national policy, Japan is promoting the industrialization of regenerative medicine, and the laws outlined below were established and revised during 2013.

Regenerative Medicine Promotion Law (Established in April 2013)
Revised Pharmaceutical Law (Established in November 2013, Early Approval System)
Regenerative Medicine Safety Law (Concerning the processing industry, established in November 2013)

In addition to these changes in the regulatory environment, recognition of human clinical research for iPS cells, fortification of public subsidies and assistance for research and development, and support for market creation are also being implemented.

Explanation of Stage of Industrialization of Regenerative Medicine



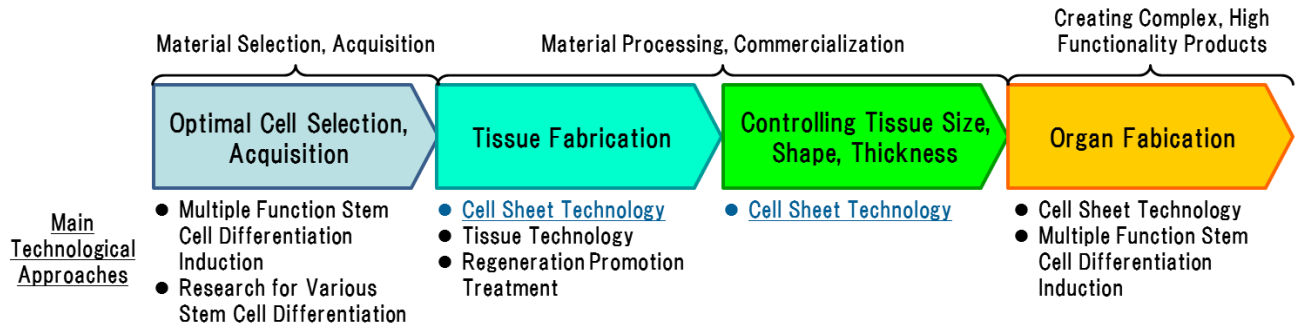
(Source: CellSeed)

3 "A's" to Realize "Industrialization of Regenerative Medicine": Automation, Allogeneic, Alliances

The key drivers for the industrialization of regenerative medicine include "establishment of foundations for commercial fabrication" and "appearance of blockbuster products." In order to "establish foundations for commercial fabrication," fundamental reductions in fabrication costs, dramatic fortification of fabrication output, and improvements and consistency in product quality levels are critical. In addition, strategic targeting, differentiation and resolution of technological issues leveraging open innovation, and anticipatory investments in marketing to match the characteristics of products for paving the way for "blockbuster products to appear" are also necessary. Furthermore, three key concepts critical to the industrialization of regenerative medicine include "automation," "allogeneic," and "alliance."

Cell Sheet: A Revolutionary Technology Fundamentally Resolving Various Issues by "Artificially Fabricating Tissue Using Only Human Cells"

Regenerative medicine entails the following processes: optimized cell selection, acquisition → tissue fabrication → tissue size, shape, thickness control → organ fabrication. Furthermore, cell sheet technology entails the technological processes of tissue fabrication, tissue size, shape, thickness control, and organ fabrication. Therefore, in the tissue fabrication process, cell sheet technology fundamentally resolves the issue of "using only human cells to artificially fabricate various tissues". In addition, cell sheet technology has shown successful results in non-clinical research by providing a fundamental solution to the issue of controlling tissue size, shape and thickness (stratification + vascular injection). At the same time, another issue is the fact that organ fabrication can only be done after tissue fabrication is successfully completed.



(Source: CellSeed)

(2) Midterm Business Plan Overview (FY12/14 to FY12/16)

Full Scale Industrialization of Regenerative Medicine Road Map: Using "Regenerative Medicine Industrial Package" Developed in Japan to Address the Global Market

In order to promote the diffusion of "cell sheet regenerative medicine" products, developed by using revolutionary regenerative medical technologies created in Japan, for sale and use throughout the world, the early market launch of the first cell sheet regenerative medical product is critical. CellSeed will leverage academic-industrial and business alliances to realize autologous regenerative medicine. Academic-industrial and business alliances will enable CellSeed to reduce the burden of anticipatory investments necessary for commercialization, and supplement the business resources of the Company by providing access to highly skilled staff and cutting edge technologies in realms where it does not have a position of superiority relative to its competitors. Furthermore, CellSeed will endeavor to realize cross regenerative medicine applications as part of the process of full scale industrialization of regenerative medicine (cross materials + fabrication automation).

