CONSOLIDATED FINANCIAL REPORT
For the Third Quarter of Fiscal Year Ending April 30, 2016
(Under Japan GAAP)

March 2016

Company name: 3-D Matrix, Ltd.
Stock exchange listings: Tokyo JASDAQ
Stock code number: 7777
URL: http://www. 3d-matrix.co.jp
Representative: Jun Okada, President
Inquiries: Tomoyuki Arai, Director
Telephone: +81-3-3511-3440
Quarterly statement filling date (as planned): March 15, 2016
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 2015
(May 1, 2015 – January 31, 2016)

(1)Consolidated operating results (cumulative)

(%:Growth year on year)

	Business Revenues		Operating income		Ordinary income		Net income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
3Q FY 2015	72	-	-1,368	―	-1,403	―	-1,924	―
3Q FY 2014	0	-100.0	-1,513	―	-1,422	―	-1,587	―

Note: Comprehensive income: 3Q Fiscal 2015 -1,632(―%) 3Q Fiscal 2014 -1,058(―%)

	Basic Net income per share	Diluted Net income per share
	(¥)	(¥)
3Q FY 2015	-89.65	―
3Q FY 2014	-75.95	―

(2)Consolidated financial positions

	Total assets	Net assets	Shareholders' equity per share
	(¥ million)	(¥ million)	%
As of January 31, 2016	4,899	4,438	84.0
As of April 30, 2015	6,809	6,381	88.7

2. Dividends

	Annual dividends per share				
	1Q end	2Q end	3Q end	Year end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2014	―	0.00	―	0.00	0.00
FY 2015	―	0.00	―		
FY 2015(Forecast)				0.00	0.00

Note: Revisions to the latest dividend forecast: None

3. Consolidated financial forecasts for Fiscal 2015

(May 1, 2015 – April 30, 2016)

(%:Growth year on year)

	Business Revenues		Operating Income		Ordinary income		Net income		Basic Net income per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	¥
Full fiscal year	135	-	-1,858	—	-1,862	—	-2,385	—	-111.13

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)	3Q FY2015	21,522,400	FY2014	21,438,400
2) Number of treasury stock shares as of the end of the reporting period	3Q FY2015	112	FY2014	112
3) Average number of shares outstanding (cumulative)	3Q FY2015	21,468,334	3Q FY2014	20,903,291

※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

(1) Explanation of Results of Operations

3-D Matrix Group continued to focus on developing medical devices using self-assembling peptide, which is the Group's core technology. Specific products include the surgical hemostat TDM-621 ("Hemostat") and the endoscopic mucosal resection aid TDM-641 ("Endoscopic Mucosal Resection Aid") in the field of surgery and the dental bone filler TDM-711 ("Dental Bone Filler") and the wound treatment material TDM-511 ("Wound Treatment Material") in the field of the regenerative medicine.

Hemostat

Japan: After withdrawing the previously submitted application for manufacturing and marketing approval on March 13, 2015, the Group has continued consulting with the Pharmaceuticals and Medical Devices Agency, Japan (PMDA) in order to restart clinical studies to test the scientific validity of the effectiveness assessment of the product. We are also currently in the process of studying the details regarding the scale and assessment method of the clinical studies, and working toward submitting notification of the clinical trial plans during FY 04/2016.

The Group is continuing its efforts toward starting clinical studies in the first quarter of FY 04/2017, leading to the application for manufacturing and marketing approval. As for the future total plan, we will take the state of progress into account and reflect this onto the future medium-term plan upon detailed review.

After the product obtained CE marking on January 14, 2014, product sales were launched through wholesalers/distributors (that are specialized in the sales in their respective home country) targeting major medical institutions in Germany, France, the U.K., etc. in order to generate business revenue.

