[Delayed] Consolidated Financial Report
For the Fiscal Year Ended April 30, 2014
(Under Japan GAAP)

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June 19, 2014

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Date of dividend payment (expected) —
Date of ordinary general shareholders' meeting (expected) July 24, 2014
Annual report filing date (expected) July 25, 2014
Supplementary earnings explanatory material : Yes
Earnings explanatory meeting : Yes (for institutional investors and analysts)

(figures rounded down to the nearest million yen)

1. Consolidated operating results for FY2013 (May 1, 2013–April 30, 2014)

(1) Consolidated operating results (% are year-on-year changes)

	Business revenues		Operating income		Ordinary income		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
FY2013	107	234.7	-1,518	—	-1,523	—	-1,525	—
FY2012	32	-97.1	-999	—	-977	—	-978	—

Note: Comprehensive income FY2013 -1,525 million (— %) FY2012 -976 million (— %)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income margin
	(¥)	(¥)	(%)	(%)	(%)
FY2013	-77.77	—	-61.8	-42.7	-1,416.9
FY2012	-52.63	—	-39.9	-32.2	-3,120.9

Reference: Gain/loss on equity method investments FY2013 — million FY2012 — million
Note: The Company conducted 2-for-1 stock splits on September 1, 2012, and June 1, 2013. Therefore, the net assets per share and net loss per share are calculated assuming the splits were conducted at the beginning of the previous fiscal year.

(2) Consolidated financial positions

	Total assets	Net assets	Shareholders' equity per share	Nets assets per share
	(¥ million)	(¥ million)	(%)	(¥)
FY2013	4,120	3,133	70.5	146.17
FY2012	3,020	2,065	67.3	107.31

Reference: Shareholders' equity FY2013 2,905 million FY2012 2,031 million

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Closing balance of cash and cash equivalents
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
FY2013	-1,679	-83	2,359	2,640
FY2012	-655	-56	983	2,033

2. Dividends

	Annual dividends per share					Total dividends	Payout ratio (consolidated)	Dividend to net asset ratio (consolidated)
	1Q	2Q	3Q	End of year	Total			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	(%)	(%)
FY2013	—	0.00	—	0.00	0.00	0	—	—
FY2012	—	0.00	—	0.00	0.00	0	—	—
FY2014 (forecast)	—	0.00	—	0.00	0.00		—	

3. Consolidated financial forecasts for FY2014 (May 1, 2014—April 30, 2015)

(% are year-on-year changes)

	Business revenue		Operating income		Ordinary income		Net income		Net income per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
FY2014	10,418	—	4,483	—	4,466	—	3,564	—	179.34

* Notes

(1) Changes in number of material subsidiaries during the fiscal year (changes in specific subsidiaries due to a change in the scope of consolidation) : No

(2) Changes in accounting policies, accounting estimates, and restatement

1) Changes in accounting policies due to changes in accounting standards : No
2) Changes in accounting policies other than 1) : Yes
3) Changes in accounting estimates : No
4) Restatements : No

(3) Number of shares issued (common stock)

1) Number of shares issued as of end of the fiscal year (including treasury shares)	FY2013	19,876,400	FY2012	18,936,000
2) Number of treasury shares as of end of the fiscal year	FY2013	112	FY2012	112
3) Average number of shares during the fiscal year	FY2013	19,613,633	FY2012	18,587,276

Note: The Company conducted 2-for-1 stock splits on September 1, 2012, and June 1, 2013. Therefore, the net assets per share and net loss per share are calculated assuming the splits were conducted at the beginning of the previous fiscal year.

Reference: Summary of non-consolidated earnings

1. FY2013 non-consolidated earnings (May 1, 2013,–April 30, 2014)

(1) Non-consolidated operating results (% are year-on-year changes)

	Business revenues		Operating income		Ordinary income		Net income	
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)
FY2013	56	76.1	-1,055	—	-1,067	—	-1,068	—
FY2012	32	-97.1	-795	—	-803	—	-804	—

	Net income per share	Diluted net income per share
	(¥)	(¥)
FY2013	54.45	—
FY2012	-43.29	—

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity per share	Nets assets per share
	(¥ million)	(¥ million)	(%)	(¥)
FY2013	4,935	3,980	76.0	188.80
FY2012	3,386	2,455	71.5	127.91

Reference: Shareholders' equity FY2013 3,752 million FY2012 2,422 million

2. Non-consolidated financial forecasts for FY2014 (May 1, 2014—April 30, 2015)

(% are year-on-year changes)

	Business revenues		Ordinary income		Net income		Net income per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
FY2014	5,146	—	2,142	—	1,980	—	99.62

* Note on audit procedures

- This consolidated financial report is exempt from the audit procedures stipulated by the Financial Instruments and Exchange Act; financial statement audit procedures stipulated by the Financial Instruments and Exchange Act have not been completed by the time this report is released.

* Notes on proper use of earnings forecasts, etc.

- Forward-looking statements including earnings forecasts appearing in this report are based on currently available information and assumptions that the Company regards as reasonable. Actual earnings, etc., may substantially differ from these forecasts for various reasons. Refer to "Analysis of Operating Results" (page 2) for details on assumptions that the earnings forecasts are based on, notes on the use of the earnings forecasts, etc.
- The Company plans on holding an earnings explanatory meeting for institutional investors and analysts on June 27, 2014. The earnings explanatory material used on that day and audio of the meeting are expected to be posted on the Company's website promptly after the meeting.

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1. **Analysis of Operating Results and Financial Position**

(1) Analysis of Operating Results

Operating Results

During FY2013, 3-D Matrix group continued to focus on developing medical devices using self-assembling peptide, which is the group's core technology. As for surgical hemostat (TDM-621), the primary product in the product pipeline, the group has applied to the Pharmaceuticals and Medical Devices Agency, Japan, (PMDA) for manufacturing and marketing approval and has been consulting with the U.S. Food and Drug Administration (FDA) in order to launch a clinical trial in the U.S.

In Europe, the group is launching production and working to convince leading medical facilities to start using the hemostat as the product obtained CE marking on January 14, 2014, making it possible to manufacture and sell the hemostat in EU member countries. Furthermore, this CE marking enables the group to apply for manufacturing and marketing approval without conducting clinical trials in various countries in Asia-Pacific and Latin America, where CE marking is recognized as a reference regulatory agency approval.

The group has also launched efforts to convince several leading facilities to conduct clinical researches in Europe and is moving forward with projects to get the hemostat listed in insurance reimbursement system in each country and to increase its use at various medical facilities. At the same time, the group is moving forward with negotiations regarding distribution license agreements with sales partners.

In other regions, the company's subsidiary in Singapore, 3-D Matrix Asia Pte. Ltd. concluded an exclusive distribution license agreement for Indonesia in May, 2013 with Indonesia-based PT. Tegushindo Lestaritama. The group continues to prepare for expanding the business of TDM-621 including Asia-Pacific, China, and Latin America.

As for the dental bone filler (TDM-711), the product has been used in 15 cases of clinical trial in the U.S. and the related follow-up has been completed. Based on these results, the group is continuing consultations with FDA regarding launching a pivotal clinical trial.

The group is also moving forward with discussions with PMDA to launch a clinical trial for the endoscopic mucosal resection aid (TDM-641).

Furthermore, the group and National Cancer Center are jointly conducting a project which is to cure triple negative breast cancer by nucleic acid-based drugs. The project was nominated as one of the projects of Program Year 2011 Grants-in-Aid for Scientific Research by Ministry of Health, Labour, and Welfare, and the company received research grant, which was recognized as business revenue.

Another joint research project with New Energy and Industrial Technology Development Organization (NEDO), which is to develop new device promoting automatic regeneration of tissues with fewer cells in vivo, has been proceeding since FY2010.

As a result, consolidated operating revenue for FY2013 totaled \107,161 thousand (up \75,148 thousand from the previous year), with ordinary loss of \1,523,867 thousand (compared to ordinary loss of \977,511 thousand for the previous year), and net loss of \1,525,374 thousand (compared to net loss of \978,331 thousand for the previous year).

Outlook for FY2014

The following is the outlook for the Group in FY2014.

In the field of surgery and regenerative medicine, the Group is conducting research and development on leading products in its product pipeline using self-assembling peptide technology. In its medical device business, the Group generates earnings from the sale of devices it has introduced into the market from the product pipeline.

In the field of surgery, the Group has completed a clinical trial of Hemostat and has applied for manufacturing and marketing approval in Japan. In Europe, the Group obtained the CE marking in January 2014.

Because the product can be sold in EU member countries, the Group is not only beginning to supply the

product to major countries but also fully launching sales activities by reaching agreements with sales partners. At the same time, for the various regions that recognized the CE marking, such as Asia-Pacific, and Latin America, the Group is working closely with its subsidiaries to complete required procedures in the various countries and moving forward with efforts so that sales of the product can be launched globally.

