

CONSOLIDATED FINANCIAL REPORT
For the Second Quarter of Fiscal Year Ending April 30, 2014
(Under Japan GAAP)

December 6, 2013

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 Stock exchange listings: Tokyo JASDAQ
 Stock code number: 7777
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 Quarterly statement filing date (as planned): December 11, 2013
 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 2013

(May 1, 2013 – October 31, 2013)

(1) Consolidated operating results (cumulative)

(%:Growth year on year)

	Business Revenues		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
2Q FY 2013	49	—	-676	—	-701	—	-701	—
2Q FY 2012	0	—	-452	—	-457	—	-458	—

Note: Comprehensive income: 2Q Fiscal 2013 -698(—%) 2Q Fiscal 2012 -457(—%)

	Basic Net income per share	Diluted Net income per share
	(¥)	(¥)
2Q FY 2013	-36.19	—
2Q FY 2012	-24.88	—

Note: The company performed share split which splits one share of common stock into two shares on September 1, 2012 and June 1, 2013. The above figures are calculated assuming that the share split was performed on the beginning of FY 2012.

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity per share
	(¥ million)	(¥ million)	%
As of October 31, 2013	4,530	3,798	81.9
As of April 30, 2013	3,020	2,065	67.3

2. Dividends

	Annual dividends per share				
	1Q end	2Q end	3Q end	Year end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2012	—	0.00	—	0.00	0.00
FY 2013	—	0.00			
FY 2013(Forecast)			—	0.00	0.00

Note: Revisions to the latest dividend forecast: None

3. Consolidated financial forecasts for Fiscal 2013

(May 1, 2013 – April 30, 2014)

(%:Growth year on year)

	Business Revenues		Operating Income		Ordinary income		Net income		Basic Net income per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	¥
Full fiscal year	4,178	—	1,658	—	1,646	—	1,491	—	75.35

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)
- 2) Number of treasury stock shares as of the end of the reporting period
- 3) Average number of shares outstanding (cumulative)

2Q FY2013	19,794,800	FY2012	18,936,000
2Q FY2013	112	FY2012	112
2Q FY2013	19,394,373	2Q FY2012	18,416,523

Note: The company performed share split which splits one share of common stock into two shares on September 1, 2012 and June 1, 2013. The above figures are calculated assuming that the share split was performed on the beginning of FY 2012.

※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 not 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, 2013, the company's group has been focused on the development of medical devices with self-assembling peptide, which is the group's main technology.

Hemostat (TDM-621) is currently under review by the Pharmaceuticals and Medical Devices Agency, Japan (PMDA) for manufacturing and marketing approval. The group has undertaken proactive initiatives to promote the global marketing of TDM-621. In the European region, the group has applied for conformity verification for CE marking, and the application is currently under review by a third party notified body. The group is also examining local regulations in the European region and other areas in order to distribute TDM-621 after the achievement of CE marking. In the U.S., the group has been consulting with the Food and Drug Administration (FDA) to conduct clinical trials in the country. In Asian countries, our consolidated subsidiary in Singapore, 3-D Matrix Asia Pte. Ltd., has concluded an exclusive distribution license agreement with Indonesian-based PT. Teguhindo Lestartama for sales and marketing of TDM-621 in Indonesia. The group further plans to acquire manufacturing and marketing approval of the product in the country, and to promote marketing in the Asia-Oceania region including China, Singapore, and Australia.

With respect to our dental bone filler (TDM-711), fifteen clinical trials have been completed in the U.S. and are currently being followed-up. The group is engaged in a consultation with the FDA based on the observation results.

The company is also preparing clinical studies for endoscopic mucosal resection aid (TDM-641) through consultation with the PMDA.

As a result, consolidated operating revenue for the six months ended October 31, 2013, totaled ¥49,375 thousand (up ¥49,375 thousand from the same period of the previous year), with an ordinary loss of ¥701,346 thousand (compared to an ordinary loss of ¥457,904 thousand in the same period of the previous year), and a net loss of ¥701,912 thousand (compared to a net loss of ¥458,273 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, 2013, total assets stood at ¥4,530,713 thousand (up ¥1,510,275 thousand from the end of the previous year).

Current assets totaled ¥4,004,514 thousand (up ¥1,520,534 thousand) due mainly to an increase of ¥1,086,246 thousand in cash and deposits and an increase of ¥337,184 thousand in inventories.

Noncurrent assets totaled ¥ 526,199 thousand (down ¥ 10,258 thousand) due mainly to a decrease of ¥35,000 thousand in amortization of goodwill included in intangible assets, despite an increase of ¥8,364 thousand in right of using patent included in 'other' of intangible assets, as well as an increase of ¥8,030 thousand in tools, furniture and fixtures included in property, plant and equipment.

Meanwhile, liabilities totaled ¥731,945 thousand (down ¥222,865 thousand), due mainly to a

decrease of ¥300,000 thousand in short-term loans payable, despite an increase of ¥50,600 thousand in advances received included in 'other' of current liabilities.

Net assets totaled ¥3,798,767 thousand (up ¥1,733,141 thousand), due mainly to an increase of ¥1,188,202 thousand in capital stock and an increase of ¥1,188,114 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, 2014, announced on June 13, 2013.