Midterm Business Plan (FY12/14 to FY12/16)

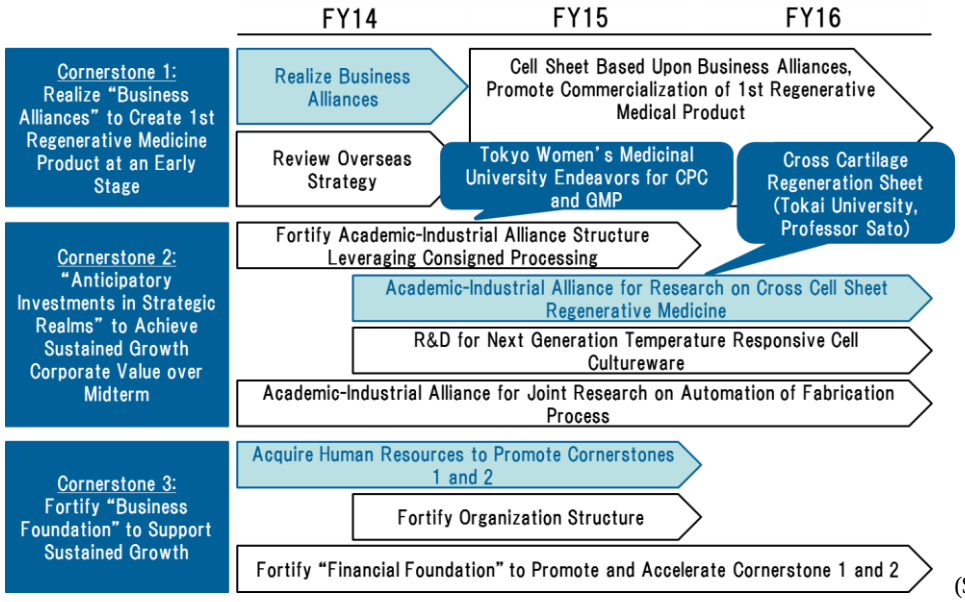
Overview: Fortifying the "Three Cornerstones" of the Midterm Business Plan Announced in February 2013

The following three cornerstones of the midterm vision of "creating new sustainable growth models by leveraging changes in the external environment" will be pursued.

Cornerstone 1: Early commercialization of the first cell sheet regenerative medical product through "business alliances"
Cornerstone 2: "Anticipatory investments in strategic realms" for intermediate to long term growth in corporate value
Cornerstone 3: Improve profitability and establish a "financial foundation" that can support sustained growth

The first cornerstone is to leverage new business opportunities that arise in the wake of facilitation of the legal structure surrounding the regenerative medical industry (Early approval system and others). Furthermore, academic-industrial and business alliances are expected to enable CellSeed to reduce the burden of anticipatory investments in the process of commercialization and strengthen its position by providing access to business resources in realms where it does not maintain superiority (functions, skills, technologies).

Three Keys of the Midterm Business Plan: "Realize Business Alliances", "Start Cross Research", "Acquire Skilled Staff"



(Source: CellSeed)

Earnings Estimates: Views Regarding Earnings Estimates over the Midterm

Earnings Estimates and Targets

(Units: Million Yen)

	FY12/14	FY12/15	FY12/16
Regenerative Medicine Support	75	80	85
Cell Sheet Regenerative Medicine	-	-	-
Total Sales	75		
Regenerative Medicine Support	-40	-35	-45
Cell Sheet Regenerative Medicine	-	-	-
Total Operating Income	-40	-35	-45

Due to the two points mentioned below, CellSeed has decided to release estimates and targets for the regenerative medicine support business segment, while refraining from disclosure of similar data for the cell sheet regenerative medicine business segment.

・Possibility for certain conditions that may hinder negotiations for business alliances that are currently being conducted
・Unforeseen factors that may influence research and development expenses (Changes in research and development activity plans may result from the business alliances)

Moreover, an increase in demand for regenerative medicine related research and development is expected to contribute to an annual growth rate in sales of 5% from fiscal year December 2016 onwards, according to the outlook for the regenerative medical support business mentioned above.

(3) Capital Sourcing: 3rd Party Placement of 1st Uncollateralized Convertible Bond with Stock Options, 12th Stock Option Issuance

A third party placement of the first uncollateralized convertible bond with stock options (hereafter called convertible bond) and the issuance of 12th stock option (hereafter called stock option) will be conducted. CellSeed expects to use the capital procured from these activities to accelerate its midterm research and development activities and thereby raise its corporate value.