In the U.S., the Group has applied for an investigational device exemption (IDE) for Hemostat and is making preparations to launch a clinical trial next year.

As for its production system both in Japan and overseas, the Group has concluded an agreement with FUSO Pharmaceutical Industries and is making steady progress in constructing a supply system in order to introduce the product. As for the sales system in Japan, a semi-exclusive distribution license agreement is concluded between FUSO Pharmaceutical Industries and Kaken Pharmaceutical, which is striving to strengthen its production and sales system through various efforts such as expanding sales channels.

Turning to other products in the product pipeline that are simultaneously being developed, the Group is moving forward with a clinical trial of its dental bone filler in the U.S., has concluded an exclusive distribution license agreement with FUSO Pharmaceutical Industries regarding the endoscopic mucosal resection aid in Japan, and expects to launch a clinical trial for the product.

The Group is also conducting joint research with various universities and research institutes in order to pursue and obtain candidates for its product pipeline, working to acquire applied technology, and undertaking various other activities, including development activities in the field of drug delivery systems (DDS).

Therefore, for FY2014, the Group expects to record ¥10,418,385 thousand in consolidated business revenue, ¥4,483,218 thousand in consolidated operating income, ¥4,466,588 thousand in consolidated ordinary income, and ¥3,564,601 thousand in consolidated net income.

(2) Analysis of Financial Position

(i) Assets, liabilities, and net assets

As of the end of FY2013, total assets stood at ¥4,120,969 thousand (up ¥1,100,531 thousand from the end of FY2012).

Current assets totaled ¥3,592,625 thousand (up ¥1,108,645 thousand). This was mainly because even though advance payments fell ¥135,655 thousand, cash and deposits increased ¥607,171 thousand and inventories increased ¥528,693 thousand.

Non-current assets totaled ¥528,343 thousand (down ¥8,113 thousand). This was primarily the result of a ¥70,000 thousand decrease due to the amortization of goodwill, an intangible non-current asset, even though patents, an intangible non-current asset, increased ¥11,753 thousand and long-term prepaid expenses increased ¥19,808 thousand.

Liabilities totaled ¥987,617 thousand (up ¥32,805 thousand). The main reason for this was that although lease obligations, which fall under non-current liabilities, declined ¥13,456 thousand, accounts payable, which are included in current liabilities, increased ¥43,941 thousand.

Net assets were ¥3,133,352 thousand (up ¥1,067,726 thousand), which was mainly because capital stock increased ¥1,199,357 thousand and the capital surplus rose ¥1,199,260 thousand for reasons including a capital increase through a public offering, although retained earnings fell ¥1.525,374 thousand due to a net loss for the fiscal year.

(ii) Cash flows

At the end of FY2013, cash and cash equivalents (referred to as “cash” below) increased ¥607,171 thousand compared to the end of FY2012 to ¥2,640,535 thousand.

The following is a summary of cash flows for FY2013.

(Cash flow from operating activities)

Net cash used for operating activities totaled ¥1,679,990 thousand. This was primarily the result of ¥198,648 thousand in share-based compensation expenses, a loss before income taxes and minority

interests of ¥1,523,867 thousand, and an increase in inventories of ¥528,693 thousand.

(Cash flows from investing activities)

Net cash used for investing activities totaled ¥83,068 thousand. This was mainly because of ¥14,718 thousand for the purchase of property, plant and equipment, ¥24,809 thousand for the purchase of intangible non-current assets, and ¥24,059 thousand for the purchase of long-term prepaid expenses.

(Cash flows from financing activities)

Net cash provided by financing activities totaled ¥2,359,987 thousand. This chief reason for this was ¥2,378,603 thousand in proceeds from the issue of shares through a public offering, etc.

Reference: Cash flow–related indicators

	FY2009	FY2010	FY2011	FY2012	FY2013
Equity ratio (%)	―	95.0	93.9	67.3	70.5
Equity ratio (market value) (%)	―	―	534.8	2,814.9	1,760.5
Debt to cash flow ratio (%)	―	―	-50.6	-130.3	-50.1
Interest coverage ratio (times)	―	―	362.2	-85.7	-145.8

Equity ratio = shareholders' equity/total assets

Equity ratio (market value) = market capitalization/total assets

Debt to cash flow ratio = interesting-bearing debt/cash flow

Interest coverage ratio = cash flow/interest payments

Note 1. All indicators are calculated using figures from consolidated financial statements.

Note 2. Market capitalization is calculated using issued shares minus treasury shares.

Note 3. Cash flow refers to cash flows from operating activities.

Note 4. Interest-bearing debt refers to all debt appearing on the consolidated balance sheet that entails interest payments.

(3) Basic Policy on Distribution of Profits and Dividends for the Current and Coming Period

The Company's basic policy is to pay both an interim dividend that is proportional to income and end-of-year dividend. However, the Company is still at a stage where it continually allocates funds to R&D activities in order to develop medical devices and has not paid a dividend since being founded. Furthermore, as of the end of FY2013, the company is still not in a position to pay a dividend. The plan is to prioritize the use of funds for R&D activities for the time being, but the Company is aware that paying shareholders a return is an important management issue. After eliminating accumulated losses, the Company will examine paying a dividend taking into consideration its earnings and financial position.

In addition, the shareholders' meeting is where decisions on dividends are made, but the Company's articles of incorporation stipulate that the decision to pay an interim dividend prescribed in Article 454.5 of the Companies Act can be made by a resolution of the board of directors.

(4) Business Risks, etc.

The following are the main potential risks related to not only expanding the Group's business but also other issues.

In order to actively disclose information to investors, the Group lists issues that perhaps do not necessarily deserve to be considered risks related to expanding its business but are probably important for making investment decisions. The policy of the Group is after recognizing a risk, to strive to avoid it or if the risk materializes, to respond to it; however, it is important that potential investors make decisions regarding investing in the Company's shares after carefully examining not only the following items but other information included in this report. It should also be kept in mind that the following risks are not all the ones that the Company faces.

Forward-looking comments included in this material are based on the judgment of the Group as of the time the material was submitted.

(i) Risks related to the medical device business

A. Items related to legal regulations such as the Pharmaceutical Affairs Act

The Pharmaceutical Affairs Act was established to ensure the effectiveness and safety of pharmaceuticals, medical devices, etc. The act stipulates that it is necessary to obtain a license from the governor of the prefecture with jurisdiction to manufacture and sell medical devices. There is also a requirement to obtain certification or approval from the relevant authorities for each medical device.

Having obtained a type 1 license from the governor of Tokyo to manufacture and sell medical devices on August 18, 2010, (the license is valid until August 17, 2015), the Company develops and researches medical devices and conducts manufacturing and sales activities. The Group not only strives to comply with the Pharmaceutical Affairs Act and related legislation but also has developed in-house systems as the business has progressed. However, the Company's type 1 license could be revoked (Article 75.1 of the Pharmaceutical Affairs Act) if the Company were to violate the Pharmaceutical Affairs Act or laws or rules related to pharmaceutical affairs or if one of the conditions stipulated in Article 5.3 of the Pharmaceutical Affairs Act (with Article 12.2.3 applied *mutatis mutandis*) were true for the Company or one of its directors. If this were to occur, it could have a major impact on the earnings and financial position of the Group.

In May 2011, the Company also applied to the Minister of Health Labor and Welfare for certification to manufacture and sell Hemostat (TDM-621), the product that is the farthest along in the Group's product pipeline.

During the application process, the Company started a clinical trial in January 2010 after conducting a GLP safety test in accordance with PMDA guidelines, and for 97 cases through April 2011 that Hemostat was used, the product was generally recognized as effectively controlling hemorrhaging, and there were no adverse events, such as serious problems or side effects whose causal relationship could not be rejected.

Therefore, it is unlikely that the Company will not obtain certification to manufacture and sell TDM-621. However, if it becomes necessary to confirm other aspects than those whose safety was confirmed through the clinical trial or consultations with PMDA prior to the clinical trial, or if there are major revisions to the Pharmaceuticals Affairs Act or related legislation, and it becomes impossible to obtain certification to manufacture and sell TDM-621, this could have a major impact on the earnings and financial position of the Group.

Even if the company obtains certification to manufacture and sell TDM-621, the certification can be revoked for various reasons such as the product not having the efficacy, effect, or impact applied for (Article 74.2.1 and Article 14.2.3 of the Pharmaceutical Affairs Act) or one of the conditions prescribed in Article 74.2.3 of the Pharmaceutical Affairs Act were true for the Company. If the Company's certification to manufacture and sell TDM-621 were revoked, this could have a major impact on the earnings and financial position of the Group.