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

(Thousands of yen)

	Previous Fiscal year (as of April 30, 2013)	Second Quarter of FY2013 (as of October 31, 2013)
Assets		
Current assets		
Cash and deposits	2,033,363	3,119,610
Accounts receivable-trade	-	50,000
Inventories	260,703	597,887
Other, net	189,912	237,015
Total current assets	2,483,979	4,004,514
Noncurrent assets		
Property, plant and equipment	106,629	108,836
Intangible assets		
Goodwill	326,668	291,668
Other, net	56,605	67,494
Total intangible assets	383,273	359,163
Investments and other assets	46,554	58,199
Total noncurrent assets	536,457	526,199
Total assets	3,020,437	4,530,713
Liabilities		
Current liabilities		
Short-term loans payable	800,000	500,000
Income taxes payable	3,647	7,410
Other, net	109,017	188,915
Total current liabilities	912,664	696,326
Noncurrent liabilities		
Other, net	42,146	35,619
Total noncurrent liabilities	42,146	35,619
Total liabilities	954,811	731,945
Net assets		
Shareholders' equity		
Capital stock	2,139,400	3,327,602
Capital surplus	2,129,400	3,317,514
Retained earnings	(2,266,212)	(2,968,124)
Treasury stock	(59)	(59)
Total shareholders' equity	2,002,528	3,676,933
Accumulated other comprehensive income		
Foreign currency translation adjustment	29,417	33,044
Total accumulated other comprehensive income	29,417	33,044
Subscription rights to shares	33,680	88,789
Total net assets	2,065,625	3,798,767
Total liabilities and net assets	3,020,437	4,530,713

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly consolidated statements of income
for the six months ended October 31, 2013

(Thousands of yen)

	Six Months Ended October 31, 2012 (From May 1 to October 31, 2012)	Six Months Ended October 31, 2013 (From May 1 to October 31, 2013)
Business revenues		
Research and development revenues	-	49,375
Total business revenues	-	49,375
Business expenses		
Research and development expenses	182,504	282,655
Selling, general and administrative expenses	269,943	443,434
Total business expenses	452,447	726,090
Operating loss	(452,447)	(676,714)
Non-operating income		
Interest income	147	235
Subsidy income	-	1,046
Proceeds from miscellaneous income	17	719
Total non-operating income	165	2,001
Non-operating expenses		
Interest expenses	2,061	6,176
Commission fee	3,024	3,024
Stock issuance cost	240	15,585
Other, net	295	1,846
Total non-operating expenses	5,621	26,633
Ordinary loss	(457,904)	(701,346)
Loss before income taxes and minority interests	(457,904)	(701,346)
Income taxes-current	475	475
Income taxes-deferred	(106)	90
Total income taxes	368	565
Loss before minority interests	(458,273)	(701,912)
Net loss	(458,273)	(701,912)

**Quarterly consolidated statements of comprehensive income
for the six months ended October 31, 2013**

(Thousands of yen)

	Six Months Ended October 31, 2012 (From May 1 to October 31, 2012)	Six Months Ended October 31, 2013 (From May 1 to October 31, 2013)
Loss before minority interests	(458,273)	(701,912)
Other comprehensive income		
Foreign currency translation adjustment	531	3,627
Total other comprehensive income	531	3,627
Comprehensive income	(457,741)	(698,284)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(457,741)	(698,284)
Comprehensive income attributable to minority interests	-	-

(3) Quarterly Consolidated Statements of Cash Flows

	Six Months Ended October 31, 2012 (From May 1 to October 31, 2012)	Six Months Ended October 31, 2013 (From May 1 to October 31, 2013)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	(457,904)	(701,346)
Depreciation and amortization	5,539	14,575
Amortization of goodwill	35,000	35,000
Interest income	(147)	(235)
Interest expenses	2,061	6,176
Commission fee	3,024	3,024
Foreign exchange losses (gains)	1,777	(763)
Stock issuance cost	240	15,585
Share-based compensation expenses	6,946	56,508
Decrease (increase) in notes and accounts receivable-trade	532,251	(50,000)
Decrease (increase) in inventories	(112,673)	(337,184)
Decrease (increase) in advance payments	(54,264)	(18,830)
Decrease (increase) in prepaid expenses	4,659	(5,846)
Increase (decrease) in accounts payable-other	27,707	18,236
Increase (decrease) in accrued expenses	19,998	9,176
Increase (decrease) in advances received	32,000	50,600
Increase (decrease) in accrued consumption taxes	(32,601)	-
Other, net	(21,047)	(18,828)
Subtotal	(7,432)	(924,149)
Interest income received	147	235
Interest expenses paid	(2,061)	(6,176)
Income taxes paid	(950)	(450)
Net cash provided by (used in) operating activities	(10,296)	(930,540)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(14,961)	(7,518)
Purchase of intangible assets	(775)	(15,693)
Purchase of long-term prepaid expenses	(8,738)	(9,391)
Other, net	(2,392)	(4,744)
Net cash provided by (used in) investing activities	(26,868)	(37,347)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	-	(300,000)
Proceeds from issuance of common stock	28,360	2,359,331
Proceeds from sale and leaseback	67,200	-
Repayments of lease obligations	(5,819)	(6,206)
Other, net	(3,024)	(3,008)
Net cash provided by (used in) financing activities	86,715	2,050,116
Effect of exchange rate change on cash and cash equivalents	(481)	4,018
Net increase (decrease) in cash and cash equivalents	49,068	1,086,246
Cash and cash equivalents at beginning of period	1,757,900	2,033,363
Cash and cash equivalents at end of period	1,806,969	3,119,610

(4) Notes to Going Concern Assumptions

For the six months ended October 31, 2013 (From May 1 to October 31, 2013)

Not applicable.

(5) Segment Information

For the six months ended October 31, 2013 (From May 1 to October 31, 2013)

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, 2013 (From May 1 to October 31, 2013)

The company has issued new shares through a public offering with the payment due date of July 23, 2013. As a result, capital stock increased by ¥1,144,687 thousand and legal capital surplus by ¥1,144,687 thousand over the six months ended October 31, 2013. As of the end of the consolidated second quarter of FY2013, capital stock totaled ¥3,327,602 thousand, and capital surplus ¥3,317,514 thousand.