

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

March 14, 2014

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 Stock exchange listings: Tokyo JASDAQ  
 Stock code number: 7777  
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 Quarterly statement filling date (as planned): March 14, 2014  
 Supplemental material of quarterly results: No  
 Convening briefing of quarterly results: No

(Figures are rounded down to the nearest million yen)

1. Consolidated results for the Third quarter of FY 2013  
 (May 1, 2013 – January 31, 2014)

(1) Consolidated operating results (cumulative)

(%:Growth year on year)

	Business Revenues		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
3Q FY 2013	56	100.0	-1,048	—	-1,057	—	-1,058	—
3Q FY 2012	0	-100.0	-706	—	-696	—	-697	—

Note: Comprehensive income: 3Q Fiscal 2013 -1,058(—%) 3Q Fiscal 2012 -699(—%)

	Basic Net income per share	Diluted Net income per share
	(¥)	(¥)
3Q FY 2013	-54.20	—
3Q FY 2012	-37.72	—

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 January 31, 2014	4,258	3,499	79.2
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	106	232.6	-1,464	—	-1,475	—	-1,476	—	-75.57

Note: Revisions to the latest dividend forecast: Yes

#### ※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)	3Q FY2013	19,868,400	FY2012	18,936,000
2) Number of treasury stock shares as of the end of the reporting period	3Q FY2013	112	FY2012	112
3) Average number of shares outstanding (cumulative)	3Q FY2013	19,531,313	3Q FY2012	18,487,210

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 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 3 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 nine months ended January 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.

Hemostat (TDM-621) is currently under review by the Pharmaceuticals and Medical Devices Agency, Japan (PMDA) for manufacturing and marketing approval in Japan. In the U.S., the group has been consulting with the Food and Drug Administration (FDA) on an ongoing basis for commencement of clinical studies in the country.

In the European region, the group successfully obtained a conformity certification for CE marking on January 14, 2014, which allows us to sell our products in the member states of the European Union, New Zealand, Hong Kong, and other countries. In addition, the acquisition of CE marking has enabled the group to apply for manufacturing and marketing approval in other regions that adopt CE marking without conducting clinical studies. The group will further enhance our business by promoting our products to be listed in the insurance recommendation list and to be adopted by various medical institutions through clinical research in major facilities in the European region. At the same time, we will advance selections of and negotiations with distribution partners for a distribution license agreement in the areas where marketing of our products is duly allowed.

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 activities 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 nine months ended January 31, 2014, totaled ¥56,465 thousand (up ¥56,452 thousand from the same period of the previous year), with an ordinary loss of ¥1,057,846 thousand (compared to an ordinary loss of ¥696,254 thousand in the same period of the previous year), and a net loss of ¥1,058,596 thousand (compared to a net loss of ¥697,284 thousand in the same period of the previous year).

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

### (2) Explanation of Financial Position

As of January 31, 2014, total assets stood at ¥4,258,248 thousand (up ¥1,237,810 thousand from the end of the previous year).

Current assets totaled ¥3,740,234 thousand (up ¥1,256,254 thousand) due mainly to an increase of

¥863,519 thousand in cash and deposits and an increase of ¥339,854 thousand in inventories.

Noncurrent assets totaled ¥ 518,013 thousand (down ¥ 18,444 thousand) due mainly to a decrease of ¥52,500 thousand in amortization of goodwill included in intangible assets, despite an increase of ¥14,476 thousand in 'other' of intangible assets through acquisition of patent rights, as well as an increase of ¥14,134 thousand in long-term prepaid expenses included in Investments and other assets.

Meanwhile, liabilities totaled ¥758,904 thousand (down ¥195,907 thousand), due mainly to a decrease of ¥300,000 thousand in short-term loans payable, despite an increase of ¥55,480 thousand in accounts payable included in 'other' of current liabilities.

Net assets totaled ¥3,499,343 thousand (up ¥1,433,717 thousand), due mainly to an increase of ¥1,198,853 thousand in capital stock and an increase of ¥1,198,764 thousand in capital surplus as a result of a public offering, despite a decrease of ¥1,058,596 thousand in retained earnings.

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

#### Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The company revised consolidated financial results forecast for FY2013. For details, please refer to our notification “Revision of Forecast of Financial Results for FY2013” announced as of March 14, 2014.

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

(Thousands of yen)

	Previous Fiscal year (as of April 30, 2013)	Third Quarter of FY2013 (as of January 31, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	2,033,363	2,896,883
Inventories	260,703	600,558
Other, net	189,912	242,793
Total current assets	2,483,979	3,740,234
Noncurrent assets		
Property, plant and equipment	106,629	107,608
Intangible assets		
Goodwill	326,668	274,168
Other, net	56,605	71,081
Total intangible assets	383,273	345,250
Investments and other assets	46,554	65,154
Total noncurrent assets	536,457	518,013
Total assets	3,020,437	4,258,248
<b>Liabilities</b>		
Current liabilities		
Short-term loans payable	800,000	500,000
Income taxes payable	3,647	6,633
Other, net	109,017	220,080
Total current liabilities	912,664	726,713
Noncurrent liabilities		
Other, net	42,146	32,190
Total noncurrent liabilities	42,146	32,190
Total liabilities	954,811	758,904
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,139,400	3,338,253
Capital surplus	2,129,400	3,328,164
Retained earnings	(2,266,212)	(3,324,808)
Treasury stock	(59)	(59)
Total shareholders' equity	2,002,528	3,341,550
Accumulated other comprehensive income		
Foreign currency translation adjustment	29,417	29,558
Total accumulated other comprehensive income	29,417	29,558
Subscription rights to shares	33,680	128,234
Total net assets	2,065,625	3,499,343
Total liabilities and net assets	3,020,437	4,258,248