B. Earnings uncertainty

Hemostatic agents are widely used in surgeries, and there are a stable number of surgeries and suitable

cases. If TDM-621, a hemostatic agent, is commercialized, it is expected there will be stable demand. Because amendments to the Pharmaceutical Affairs Act have introduced stricter safety controls for biologically derived products, TDM-621, an artificial compound that is extremely safety, can probably be sufficiently differentiated from existing products. However, the product is now at the development stage where the Company has applied for certification to manufacture and sell the product, and it may only be possible to obtain certification to manufacture the product for a narrower range of surgical uses than currently assumed, the national health insurance (NHI) may not cover the product, or the NHI listed price may differ from the expected price.

After obtaining certification in Japan, the Group plans on applying for approval to manufacture and sell TDM-621 and have it covered by insurance in Korean and Taiwan. For each country, it may be possible to only obtain approval to manufacture the product for a narrower range of surgical uses, insurance may not cover the product, or the insurance listed price may differ from the expected price.

Furthermore, the Group plans on launching clinical tests in Europe, the U.S., and other Asian countries in order to introduce the product to those markets. If there are major changes in the legal systems or related laws of these countries or if the results of the clinical trials do not demonstrate the effectiveness and safety of the product, it may be impossible to manufacture and sell the product.

If any of these situations were to occur, it could affect the Group's sales plans and have a major impact on the Group's financial position and earnings.

C. Reliance on business revenue from specific counterparties

The Group's business revenue is highly dependent on Fuso Pharmaceutical Industries—in FY2011, about 94.8% of the Group's business revenue was from Fuso Pharmaceutical Industries (in FY2012, and FY2013, Fuso Pharmaceutical Industries accounted for no business revenue). Therefore, if the agreement with Fuso Pharmaceutical Industries is terminated or ended for some other reason or if it becomes impossible to generate the earnings expected from the agreement for some reason, this could have a major impact on the Group's financial position and earnings.

In addition, until the Group starts generating stable sales, the main source of business revenue is initial payments and milestone payments related to Hemostat that the Group has applied for certification to manufacture and sell. Therefore, if it is impossible to obtain certification to manufacture and sell the product or the product is not covered by national health insurance or if either one does not progress as expected, it could be impossible to generate these earnings or could take longer to generate them, and this could have a major impact on the Group's financial position and earnings.

D. Major contracts

If important agreements related to expanding the Group's business are terminated, if these agreements are amended in a way that is disadvantageous to the Group, or if these agreements are not renewed when they expire, this could have a major impact on the Group's financial position and earnings.

E. Production and sales

The Group has concluded a business tie-up agreement with ITOCHU Chemical Frontier. The agreement is related to the supplier of raw materials for products based on self-assembling peptide technology, the selection of companies that manufacturing of the product will be outsourced to, and selection of distributors. The Group has outsourced the production of peptide raw materials to several companies. In addition, the Company has concluded a manufacturing outsourcing agreement regarding hemostatic agents with Fuso Pharmaceutical Industries, but in the future, the Company plans on outsourcing manufacturing to several overseas companies.

In this way, the Group is working to create a backup system to strengthen the product delivery system after obtaining certification to manufacture and sell TDM-621, but if there are delays in the supply of raw materials or outsourced manufacturing due to any of various reasons including unexpected accidents, this

could have a major impact on the Group's financial position and earnings.

In addition, as of this report's filing date, the Group has applied for certification to manufacture and sell TDM-621 and concluded an exclusive distribution license agreement with Fuso Pharmaceutical Industries regarding sales in Japan. The agreement stipulates the minimum amount that Fuso Pharmaceutical Industries must purchase, but if for some reason the company does not fulfill its obligations, this could not only affect the Group's sales projections but also have a major impact on its financial position and earnings.

F. Product liability

Designing, developing, manufacturing, and selling medical products entails risks related to product liability.

The product TDM-621 is based on self-assembling peptide technology. The Group completed a human clinical trial, and for all 97 cases, there were no adverse events, such as serious problems or side effects whose causal relationship could not be rejected. However, medical devices developed by the Group could damage the health of patients, and if an improper aspect of the clinical trial, production, or sales is discovered, the Group's liability related to the product could have a major impact on its financial position and earnings.

In addition, in this case, even if the Group is not found negligent, the negative image created by factors such as claims for damages due to product liability could undermine trust in the product and consequently have a major impact on the Group's financial position and earnings.

G. Medical products other than hemostatic agents

As for the dental bone filler TDM-711, the Group's subsidiary obtained IDE approval from the FDA in July 2011 and started clinical trials in the U.S. in February 2012. If the results of the clinical trial do not demonstrate the effectiveness and safety of the product, it could be impossible to manufacture and sell the product, and this could affect the Group's business strategy and earnings.

In the field of surgery, the Group is researching and developing the endoscopic mucosal resection aid TDM-641 and the embolization material TDM-631. Both products, however, are at the research and development stage, and there is no guarantee that research and development will progress as planned. If commercialization of the products does not progress smoothly, this could have an impact on the Group's business strategy and thus its financial position and earnings.

The dental bone filler TDM-711 discussed above and the endoscopic mucosal resection aid TDM-641 and embolization material TDM-631, which are both under development, are all based on the self-assembling peptide technology that uses the same peptide (RADA16) as TDM-621. A human clinical trial of TDM-621 has already been conducted, and for all 97 cases there were no adverse events, such as serious problems or side effects whose causal relationship could not be rejected. Therefore, if the results of future clinical trials of these products demonstrate their effectiveness, it is unlikely that the Group will not obtain certification or a license from the responsible government agencies. However, if questions arise about the safety of the technology itself or if major amendments are made to the Pharmaceutical Affairs Act or related regulations, it could become impossible to obtain certification or a license for the products, which could have a major affect on the Group's business strategy and thus a substantial impact on its financial position and earnings.

In the field of the DDS, the Group mainly conducts research and development on pharmaceuticals. Because clinical trials for pharmaceuticals entail more stages those for medical devices, it takes a longer time until one can apply for certification, and there are more uncertainties. Therefore, if research and development does not progress as the Group expects, this could affect the Group's business strategy and thus have an impact on its financial position and earnings

H. Risks related to research and development activities

The Group strives to create applied technologies for the basic patents related to self-assembling peptide technology licensed from MIT (see "(ii) Risks Related to Intellectual Property") and develop new medical products. As of this report's filing date, the Group is conducting joint research with about one hundred research organizations in Japan and the U.S., has filed or is preparing to file patents in various fields

including myocardial regeneration technology, hepatocyte culture technology, and pancreatic islet cell culture/transplantation technology, and has also published papers in various other fields. The following are some of the major products in the product pipeline that are the next candidates for commercialization: (a) regenerative treatments that do not make use of cells such as wound healing, myocardial regeneration, and chondrocyte/intervertebral disk regeneration; (b) treatments that make use of cells but do not entail implantation, such as treatments using external artificial pancreases and embedded artificial pancreases; (c) treatments that entail implanting cells such as pancreatic islet transplantation and spinal injury treatments; and; (d) peptide preparation and protein preparation such as BMP and DDS for nucleic acid, etc. The Group expects that it may be possible to include these in development plans on account of their applied technologies. These candidates for commercialization are at the basic research stage, and they have not been included in the business plan, but if steady progress is not made in their commercialization, the Group could lose important future upside potential.

(ii) Risks related to intellectual property rights, lawsuits, etc.

A. Acquiring patents, etc.

The Company's subsidiary has obtain from MIT exclusive licenses (with re-licensing rights) for composition-of-matter patents related to self-assembling peptide technology and basic utility patents for these composition-of-matter patents listed in the following table (referred to collectively as the "group of basic patents" below), and the subsidiary has relicensed the patents to the Company. The Group has also filed its own patents.

As for the composition-of-matter patent for self-assembling peptides that MIT is the right-holder to (country patent filed in: U.S.), the Company has concluded a non-exclusive sublicense agreement with ARCH Therapeutics Inc., a biotech venture company founded by MIT researchers related to self-assembling peptide applied technology. U.S.-based ARCH Therapeutics Inc. is not actually conducting business now, and as of now, there is little concern that it will become a competitor of the Group. However, the two companies could become rivals in the future.

The group of basic patents covers all peptide groups that self-assemble and form hydrogel. Although there are differences depending on the country and region, the main patents have already been registered. For some of the patents in the group of basic patents that have not been registered yet, however, it may ultimately be impossible to register them. In this case, it may not be possible to fully protect the Group's future business. Furthermore, in the bio-material industry, which the Group's business falls under, research and development result in daily advances, and the development of a technology superior to the Group's technology could make the group of basic patents obsolete.

