

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

September 12, 2014

Company name: 3-D Matrix, Ltd.
 Stock exchange listings: Tokyo JASDAQ
 Stock code number: 7777
 URL: <http://www.3d-matrix.co.jp>
 Representative: Kentaro Takamura, President
 Inquiries: Tomoyuki Arai, Director
 Telephone: +81-3-3511-3440
 Quarterly statement filling date (as planned): September 12, 2014
 Supplemental material of quarterly results: None
 Convening briefing of quarterly results: None

(Figures are rounded down to the nearest million yen)

1. Consolidated results for the first quarter of FY 2014
 (May 1, 2014 – July 31, 2014)

(1) Consolidated operating results (cumulative)

(%:Growth year on year)

	Business Revenues		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
1Q FY 2014	0	-100.0	-438	—	-470	—	-634	—
1Q FY 2013	47	100.0	-320	—	-340	—	-340	—

Note: Comprehensive income: 1Q Fiscal 2014 -640(—%) 1Q Fiscal 2013 -342(—%)

	Basic Net income per share	Diluted Net income per share
	(¥)	(¥)
1Q FY 2014	-31.39	—
1Q FY 2013	-17.90	—

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity per share
	(¥ million)	(¥ million)	%
As of July 31, 2014	8,782	7,600	83.4
As of April 30, 2013	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	—				
FY 2014(Forecast)		0.00	—	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		Basic Net income per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	¥
Full fiscal year	10,418	—	4,483	—	4,466	—	3,564	—	168.25

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)

1Q FY2014	21,186,400	FY2013	19,876,400
1Q FY2014	112	FY2013	112
1Q FY2014	20,219,684	1Q FY2013	19,049,362

※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 3 for details with regard to the assumptions and other related matters concerning consolidated financial results forecasts.

Table of Contents of Appendix

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Notes to summary information	3
3. Quarterly Consolidated Financial Statements.....	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
(3) Notes to Quarterly Consolidated Financial Statements.....	7
(Notes to Going Concern Assumptions)	7
(Notes in Case of Significant Changes in Shareholders' Equity).....	7
(Segment Information).....	7

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

During the three months ended July 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), it is proved that the product has met the requirements of the European CE marking 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 studies. In response to this, the group has started the clinical use of the product at major facilities in Europe. We plan to further promote the clinical use of TDM-621 in order to expand the adoption of the product at major facilities. At the same time, we will continue negotiating with our distribution partners about marketing alliance for the product in Europe.

For countries other than Europe, we are conducting businesses to promote TDM-621 by utilizing the CE Marking. We applied for product registration through our Singapore-based subsidiary 3-D Matrix Asia Pte. Ltd. in June in Singapore and in July in Indonesia this year. We will strive to expand the sale of the product in Asia and Oceania regions.

In addition, we have established a subsidiary in Brazil in June this year in order to prepare for product registration and marketing alliance for TDM-621 in South America.

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.

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

With respect to the wound healing material (TDM-511), we are conducting preclinical studies in the U.S. in order to prepare the application for the 510 (K) review with the FDA.

As a result, consolidated operating revenue for the three months ended July, 2014, totaled ¥— thousand (down ¥47,897 thousand from the same period of the previous year), with an ordinary loss of ¥470,826 thousand (compared to an ordinary loss of ¥340,583 thousand in the same period of the previous year), and a net loss of ¥634,774 thousand (compared to a net loss of ¥340,958 thousand in the same period of the previous year).

(2) Explanation of Financial Position

As of July 31, 2014, total assets stood at ¥8,782,235 thousand (up ¥4,661,266 thousand from the end of the previous year).

Current assets totaled ¥ 8,261,162 thousand (up ¥4,668,537 thousand) due mainly to an increase of ¥4,635,545 thousand in cash and deposits.

Noncurrent assets totaled ¥521,073 thousand (down ¥7,270 thousand) due mainly to a decrease of ¥17,500 thousand in amortization of goodwill included in intangible assets, despite an increase of ¥9,038 thousand in long-term prepaid expenses included in investments and other assets.

Meanwhile, liabilities totaled ¥1,181,540 thousand (up ¥193,923 thousand), due mainly to a increase of ¥145,277 thousand in accounts payable included in current liabilities.

Net assets totaled ¥7,600,695 thousand (up ¥4,467,343 thousand), due mainly to an increase of ¥2,525,712 thousand in capital stock and an increase of ¥2,525,712 thousand in capital surplus as a result of issuing new shares through a offering from abroad.