Europe: After the product obtained CE marking on January 14, 2014, product sales were launched through wholesalers/distributors (that are specialized in the sales in their respective home country) targeting major medical institutions in Germany, France, the U.K., etc. in order to generate business revenue. In Europe, the Group has made agreements with distributors in each country (one in Germany, one in France, one in Switzerland, two in Italy, one in Spain, and one in Scandinavia) and has started sales activities. We have shared information with each distributor and jointly conducted clinical presence at multiple medical institutions, however, delays have occurred in sales activities from the second quarter to the third quarter under review. Those delays were mainly due to the fact that medical institutions were reluctant to adopt new products when comparing them with existing products; the fact that it took time to establish a collaboration system with the above distributors leading to sales people for the distributors unable to familiarize themselves with the products quickly enough to promote the new products; and the fact that product sales were started later than expected because it took several months for the purchasing departments of some medical institutions to complete the administrative process for new product registration, even after doctors had evaluated the products. In addition, this time lag at product adoption was not included in the initially forecasted sales plan, and the plan failed to fully reflect the reviews and estimates of the situation in each country. Although the Group focused

its efforts on sales activities by expanding its promotion task force from the second quarter to the third quarter under review, medical institutions require a certain amount of time to prepare for product adoption. As a result, there were few cases that led to orders, and we were subsequently unable to achieve the sales plan for this fiscal year. Consequently, the business revenue forecast for this fiscal year was revised on February 10, 2016. From the fourth quarter under review onwards, the reorganized promotion task force has continued promotions for expanding product sales, and we are making efforts acquire new distributors.

In order to start product sales in a wide area in Europe, the Group had continued its negotiations with three sales partner candidates (that have sales networks and promotion functions that cover the entire target region) to enter into a sales tie-up, but failed to conclude agreements by the end of the third quarter under review. We decided that it would be difficult to conclude such agreements by the end of this fiscal year while we try to understand and carefully review the state of progress. Consequently, the business revenue forecast for this fiscal year was revised on February 10, 2016. While product evaluation is progressing through interviews regarding our products with major doctors and other means, solving issues relating to the conclusion of agreements will be led by further actual usage data in Europe, actual sales and usage in other areas, and other data. As such, we will focus our efforts on accumulating actual usage results and product sales from the fourth quarter under review to the next fiscal year, and continue consultations in order to conclude these agreements during the next fiscal year. For future agreements, we will conclude an exclusive distribution license agreement in Europe with one of the above companies. Although we plan on consolidating product sales by distributors in various European countries into the said sales partner after concluding this agreement, we will review the trend up to the end of this fiscal year and reflect this on the future medium-term plan upon careful review.

Asia, Oceania: As CE marking is recognized in this region and the Group is conducting activities

toward the submission of an application for product registration as a medical device and the launch of product sales in various countries. During the third quarter under review, the Group obtained product registration approval in Australia and Thailand, and our application for product registration is being reviewed in South Korea. During the third quarter under review, we concluded an exclusive distribution license agreement with Transmedic Pte Ltd (Transmedic) in Singapore for the locally absorbent hemostatic material, PuraStat®, to be marketed in Singapore, Malaysia, and Brunei, and product sales will start between the fourth quarter under review and the next fiscal year. As part of our efforts in Oceania, the Group entered into a sales tie-up agreement in Australia with Maquet Australia Pty Ltd (Maquet) during the second quarter under review, and obtained product registration approval in Australia during the third quarter under review. As a result, we will start product sales through Maquet in the fourth quarter under review.

Latin America (Brazil, Colombia, Mexico, etc.): As CE marking is recognized in this region and the Group is conducting activities toward the submission of an application for product registration as a medical device and the launch of product sales in various countries. The Group obtained product registration approval in Colombia in the first quarter under review and product registration in Brazil in

the third quarter under review. For product sales, however, although we planned to start product sales in Chile and Colombia in the second quarter under review and the third quarter, respectively, it took time to select distributors and negotiate the sales unit prices requested by the company. As a result, we failed to conclude agreements and start sales by the end of the third quarter under review, and the business revenue forecast for this fiscal year was revised on February 10, 2016. Going forward, the Group obtained product registration approval in Mexico on February 18, 2016, and concluded a distribution license agreement in Mexico with Genelife S.A (Genelife) for the locally absorbent hemostatic material, PuraStat®. As a result, we will start product sales in the fourth quarter under review. In Chile, we are currently negotiating an agreement with a local distributor. We plan on concluding the agreement and starting sales of products in the fourth quarter under review. In Brazil and Colombia, we are currently in negotiations towards sales tie-ups and plan to conclude agreements and start sales of products in the first half of FY 04/2017.