Furthermore, the Group conducts joint research on applied technologies with various research institutes using this group of basic patents, and several utility patents related to items other than the main products in the pipeline have already been jointly filed, but this does not mean that all the patents have been registered. Even though the Group has already secured the group of basic patents, if these patents are not approved, it could become impossible to fully protect the Group's future business since some of the patents could not be used.

B. Lawsuits, etc.

At least for product development using self-assembling peptide technology, it is probably very unlikely that the Group is infringing on the intellectual property rights of third parties, such as patents. In addition, the Group continually examines the intellectual property rights of third parties, and as of this report's filing date, the Group's business activities have not infringed on the intellectual property rights of third parties, and no lawsuits have been filed or complaints made by third parties. However, it may be impossible to fully avoid the problem of infringing on intellectual property rights considering the Group plans to expand its business on various fronts. If in the future a lawsuit such as a claim for damages is filed because the Group's business activities infringe on the intellectual property rights of a third party, it could be expensive and take a long time to resolve the case, and this could have a major impact on the Group's business strategy, financial position, and earnings. In addition, there is the possibility of lawsuits related to business activities other than those concerned with intellectual property rights, and depending on the details of the lawsuit and how they are resolved, it could have an impact on the Group' earnings and financial position.

In addition, in this case, even if the Group is not found liable, the negative image created by aspects such as claims for damages due to infringement of intellectual property rights could undermine trust in the product, affect business activities, and consequently have a major impact on the Group's financial position and earnings.

Patents in the group of basic patents

Product/pipeline	Name of discovery	Registration Number	Country filed in	Patent holder
Composition-of-matter patent				
Hemostatic agent, endoscopic mucosal resection aid, embolization material, dental bone filler, PuraMatrix	Self-assembling peptide composition-of-matter patent	US 5670483	U.S. (issued)	MIT
	Self-assembling peptide composition-of-matter patent (including self-assembling and blocking method)	US 6548630	U.S. (issued)	MIT
	Self-assembling peptide composition-of-matter patent	WO 06/014570	U.S. (issued)	3-D Matrix, Inc.
Utility patent				
Hemostatic agent, endoscopic mucosal resection aid	Method for making hemostatic agent and tissue plugs using self-assembling peptides	Patent 2008-316133	Japan (filed)	The Company
Dental bone filler, PuraMatrix	Cell culture method using self-assembling peptides	US 5955343	U.S. (issued)	MIT
Dental bone filler, PuraMatrix	Cell culture method using self-assembling peptides	US 6800481	U.S. (issued)	MIT
PuraMatrix DDS	Protein drug delivery method using self-assembling peptides	US 7098028	U.S. (issued)	MIT
PuraMatrix	Chondrocyte culture method using self-assembling peptides	US 7449180	U.S. (issued)	MIT
		EP 1367961	Europe (issued)	
PuraMatrix	Self-assembling peptide composition-of-matter patent modified peptides (note)	US 7713923	U.S. (issued)	MIT
PuraMatrix	Neuron regeneration method using self-assembly peptides	US 2005/0287186	U.S. (filed)	MIT
PuraMatrix	Chondrocyte culture method using self-assembling peptides	No. 507629	Japan (issued)	MIT
PuraMatrix	Modified peptide cell culture method using self-assembling peptides	No. 5057781	Japan (issued)	MIT
PuraMatrix	Myocardial tissue regeneration method using self-assembling peptides	EP 2089047	Europe (issued)	3-D Matrix, Inc.
PuraMatrix	Cell culture method using self-assembling peptides and related cell culture material	No. 5263756	Japan (issued)	Okayama University, the Company
		US 8647867	U.S. (issued)	
Wound treatment material, PuraMatrix	Wound treatment and skin reconstruction method using self-assembling peptides	No. 5497451	Japan (issued)	The Company

(Note) This patent has been filed in Europe, Japan, and Canada, and international patents have been filed according to the PCT. They are being examined.

(iii) Risks related to earnings and financial position, etc.

A. Changes in earnings, etc.

The Company has concluded an exclusive distribution license agreement related to Hemostat with FUSO Pharmaceutical Industries, completed a clinical trial, and applied for certification to manufacture and sell the product. Since certification has not yet been obtained, no business revenue has been generated from the sale of the product. Business revenue up to now has mainly been from sales tie-up agreements concluded in the past, including those listed above, and except for FY2011, expenses related to research and development activities have been greater than revenue, and the Company has recorded an operating loss, ordinary loss, and net loss. Therefore, the financial indicators for previous fiscal years are insufficient for comparing earnings between years and projecting future earnings.

B. Recording negative retained earnings,

The Group is a research and development corporation and records research and development expenses up front until one of its medical products is introduced in the market. Therefore, the Group posted negative retained earnings of -¥3,791,587 thousand for FY2013. Among its medical products under development, the Group is aiming to obtain certification to manufacture one of its medical devices; it is expected that the cost and time required to develop a medical device are substantially less that those required to develop a pharmaceutical. The Group is striving to quickly generate a profit by moving forward with research and development as planned. If things do not progress in the future as envisioned in the business plan, however, it could become impossible to generate net income or could take longer to secure positive retained earnings.

C. Loss carried forward for tax purposes

As of this report's filing date, the Group has a large loss carried forward for tax purposes. Therefore, if that loss can no longer be carried forward, it will become impossible to take an income tax deduction. In that case, the Group will have to record corporate tax based on the normal corporate tax rate, resident tax, and business tax, and this could impact net income and cash flows.

D. Fund raising

The Group is a research and development corporation and posts upfront development expenses for products in the pipeline. The Group works to raise funds in various ways such as concluding business tie-up agreements and licensing products. If these efforts do not progress as envisioned in the business plan, the Group could run short of funds, and this could have a major impact on keeping the business going.

E. Dividend policy

Since its founding and through FY2010, the Company recorded a net loss and has not paid a dividend. In addition, the Group recorded a net loss of ¥1,525,374 thousand for FY2013. When the accumulated loss is eliminated, the Group will examine paying a dividend taking into consideration the Group's financial position and earnings.

(iv) Organization-related risks

A. Young company

Established in May 2004, the Company is a young company, and there is insufficient financial data to compare earnings between years. The Company is also a research and development corporation and has

yet to introduce a product to the market as of this report's filing date; the business is at the upfront investment stage. Therefore, taking into consideration the nature of the business, there is insufficient data to forecast future earnings using only past earnings.

B. Small-scale organization

At the time of the report's filing, the Group is a small-scale organization—the parent company consists of 27 people (five directors, three corporate auditors, and 19 employees) and subsidiaries consist of 24 people (eight directors [four of whom also serve as directors at the parent company] and 16 employees). The Group is working to expand its system for conducting operations; the organization is small, but the internal control system is appropriate for the size of the organization. The Group will further enlarge the organization in order to expand business, but if it is impossible to construct an appropriate system, this could have an impact on business efficiency. However, a rapid increase in the organization's scale will lead to an increase in fixed costs, and this could have a major impact on the Group's financial position and earnings.

C. Reliance on particular individuals

The Company's representative directors Keiji Nagano and Kentaro Takamura are the driving forces behind the Group's business. These two have a strong influence on decisions related to the business and development strategies, the formulation of business plans, and the execution of management operations. Therefore, the Group is strengthening its management system in order to build a system that does not excessively rely on these two; however, it is expected that the Group will remain highly reliant on them for the time being. On account of this, if it becomes difficult for both of them to continue their work for some reason, it could have a major impact on the Group's business strategy and earnings.

D. Securing and training human resources

Since the core of the Group's competitiveness is its research and development abilities and business planning skills, the Group must secure highly specialized researchers and similar types of personnel; in order to expand the business, experts in fields such as sales, production, and internal controls are also necessary. The Group works to secure top personnel and train personnel in house, but if efforts to secure or train personnel do not progress as planned, this could have a major impact on the Group's financial position and earnings.

(v) Other

A. Use of funds raised through initial public offering

The Company has allocated funds raised from public offering to research and development, but there are no guaranties that the investments will lead to the desired results for any of various reasons such as longer-than-expected research and development or unforeseen technological innovations due to changes in the environment. In this case, the Company may not generate the earnings expected by investors.

B. Dilution of share value through the exercise of subscription rights

The Company has a system of stock options. Issued stock options include subscription rights allocated in accordance with the stipulations of Article 280.20 and Article 280.21 of the former Commercial Code and approved at the shareholders' general meeting and subscription rights allocated in accordance with the stipulations of Article 236, Article 238, and Article 239 of the Companies Act and approved at the shareholders' general meeting. As of April 30, 2014, if all issued subscription rights are exercised, this will result in 1,064,000 additional shares. The total of these additional shares and the Company's issued shares (19,876,400) is 20,940,400, and these additional shares would account for 5.1% of the total. If these subscription rights are exercised, it will dilute the value of each share of the Company. The Company is considering continuing to use this type of incentive to secure top personnel. Therefore, if subscription rights issued in the future are exercised, this could further dilute the Company's share value.