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

(Thousands of yen)

	Nine Months Ended January 31, 2013 (From May 1 to January 31, 2013)	Nine Months Ended January 31, 2014 (From May 1 to January 31, 2014)
<b>Business revenues</b>		
Net sales	13	6,388
Research and development revenues	-	50,077
Total business revenues	13	56,465
<b>Business expenses</b>		
Cost of sales	1	2,634
Research and development expenses	272,213	427,616
Selling, general and administrative expenses	434,600	675,048
Total business expenses	706,815	1,105,299
Operating loss	(706,802)	(1,048,833)
<b>Non-operating income</b>		
Interest income	180	257
Foreign exchange gains	20,276	18,570
Subsidy income	-	1,099
Proceeds from miscellaneous income	35	402
Total non-operating income	20,492	20,329
<b>Non-operating expenses</b>		
Interest expenses	4,548	8,449
Commission fee	4,536	4,536
Stock issuance cost	554	15,615
Other, net	303	740
Total non-operating expenses	9,944	29,342
Ordinary loss	(696,254)	(1,057,846)
Loss before income taxes and minority interests	(696,254)	(1,057,846)
Income taxes-current	712	712
Income taxes-deferred	317	37
Total income taxes	1,029	749
Loss before minority interests	(697,284)	(1,058,596)
Net loss	(697,284)	(1,058,596)

**Quarterly consolidated statements of comprehensive income  
for the nine months ended January 31, 2014**

(Thousands of yen)

	Nine Months Ended January 31, 2013 (From May 1 to January 31, 2013)	Nine Months Ended January 31, 2014 (From May 1 to January 31, 2014)
Loss before minority interests	(697,284)	(1,058,596)
Other comprehensive income		
Foreign currency translation adjustment	(2,519)	141
Total other comprehensive income	(2,519)	141
Comprehensive income	(699,803)	(1,058,454)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(699,803)	(1,058,454)
Comprehensive income attributable to minority interests	-	-

(3) Notes to Going Concern Assumptions

For the nine months ended January 31, 2014 (From May 1 to January 31, 2014)

Not applicable.

(4) Segment Information

For the nine months ended January 31, 2014 (From May 1 to January 31, 2014)

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

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

For the nine months ended January 31, 2014 (From May 1 to January 31, 2014)

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 nine months ended January 31, 2014. As of the end of the consolidated Third quarter of FY2013, capital stock totaled ¥3,338,253 thousand, and capital surplus ¥3,328,164 thousand.

(6) Events after the Reporting Period

Issuance of Share Warrants

We resolved to issue share warrants as stock option for employees of its subsidiaries and external cooperators according to Article 236, 238, 239 of the Companies Act, the shareholders' meeting as of July 25, 2013 and the board of directors as of February 17, 2014.

(1) Reason

The company issues share warrants for giving an incentive to employees who



joined the company after the previous issuance and external cooperators, which promotes global business expansion of our group and increases corporation value and interest of shareholders.

- (2) Name of the share warrants

3-D Matrix, Ltd. the fourteenth share warrants

- (3) Person to be allotted and number of the share warrants allotted

3 employees of its subsidiaries and 2 external cooperators

- (4) Total number of the share warrants

304 units

- (5) Type and number of shares that are subject to the share warrants

100 shares of common stock

The number of shares that are subject to the share warrants shall be adjusted when the company performs a stock split or a reverse stock split. Such adjustment, however, shall be made for the number of shares that are subject to the share warrants and not exercised at the time, and digits less than 1 arising from the adjustment shall be rounded down.

- (6) Type and number of shares that are subject to the one unit share warrants

100 shares of common stock per one unit of the share warrants

Same adjustment is made when the number of shares of the share warrants is adjusted according to (5) above

- (7) Issuing price of the share warrants

Free of charge

- (8) Value of property contributed upon exercise of share warrants

¥494,700 per one unit of the share warrants (¥4,947 per share)

The exercise price shall be adjusted when the company performs a stock split or a reverse stock split and issues new shares or dispose treasury stock with the price less than the market price

- (9) Issuing date

March 6, 2014

- (10) Exercise period for the share warrants

From March 7, 2016 to March 6, 2024

- (11) Increased capital stock and capital surplus by issuing new shares upon exercise of the share warrants

The amount of increased capital stock by issuing new shares upon exercise of the share warrants shall be half of the maximum limit for capital stock increase calculated according to Article 17

Section 1 of Corporate Accounting Rules, and digits less than 1 yen arising from the calculation shall be rounded up. The remaining amount shall be recognized to capital surplus.

(12) Assignment

The approval of board of directors of Reorganized Company shall be required for assignment of the share warrants.