(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. Notes to summary information

(Settlement of lawsuit)

We have reached a settlement with OncoTherapy Science Inc. with respect to the litigation seeking compensation for damages filed by OncoTherapy Science. Taking into consideration the discussion made at the court as well as the expected discharge of obligation to pay consideration in the future, we agreed an amicable settlement at the court as of August 8, 2014, by paying the settlement money of ¥160,375 thousand.

As a result, we recognized the above settlement money as an extraordinary loss in the first quarter under review.

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

(Thousands of yen)

	Previous Fiscal year (as of April 30, 2014)	First quarter of FY2014 (as of July 31, 2014)
Assets		
Current assets		
Cash and deposits	2,640,535	7,276,080
Inventories	789,397	809,745
Advance payments	16,769	15,018
Other, net	145,922	160,318
Total current assets	3,592,625	8,261,162
Noncurrent assets		
Property, plant and equipment	103,471	102,772
Intangible assets		
Goodwill	256,668	239,167
Other, net	82,259	84,164
Total intangible assets	338,927	323,332
Investments and other assets	85,945	94,967
Total noncurrent assets	528,343	521,073
Total assets	4,120,969	8,782,235
Liabilities		
Current liabilities		
Short-term loans payable	800,000	800,000
Income taxes payable	10,469	6,531
Other, net	147,883	346,252
Total current liabilities	958,353	1,152,783
Noncurrent liabilities		
Other, net	29,263	28,757
Total noncurrent liabilities	29,263	28,757
Total liabilities	987,617	1,181,540
Net assets		
Shareholders' equity		
Capital stock	3,338,757	5,869,470
Capital surplus	3,328,660	5,859,372
Retained earnings	(3,791,587)	(4,426,361)
Treasury stock	(59)	(59)
Total shareholders' equity	2,875,772	7,302,422
Accumulated other comprehensive income		
Foreign currency translation adjustment	29,451	23,750
Total accumulated other comprehensive income	29,451	23,750
Subscription rights to shares	228,128	274,522
Total net assets	3,133,352	7,600,695
Total liabilities and net assets	4,120,969	8,782,235

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

**Quarterly consolidated statements of income
for the three months ended July 31, 2014**

(Thousands of yen)

	Three months Ended July 31, 2013 (From May 1 to July 31, 2013)	Three months Ended July 31, 2014 (From May 1 to July 31, 2014)
Business revenues		
Research and development revenues	47,897	-
Total business revenues	47,897	-
Business expenses		
Research and development expenses	146,410	141,015
Selling, general and administrative expenses	222,480	297,233
Total business expenses	368,890	438,248
Operating loss	(320,992)	(438,248)
Non-operating income		
Interest income	35	203
Foreign exchange gains	25	3,538
Subsidy income	1,099	-
Other, net	8	58
Total non-operating income	1,168	3,800
Non-operating expenses		
Interest expenses	3,529	3,473
Commission fee	1,512	1,008
Stock issuance cost	15,661	31,849
Other, net	56	45
Total non-operating expenses	20,759	36,377
Ordinary loss	(340,583)	(470,826)
Extraordinary loss		
Settlement money	-	160,375
Total extraordinary loss	-	160,375
Loss before income taxes and minority interests	(340,583)	(631,201)
Income taxes-current	237	562
Income taxes-deferred	137	3,011
Total income taxes	374	3,573
Loss before minority interests	(340,958)	(634,774)
Net loss	(340,958)	(634,774)

**Quarterly consolidated statements of comprehensive income
for the three months ended July 31, 2014**

(Thousands of yen)

	Three months Ended July 31, 2013 (From May 1 to July 31, 2013)	Three months Ended July 31, 2014 (From May 1 to July 31, 2014)
Loss before minority interests	(340,958)	(634,774)
Other comprehensive income		
Foreign currency translation adjustment	(1,751)	(5,701)
Total other comprehensive income	(1,751)	(5,701)
Comprehensive income	(342,709)	(640,476)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(342,709)	(640,476)
Comprehensive income attributable to minority interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Going Concern Assumptions)

For the three months ended July 31, 2014 (From May 1 to July 31, 2014)

Not applicable.

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

For the three months ended July 31, 2014 (From May 1 to July 31, 2014)

The company has issued new shares through a offering from abroad with the payment due date of July 9, 2014. As a result, capital stock increased by ¥2,525,712 thousand and legal capital surplus by ¥2,525,712 thousand over the three months ended July 31, 2013. As of the end of the consolidated first quarter of FY2014, capital stock totaled ¥5,869,470 thousand, and capital surplus ¥5,859,372 thousand.

(Segment Information)

For the three months ended July 31, 2014 (From May 1 to July 31, 2014)

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