C. Percentage of the Company's shares held by venture capitalists

As of April 30, 2013, the number of the Company's issued shares totaled 19,876,400, and 40,000 of these are held by venture capitalists or investment partnerships that include venture capital (referred to below as "VC, etc."). The percentage of shares held by VC, etc., fell from 24.6% before the Company was listed to 0.2%.

In general, VC, etc., invest in unlisted companies in order to sell off their holdings after the company is listed and reap capital gains. Therefore, it is assumed that VC, etc., will sell off all or some of their holdings in the Company now that the Company has gone public. There is the possibility that the supply of the company's share could outstrip demand if VC, etc., sell off all or some of their holdings, and this could lead to a decline in the market value of the Company's shares.

D. Foreign exchange rates

Among transactions by the Group, payments for outsourced production of raw materials used in products based on self-assembling peptide technology are primarily made in foreign currencies, and the Group does not specially use foreign exchange hedges.

Therefore, if there is a greater-than-expected change in exchange rates, this could impact the Group's earnings.

(5) Notes on Going Concern Assumption, etc.

There is nothing to report.

2. The Corporate Group

Composed of the Company and three consolidated subsidiaries, the Group has obtain an exclusive license for patents related to self-assembling peptide technology from MIT and conducts business related to medical products, the goal of which is research, develop, manufacture, and sell products that use this technology.

The main businesses of each Group member company are given below.

Businesses of Group member companies

Name	Main businesses
3-D Matrix Ltd.	Developing medical products and selling research reagents
3-D Matrix Inc.	Developing medical products
3-D Matrix Europe SAS.	Developing medical products
3-D Matrix Asia Pte. Ltd.	Developing medical products

The Group's medical product business consists of developing medical products and selling research agents, details of which are given below.

Composition of the medical product business

Category	Details
Developing medical products	In the field of surgery, regenerative medicine, and DDS, the foundation of which is self-assembling peptide technology, the Group conducts research and development related to medical devices and pharmaceuticals. Hemostat, endoscopic mucosal resection aid, and embolization material are the main products in the development pipeline in the field of surgery, and dental bone filler is the main one in the field of the regenerative medicine. While the Company has received initial payments and milestone payments from distributors for Hemostat and endoscopic mucosal resection aid, the Group has not recorded business revenue for other products.

Selling research reagents	As for the sale of research agents, the Group sells self-assembling peptide PuraMatrix through its U.S.-based sales company. At various entities, including universities and research institutions both in Japan and overseas, the product is used for applied research in numerous fields that make use of self-assembling peptides.

3. Management Policy

(1) Basic Management Policy

Having adopted the corporate philosophy of contributing to the advancement of medical care though bio-materials, the Company continues to develop unique products that differentiate the company in various fields including surgery and regenerative medicine and strives to acquire global competitiveness.

(2) Targeted Business Metrics

As a research and development corporation, the Company strives to continually grow by advancing research and development and generating earnings by introducing or licensing products it has developed. The Company recognizes that the most important issue is quickly, efficiently, and steadily moving each product forward in the product pipeline, the core of its business, as planned.

(3) Medium- and Long-term Business Strategy

As a developer of medical devices, the Company strives to construct both a system to deliver a stable supply of products that the Company expects to receive certification to manufacture and a system to sell these products and then to allocate business resources to the global expansion of products and the broader application of products both in Japan and overseas. In addition, the Company focuses on the next candidate from the product pipeline for commercialization, and more than one hundred research institutes both in Japan and overseas conduct research on applications of these products.

(4) Pending Issues

The Group has analyzed current conditions in the medical field, and according to its analysis, the Group recognizes the following as business issues related to formulating and implementing the best business strategy.

(i) Promoting research and development and the introduction of products into the market

The main products in the Group's product development pipeline are Hemostat, endoscopic mucosal resection aid, and embolization material in the field of surgery and dental bone filler in the field of the regenerative medicine, and the Group recognizes that promptly obtaining certification to manufacture and sell products in the pipeline, introducing the products into the market, and generating earnings from the sale of these products is an issue related to stabilizing the Company's business

As for Hemostat, the product the farthest along in the pipeline, in Japan, the Group has completed a clinical trial and has applied for certification to manufacture and sell the product; in Europe, the product has received the CE marking, making it possible for the Group not only to sell the product in EU member companies but also to aim to market the product in countries throughout the world where the CE marking is recognized, such as ones in Asia-Pacific, and South America. In Japan, the Group will now work to obtain certification and strive to launch sales of the product through a licensing agreement with Fuso Pharmaceutical Industries. Overseas, including Europe, the Group will conduct a clinical trial in the U.S., strive to establish sales tie-ups with partners in each country, and move forward with work with regulatory authorities and the construction of a production and quality management system in order to secure stable business revenue from product sales.

The Group has also concluded an exclusive licensing agreement with Korea-based Daewoong Pharmaceutical Co. Ltd. for Korea, an exclusive development, production, and sales agreement with Taiwan-based Excelsior Medical Co. Ltd. for Taiwan, and an exclusive sales agreement with Indonesia-based Pt. Tegushindo Lestaritama for Indonesia. In these regions, too, the Group will quickly apply for and obtain approval to manufacture and sell the product and aim to introduce the product into the particular market.

As for the dental bone filler, which is the second product in the pipeline after Hemostat, the Group has already launched a clinical trial in the U.S. by obtaining IDE approval from the FDA. As for endoscopic mucosal resection aid and embolization material, the Company will continue to work to promptly launch clinical trials by examining making the most use of safety data from Hemostat as possible and quickly accumulating good and effective data.

(ii) Promoting business tie-ups

The Group recognizes that the self-assembling peptide technology licensed from MIT is a technology that has wide applications and that the Group's mission is to contribute to medicine by quickly providing products in various fields. Therefore, the Company has adopted a strategy of specializing in planning, such as searching

for products for the product pipeline, accumulating medical equipment development knowhow, and developing commercialization strategies. Because it is necessary to supplement manufacturing and sales functions through tie-ups with other companies, one issue is establishing desirable business tie-ups.

For Hemostat, the Group has concluded tie-up agreements related to the following: the company undertaking outsourced production of raw materials for peptides, product manufacturing and sales in Japan, sales in Korea, and development, manufacturing, and sales in Taiwan. In cooperation with each partner, the Group will move forward with building a system to provide a stable supply to the market. In September 2012, the Group also concluded semi-exclusive distribution license agreements with Kaken Pharmaceutical and Fuso Pharmaceutical Industries, exclusive distributors in Japan. This strengthened the sales system for Hemostat. Within the sales strategy, the Group will also move forward with building a system so that it can maximize sales, which includes expanding sales channel.

With the goal of introducing Hemostat throughout the world, the Group is also moving forward with building a system to manufacture and sell the product in Asia, Europe, and the U.S. In particular, the Group is moving forward with business alliances in order to launch sales in Europe and the U.S. As for other products, the Group is continuing activities related to developing business alliances with new possible partner companies so that it can build a sales system to launch sales of the dental bone filler in the U.S. and expand sales of the products in the pipeline globally.

(iii) Securing operating funds

When moving forward with the development of the Group's product pipeline, demand for funds for research and development, such as for various types of tests and clinical trials, will increase. Therefore, the Group has not only secured operating funds from initial payments and milestone payments through sales alliances related to Hemostat but also raised funds by listing the company and conducting a public offering. The Company has also secured a stable supply of operating funds in several ways including loans from Sumitomo Mitsui Banking Corporation and Mizuho Bank, which total ¥800,000 thousand. The Company, however, will also strive to ensure stable business revenue by promoting various business alliances and generating revenue from initial payments, etc., and quickly introducing products. In the future, the Group will not only examine various ways to raise funds, such as obtaining loans from financial institutions, setting up commitment lines, and making use of leases, and actually raising funds in these ways but also continue to work to strengthen its financial foundation.

(iv) Strengthening the management system

The Group recognizes that strengthening its management system in order to move forward with development, respond to diversification of its product pipeline and global expansion, and ascertain and respond to more diverse risks related to these efforts is a business issue.

Although a small organization, the Group will examine company-wide controls and various operation processes in order to construct a system of internal controls for the whole Group, which has subsidiaries throughout the world, and work to increase the efficiency of operations and minimize risks. In addition to continuing to move forward with systematically building internal controls, the Group will work to strength not only checks between organizations but also its compliance system.

The Group also has a small-scale research and development organization that handles the various stages from basic research to pre-clinical trial studies and clinical trials and has built a system that conforms to standards stipulated by regulatory authorities. Even when expanding its business, the Group will collect the necessary information, create the various manuals, and continue to conduct employee training to comply with rules, laws, and ordinances.