United States: The Group has been consulting with the U.S. Food and Drug Administration (FDA) regarding the protocol in order to launch a clinical study in the U.S.; the Group plans to start clinical trials in FY2015.

Endoscopic Mucosal Resection Aid

Japan: The Group moved forward with discussions with PMDA to launch a clinical trial and started clinical trials in Japan on December 11, 2014. However, the Group temporarily halted them at its decision on February 16, 2015 in order to consider the improvement of the test method and pharmaceutical preparations so that the effectiveness of the product can be more clearly demonstrated. Examinations are still under way as of the end of the third quarter under review, and we are still unable to resume clinical studies. Although we will continue examinations to secure a competitive advantage of the product, because there is a need to modify the current schedule for the development plan and the introduction of products into the market, we plan on reviewing the state of progress up to the end of this fiscal year and reflecting this onto future medium-term plans.

Dental Bone Filler

United States: The product has been used as part of clinical studies in 15 cases and the related follow-up has been completed in the U.S. to produce favorable results and data regarding bone formation. Consequently, the Group moved on to the next phase of clinical study in the first quarter under review after obtaining the FDA approval. The Group will continue to push ahead with the development activities toward product commercialization, although the follow-up process takes considerable time as it needs to confirm bone formation.

Wound Treatment Material

United States: On October 23, 2014, the Group submitted to the FDA an application for 510(k) premarket approval, which is part of the review process for medical devices in the U.S. On February 16,

2015, the Group was granted the permission to sell the product from the U.S. FDA. As the product is expected to have a higher curative effect when it is administered in combination with other pharmaceuticals (administration of a mixture with an antibiotic, anticancer agent, hyaluronic acid, etc.), the Group has continued in the first quarter under review to push ahead with the commercialization aiming to introduce a high value-added product in the field of cosmetic surgery, etc. mainly focusing on burn treatment and skin cancer treatment.

Other fields

In relation to the joint project with the National Cancer Center to cure triple-negative breast cancer by nucleic acid-based drugs targeting ribophorin II (RPN2), the Company has provided the self-assembling peptide A6K as the drug delivery system (DDS) for siRNA-based drugs. In the first quarter under review, an investigator-initiated clinical trial at the National Cancer Center has been started using the new siRNA-based drug "TDM-812 (RPN2siRNA/A6K complex)," which has been developed by the Group jointly with the Center and its Research Institute. The clinical trial continues to progress in the second quarter under review. This clinical trial is the world's first first-in-human trial targeting patients of treatment-resistant breast cancer, who have a local mass that is palpable from the surface of the body.

As a result, Product sales of the Hemostat in Europe and Asia and initial payments received associated with distribution alliances in Asia resulted in business revenues for the six months ended October, 2015, totaled ¥72,804 thousand (up ¥72,804 thousand from the same period of the previous year). Concerning business revenues, it is taking more time than expected to generate business revenues due to the situation of product sales in Europe and South America, and sales unit prices fell along with product sales not reaching the plan. In addition, research and development expenses were reduced by approximately 300 million yen (these expenses are mainly for domestic clinical studies of this hemostat and the reduction was due to changing the start of the studies from FY 04/2016 to FY 04/2017), and although we made efforts to reduce selling, general and administrative expenses and other costs by approximately 200 million yen by reviewing these expenses and costs, the financial forecasts have been revised. With an ordinary loss of ¥ 1,403,541 thousand (compared to an ordinary loss of ¥1,422,977 thousand in the same period of the previous year), and a net loss of ¥1,924,715 thousand (compared to a net loss of ¥1,587,562 thousand in the same period of the previous year).

(2) Explanation of Financial Position

As of January 31, 2016, total assets stood at ¥4,899,712 thousand (down ¥1,909,533 thousand from the end of the previous year).

Current assets totaled ¥4,860,196 thousand (down ¥1,343,723 thousand) due mainly to a decrease of ¥1,270,361 thousand in cash and deposits.

