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On **April 14, 2020**, 3-D Matrix Ltd. (3DM) announced the issue of stock acquisition rights and unsecured convertible bonds with stock acquisition rights.

The company announced that it would be issuing the 2nd and 3rd tranches of unsecured convertible bonds with stock acquisition rights, as well as the 24th tranche of warrants (with a provision for exercise price revision) and the 25th tranche of warrants, all of which are to be placed via a third-party allocation.

At a Board of Directors' meeting held on April 14, 2020, the company resolved to change the terms and conditions of the 1st tranche of unsecured convertible bonds with stock acquisition rights ("1st warrant bonds") and the 21st and 23rd tranches of warrants (individually or collectively, "existing securities") held by CVI Investments, Inc. ("scheduled allottee").

The company plans to acquire and retire the remaining existing securities and issue to the scheduled allottee via third-party allocation the 2nd tranche of unsecured convertible bonds with stock acquisition rights ("2nd warrant bonds") and the 3rd tranche of unsecured convertible bonds with stock acquisition rights ("3rd warrant bonds"; individually or collectively "the warrant bonds") and the 24th and 25th tranches of warrants (individually or collectively "the warrants"; the warrant bonds and the warrants individually or collectively referred to as "the newly issued securities.") The company also resolved to conclude a sale and purchase agreement relating to the newly issued securities after its notification under the Financial Instruments and Exchange Act takes effect.

The maximum number of shares issued if all the warrant bonds were converted at the initial exercise price is 4,535,000 and the number of shares issued if all the warrants were exercised is 9,950,000 for a total of 14,485,000. However, the maximum number of shares issued if all the warrant bonds were converted at the minimum conversion price is 9,032,000, bringing the total to 18,982,000. Dilution would be 48.2% based on the number of outstanding shares as of October 31, 2019 of 30,037,000 (300,311 voting rights), or 63.2% if the all the warrant bonds were converted at the minimum conversion price.

Funds to be raised

Funds to be raised	JPY4,254mn
Estimated expenses associated with the issuance	JPY35mn
Estimated net proceeds	JPY4,218mn

Specific use of funds to be raised

The specific use and expenditure schedule of the funds raised by the issue of the warrant bonds are summarized below.

Specific use	Amount (JPYmn)	Expenditure schedule
Purchase of existing securities	1,095	April 2020
To cover expenses for sourcing raw materials and to improve manufacturing costs, as well as expenses related to development of the hemostat and other pipeline drugs	305	May 2020–July 2023
Total	1,400	

The specific use and expenditure schedule of the funds raised by the issue of the warrants are summarized below.

Specific use	Amount (JPYmn)	Expenditure schedule
To cover expenses for sourcing raw materials and to improve manufacturing costs, as well as expenses related to development of the hemostat and other pipeline drugs	972	May 2020–July 2023
To cover expenses related to the pre-launch promotion, establishment of manufacture and sales structure, and post-marketing surveillance of the hemostat in Japan	200	May 2020–July 2023
To cover expenses for establishment of sales structure and marketing-related expenses in Canada	170	May 2020–July 2023

To cover expenses related to enhancing sales structure in the US	167	May 2020–July 2023
Business operation expenses	753	May 2020–July 2023
To cover R&D expenses for work on drug delivery systems (for manufacture and R&D of nucleic acid medicines and BNCT)	556	May 2020–July 2023
Total	2,818	

Overview of subscription

Overview of warrant bonds (2nd and 3rd warrant bonds)

Payment date	April 30, 2020
Total number of warrants	80 units 2nd warrant bonds: 40 units 3rd warrant bonds: 40 units
Issue price of bonds and attached warrants	Bonds: JPY1,400mn (JPY100 per JPY100 of face value) 2nd warrant bonds: JPY700mn 3rd warrant bonds: JPY700mn Warrants: Payment not required for exchange of warrants
Number of shares underlying the warrants	4,535,000 shares 2nd warrant bonds: JPY2,381,000 shares This is the largest number of shares that could be issued if the bonds were converted at the initial conversion price of JPY294. The lower limit for the conversion price of JPY155 would result in 4,516,000 new shares being issued. 3rd warrant bonds: 2,154,000 shares This is the largest number of shares that could be issued if the bonds were converted at the initial conversion price of JPY325. The lower limit for the conversion price of JPY155 would result in 4,516,000 new shares being issued.
Funds to be raised	JPY1,400mn
Conversion price and conversion price revision provision	Initial conversion price 2nd warrant bonds: JPY294 3rd warrant bonds: JPY325 On the designated price revision dates for the 2nd warrant bonds (October 30, 2020, April 30, 2021, October 30, 2021, April 30, 2022, October 30, 2022, April 30, 2023, October 30, 2023, and April 30, 2024; “2nd CB price revision date”), the company shall take the average of two lowest prices from the volume-weighted average price of the company’s common shares during regular trading on the Tokyo Stock Exchange for the 15 trading days prior to that date, and multiply that figure by 0.90. Should the figure calculated in this manner be one or more yen lower than the effective conversion price the day immediately prior to the 2nd CB price revision date, then it shall become the new conversion price following the 2nd CB price revision date. However, in the event the revised conversion price as calculated on the 2nd CB price revision date is less than the minimum conversion price, the conversion price shall be set at the minimum conversion price. On the designated price revision dates for the 3rd warrant bonds (January 30, 2021, July 30, 2021, January 30, 2022, July 30, 2022, January 30, 2023, July 30, 2023, January 30, 2024, and July 30, 2024, “3rd CB price revision date”), the company shall take the average of two lowest prices from the volume-weighted average price of the company’s common shares during regular trading on the Tokyo Stock Exchange for the 15 trading days prior to that date, and multiply that figure by 0.90. Should the figure calculated in this manner be one or more yen lower than the effective conversion price the day immediately prior to the 3rd CB price revision date, then it shall become the new conversion price following the 3rd CB price revision date. However, in the event the revised conversion price as calculated on the 3rd CB price revision date is less than the minimum conversion price, the conversion price shall be set at the minimum conversion price.
Subscription or allocation method	Third-party allocation
Scheduled allottee	CVI Investments, Inc.
Interest rate and maturity date	Interest rate: No interest paid Maturity dates:

	2nd warrant bonds: May 8, 2024 3rd warrant bonds: August 7, 2024
Redemption value	JPY100 per JPY100 of face value

Overview of the warrants (24th and 25th tranches of warrants)

Allotment date	April 30, 2020
Number of warrants to be issued	99,500 units 24th tranche: 78,500 units 25th tranche: 21,000 units
Issue price	Total amount: JPY15mn 24th tranche: JPY180 per unit 25th tranche: JPY22 per unit
Number of shares underlying the warrants	9,950,000 shares (each warrant in the 24th and 25th tranches represents right to buy 100 shares) 24th tranche: 7,850,000 shares 25th tranche: 2,100,000 shares The maximum exercise price for the 25th tranche of warrants is JPY309; the dilution resulting from the exercise of the 25th tranche will not change even if the warrants are exercised at the maximum exercise price. The minimum exercise price for the 24th and 25th tranches of warrants is JPY155; the dilution resulting from the exercise of the 24th and 25th tranches will not change even if the warrants are exercised at the minimum exercise price.
Funds to be raised	JPY2,584mn
Exercise price and exercise price revision provision	Initial exercise price 24th tranche: JPY279 25th tranche: JPY309 In the case of the 24th tranche of warrants, the first exercise price revision date will be May 1, 2020, and on every Friday thereafter (“24th warrant price revision date”), the company shall take the average of two lowest prices from the volume-weighted average price of the company’s common shares during regular trading on the Tokyo Stock Exchange for the 15 trading days prior to that date, multiply that figure by 0.90 and rounding up to the nearest yen (“price on 24th tranche price revision date”). Should the figure calculated in this manner be one or more yen higher or lower than the effective exercise price the day immediately prior to the 24th tranche price revision date, then it shall become the new exercise price following the 24th tranche price revision date. On the designated price revision dates for the 25th tranche of warrants (January 1, 2021, July 1, 2021, January 1, 2022, July 1, 2022, January 1, 2023, July 1, 2023, January 1, 2024, and July 1, 2024; “25th tranche price revision date”), the company shall take the average of two lowest prices from the volume-weighted average price of the company’s common shares during regular trading on the Tokyo Stock Exchange for the 15 trading days prior to that date, multiply that figure by 0.90 and rounding up to the nearest yen (“price on 25th tranche price revision date”). Should the figure calculated in this manner be one or more yen higher or lower than the effective exercise price the day immediately prior to the 25th tranche price revision date, then it shall become the new exercise price following the 25th tranche price revision date. However, should the exercise price calculated in this manner be less than the minimum exercise price of JPY155 as established under the revised terms and conditions for the issue above, the minimum exercise price shall become the exercise price following the exercise price revision date.
Subscription or allotment method	Third-party allocation
Scheduled allottee	CVI Investments, Inc.
Limitations on exercise volume	Outside of designated exceptions, should the number of shares that would be issued as a result of the requested exercise of the 24th tranche of warrants during any individual calendar month exceed 10% of the number of company shares outstanding as of April 30,2020, the request of the exercise for those shares that exceed the 10% limit shall not be granted.

Overview of purchase and retirement of warrant bonds

- ▷ Name of issues: 1st tranche of unsecured convertible bonds with stock acquisition rights
- ▷ Purchase price: JPY100 per JPY100 face value (total: JPY1,038mn)
- ▷ Face value remaining after retirement: JPY0

- Purchase and retirement date: April 30, 2020

Overview of purchase and retirement of warrants

- Name of issues: 21st and 23rd tranches of warrants
- Purchase price: JPY558 per warrant (total: JPY5mn) for the 21st tranche and JPY320 per warrant (total: JPY7mn) for the 23rd tranche of warrants
- Number of warrants remaining after retirement: 0
- Purchase and retirement date: April 30, 2020

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Contact Details

Shared Research Inc.
3-31-12 Sendagi Bunkyo-ku Tokyo, Japan
https://sharedresearch.jp
Phone: +81 (0)3 5834-8787
Email: info@sharedresearch.jp