In order to maintain a system appropriate for the particular business stage, such as product introduction and business alliance expansion, the Group will strive to secure personnel who possess advanced specialized knowledge and experience both in Japan and overseas, train employees, and actively make use of independent resources in line with the human resource plan based on the business plan.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Previous Fiscal Year (as of April 30, 2013)	This Fiscal Year (as of April 30, 2014)
Assets		
Current assets		
Cash and deposits	2,033,363	2,640,535
Inventories	260,703	789,397
Advance payments	152,425	16,769
Other, net	37,486	145,922
Total current assets	2,483,979	3,592,625
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	7,599	7,728
Accumulated depreciation	(1,807)	(2,392)
Building and structures, net	5,792	5,335
Machinery, equipment and vehicles	24,750	24,750
Accumulated depreciation	(515)	(3,609)
Machinery, equipment and vehicles, net	24,234	21,140
Tools, furniture and fixtures	29,877	45,086
Accumulated depreciation	(15,941)	(22,758)
Tools, furniture and fixtures, net	13,935	22,328
Lease assets	64,000	64,000
Accumulated depreciation	(1,333)	(9,333)
Lease assets, net	62,666	54,666
Total property, plant and equipment	106,629	103,471
Intangible assets		
Goodwill	326,668	256,668
Right of using patent	46,468	55,962
Patent right	9,752	21,506
Other, net	384	4,790
Total intangible assets	383,273	338,927
Investments and other assets		
Long-term prepaid expenses	31,534	51,342
Lease deposits	14,679	16,498
Other, net	341	18,103
Total investments and other assets	46,554	85,945
Total noncurrent assets	536,457	528,343
Total assets	3,020,437	4,120,969

(Thousands of yen)

	Previous Fiscal Year (as of April 30, 2013)	This Fiscal Year (as of April 30, 2014)
Liabilities		
Current liabilities		
Short-term loans payable	800,000	800,000
Lease obligations	12,616	13,456
Accounts payable-other	48,179	92,120
Accrued expenses	43,163	37,013
Income taxes payable	3,647	10,469
Other, net	5,057	5,292
Total current liabilities	912,664	958,353
Noncurrent liabilities		
Lease obligations	41,801	28,344
Deferred tax liabilities	345	919
Total noncurrent liabilities	42,146	29,263
Total liabilities	954,811	987,617
Net assets		
Shareholders' equity		
Capital stock	2,139,400	3,338,757
Capital surplus	2,129,400	3,328,660
Retained earnings	(2,266,212)	(3,791,587)
Treasury stock	(59)	(59)
Total shareholders' equity	2,002,528	2,875,772
Accumulated other comprehensive income		
Foreign currency translation adjustment	29,417	29,451
Total accumulated other comprehensive income	29,417	29,451
Subscription rights to shares	33,680	228,128
Total net assets	2,065,625	3,133,352
Total liabilities and net assets	3,020,437	4,120,969

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated statements of income

(Thousands of yen)

	Previous Fiscal Year (From May 1, 2012 to April 30, 2013)	This Fiscal Year (From May 1, 2013 to April 30, 2014)
Business revenues		
Net sales	13	6,388
Research and development revenues	32,000	100,772
Total business revenues	32,013	107,161
Business expenses		
Cost of sales	1	3,185
Research and development expenses	395,258	598,714
Selling, general and administrative expenses	635,872	1,023,662
Total business expenses	1,031,132	1,625,562
Operating income (loss)	(999,119)	(1,518,401)
Non-operating income		
Interest income	354	614
Foreign exchange gains	34,381	26,799
Subsidy income	1,600	3,617
Other, net	2,111	1,037
Total non-operating income	38,447	32,068
Non-operating expenses		
Interest expenses	7,650	11,518
Commission fee	5,999	5,999
Stock issuance cost	626	15,814
Loss on consumption tax	2,243	-
Other, net	319	4,202
Total non-operating expenses	16,839	37,535
Ordinary income (loss)	(977,511)	(1,523,867)
Income (loss) before income taxes and minority interests	(977,511)	(1,523,867)
Income taxes-current	951	950
Income taxes-deferred	(130)	557
Total income taxes	820	1,507
Income (loss) before minority interests	(978,331)	(1,525,374)
Net income (loss)	(978,331)	(1,525,374)

Consolidated statements of comprehensive income

(Thousands of yen)

	Previous Fiscal Year (From May 1, 2012 to April 30, 2013)	This Fiscal Year (From May 1, 2013 to April 30, 2014)
Income (loss) before minority interests	(978,331)	(1,525,374)
Other comprehensive income		
Foreign currency translation adjustment	2,043	34
Total other comprehensive income	2,043	34
Comprehensive income	(976,287)	(1,525,340)
(Breakdown)		
Comprehensive income attributable to owners of the parent	(976,287)	(1,525,340)
Comprehensive income attributable to minority interests	-	-

(3) Consolidated Statements of Changes in Net Assets

Previous fiscal year (from May 1, 2012 to April 30, 2013)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of period	2,069,600	2,059,600	(1,287,880)	(59)	2,841,260	27,373	27,373	19,276	2,887,910
Changes of items during the period									
Issuance of new shares	69,800	69,800			139,600				139,600
Net income (loss)			(978,331)		(978,331)				(978,331)
Purchase of treasury stock									
Net changes of items other than shareholders' equity						2,043	2,043	14,403	16,447
Total changes of items during the period	69,800	69,800	(978,331)	—	(838,731)	2,043	2,043	14,403	(822,284)
Balance at the end of period	2,139,400	2,129,400	(2,266,212)	(59)	2,002,528	29,417	29,417	33,680	2,065,625

This Fiscal year (from May 1, 2013 to April 30, 2014)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at the beginning of period	2,139,400	2,129,400	(2,266,212)	(59)	2,002,528	29,417	29,417	33,680	2,065,625
Changes of items during the period									
Issuance of new shares	1,199,357	1,199,260			2,398,618				2,398,618
Net income (loss)			(1,525,374)		(1,525,374)				(1,525,374)
Purchase of treasury stock									
Net changes of items other than shareholders' equity						34	34	194,448	194,482
Total changes of items during the period	1,199,357	1,199,260	(1,525,374)	—	873,243	34	34	194,448	1,067,726
Balance at the end of period	3,338,757	3,328,660	(3,791,587)	(59)	2,875,772	29,451	29,451	228,128	3,133,352

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous Fiscal Year (From May 1 2012 to April 30, 2013)	This Fiscal Year (From May 1 2013 to April 30, 2014)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(977,511)	(1,523,867)
Depreciation	15,726	31,556
Amortization of goodwill	70,000	70,000
Interest income	(354)	(614)
Interest expenses	7,650	11,518
Foreign exchange losses (gains)	(10,750)	(12,533)
Stock issuance cost	626	15,814
Share-based compensation expenses	19,703	198,648
Decrease (increase) in accounts receivable-trade	532,799	—
Decrease (increase) in inventories	(235,600)	(528,693)
Decrease (increase) in advance payments-trade	(57,318)	135,655
Decrease (increase) in prepaid expenses	11,534	(4,175)
Increase (decrease) in accounts payable-other	20,959	31,799
Increase (decrease) in accrued expenses	12,545	(6,558)
Increase (decrease) in accrued consumption taxes	(32,601)	—
Other, net	(24,401)	(86,904)
Subtotal	(646,992)	(1,668,353)
Interest income received	354	614
Interest expenses paid	(7,650)	(11,801)
Income taxes paid	(1,426)	(450)
Net cash provided by (used in) operating activities	(655,715)	(1,679,990)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(26,238)	(14,718)
Purchase of intangible assets	(10,059)	(24,809)
Purchase of long-term prepaid expenses	(17,065)	(24,059)
Other, net	(2,646)	(19,480)
Net cash provided by (used in) investing activities	(56,009)	(83,068)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	800,000	—
Proceeds from issuance of common stock	133,673	2,378,603
Proceeds from sale-and-leaseback	67,200	—
Repayments of lease obligations	(11,829)	(12,616)
Other, net	(5,993)	(5,999)
Net cash provided by (used in) financing activities	983,049	2,359,987
Effect of exchange rate change on cash and cash equivalents	4,138	10,243
Net increase (decrease) in cash and cash equivalents	275,463	607,171

(Thousands of yen)

	Previous Fiscal Year (From May 1 2012 to April 30, 2013)	This Fiscal Year (From May 1 2013 to April 30, 2014)
Cash and cash equivalents at beginning of period	1,757,900	2,033,363
Cash and cash equivalents at end of period	2,033,363	2,640,535

(5) Notes to Consolidated Financial Statements

(Notes to going concern assumptions)

Not applicable.

(Basis for preparation of consolidated financial statements)

1. Scope of consolidation

All subsidiaries are consolidated.