Noncurrent assets totaled ¥ 39,515 thousand (down ¥ 565,809 thousand), due mainly to a decrease

of ¥80,788 thousand in property through impairment of noncurrent assets, a decrease of 134,167 thousand in lump-sum amortization of goodwill including intangible assets, a decrease of ¥211,506 thousand in other and a decrease of ¥140,538 thousand in long-term prepaid expenses included in Investments and other assets.

Meanwhile, liabilities totaled ¥461,247 thousand (up ¥33,525 thousand), due mainly to an increase of ¥40,686 thousand in accrued expenses included in current liabilities and others.

Net assets totaled ¥4,438,464 thousand (down ¥1,943,059 thousand), due mainly to a decrease of ¥1,924,715 thousand in retained earnings as net loss of attributable to owners of the parent.

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

In terms of the consolidated earnings forecast for the full year, the Group has recorded business revenues of 72,804 thousand yen for the consolidated nine months under review. In regards to business revenues for the fourth quarter under review as of the end of February 2016, taking into consideration product orders of approximately 31,000 thousand yen and the planned recording of subsidies of approximately 18,000 thousand yen, no changes have been made at this time to the forecast of the financial forecast for FY 04/2016 announced on February 10, 2016.

There is no change in our forecast of financial results for the fiscal year ending April 30, 2016, announced on June 12, 2015.

2. Notes to summary information

(1) Changes in number of significant subsidiaries during the period

Not applicable.

(2) Application of special accounting treatment in preparation of consolidated quarterly financial statements

Not applicable.

(3) Changes in accounting policies, accounting estimates and restatements

(Application of the Accounting Standard for Business Combinations, Etc.)

The Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013; hereinafter the "Business Combinations Standard"), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereinafter the "Consolidated Financial Statements Standard"), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter the "Business Divestitures Standard"), etc. effective from the consolidated first quarter under review. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the consolidated fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the consolidated first quarter under review, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period in which the business combination occurs. In addition, a change in the presentation of quarterly net income, etc. and a change in the presentation of the minority interests to non-controlling interests were adopted. In order to reflect these changes in presentation, the quarterly consolidated financial statements for the first six months of the previous fiscal year and the consolidated financial statements for the previous fiscal year were reclassified.

The application of the Business Combinations Standard, etc. is subject to the transitional treatment provided for in Paragraph 58-2(4) of the Business Combinations Standard, Paragraph 44-5(4) of the Consolidated Financial Statements Standard, and Paragraph 57-4(4) of the Business Divestitures Standard. Accordingly, these standards have been applied prospectively from the beginning of the consolidated first quarter under review.

This change in accounting policies has no impact on the Company's consolidated financial statements for the consolidated Second six months under review.

3. Significant Events Concerning the Going Concern Assumption

As the Group incurs research and development expenses ahead of revenue, it has continued to post operating losses and negative cash flows from operation. As a result, the Company recognizes the existence of a situation that gives rise to significant doubt about the going concern assumption. However, the Company has determined that there is no significant uncertainty about the going concern assumption as the Company has developed and focusing on the implementation of measures to eliminate or mitigate this situation.

In order to eliminate or mitigate this situation, the Group will generate revenue from sales of Hemostat, the product that is sold globally in the medical device business, as well as to secure revenue from initial payments and milestone payments under distribution license agreements mainly in the U.S., Europe, Asia, and Latin America. In addition, given the progress in our efforts to promote the sharing and streamlining of basic research in research and development conducted between the parent company and a subsidiary, the Group will strive to eliminate the significant event by reducing selling, general and administrative expenses and improving its revenue structure through, among others, the improvement of business efficiency to reduce various expenses.

The Group has secured sufficient operating funds necessary to support the progress of its research and development activities and business activities. The Group has also renewed, on a regular basis, agreements with various financial institutions for the establishment of loan facilities and commitment lines to enable the Group to borrow funds promptly as necessary.

4. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous Fiscal year (as of April 30, 2015)	Third Quarter of FY2015 (as of January 31, 2016)
Assets		
Current assets		
Cash and deposits	5,136,835	3,866,474
Accounts receivable	52,315	76,231
Inventories	776,640	747,928
Other, net	238,129	169,562
Total current assets	6,203,920	4,860,196
Noncurrent assets		
Property, plant and equipment	94,062	-
Intangible assets		
Goodwill	186,667	-
Other, net	206,141	-
Total intangible assets	392,808	-
Investments and other assets	118,454	39,515
Total noncurrent assets	605,325	39,515
Total assets	6,809,245	4,899,712
Liabilities		
Current liabilities		
Short-term loans payable	200,000	200,000
Income taxes payable	18,834	13,409
Other, net	190,456	239,701
Total current liabilities	409,290	453,111
Noncurrent liabilities		
Other, net	18,431	8,136
Total noncurrent liabilities	18,431	8,136
Total liabilities	427,722	461,247
Net assets		
Shareholders' equity		
Capital stock	5,930,207	5,942,809
Capital surplus	5,920,077	5,932,679
Retained earnings	(5,786,552)	(7,711,268)
Treasury stock	(59)	(59)
Total shareholders' equity	6,063,673	4,164,160
Accumulated other comprehensive income		
Foreign currency translation adjustment	(23,029)	(48,630)
Total accumulated other comprehensive income	(23,029)	(48,630)
Subscription rights to shares	340,880	322,934
Total net assets	6,381,523	4,438,464
Total liabilities and net assets	6,809,245	4,899,712

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly consolidated statements of income
for the nine months ended January 31, 2016

(Thousands of yen)

	Nine Months Ended January 31, 2015 (From May 1 to January 31, 2015)	Nine Months Ended January 31, 2016 (From May 1 to January 31, 2016)
Business revenues		
Net sales	-	44,229
Research and development revenues	-	28,575
Total business revenues	-	72,804
Business expenses		
Cost of sales	-	67,885
Research and development expenses	602,618	483,281
Selling, general and administrative expenses	911,254	890,490
Total business expenses	1,513,872	1,441,658
Operating loss	(1,513,872)	(1,368,853)
Non-operating income		
Interest income	1,926	5,605
Foreign exchange gains	131,094	-
Subsidy income	87	-
Proceeds from miscellaneous income	399	530
Total non-operating income	133,508	6,136
Non-operating expenses		
Interest expenses	7,104	3,881
Commission fee	3,232	3,011
Stock issuance cost	32,045	169
Foreign currency transaction loss	-	33,710
Other, net	229	52
Total non-operating expenses	42,613	40,824
Ordinary loss	(1,422,977)	(1,403,541)
Extraordinary income		
Gain on reversal of subscription rights to shares	-	48,090
Total extraordinary income	-	48,090
Extraordinary loss		
Settlement money	160,375	-
Impairment loss	-	432,833
Amortization of goodwill	-	134,167
Total extraordinary loss	160,375	567,000
Loss before income taxes and minority interests	(1,583,352)	(1,922,451)
Income taxes-current	907	1,167
Income taxes-deferred	3,302	1,096
Total income taxes	4,210	2,264
Net loss	(1,587,562)	(1,924,715)
Net income attributable to noncontrolling shareholders	-	-
Net loss attributable to owners of the parent	(1,587,562)	(1,924,715)

Quarterly consolidated statements of comprehensive income for the nine months ended January 31, 2016

(Thousands of yen)

	Nine Months Ended January 31, 2015 (From May 1 to January 31, 2015)	Nine Months Ended January 31, 2016 (From May 1 to January 31, 2016)
Loss before minority interests	(1,587,562)	(1,924,715)
Other comprehensive income		
Foreign currency translation adjustment	(45,314)	(25,600)
Total other comprehensive income	(45,314)	(25,600)
Comprehensive income	(1,632,876)	(1,950,316)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(1,632,876)	(1,950,316)
Comprehensive income attributable to minority interests	-	-

(3) Notes concerning Quarterly Consolidated Financial Statements

Notes to Going Concern Assumptions

For the nine months ended January 31, 2016 (From May 1 to January 31, 2016)

Not applicable.

Segment Information

For the nine months ended January 31, 2016 (From May 1 to January 31, 2016)

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

Notes in Case of Significant Changes in Shareholders' Equity

Not applicable.