Including the capital raised through the exercise of new stock options amounting to ¥2.277 billion, the total capital raised amounts to ¥2.786 billion. The 1st uncollateralized convertible bond with stock options raised ¥500 million, the issuance of the 12th stock option raised ¥9 million, and the future exercise of options is expected to amount to a maximum of ¥2.277 million. Specifically, capital procured will be used for "strategic investments" primarily for cross cartilage cell sheet research and development, personnel expenses to fortify its research and development structure, commercialization of the first cell sheet regenerative medical product, as well as operating capital.

1st Uncollateralized Convertible Bond with Stock Options		12th Stock Options	
Payment Date	2014/ 3/20, Thursday	Allotment Date	2014/ 3/20, Thursday
Number of New Share Options	20	Number of New Share Options	352
Bond, Option Issuance Price	¥25 million	Issuance Price	Total ¥9 million (¥26,500 per option)
Latent Shares	386,398	Latent Shares	1,760,000
Capital Raised	¥500 million	Capital Raised Details	¥2,286 million New Stock Options: ¥9 million Exercise of Options: ¥2,277 million
Conversion Price	¥1,294	Exercise Price	¥1,294
Subscription, Allotment Method (Expected Placement)	Third party placement to Whiz Healthcare PE 1 Limited Partnership for Investment	Subscription, Allotment Method (Expected Placement)	Third party placement to Whiz Healthcare PE 1 Limited Partnership for Investment
Coupon Rate	No interest paid		352
Usage of Capital Sourced	R&D: ¥500 million (2014/10 ~ 2015/9)	Usage of Capital Sourced	Working Capital: ¥500 million (2015/1 ~ 2016/12) R&D: ¥1,767 million (2014/10 ~ 2017/9)

Reason for Selection of Whiz Healthcare for Third Party Placement

Whiz Healthcare PE 1 Limited Partnership for Investment was chosen for the placement in this recent round of funding because Whiz Partners Inc. is one of the executing members of this partnership and the creator of this fund. In addition, Whiz Partners has made several investments in Japan's bio-ventures, with its first full scale investment in the bio and healthcare realms being made in 1999, and so far it has made investments in about 30 bio and healthcare related firms throughout the world (Japan, United States, Germany, France, Israel, Korea and other countries). Furthermore, CellSeed has confirmed the wealth of knowledge and experience of Whiz partners management in not only the bio and healthcare industries but also in financial instruments transactions (Registered with Kanto Local Finance Bureau, License Number 2590) through interviews with the company. Whiz Partners also boasts a strong financial position with no interest bearing liabilities and a high level of credibility as an independent fund operator. In addition, the declared goal of Whiz Healthcare PE 1 Limited Partnership for Investment to "contribute to the preservation of life" is in keeping with the business policy of CellSeed's various businesses. For these reasons, CellSeed has chosen Whiz partners as the third party partner with which to place its bond and stock options.

Holding Policy for the Third Party Placement

Whiz Healthcare PE 1 Limited Partnership for Investment by policy does not expect to maintain the shares of CellSeed over the mid to long term, and is expected to sell the shares in response to market trends, demand from investors, and based upon the policies of business partners. At the same time, the intention of Whiz Partners is not merely to recoup its investment, but to sell shares to investors with which synergies can be derived and/or who can become stable shareholders with the goal of optimizing the capital structure of CellSeed and to raise its valuation in the equity market.

Whiz Healthcare PE 1 Limited Partnership for Investment as the operator responsible to members participating in the fund will pay close attention to the impact of its activities in the market, and abide by regulations regarding insider trading in any activities when selling acquired shares.

4. Conclusions

The high hurdles for approval of regenerative medicine in Japan have contributed to delays in its commercialization. However, facilitation of the legal system related to regenerative medicine including the implementation of Revisions to the Pharmaceutical Laws, Regenerative Medical Safety Law, and other related laws (New Law regarding Regenerative Medicine) was implemented in 2013, and the operating environment surrounding regenerative medicine has changed dramatically. Amidst these trends, management resources will be complemented by business and academic-industrial alliances to achieve market launch of the first regenerative medical product at an early stage. At the same time, research and development for automation of the fabrication processes and cross materials used in regenerative

medicine are being promoted with the ultimate goal of achieving industrialization of regenerative medicine. First, a successful model must be achieved in order to realize commercialization, and research and development for market launch of autologous regenerative medicine products are being promoted. Thereafter, efforts to industrialize regenerative medicine including "regenerative medicine use cross materials" and "establishment of mass fabrication technologies through automation" are critical. Aggressive activities in overseas markets will also be promoted, with obtainment of approval for corneal regeneration epithelial cell sheet expected. At the same time, Japan is expected to become the center of regenerative medicine because of the recent facilitation of the legal structure and the consequential positive environment, and fundamental research is currently already being conducted.