Number of consolidated subsidiaries:

3

Name of consolidated subsidiaries

3-D Matrix, Inc.

3-D Matrix Europe SAS.

3-D Matrix Asia Pte. Ltd.

2. Equity method application

Not applicable as there is no non-consolidated subsidiary or affiliate.

3. Fiscal year of consolidated subsidiaries

The fiscal year end of consolidated subsidiaries coincides with the consolidated fiscal year end.

4. Accounting standards

(1) Valuation standards and methods for significant assets

Inventories

Finished goods, work in process, raw materials and supplies

Valued at cost using the moving average method (the amount stated on the balance sheet is calculated by using the method of write-downs based on decline in sales value)

(2) Depreciation method used for significant depreciable assets

(i) Property, plant, and equipment (excluding lease assets)

Buildings and structures

Declining balance method

Machinery, equipment and vehicles

Straight-line method

Tools, furniture and fixtures

Declining balance method

The useful lives of major assets are as follows:

Buildings and structures	8-15years
Machinery, equipment and vehicles	8 years
Tools, furniture and fixtures	4-15years

(ii) Intangible assets (excluding lease assets)

Straight-line method

(iii) Leased assets

Lease assets pertaining to finance lease transactions that transfer ownership

Depreciated in the same manner as own noncurrent assets.

(iv) Long-term prepaid expenses

Straight-line method

(3) Basis of recording significant provisions

Allowance for doubtful accounts

In order to provide for potential credit losses on trade receivables, etc., a provision is recognized for an estimated uncollectible amount determined based on the historical rate of credit losses with respect to normal receivables and in consideration of collectibility of individual receivables with respect to doubtful accounts and certain other receivables.

However, no such allowance was recognized during the fiscal year under review.

(4) Basis for converting major foreign currency-denominated assets and liabilities to domestic currency

Foreign currency-denominated monetary claims and debts are converted to yen using the spot exchange rate on the balance sheet date and the resulting translation adjustments are recorded in profit or loss for the period in which they are incurred. Assets and liabilities as well as revenue and expenses of foreign subsidiaries are converted to yen using the spot rates on the balance sheet date. Translation adjustments are recognized in net assets under foreign currency translation adjustments.

(5) Amortization method and period used for goodwill

Goodwill is amortized on a straight-line basis over a period of 10 years.

(6) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents in the statements of cash flows include cash at hand, demand deposits and short-term investments that are easily converted into cash, with high liquidity and with little risk of fluctuations in value and reach maturity within 3 months from acquisition.

(7) Other significant matters for the preparation of financial statements

Accounting treatment of consumption taxes

Consumption and local consumption taxes are accounted for using the tax exclusion method.

(Changes in accounting policies)

Change in the valuation method used for supplies

Supplies had been valued at cost using the first-in-first-out method, but the method was changed to the moving average method starting from the fiscal year under review. The purpose of this change is to achieve more appropriate profit and loss calculation by averaging out the effect of changes in the market price of supplies.

The impact of this change in accounting policy is insignificant.

(Notes to consolidated balance sheets)

*1 Breakdown of inventories

(Thousands of yen)

	Previous Fiscal Year (as of April 30, 2013)	This Fiscal Year (as of April 30, 2014)
Work in process	—	105,975
Raw materials and supplies	260,703	683,422

2 The Company has entered into a loan commitment agreement with Sumitomo Mitsui Banking Corporation for the efficient financing of working capital. The expiration date of the commitment is October 31, 2014 and the unused amount of the loan commitment at the end of the fiscal year under review is shown below together with related information.

(Thousands of yen)

	Previous Fiscal Year (as of April 30, 2013)	This Fiscal Year (as of April 30, 2014)
Total amount of loan commitment	300,000	300,000
Balance of executed loans	—	100,000
Difference	300,000	200,000

(Notes to consolidated statements of income)

*1 The following table shows gross profit, which is calculated as net sales less cost of sales.

(Thousands of yen)

	Previous Fiscal Year (From May 1 2012 to April 30, 2013)	This Fiscal Year (From May 1 2013 to April 30, 2014)
Gross profit	11	3,202

*2 The main components of research and development expenses and their amounts are as follows:

(Thousands of yen)

	Previous Fiscal Year (From May 1 2012 to April 30, 2013)	This Fiscal Year (From May 1 2013 to April 30, 2014)
Salaries and allowances	89,384	120,315
Compensations	150,181	362,090
Material expenses	88,798	32,914
Clinical testing expenses	30,117	—

*3 The major components and amounts of selling, general and administrative expenses are as follows:

(Thousands of yen)

	Previous Fiscal Year (From May 1 2012 to April 30, 2013)	This Fiscal Year (From May 1 2013 to April 30, 2014)
Directors' compensations	108,196	133,818
Salaries and allowances	83,278	118,026
Compensations	155,305	237,511
Amortization of goodwill	70,000	70,000
Share-based compensation expenses	14,165	153,523

(Notes to consolidated statements of comprehensive income)

*1 Reclassification adjustment and tax effect amounts pertaining to other comprehensive income

(Thousands of yen)

	Previous Fiscal Year (From May 1 2012 to April 30, 2013)	This Fiscal Year (From May 1 2013 to April 30, 2014)
Foreign currency translation adjustment		
Amount recognized in the current period	2,043	34
Total other comprehensive income	2,043	34

(Notes to consolidated statements of changes in shareholder's equity)

Previous fiscal year (from May 1, 2012 to April 30, 2013)

1. Shares issued and outstanding

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common stock (number of shares)	4,588,800	4,879,200	—	9,468,000

(Outline of the reason for change)

The breakdown of the increase in the number of shares is as follows:

Increase due to stock split 4,610,800

Increase due to the exercise of share options 268,400

2. Treasury stock

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common stock (number of shares)	28	28	—	56

(Outline of the reason for change)

The breakdown of the increase in the number of shares is as follows:

Increase due to stock split: 28

3. Subscription rights to shares

Company name	Breakdown	Type of shares subject to subscription rights	Number of shares subject to subscription rights				Balance at the end of the fiscal year (Thousands of yen)
			Beginning of the fiscal year	Increase	Decrease	End of the fiscal year	
3-D Matrix, Ltd. (Parent company)	Subscription rights to shares as share options	—	—	—	—	—	33,680
Total			—	—	—	—	33,680

4. Dividends

Not applicable.

This Fiscal year (from May 1, 2013 to April 30, 2014)

1. Shares issued and outstanding

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common stock (number of shares)	9,468,000	10,408,400	—	19,876,400

(Outline of the reason for change)

The breakdown of the increase in the number of shares is as follows:

Increase due to stock split 9,499,200

Increase due to public stock offering 550,000

Increase due to the exercise of share options 359,200

2. Treasury stock

Class of shares	Beginning of the fiscal year	Increase	Decrease	End of the fiscal year
Common stock (number of shares)	56	56	—	112

(Outline of the reason for change)

The breakdown of the increase in the number of shares is as follows:

Increase due to stock split: 56

3. Subscription rights to shares

Company name	Breakdown	Type of shares subject to subscription rights	Number of shares subject to subscription rights				Balance at the end of the fiscal year (Thousands of yen)
			Beginning of the fiscal year	Increase	Decrease	End of the fiscal year	
3-D Matrix, Ltd. (Parent company)	Subscription rights to shares as share options	—	—	—	—	—	228,128
Total			—	—	—	—	228,128

4. Dividends

Not applicable.

(Notes to consolidated statements of cash flows)

*1 The relationship between the period end balance of cash and cash equivalents and the amounts stated in the consolidated balance sheets is as follows:

(Thousands of yen)

	Previous Fiscal Year (From May 1 2012 to April 30, 2013)	This Fiscal Year (From May 1 2013 to April 30, 2014)
Cash and deposits account	2,033,363	2,640,535
Cash and cash equivalents	2,033,363	2,640,535

(Segment information, etc.)

[Segment Information]

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

[Related information]

Previous fiscal year (from May 1, 2012 to April 30, 2013)

1. Information by product and service

The description is omitted as business revenues of a single product from external customers exceeds 90% of the business revenues presented in the consolidated statements of income.

2. Information by geographic area

(1) Business revenues

The description is omitted as the net sales to external customers in Japan exceeds 90% of the net sales presented in the consolidated statements of income.

(2) Property, plant and equipment

The description is omitted as the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment presented in the consolidated balance sheets.

3. Information by major customer

(Thousands of yen)

Customer name	Business revenues	Name of the related segment
National Cancer Center	32,000	Medical products

This Fiscal year (from May 1, 2013 to April 30, 2014)

1. Information by product and service

The description is omitted as business revenues of a single product from external customers exceeds 90% of the business revenues presented in the consolidated statements of income.

2. Information by geographic area

(1) Business revenues

(Thousands of yen)

Japan	Asia	U.S.	Total
50,000	50,772	6,388	107,161

Note: The business revenues have been classified into the country or the area on the basis of a customer's location.

(2) Property, plant and equipment

(Thousands of yen)

Japan	U.S.	EU	Others	Total
81,301	15,234	6,742	192	103,471

3. Information by major customer

(Thousands of yen)

Customer name	Business revenues	Name of the related segment
National Cancer Center	50,000	Medical products
PT. Teguhsindo Lestaritama	50,772	Medical products

[Information about impairment loss on noncurrent assets by reportable segment]

Not applicable.

[Information about amortization and unamortized balance of goodwill by reportable segment]

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

[Information about gain on negative goodwill by reportable segment]

Not applicable.

(Per share information)

Previous Fiscal Year (From May 1 2012 to April 30, 2013)		This Fiscal Year (From May 1 2013 to April 30, 2014)	
Book value per share	107.31 yen	Book value per share	146.17 yen
Net loss per share	52.63 yen	Net loss per share	77.77 yen
Diluted net income per share is not presented, although some potential common stocks existed, as a net loss per share was recorded for the term.		Diluted net income per share is not presented, although some potential common stocks existed, as a net loss per share was recorded for the term.	

Note 1. On September 1, 2012, the Company carried out a 1 to 2 stock split for its common stock. On June 1, 2013, the Company carried out a 1 to 2 stock split for its common stock again. However, net assets per share, net income or loss per share, and diluted net income per share were calculated as if the stock splits mentioned above had been carried out at the beginning of the previous fiscal year.

2. Basis of the calculation of net income or loss per share and diluted net income per share is as follows:

Item	Previous Fiscal Year (From May 1 2012 to April 30, 2013)	This Fiscal Year (From May 1 2013 to April 30, 2014)
Net income (loss) per share		
Net income (loss) (Thousands of yen)	(978,331)	(1,525,374)
Net income (loss) available to common shareholders (Thousands of yen)	(978,331)	(1,525,374)
Amount not attributed to common shareholders (Thousands of yen)	—	—
Average number of shares (common stock) during the period	18,587,276	19,613,633
Summary of potential common stocks not included in the calculation of diluted net income per share as they are not dilutive	—	—

3. The basis for the calculation of net assets per share is as follows:

Item	Previous Fiscal Year (as of April 30, 2013)	Fiscal Year under Review (as of April 30, 2014)
Total net assets (Thousands of yen)	2,065,625	3,133,352
Amount deducted from the total net assets (Thousands of yen)	33,680	228,128
(Portion of the above number that is attributable subscription rights to shares) (Thousands of yen)	(33,680)	(228,128)
Net assets available to common shareholders (Thousands of yen)	2,031,945	2,905,223
Number of common stocks used for the calculation of the net assets per share	18,935,888	19,876,288

(Significant subsequent events)

Not applicable.

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Thousands of yen)

	Previous Fiscal Year (as of April 30, 2013)	This Fiscal Year (as of April 30, 2014)
Assets		
Current assets		
Cash and deposits	1,889,748	2,249,775
Inventories	260,703	789,397
Advance payments-trade	181,365	38,387
Advances paid	80,753	431,603
Suspense payments	89,908	355,167
Other, net	22,472	51,294
Total current assets	2,524,952	3,915,626
Noncurrent assets		
Property, plant and equipment		
Buildings	4,918	4,918
Accumulated depreciation	(1,807)	(2,392)
Buildings (net)	3,110	2,525
Machinery and equipment	24,750	24,750
Accumulated depreciation	(515)	(3,609)
Machinery and equipment (net)	24,234	21,140
Tools, furniture and fixtures	19,578	19,882
Accumulated depreciation	(14,781)	(16,914)
Tools, furniture and fixtures, net	4,796	2,968
Lease assets	64,000	64,000
Accumulated depreciation	(1,333)	(9,333)
Lease assets, net	62,666	54,666
Total property, plant and equipment	94,808	81,301
Intangible assets		
Patent right	-	6,772
Software	384	293
Other, net	262	227
Total intangible assets	646	7,293
Investments and other assets		
Stocks of subsidiaries and affiliates	620,083	709,991
Long-term loans receivable from subsidiaries and affiliates	102,014	156,900
Long-term prepaid expenses	31,534	51,342
Lease deposits	12,463	12,605
Other, net	301	301
Total investments and other assets	766,397	931,142
Total noncurrent assets	861,852	1,019,737
Total assets	3,386,804	4,935,363

(Thousands of yen)

	Previous Fiscal Year (as of April 30, 2013)	This Fiscal Year (as of April 30, 2014)
Liabilities		
Current liabilities		
Short-term loans payable	800,000	800,000
Lease obligations	12,616	13,456
Accounts payable-other	29,054	68,292
Accrued expenses	38,864	30,323
Income taxes payable	3,647	10,469
Deposits received	5,057	3,702
Total current liabilities	889,240	926,243
Noncurrent liabilities		
Lease obligations	41,801	28,344
Total noncurrent liabilities	41,801	28,344
Total liabilities	931,041	954,588
Net assets		
Shareholders' equity		
Capital stock	2,139,400	3,338,757
Capital surplus		
Legal capital surplus	2,129,400	3,328,660
Total capital surplus	2,129,400	3,328,660
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,846,657)	(2,914,712)
Total retained earnings	(1,846,657)	(2,914,712)
Treasury stock	(59)	(59)
Total shareholders' equity	2,422,082	3,752,647
Subscription rights to shares	33,680	228,128
Total net assets	2,455,762	3,980,775
Total liabilities and net assets	3,386,804	4,935,363

(2) Non-consolidated Statements of Income

(Thousands of yen)

	Previous Fiscal Year (From May 1 2012 to April 30, 2013)	This Fiscal Year (From May 1 2013 to April 30, 2014)
Business revenues		
Net sales	13	6,388
Research and development revenues	32,000	50,000
Total business revenues	32,013	56,388
Business expenses		
Cost of sales	1	3,667
Research and development expenses	423,769	423,008
Selling, general and administrative expenses	404,020	685,550
Total business expenses	827,791	1,112,225
Operating income (loss)	(795,777)	(1,055,836)
Non-operating income		
Interest income	1,210	1,971
Foreign exchange gains	6,147	16,689
Subsidy income	1,600	3,617
Other, net	54	694
Total non-operating income	9,012	22,972
Non-operating expenses		
Interest expenses	7,650	11,518
Commission fee	5,999	5,999
Stock issuance cost	626	15,814
Loss on consumption tax	2,243	-
Other, net	319	906
Total non-operating expenses	16,839	34,240
Ordinary income (loss)	(803,604)	(1,067,104)
Income (loss) before income taxes	(803,604)	(1,067,104)
Income taxes-current	951	950
Total income taxes	951	950
Net income (loss)	(804,555)	(1,068,054)

(3) Non-consolidated Statements of Changes in Shreholder's Equity

Previous fiscal year (from May 1, 2012 to April 30, 2013)

(Thousands of yen)

	Shareholders' equity							Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings				
Balance at the beginning of period	2,069,600	2,059,600	2,059,600	(1,042,102)	(1,042,102)	(59)	3,087,038	19,276	3,106,315
Changes of items during the period									
Issuance of new shares	69,800	69,800	69,800				139,600		139,600
Net income (loss)				(804,555)	(804,555)		(804,555)		(804,555)
Purchase of treasury stock									
Net changes of items other than shareholders' equity								14,403	14,403
Total changes of items during the period	69,800	69,800	69,800	(804,555)	(804,555)	—	(664,955)	14,403	(650,552)
Balance at the end of period	2,139,400	2,129,400	2,129,400	(1,846,657)	(1,846,657)	(59)	2,422,082	33,680	2,455,762

This Fiscal year (from May 1, 2013 to April 30, 2014)

(Thousands of yen)

	Shareholders' equity							Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings				
Balance at the beginning of period	2,139,400	2,129,400	2,129,400	(1,846,657)	(1,846,657)	(59)	2,422,082	33,680	2,455,762
Changes of items during the period									
Issuance of new shares	1,199,357	1,199,260	1,199,260				2,398,618		2,398,618
Net income (loss)				(1,068,054)	(1,068,054)		(1,068,054)		(1,068,054)
Purchase of treasury stock									
Net changes of items other than shareholders' equity								194,448	194,448
Total changes of items during the period	1,199,357	1,199,260	1,199,260	(1,068,054)	(1,068,054)	—	1,330,564	194,448	1,525,012
Balance at the end of period	3,338,757	3,328,660	3,328,660	(2,914,712)	(2,914,712)	(59)	3,752,647	228,128	3,980,775

(4) Notes to Non-consolidated Financial Statements

(Notes to going concern assumptions)

Not applicable.